

**TOWN OF WAYLAND**  
**MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

YEARS ENDED JUNE 30, 2019 AND 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Town of Wayland Municipal Affordable Housing Trust Fund

### Additional Offices:

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") as of and for the years ended June 30, 2019 and 2018, as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The Trust's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the Town of Wayland Municipal Affordable Housing Trust Fund, as of June 30, 2019 and 2018, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Melanson Heath*

September 4, 2019

# **Town of Wayland Municipal Affordable Housing Trust Fund**

## **Management's Discussion and Analysis (MD&A)**

YEARS ENDED JUNE 30, 2019 AND 2018

### **Introduction**

The Trustees of the Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") offer readers of the Trust's financial statements this narrative overview and analysis of its financial activities for the years ended June 30, 2019 and 2018. The Trustees encourage readers to read the information presented here in conjunction with additional information that is included in the Trust's financial statements, which follow this narrative.

### **Organizational Overview and Purpose**

The Trust was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The Trust is governed by a Board of Trustees (the "Trustees") consisting of seven members appointed by the Board of Selectmen of the Town of Wayland. At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority ("WHA"); (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership; (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Wayland (the "Town") for the benefit of low- and moderate-income households.

### **Financial Highlights**

The Trust's accrual basis net position at June 30, 2019 and 2018 was \$1,393,164 and \$1,293,144, respectively, and its aggregate governmental fund balances at June 30, 2019 and 2018 were \$934,885 and \$845,929, respectively.

On September 19, 2017, the Trust acquired an existing four-bedroom single family house and approximately 0.4 acres of land at 11 Hammond Road, Wayland, MA ("Hammond Road") for a purchase price of \$390,000. In connection with the acquisition, the Trust incurred \$14,980 of due diligence and closing costs.

During the years ended June 30, 2019 and 2018, the Trust incurred capital improvement costs of \$11,064 and \$42,235, respectively, and project expenses of \$10,797 and \$7,246, respectively.

On June 1, 2019, the Trust and the WHA entered into a 30-year lease of Hammond Road ("Hammond Road Lease"). The Trust will receive fixed rent of \$1.00 per annum and is entitled to receive percentage rent equal to seventy-five (75%) of the annual net cash flow, if any, received by the WHA from the sublease of Hammond Road. Pursuant to the Hammond Road Lease, the Trust has certain ongoing funding requirements. As of June 30, 2019, the WHA is in the process of marketing the property for

sublease to low- and moderate-income tenants that meet certain financial and other required qualifications.

On June 28, 2019, the Trust, WHA, Town (together, the "Town Parties") and Department of Housing and Community Development ("DHCD") entered into a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") pursuant to which the Town Parties agreed to restrict the rental of Hammond Road to an "eligible tenant", i.e., a family whose annual income does not exceed eighty percent (80%) of the area median income adjusted for family size as determined by the U.S. Department of Housing and Urban Development. Subject to continued compliance with the Regulatory Agreement, DHCD approved Hammond Road as a "local action unit" within its Local Initiative Program which means Hammond Road will be included in the Town's certified inventory of low- and moderate-income units under M.G.L. c. 40B.

During the years ended June 30, 2019 and 2018, the Trust received revenues and other funding from the following sources:

- 1) The Town contributed \$104,375 and \$96,620, respectively, of community housing funds to the Trust from the Town's Community Preservation Fund ("CPF") pursuant to votes at the 2019 and 2018 Annual Town Meetings, respectively. Contributions from the Town's CPF are reported as restricted funds as the use of such funds must be used for "community housing" as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act ("CPA") and use of such funds is further subject to the CPA's restrictions and limitations; and
- 2) Interest income of \$13,269 and \$9,115, respectively, was earned on deposits held in two savings accounts and various nonnegotiable certificates of deposit at The Village Bank.

During the years ended June 30, 2019 and 2018, the Trust incurred administrative expenses of \$6,827 and \$5,747, respectively.

All other revenues and contributions from the Town, together with interest earned thereon, also have been classified as "restricted" for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C. The total fund balance amount is restricted by the enabling legislation.

### **Overview of the Financial Statements**

The Trust's financial statements consist of three components: (i) accrual basis financial statements; (ii) governmental fund financial statements; and (iii) notes to the financial statements.

Accrual basis financial statements - The accrual basis financial statements are designed to provide readers with a broad overview of the Trust's finances in a manner similar to a private-sector business.

The accrual basis Statements of Net Position present information on all assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The accrual basis Statements of Activities present information showing how the Trust's net position changed during the fiscal years ended June 30, 2019 and 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Governmental fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the accrual basis and governmental fund financial statements.

The Trust is a discretely presented component unit of the Town of Wayland, MA and included in the Town's Comprehensive Annual Financial Report.

**Request for Information**

The financial statements are designed to provide a general overview of the Trust for those with an interest in the Trust's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Wayland's Finance Director at 41 Cochituate Road, Wayland, MA 01778.

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

STATEMENTS OF NET POSITION  
GOVERNMENTAL ACTIVITIES - ACCRUAL BASIS  
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 128,662	\$ 245,772
Investments	809,493	606,032
Other receivables	15	-
Due from Town of Wayland	889	-
Total current assets	<u>939,059</u>	<u>851,804</u>
Noncurrent:		
Capital assests:		
Non-depreciable	252,444	252,444
Depreciable	<u>205,835</u>	<u>194,771</u>
Total noncurrent assets	<u>458,279</u>	<u>447,215</u>
Total assets	<u><u>\$ 1,397,338</u></u>	<u><u>\$ 1,299,019</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities:		
Current:		
Accounts payable and accrued expenses	\$ 4,174	\$ 5,746
Due to Town of Wayland	-	129
Total current liabilities	<u>4,174</u>	<u>5,875</u>
Total liabilities	<u>4,174</u>	<u>5,875</u>
Net Position:		
Net investment in capital assets	458,279	447,215
Restricted	<u>934,885</u>	<u>845,929</u>
Total net position	<u>1,393,164</u>	<u>1,293,144</u>
Total liabilities and net position	<u><u>\$ 1,397,338</u></u>	<u><u>\$ 1,299,019</u></u>

The accompanying notes are an integral part of these financial statements.



**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

STATEMENTS OF ACTIVITY  
GOVERNMENTAL ACTIVITIES - ACCRUAL BASIS  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Governmental Activity:</b>		
Program Revenues:		
Contributions - Town of Wayland	\$ 104,375	\$ 96,620
Total program revenues	<u>104,375</u>	<u>96,620</u>
Expenses	<u>(17,624)</u>	<u>(12,993)</u>
Net revenues	<u>86,751</u>	<u>83,627</u>
 <b>General Revenue:</b>		
Investment income	<u>13,269</u>	<u>9,115</u>
Total general revenues	<u>13,269</u>	<u>9,115</u>
 Change in net position	 100,020	 92,742
 Net position, at beginning of year	 <u>1,293,144</u>	 <u>1,200,402</u>
Net position, end of year	<u>\$ 1,393,164</u>	<u>\$ 1,293,144</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

GOVERNMENTAL FUND  
BALANCE SHEETS  
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 128,662	\$ 245,772
Investments	809,493	606,032
Other receivables	15	-
Due from Town of Wayland	889	-
Total assets	\$ 939,059	\$ 851,804
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,174	\$ 5,746
Due to Town of Wayland	-	129
Total liabilities	4,174	5,875
 Fund balances:		
Restricted	934,885	845,929
Total fund balances	934,885	845,929
Total liabilities and fund balances	\$ 939,059	\$ 851,804

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

RECONCILIATIONS OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENTS OF NET POSITION  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Total governmental fund balances</b>	\$ 934,885	\$ 845,929
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	<u>458,279</u>	<u>447,215</u>
<b>Net position of governmental activities</b>	<u>\$ 1,393,164</u>	<u>\$ 1,293,144</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

GOVERNMENTAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Investment income	\$ 13,269	\$ 9,115
Contributions	104,375	96,620
Total revenues	117,644	105,735
<b>EXPENDITURES</b>		
Project expenditures	21,861	454,461
Administrative expenditures	6,827	5,747
Total expenditures	28,688	460,208
Net change in fund balances	88,956	(354,473)
Fund balances, at beginning of year	845,929	1,200,402
Fund balances, end of year	\$ 934,885	\$ 845,929

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAYLAND  
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Net changes in fund balances - total government fund</b>	\$ 88,956	\$ (354,473)
Government fund reports capital outlays as expenditures. However, in the Statements of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	<u>11,064</u>	<u>447,215</u>
<b>Change in net position of governmental activities</b>	<u>\$ 100,020</u>	<u>\$ 92,742</u>

The accompanying notes are an integral part of these financial statements.

Town of Wayland  
Municipal Affordable Housing Trust Fund  
June 30, 2019 and 2018  
Notes to Financial Statements

**1. Organization and Purpose**

The Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Wayland for the benefit of low- and moderate-income households.

The Trust is governed by a Board of Trustees (the "Trustees") consisting of seven members appointed by the Board of Selectmen of the Town of Wayland. At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority; (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership; (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

As of June 30, 2019 and 2018, there was a vacancy on the Board of Trustees due to the prior resignation of the Wayland Housing Partnership's representative.

The Town of Wayland Treasurer/Collector is currently serving as the custodian of the Trust's funds which are held in two savings accounts and various certificates of deposit at The Village Bank, and the Town of Wayland's Finance Director maintains books and records for the Trust within the Town of Wayland's financial reporting system.

The Trust shall continue so long as authorized under the Laws of the Commonwealth of Massachusetts. Notwithstanding the foregoing, the Trust may be terminated by the Town of Wayland's rescission of its acceptance of the provisions of Chapter 491 of the Acts of 2004, as amended, by majority vote at an annual meeting of the Town pursuant to M.G.L. c. 4, §4B.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

**Basis of Presentation**

The Trust's basic financial statements consist of accrual basis financial statements that describe the Trust's overall financial position and changes in financial position, and governmental fund financial statements that provide a more detailed level of financial information.

Accrual Basis Financial Statements

The accrual basis financial statements, composed of the Statements of Net Position and the Statements of Activities, are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets.

Town of Wayland  
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Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as capital assets. Expenditures are recorded when a liability is incurred.

**Components of Net Position**

Net position in the accrual basis Statements of Net Position is required to be classified into the following three components:

- i. Net Investment in capital assets – the portion of net position that consists of capital assets, net of related accumulated depreciation;
- ii. Restricted – the portion of net position that has constraints placed on its use which are either (A) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (B) imposed by law, through constitutional provisions or enabling legislation, or by other binding documents, e.g., the Declaration of Trust; and
- iii. Unrestricted – the portion of net position that does not meet the definition of either net investment in capital assets or restricted.

**Fund Balance Components**

Fund balance in the governmental fund Balance Sheets is divided into five classifications based primarily on the extent to which the Trust is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of resources are either (i) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (ii) imposed by law, through constitutional provisions or enabling legislation, or by other binding documents, e.g., the Declaration of Trust.

Enabling legislation may include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Trust can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal action of the Trustees. Those committed amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action they employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints

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imposed on the use of committed amounts are imposed by the Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Trust for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

*Unassigned* - The unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Trust applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### **Use of Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles may require the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financials, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### **Cash and Cash Equivalents**

For financial statement purposes, the Trust considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

#### **Investments**

Investments in nonparticipating contracts, such as nonnegotiable certificates of deposit, are reported at cost. Other investments, if any, are carried at fair market value.

At June 30, 2019 and 2018, the Trust's investments are comprised solely of nonnegotiable certificates of deposit issued by The Village Bank ("NCDs").

#### **Capital Assets**

Capital assets, which include land, land improvements, buildings, building improvements, and equipment, are reported in the accrual basis financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost cannot be determined. Donated capital assets, if any, are recorded at acquisition value.

All costs related to acquisitions and capital improvements with expected useful lives of greater than five years are capitalized.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws, starting with the year in which the assets are placed in service.



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The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements .....	40
Land improvements .....	20
Equipment .....	5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred.

**Contributions**

Contributions from the Town of Wayland’s Community Preservation Fund (“CPF”) are reported as restricted funds as the use of such funds must be used for “community housing” as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act (“CPA”) and use of such funds is further subject to the CPA’s restrictions and limitations. Contributions from the Town of Wayland’s general fund are also classified as “restricted” for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C.

**3. Cash and Cash Equivalents**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Trust’s deposits may not be returned. M.G.L. c. 44 §55 limits the Trust’s deposits “in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town’s investment policy requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation for any financial institution in which the Town places investments. Due diligence includes reviewing the institution’s financial statements and the background of the sales representatives. The Town minimizes the concentration of credit risk by diversifying the investment portfolio among financial institutions. The policy prohibits the investment of more than ten percent (10%) of cash combined from all Town’s funds in any single financial institution that is not fully collateralized. The Trust does not have a separate custodial credit risk policy.

As of June 30, 2019 and 2018, deposits in excess of FDIC (Federal Deposit Insurance Corporation) limits were insured by SIF (Share Insurance Fund).

**4. Investments**

*a. General*

Upon advice received from the Town of Wayland’s town counsel, the Trust is considered a separate legal entity and, therefore, is not subject to the Town’s investment policies. Nonetheless, the Trustees have determined that it is prudent to have the Town’s

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Treasurer/Collector manage the Trust's liquid assets, where possible, in accordance with the Town's investment policy.

*b. Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, M.G.L. c. 44 § 55 limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Trust investments in the NCDs are exempt from this disclosure.

*c. Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy for investments mirrors the custodial credit risk policy for deposits (see Note 3 "*Custodial Credit Risk - Deposits*").

As of June 30, 2019 and 2018, the amount of the NCDs in excess of FDIC limits was insured by SIF.

*d. Concentration of Credit Risk*

The Town minimizes Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There are no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments of the Town.

As of June 30, 2019 and 2018, the Trust's investments are limited to the NCDs (see "*Custodial Credit Risk*" above).

*e. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by managing duration in the account. The Town's investment policy requires investment of operating funds to have maturity of one year or less from the date of purchase.

*f. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy prohibits exposure to foreign currency.

As of June 30, 2019 and 2018, the Trust has no exposure to foreign currency.

*g. Fair Value*

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

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Per GASB 72, fair value measurement exceptions include the nonparticipating interest earning investment contracts, which have a cost based measurement under GASB 31, paragraph 8. The Trust reports the NCDs on a cost basis.

During the years ended June 30, 2019 and 2018, the Trustees determined that a portion of the Trust's cash was not required for near term operations and, therefore, instructed the Town's Treasurer/Collector to invest such excess cash in NCDs. Upon maturity, the accrued interest was deposited in the Trust's savings accounts at The Village Bank and the principal was reinvested in NCDs.

The following tables summarize the NCDs held by the Trust:

As of June 30, 2019:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
September 7, 2019	2.25%	\$100,000	\$2,450
January 5, 2020	2.25%	200,000	281
January 6, 2020	2.85%	100,000	1,601
February 14, 2020	2.85%	<u>400,000</u>	<u>5,161</u>
Totals		<u>\$800,000</u>	<u>\$9,493</u>

As of June 30, 2018:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
August 28, 2018	0.50%	\$100,000	\$ 45
January 14, 2019	1.49%	400,000	5,802
September 7, 2019	2.25%	<u>100,000</u>	<u>185</u>
Totals		<u>\$600,000</u>	<u>\$6,032</u>

## 5. Capital Assets

On September 19, 2017, the Trust acquired an existing four-bedroom single family house and approximately 0.4 acres of land at 11 Hammond Road, Wayland, MA ("Hammond Road") for a purchase price of \$390,000. In connection with the acquisition, the Trust incurred \$14,980 of due diligence and closing costs. The total acquisition cost of \$404,980 was allocated between non-depreciable land and depreciable improvements based on their relative fair value at the time of the acquisition.

During the years ended June 30, 2019 and 2018, the Trust incurred capital improvement costs of \$11,064 and \$42,235, respectively, and project expenses of \$10,797 and \$7,246, respectively. The Trust is exempt from local real estate taxes (see Note 8).

On June 1, 2019, the Trust and the WHA entered into a 30-year lease of Hammond Road ("Hammond Road Lease"). The Trust will receive fixed rent of \$1.00 per annum and is entitled to receive percentage rent equal to seventy-five (75%) of the annual net cash flow, if any, received by the WHA from the sublease of Hammond Road. Pursuant to the Hammond Road Lease, the Trust has certain ongoing funding requirements. As of June 30, 2019, the WHA is in the process of marketing the property for sublease to low- and moderate-income tenants that meet certain financial and other required qualifications (see Note 9).

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On June 28, 2019, the Trust, WHA, Town (together, the "Town Parties") and Department of Housing and Community Development ("DHCD") entered into a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") pursuant to which the Town Parties agreed to restrict the rental of Hammond Road to an "eligible tenant", i.e., a family whose annual income does not exceed eighty percent (80%) of the area median income adjusted for family size as determined by the U.S. Department of Housing and Urban Development. Subject to continued compliance with the Regulatory Agreement, DHCD approved Hammond Road as a "local action unit" within its Local Initiative Program which means Hammond Road will be included in the Town's certified inventory of low- and moderate-income units under M.G.L. c. 40B.

As of June 30, 2019 and 2018, the property had not yet been placed in service due to ongoing capital improvements and, therefore, no depreciation expense is reflected in the accrual basis financial statements (see Note 9).

The acquisition, acquisition related expenses, capital improvements and project expenses were funded with cash held in the Trust's savings accounts.

**6. Contributions from the Town of Wayland**

On May 20, 2019, the Town of Wayland contributed \$104,375, which was authorized by the vote of the 2019 Annual Town Meeting under Article 8 of the Warrant therefor, to the Trust.

On April 25, 2018, the Town of Wayland contributed \$96,620, which was authorized by the vote of the 2018 Annual Town Meeting under Article 10 of the Warrant therefor, to the Trust.

The funds authorized at the 2019 and 2018 Annual Town Meetings, which were contributed from funds set aside in the Town of Wayland's CPF for community housing, were deposited in a separate savings account maintained by the Town, for the benefit of the Trust, at The Village Bank (see Notes 2 and 3).

During the years ended June 30, 2019 and 2018, the Trust invested an aggregate of \$400,000 and \$300,000, respectively, of the amounts previously held in the special savings account noted above in NCDs which are identified as having been funded with funds received from the Town of Wayland's CPF (see Notes 2 and 4).

**7. Related Party Transactions**

During the years ended June 30, 2019 and 2018, the Trust reimbursed \$4,781 and \$1,382, respectively, of out of pocket expenses related to miscellaneous improvements at Hammond Road which were incurred by one of the Trustees and a company affiliated with one of the Trustees, respectively.

**8. Income and Other Taxes**

Upon prior advice received from the Town of Wayland's town counsel, the Trust is exempt from federal income taxes by virtue of its status as an "instrumentality" of the Town of Wayland. To date, the Trust has not sought a private letter ruling from the Internal Revenue Service with respect to its status for federal income tax purposes and it is uncertain whether or not the Trust will do so in the future.

On September 11, 2015, the Trust timely filed its initial Form 1041, *U.S. Income Tax Return for Estates and Trusts*, for the taxable period October 8, 2014 to December 31, 2014, on which the

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Trust disclosed its tax-exempt status and indicated that no further tax returns will be filed by the Trust. No tax returns were filed for any subsequent taxable years.

Pursuant to M.G.L. c. 44, §55C(g), the Trust is exempt from the provisions of M.G.L. c. 59 and 62, and from any other provisions of law concerning payment of taxes based upon or measured by property or income imposed by the Commonwealth of Massachusetts or the Town. Accordingly, no real estate taxes have been paid on Hammond Road.

**9. Subsequent Events**

The Trust has evaluated subsequent events through September 4, 2019, the date on which these financial statements were available to be issued.

On July 1, 2019, following the completion of various ongoing capital improvements, Hammond Road was placed into service.

On August 13, 2019, the Trustee that was a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts resigned.

Effective September 1, 2019, the WHA entered into a one-year sublease of Hammond Road with an “eligible tenant” as defined in the Regulatory Agreement.