



TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report
and Supplementary Information
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Needham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the Town), as of and for the year ended June 30, 2022, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts, as of June 30, 2022, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2021) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Needham, Massachusetts’s basic financial statements. The budgetary comparison schedules for proprietary funds appearing on pages 82 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson", enclosed within a thin yellow rectangular border.

Merrimack, New Hampshire
May 18, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources 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 Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, building design and construction, health and human services, and culture and recreation. The business-type activities include sewer and water activities.

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. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer and water operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured workers compensation programs and property and casualty insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A complete copy of the Needham Contributory Retirement System financial statements can be obtained from the Retirement Board at Town Hall, 1471 Highland Avenue, Needham, Massachusetts 02492.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America, and other supplementary information.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$214,801,839, a change of \$38,094,657, and net position in business-type activities was \$63,295,265, a change of \$675,049.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$93,545,380, a change of \$11,250,432 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$29,383,540 a change of \$1,320,486 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	Net Position Summary (000s)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:						
Current and other assets	\$ 116,168	\$ 107,304	\$ 20,317	\$ 18,355	\$ 136,485	\$ 125,659
Capital assets	<u>384,083</u>	<u>375,554</u>	<u>56,013</u>	<u>57,853</u>	<u>440,096</u>	<u>433,407</u>
Total assets	500,251	482,858	76,330	76,208	576,581	559,066
Deferred outflows of resources	<u>35,118</u>	<u>31,621</u>	<u>710</u>	<u>764</u>	<u>35,828</u>	<u>32,385</u>
Total assets and deferred outflows of resources	\$ <u>535,369</u>	\$ <u>514,479</u>	\$ <u>77,040</u>	\$ <u>76,972</u>	\$ <u>612,409</u>	\$ <u>591,451</u>
Liabilities:						
Long-term liabilities	\$ 260,358	\$ 287,512	\$ 11,802	\$ 13,237	\$ 272,160	\$ 300,749
Notes payable	-	-	-	-	-	-
Other liabilities	<u>16,670</u>	<u>19,849</u>	<u>415</u>	<u>395</u>	<u>17,085</u>	<u>20,244</u>
Total liabilities	277,028	307,361	12,217	13,632	289,245	320,993
Deferred inflows of resources	43,540	30,411	1,528	720	45,068	31,131
Net position:						
Net investment in capital assets	246,539	238,173	47,556	48,527	294,095	286,700
Restricted	23,964	19,568	-	-	23,964	19,568
Unrestricted	<u>(55,702)</u>	<u>(81,034)</u>	<u>15,739</u>	<u>14,093</u>	<u>(39,963)</u>	<u>(66,941)</u>
Total net position	<u>214,801</u>	<u>176,707</u>	<u>63,295</u>	<u>62,620</u>	<u>278,096</u>	<u>239,327</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>535,369</u>	\$ <u>514,479</u>	\$ <u>77,040</u>	\$ <u>76,972</u>	\$ <u>612,409</u>	\$ <u>591,451</u>

Changes in Net Position Summary (000s)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 14,580	\$ 11,725	\$ 16,360	\$ 16,899	\$ 30,940	\$ 28,624
Operating grants and contributions	56,625	47,325	-	-	56,625	47,325
Capital grants and contributions	65	913	-	-	65	913
General revenues:						
Property taxes	173,522	164,611	-	-	173,522	164,611
Excises	6,040	4,925	-	-	6,040	4,925
Penalties, interest and other taxes	2,086	1,278	-	-	2,086	1,278
Grants and contributions not restricted to specific programs	3,050	2,610	-	-	3,050	2,610
Investment income	106	1,161	23	23	129	1,184
Other	269	671	5	-	274	671
Total revenues	<u>256,343</u>	<u>235,219</u>	<u>16,388</u>	<u>16,922</u>	<u>272,731</u>	<u>252,141</u>
Expenses:						
General government	9,686	11,978	-	-	9,686	11,978
Public safety	23,664	26,327	-	-	23,664	26,327
Education	145,984	148,580	-	-	145,984	148,580
Public works	25,158	30,335	-	-	25,158	30,335
Building design and construction	433	659	-	-	433	659
Health and human services	3,146	3,703	-	-	3,146	3,703
Culture and recreation	4,377	4,339	-	-	4,377	4,339
Interest on long-term debt	3,965	3,574	-	-	3,965	3,574
Intergovernmental	1,572	1,522	-	-	1,572	1,522
Other unallocated costs	1,144	1,122	-	-	1,144	1,122
Sewer operations	-	-	8,857	8,519	8,857	8,519
Water operations	-	-	5,975	4,370	5,975	4,370
Total expenses	<u>219,129</u>	<u>232,139</u>	<u>14,832</u>	<u>12,889</u>	<u>233,961</u>	<u>245,028</u>
Change in net position before transfers	37,214	3,080	1,556	4,033	38,770	7,113
Transfers	<u>881</u>	<u>984</u>	<u>(881)</u>	<u>(984)</u>	<u>-</u>	<u>-</u>
Change in net position	38,095	4,064	675	3,049	38,770	7,113
Net position - beginning of year	<u>176,707</u>	<u>172,643</u>	<u>62,620</u>	<u>59,571</u>	<u>239,327</u>	<u>232,214</u>
Net position - end of year	<u>\$ 214,802</u>	<u>\$ 176,707</u>	<u>\$ 63,295</u>	<u>\$ 62,620</u>	<u>\$ 278,097</u>	<u>\$ 239,327</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position \$294,095,653 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, infrastructure, works of art, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

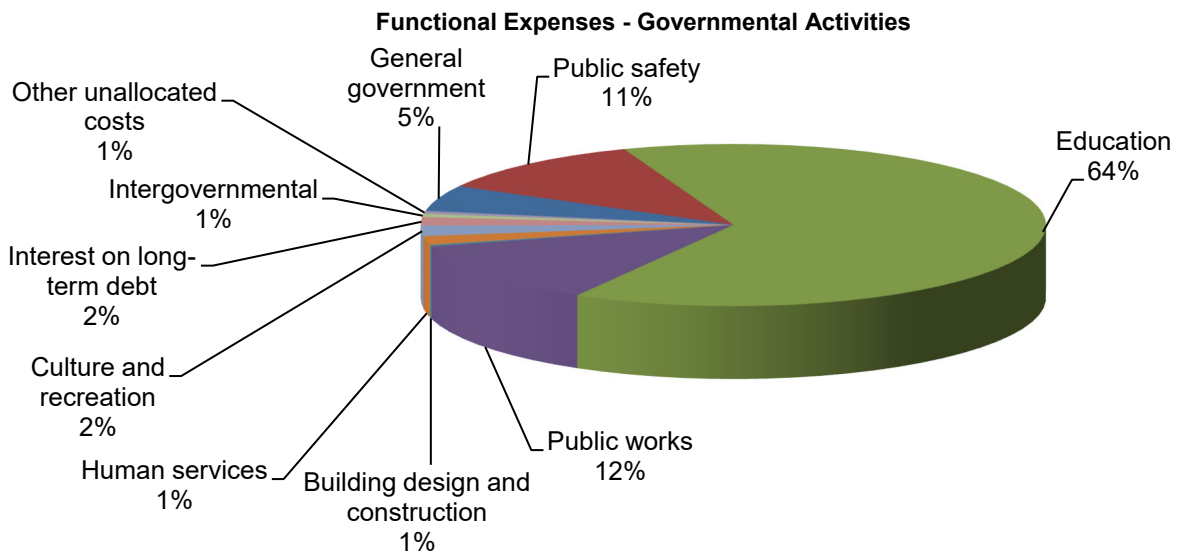
provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$23,964,123 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(39,962,672) as a result of our net pension and net OPEB liabilities.

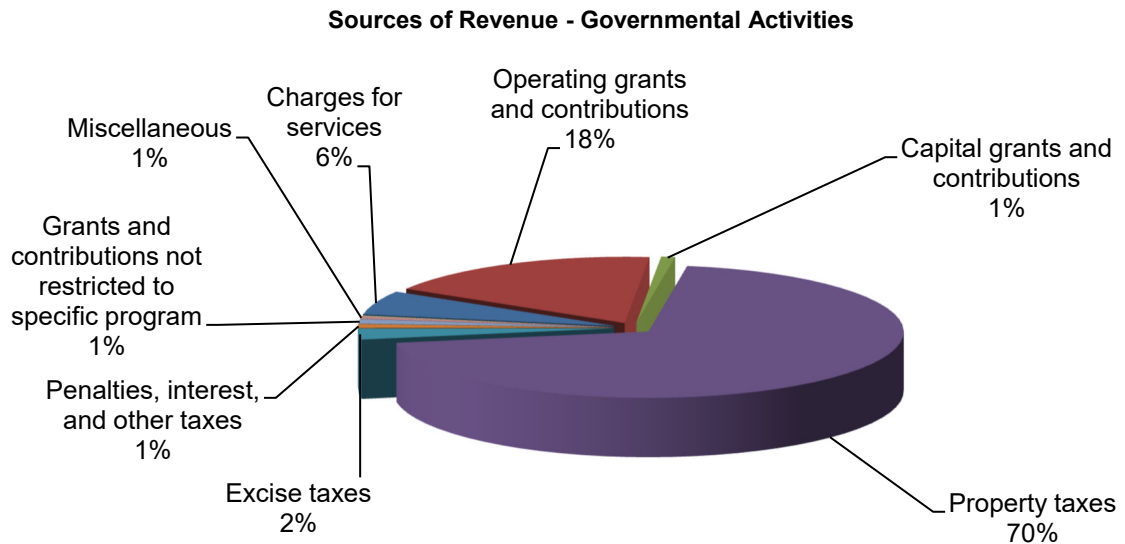
Governmental Activities

The overall net position of governmental activities increased by \$38,094,657, primarily from the Town’s practice of funding capital acquisitions with current year raised revenues. The other most notable event was the reduction in pension and OPEB expense.

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services decreased by \$30.2 million over the previous year or by 13.0%.



As presented in the following graph, most of the Town’s revenue comes from property taxes. Total revenues (excluding transfers) increased by \$3.8 million over the prior year or 1.6%.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$675,049. The increase in net position is a result the Town’s continued practice of financing some capital improvements with revenues.

Financial Analysis of Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$93,545,380 a change of \$11,250,432 in comparison to the prior year. Key elements of this change include favorable results in the general fund, raising of the CPA fund revenues to be spent in future years, and the timing of issuance of long-term debt to finance multi-year projects.

General Fund

The general fund is the chief operating fund. The unassigned fund balance at June 30, 2022 was \$29,383,540 (which includes our general stabilization fund of \$4,550,112) increased by \$1,320,486. The increase primarily results from favorable budgetary results of \$15,551,022 from revenues excess of budget and unspent appropriations (page 76), less the use of free cash for fiscal year 2022 of \$13,119,955 (page 58). As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>		<u>6/30/22</u>		<u>6/30/21</u>		<u>6/30/20</u>
Unassigned fund balance:	\$	29,383,540	\$	28,063,054	\$	28,831,766
General Fund		24,833,428		23,570,661		24,466,756
Stabilization Fund		4,550,112		4,492,393		4,365,010
Total fund balance		56,348,359		52,376,805		48,669,479

	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>
Unassigned fund balance as of % of total general fund expenditures	15.7%	15.4%	17.4%
Total fund balance as of % total general fund expenditures	30.1%	28.8%	29.3%

Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System.

The total fund balance of the general fund changed by \$3,971,554 during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus and bond premium used for FY2022 appropriations	\$ (14,284,399)
Revenues and transfers in excess of budget	9,039,326
Expenditures less than budget	7,683,383
Other	<u>1,533,244</u>
Total	\$ <u>3,971,554</u>

Included in the total general fund balance are the Town's committed accounts with the following balances:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
Compensated absences	\$ 464,270	\$ 337,791	\$ 126,479
Continuing appropriations	3,248,691	3,483,861	(235,170)
Capital improvement stabilization	1,100,591	1,097,070	3,521
Capital facility stabilization	1,927,853	1,921,686	6,167
Athletic facility stabilization	978,607	270,204	708,403
Debt service stabilization	<u>2,160,996</u>	<u>2,154,083</u>	<u>6,913</u>
Total	<u>\$ 9,881,008</u>	<u>\$ 9,264,695</u>	<u>\$ 616,313</u>

Other Major Funds

Community Preservation Fund – State legislation allows property taxes and state matching funds to finance projects such as preservation of historical buildings. No significant expenditures occurred in fiscal year 2022.

Nonmajor Governmental Funds – The nonmajor governmental fund balances changed by \$5,911,498, primarily from timing differences between capital costs and funding sources.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail. The Town maintains major funds for sewer and water enterprise fund operations.

Unrestricted net position by enterprise fund at the end of the year in comparison to the prior year is shown below:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
Sewer	\$ 6,412,058	\$ 5,777,174	\$ 634,884
Water	<u>9,326,970</u>	<u>8,316,387</u>	<u>1,010,583</u>
Total	<u>\$ 15,739,028</u>	<u>\$ 14,093,561</u>	<u>\$ 1,645,467</u>

Unrestricted net position of each fund increased from positive budgetary results.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line-item amendments are made at a special

town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The operating budget was approved at \$195,800,817 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$197,339,338. There were no appropriation amendments to the operating budget for the year. However, the final state and county assessments increased by \$55,872 to \$1,581,893 for a total General Fund budget of \$197,395,210.

Table E1
General Fund

	Original	Final
Town Meeting Operating Budget Appropriation	\$195,800,817	\$195,800,817
State and County Assessments	\$1,526,021	\$1,581,893
Other Amounts to be Provided	<u>\$12,500</u>	<u>\$12,500</u>
Total	\$197,339,338	\$197,395,210

During fiscal year 2022, the Town realized revenue in excess of budget of \$7.9 million and realized budget returns of \$7.7 million. General Fund revenue in excess of budget was \$4 million higher than fiscal year 2021. The \$7.7 million budget return was higher than the fiscal year 2021 return of approximately \$6.2 million. General Fund revenue in excess of budget was higher primarily due to an earlier improvement with the local economy and the cautionary approach taken with revenue estimates for the fiscal year in recognition that concerns about COVID would slow the recovery. The budget return was also higher than the prior year by \$1.5 million. Most of the increase was the result of a higher budget return of more than \$2 million from Needham Public Schools. The School Department budget return represented 2.4% of its final budget (\$83,653,397). The return was approximately one million more than the return for fiscal year 2021 (\$1,084,860). The budget return for fiscal year 2022 was 3.9% of budget which compares to a return of 3.3% for fiscal year 2021.

Motor vehicle excise tax revenue was up 13.8% from prior year's actual receipts (\$5,837,070 for FY2022 vs \$5,129,306 for FY2021) and was higher than the actual receipts for fiscal year 2020 (\$5,679,213), but was lower than the actual receipts for fiscal year 2019 (\$6,138,951). The margin between budgeted and actual revenue was the highest it has been in many years, which was due to a combination of lowering the budget estimate out of concern that COVID would reduce demand for vehicles and the fact that demand did not decrease, but rather increased. There also has been an increase in the purchase/lease of hybrid and electric vehicles which have a higher cost which generates more excise revenue. The actual receipts for the current fiscal year were \$1.84 million over budget, which compares to \$0.13 million for fiscal year 2021. The actual receipts for fiscal year 2020 were \$0.48 million over budget and the fiscal year 2019 spread was \$1.24 million.

Table E2

	Actual FY2022	Actual FY2021	Change \$	Change %	Actual FY2020
Motor Vehicle Excise	\$5,837,070	\$5,129,306	\$707,764	13.8%	\$5,679,213
Other Local Excises	\$1,415,760	\$643,481	\$772,279	120.0%	\$1,684,874
Penalties and PILOT	\$663,304	\$638,547	\$24,758	3.9%	\$365,719
Licenses & Permits Income	\$2,771,497	\$2,068,299	\$703,199	34.0%	\$2,381,660
All Other General Revenue	<u>\$189,748,143</u>	<u>\$181,371,747</u>	<u>\$8,376,396</u>	4.6%	<u>\$169,344,292</u>
Total	\$200,435,775	\$189,851,379	\$10,584,396	5.6%	\$179,455,757

Revenue generated from other taxes, penalties, and payments in lieu of tax (PILOT) was approximately \$1.2 million over the budget for fiscal year 2022 (refer to Table E3) which compares to \$0.54 million over the budget for fiscal year 2021. The increase in revenue resulted from a stronger economy; meal and room excise revenue were higher with increased restaurant activity and increased hotel occupancy. Notable was the hotel room excise revenue, for fiscal year 2021 it was \$313,986 and fiscal year 2022 it was \$914,419, nearly a threefold increase. However, the room excise for fiscal year 2022 was lower than the \$1,185,706 received during fiscal year 2020. The meals excise revenue for fiscal year 2022 was \$501,341 compared to \$329,495 for fiscal year 2021, and the \$499,167 received for fiscal year 2020. The combination of the room and meals excise produced \$1,415,760 in receipts, an increase of 120% over the prior fiscal year total of \$643,481 (refer to Table E2). Actual receipts from penalties (\$515,391) and PILOT (\$147,913) were also higher but comparable to fiscal year 2021 respectively \$499,343 and \$139,204, together a 3.9% increase (refer to Table E2).

Total permit income for fiscal year 2022 was \$2,771,497 compared to \$2,068,299 for fiscal year 2021 and \$2,381,660 for fiscal year 2020. Construction activity in Needham has remained solid during the course of COVID-related restrictions, and had yet to slow by the end of the fiscal year. Revenue was 34% higher than fiscal year 2021 (refer to Table E2) and compared to fiscal year 2020 was 16% higher.

Table E3

	Actual FY2022	Budget FY2022	Variance FY2022	Percentage of Total*
Motor Vehicle Excise	\$5,837,070	\$4,000,000	\$1,837,070	23.3%
Other Taxes, Penalties, and PILOT	\$2,079,064	\$880,000	\$1,199,064	15.2%
Licenses & Permits	\$2,771,497	\$1,650,000	\$1,121,497	14.3%
All Other General Revenues	<u>\$189,748,143</u>	<u>\$186,038,136</u>	<u>\$3,710,007</u>	<u>47.2%</u>
Total	\$200,435,775	\$192,568,136	\$7,867,639	100.0%

* represents the percent of the total surplus that the revenue category contributed.

Overall total actual General Fund revenue for fiscal year 2022 (\$200,435,775) was \$10,584,396 more than the total for the prior fiscal year (\$189,851,379). The increase was due to the growth in property taxes with \$8.76 million more in fiscal year 2022. The increase resulted from the high New Growth tax revenue, and collections on unpaid taxes outstanding from the prior fiscal years. The total for excluded debt, which is added to the tax levy, for projects previously approved by

the voters of Needham declined for the first time in five years. The total General Fund revenue surplus for fiscal year 2022 (refer to Table E3) was \$7,867,639 which was more (\$4,004,823) than the \$3,862,816 surplus for fiscal year 2021. The combination of motor vehicle excise revenue permit and license revenue, and other local tax receipts contributed approximately 52.8% of the total General Fund surplus for fiscal year 2022, up from the 24.3% that these sources comprised in fiscal year 2021, and the 32.6% in fiscal year 2020.

The General Fund appropriated operating budget, excluding county and state assessments and other amounts to be provided, accounting for most of the expenditures, returned \$7,658,330 or approximately 3.9% of the operating budget appropriation; the return for fiscal year 2021 was \$6,199,880 or approximately 3.3% of the appropriation for that year.

Needham Public Schools returned \$2,045,756, which compares to \$1,084,860 returned for fiscal year 2021. The school budget, inclusive of a \$50,000 reserve fund transfer, for fiscal year 2022 was \$83,653,397. The budget return represents just 2.4% of the budget, but accounts for 26.7% of the total General Fund budget return. The School Department received extra funding from the State for residual costs related to COVID and special education spending. The school department also had a number of vacancies during the year which resulted in a larger budget return than usual.

The second highest dollar turnback was from the Group Health Insurance, Employee Benefits & Administrative budget in the amount of \$1,684,205, which was 10.2% of the budget. The return represents 22.0% of the total operating budget return for the year. The return resulted because the number of active health plans were down, due to the number of vacancies in the school and town departments, more employees than anticipated remain in high deductible health plans, and health insurance premium increases were less than forecasted.

The budgetary reserve fund (reserve fund) returned \$1,304,254 which represents 17.0% of the total General Fund operating budget return for the fiscal year 2022. The reserve fund budget amount returned was less than fiscal year 2021 reserve fund budget return (\$1,685,981), which was 27.2% of the total return in that year. The \$1,304,254 return of the reserve fund budget represents approximately 63% of the original voted reserve fund budget of \$2,077,091. There were four draws on the reserve fund during fiscal year 2022. The first was \$50,000 to the school department for additional services requested of the consultant hired to for a feasibility study on construction options. The second transfer was for \$17,720 to the Town Clerk budget to defray expenses incurred for a special election held to fill a select board vacancy. The third transfer was for \$370,000 to the fire department for higher shift coverage costs. The fourth was the transfer to cover snow and ice removal expenses above the base budget. The base budget for snow and ice removal was \$428,850 which was supplemented by a \$335,117 transfer from the reserve fund for a total available budget of \$763,967 to cover expenses. The actual expense for the year was \$727,028. The Town usually incurs expenses for snow and ice removal that exceed the annual budgeted amount, and the overage is covered by a transfer from the reserve fund. The snow and ice removal expense for fiscal year 2021 was \$800,711, and the expense for fiscal year 2020 was \$405,172. It was a mild winter season during fiscal year 2020 and was the first year since fiscal

year 2012 that the total expense was less than budgeted and did not require a reserve fund transfer.

The Police Department had the fourth highest budget turnback returning \$679,269 or 8.7% of its budget which compares to \$790,732 or 10.2% of its fiscal year 2021 budget. Approximately 92% of the turn back (\$626,921) was from salary and wages. The department continued to experience an ongoing higher vacancy rate as positions have turned over more often during the last few years. The challenges to filling the positions include a logjam with the civil service system, the difficulty to recruiting and retaining officers because of increased sense of public negativity towards the police profession nationally, and the lead time required for officers to be trained and certified. The operating expense line returned \$41,049 of which most was also attributed to the vacancies so fewer uniforms and other personal equipment for the officers had to be purchased. The balance (\$11,299) was from operating capital line. The department budget turnback represented approximately 8.9% of the total General Fund budget return.

The fifth highest budget dollar return came from the Department of Public Works, with a return of \$577,929 or 3.2% of the fiscal year 2022 budget. This compares to the \$138,208 returned from the fiscal 2021 budget, or 0.8% of the budget. The salary and wage expense line returned \$320,896 or approximately 56% of the total return. The combination of the expense and operating capital budget returned \$220,094 (38% of the total), and the balance of \$36,939 was from the snow and ice expense line which was not needed for those expenses. The total return from DPW represents 7.5% of the total operating budget return for the year

The other twenty-four (24) townwide expense and departmental budgets returned in total \$1,366,917 or 2.0% of their combined amended budgets for the year. However, the Needham Electric, Light & Gas Program budget ran a deficit (\$95,149) because of the increased energy cost, and additional power consumption to run air handling equipment more often in the public buildings to satisfy the COVID mitigation recommendations for public schools. Excluding the deficit, the budget return would have been \$1,462,066 or 2.1% of the related budgets. The same twenty-four budgets last year returned \$2,296,923 or 3.4% of their combined amended budgets for the year.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for governmental and business-type activities at year-end amounted to \$440,095,751 (net of accumulated depreciation), a change of \$6,688,636 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, vehicles, infrastructure, works of art and construction in progress.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

Public safety building	\$ 13,183,624
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Business-Type Activities:

Sewer system improvements	\$ 323,578
Water distribution system improvements	\$ 178,219

Debt

At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$145,484,003. The bonds are backed by the full faith and credit of the Town. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standard & Poor's to the Town debt since 2000.

Additional information on capital assets and debt can be found in the Notes to Financial Statements.

Economic Factors and Next Year's Budgets And Rates

The economy improved even quicker than anticipated as COVID restrictions were lifted, many who were vaccinated or confident in their perception of self-immunity returned to the workplaces, restaurants, traveling, attending public events, and with some regulatory and self-selected lifestyle changes contributed to the recovery. The Town's local receipts much improved over fiscal year 2021 and were comparable to pre-COVID activity, property tax collections remained strong. Some local receipts such as food and leisure related (meals and room excise) were up significantly- 120% over fiscal year 2021, a sign that indeed public was resuming life after COVID or perhaps in spite of COVID. Most of the Town's governmental operations were operating at capacity. All the schools were open for in person teaching. However, turnover and the filling of vacant positions has been a challenge and was a primary reason why all services were not accessible, and may foretell what the next couple of years may be. The cost of providing basic services will continue to increase, limitations on the availability of goods and supplies continue, pressures on wages grow, concerns with inflation persist, and calls for new barriers to the free flow of commerce requires a watch on the use of financial reserves and a continued look for opportunities to better meet the demands of the future.

The total General Fund balance for fiscal year 2022 was higher than fiscal year 2021. Fund balance was \$56.3 million for fiscal year 2022 compared to \$52.4 million for fiscal year 2021, approximately a 7.4% change. The unassigned portion of the General Fund increased from the prior fiscal year with a balance of \$29.4 million for fiscal year 2022 compared to \$28.1 million for fiscal year 2021. Starting with the fiscal year 2021 report, the unassigned portion includes the general stabilization fund (\$4,550,111). The State certified \$16,952,126 available as Free Cash for fiscal year 2022 of which the Town appropriated \$14,644,455 of that amount. Free Cash is

essentially the portion of the unassigned General Fund balance that the Massachusetts Department of Revenue will allow the Town to appropriate. The Free Cash certified for the prior year was \$16,665,406.

The Town allocated \$10,475,329 of the Free Cash for capital equipment and projects for fiscal year 2023. The Free Cash appropriated for capital included \$4,001,000 for public roads and related infrastructure improvements, \$817,750 for design and engineering services for new roof top units at the Broadmeadow and Eliot schools, \$763,015 for improvement to the locker rooms at the Pollard Middle School, \$275,000 for heating repairs and upgrades at the Hillside building, \$47,500 for the site improvements at the Town's Recycling and Transfer Station property, and \$27,000 for design work to install a permanent generator at the Center at the Heights (senior center). The Town also appropriated \$2,250,000 of the Free Cash towards the Emery Grover renovation and addition project. The project funding came from various sources, in addition to the Free Cash, \$1,000,000 was from Overlay Surplus, \$2,000,000 was from CPA Free Cash, and the balance (\$14,150,000) is from debt financing supported by the General Fund (\$10.15 million) and the CPA Fund (\$4 million) for a total appropriation of \$19,400,000.

Free Cash was also used to fund capital equipment which included \$1,124,335 in core fleet and special equipment, \$515,275 in cash capital equipment, furnishings and technology for the Needham Public Schools, and \$135,000 to the purchase of "Bigbelly" trash receptacles which will be placed as designated high use areas in town. Funding of \$53,174 was provided for fire personal protective wear gear, and \$25,000 for replacement of office furniture at the various town offices. The Town also appropriated funds for technology related systems and equipment, including \$120,000 to update the Town's Geographic Information System, \$50,000 for public safety mobile devices, \$50,000 for public works mobile devices, and \$26,280 for the Needham Public Library.

The balance of the Free Cash for capital of \$195,000 was appropriated for three studies. A space utilization study of the senior center was approved for \$75,000, a library space planning for \$60,000, and \$60,000 for a feasibility study for the public works facilities were approved as well.

The Town also allocated \$3,625,000 of Free Cash to the fiscal year 2023 operating budget. The Town's use of Free Cash for funding the subsequent fiscal year operating budget (2023) was in line with management's guidance of not more than two percent of the previous year's (2021) final budget (excluding the budgetary reserve fund) or the actual turn back, whichever is less. Two percent of the fiscal year 2021 operating budget excluding the budgetary reserve fund was \$3,763,414; the related budgetary return was \$4,787,338, which was less than the prior year turnback of \$5,783,282. An additional \$12,000 was appropriated for unpaid bills of the prior operating budget year. The amount of Free Cash appropriated for budget related purposes was \$3,637,000.

The Town appropriated \$50,000 to fund a grant program for low-cost repair projects that would allow citizens to continue living in their homes. Free Cash was also used to fund the Town's workers' compensation reserve pool in the amount of \$130,000 and \$300,000 was appropriated to the newly authorized public safety employee injured on duty fund. The \$2,307,671 balance in

Free Cash was closed out at year end to fund balance. Management continues to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for ongoing operating budget expenses. The Select Board has endorsed this best practice.

As previously noted, the Town approved funding for the reconstruction and addition of the Emery Grover Building (Needham Public School Administrative Offices) at the May 2022 Annual Town Meeting in the amount of \$19,400,000 of which \$14,150,000 was fund debt financing. The Town also approved supplemental funding for the project at the October 2022 Special Town Meeting in the amount of \$1,295,000, General Fund debt. The construction project is likely to take up to 24 months to complete. The school administrative staff will be housed at the Hillside building during construction. Financing will be done through a series of notes and bonds during the construction period with a final debt issue after the project is finished. The Town is still weighing options on how and when to address its middle school space needs and the replacement of the Mitchell Elementary School – the last of the existing elementary schools to be replaced or substantially overhauled.

Town Meeting also voted to authorize the Select Board to borrow \$2,500,000 to purchase three parcels of land located along Charles River Street. The land may be made available to the Town to purchase from a developer who was in negotiations with the family who owns the property. A total of 48 acres may be sold to the Town. The sale is anticipated to happen sometime during the calendar year 2023.

The Town's water and sewer operations remained solid and the identified capital infrastructure improvements over the next several years are fundable within the current annual revenue stream and financing plan, which includes the use of ARPA funds. Commercial use of water and sewer remained low compared to several years ago, and the residential use increased during COVID as more people were working from home and staying local, but during 2022 indoor water consumption began to trend downward. The Town had planned a multi-year phase in of rate changes to mitigate the revenue loss from the closure of the Coca Cola bottling production in Needham, and did make minor changes for fiscal year 2020, but chose not to change the rates for fiscal year 2021 or 2022 due to COVID. The Select Board approved increases to the domestic water (primarily indoor use), irrigation water, and sewer rates effective October 2022. There will be a need to update the user rates again for the fiscal year 2024. The Select Board will also consider establishing a stormwater fee to raise funds to pay for some of the known stormwater infrastructure improvements that are forthcoming. There was a public hearing scheduled for March 2020, but COVID delayed the hearing. The Town will take up the issue again in 2023 and seek the establishment of a stormwater stabilization fund to begin saving to fund the infrastructure.

The outlook for the fiscal year end results for 2023 are expected to be stable with greater tax revenues, with another year of heavy use of reserves to fund capital investments. The Town assumes significant increases in the General Fund operating budget during the next couple of fiscal years as the Town funds increases for public safety, which includes moving from the civil

service process to a local based hiring system to encourage more applicants. There has been upward cost pressure on personnel and contracted services because of the competitive labor market, changes to the workplace and workforce resulting from the aftermath of COVID, higher prices for energy and commodities, and increased climate-based initiatives. The Town maintains an adequate reserve for property tax abatements and exemptions for the fiscal year as well as for uncollected taxes from the prior fiscal years. We still anticipate that local resources will remain solid for the next 12 to 24 months based on permitted private construction activity. However, management will continue its prudent approach with its budget estimates to help buffer any decline in the major local revenue sources in the next two to three years.

Requests for Information

This financial report is designed to provide a general overview of the Town of Needham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Assistant Town Manager/
Director of Finance
Town of Needham, Massachusetts
Town Hall
1471 Highland Avenue
Needham, Massachusetts 02492

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current:			
Cash and short-term investments	\$ 85,013,522	\$ 13,613,076	\$ 98,626,598
Investments	23,666,165	-	23,666,165
Receivables, net:			
Property taxes	1,978,464	-	1,978,464
Excises	541,181	-	541,181
Utilities	-	6,704,115	6,704,115
Departmental	1,571,247	-	1,571,247
Intergovernmental	1,269,305	-	1,269,305
Other	<u>202,543</u>	<u>-</u>	<u>202,543</u>
Total current assets	114,242,427	20,317,191	134,559,618
Noncurrent:			
Receivables, net:			
Property taxes	1,925,602	-	1,925,602
Intergovernmental	-	-	-
Capital assets:			
Non-depreciable capital assets	120,910,940	3,419,353	124,330,293
Depreciable assets, net of accumulated depreciation	<u>263,172,241</u>	<u>52,593,217</u>	<u>315,765,458</u>
Total noncurrent assets	<u>386,008,783</u>	<u>56,012,570</u>	<u>442,021,353</u>
TOTAL ASSETS	500,251,210	76,329,761	576,580,971
Deferred Outflows of Resources			
Related to pension	14,648,214	559,550	15,207,764
Related to OPEB	<u>20,470,491</u>	<u>150,293</u>	<u>20,620,784</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>35,118,705</u>	<u>709,843</u>	<u>35,828,548</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 535,369,915</u>	<u>\$ 77,039,604</u>	<u>\$ 612,409,519</u>

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TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current:			
Warrants and accounts payable	\$ 3,569,822	\$ 168,368	\$ 3,738,190
Accrued liabilities	8,326,421	71,256	8,397,677
Unearned revenue	2,609,048	-	2,609,048
Refunds payable	687,944	173,507	861,451
Other liabilities	1,476,673	-	1,476,673
Current portion of long-term liabilities:			
Bonds payable	14,453,973	1,119,091	15,573,064
Compensated absences	1,570,037	269,791	1,839,828
Landfill liability	56,415	-	56,415
Total current liabilities	32,750,333	1,802,013	34,552,346
Noncurrent:			
Bonds payable, net of current portion	122,671,280	7,239,659	129,910,939
Net pension liability	44,177,894	1,687,560	45,865,454
Net OPEB liability	72,379,901	1,486,833	73,866,734
Compensated absences, net of current portion	4,710,112	-	4,710,112
Landfill liability, net of current portion	338,493	-	338,493
Total non-current liabilities	244,277,680	10,414,052	254,691,732
TOTAL LIABILITIES	277,028,013	12,216,065	289,244,078
Deferred Inflows of Resources			
Related to pension	36,662,081	1,400,461	38,062,542
Related to OPEB	6,623,705	127,813	6,751,518
Taxes paid in advance	254,277	-	254,277
TOTAL DEFERRED INFLOWS OF RESOURCES	43,540,063	1,528,274	45,068,337
Net Position:			
Net investment in capital assets	246,539,416	47,556,237	294,095,653
Restricted for:			
Permanent funds:			
Nonexpendable	113,326	-	113,326
Expendable	3,001,986	-	3,001,986
Grants and by enabling legislation	20,848,811	-	20,848,811
Unrestricted	(55,701,700)	15,739,028	(39,962,672)
TOTAL NET POSITION	214,801,839	63,295,265	278,097,104
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 535,369,915	\$ 77,039,604	\$ 612,409,519

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 9,685,500	\$ 725,018	\$ 2,774,635	\$ -	\$ (6,185,847)
Public safety	23,663,981	6,131,648	1,027,920	-	(16,504,413)
Education	145,984,471	3,784,067	51,950,221	-	(90,250,183)
Public works	25,159,126	2,616,071	-	65,390	(22,477,665)
Building design and construction	433,239	158,257	-	-	(274,982)
Health and human services	3,146,157	389,615	746,184	-	(2,010,358)
Culture and recreation	4,376,264	775,580	125,657	-	(3,475,027)
Interest on debt service	3,964,679	-	-	-	(3,964,679)
Intergovernmental	1,572,207	-	-	-	(1,572,207)
Other unallocated costs	<u>1,144,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,144,286)</u>
Total Governmental Activities	219,129,910	14,580,256	56,624,617	65,390	(147,859,647)
Business-Type Activities:					
Sewer services	8,856,703	8,869,263	-	-	12,560
Water services	<u>5,975,243</u>	<u>7,491,165</u>	<u>-</u>	<u>-</u>	<u>1,515,922</u>
Total Business-Type Activities	<u>14,831,946</u>	<u>16,360,428</u>	<u>-</u>	<u>-</u>	<u>1,528,482</u>
Total	<u>\$ 233,961,856</u>	<u>\$ 30,940,684</u>	<u>\$ 56,624,617</u>	<u>\$ 65,390</u>	<u>(146,331,165)</u>

(continued)

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TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in Net Position:			
Net (Expenses) revenue from previous page	(147,859,647)	1,528,482	(146,331,165)
General Revenues and Transfers:			
Property taxes	173,522,492	-	173,522,492
Excise taxes	6,039,590	-	6,039,590
Penalties, interest, and other taxes	2,085,863	-	2,085,863
Grants and contributions not restricted to specific programs	3,050,246	-	3,050,246
Investment income	106,240	22,614	128,854
Miscellaneous	<u>268,826</u>	<u>5,000</u>	<u>273,826</u>
Total general revenues	<u>185,073,257</u>	<u>27,614</u>	<u>185,100,871</u>
Excess before transfers	37,213,610	1,556,096	38,769,706
Transfers, net	<u>881,047</u>	<u>(881,047)</u>	<u>-</u>
Change in Net Position	38,094,657	675,049	38,769,706
Net Position:			
Beginning of year	<u>176,707,182</u>	<u>62,620,216</u>	<u>239,327,398</u>
End of year	<u>\$ 214,801,839</u>	<u>\$ 63,295,265</u>	<u>\$ 278,097,104</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2022

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash and short-term investments	\$ 53,173,820	\$ 2,435,413	\$ 27,464,136	\$ 83,073,369
Investments	12,359,560	8,180,898	3,125,707	23,666,165
Receivables:				
Property taxes	4,669,916	30,150	-	4,700,066
Excises	901,181	-	-	901,181
Departmental	1,412,396	-	333,851	1,746,247
Intergovernmental	695,148	-	574,157	1,269,305
Other	<u>202,543</u>	<u>-</u>	<u>-</u>	<u>202,543</u>
TOTAL ASSETS	<u>\$ 73,414,564</u>	<u>\$ 10,646,461</u>	<u>\$ 31,497,851</u>	<u>\$ 115,558,876</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Warrants and accounts payable	\$ 2,408,220	\$ 56,642	\$ 1,104,960	\$ 3,569,822
Unearned revenue	-	-	2,609,048	2,609,048
Accrued liabilities	5,328,081	667	113,398	5,442,146
Refunds payable	683,964	-	-	683,964
Other liabilities	<u>1,354,199</u>	<u>-</u>	<u>126,454</u>	<u>1,480,653</u>
TOTAL LIABILITIES	9,774,464	57,309	3,953,860	13,785,633
Deferred Inflows of Resources:				
Unavailable revenues	7,037,464	30,150	905,972	7,973,586
Taxes paid in advance	<u>254,277</u>	<u>-</u>	<u>-</u>	<u>254,277</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	7,291,741	30,150	905,972	8,227,863
Fund Balances:				
Nonspendable	-	-	113,326	113,326
Restricted	733,044	10,559,002	30,580,019	41,872,065
Committed	9,881,008	-	-	9,881,008
Assigned	16,350,767	-	-	16,350,767
Unassigned	<u>29,383,540</u>	<u>-</u>	<u>(4,055,326)</u>	<u>25,328,214</u>
TOTAL FUND BALANCES	<u>56,348,359</u>	<u>10,559,002</u>	<u>26,638,019</u>	<u>93,545,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 73,414,564</u>	<u>\$ 10,646,461</u>	<u>\$ 31,497,851</u>	<u>\$ 115,558,876</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2022

Total governmental fund balances	\$ 93,545,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	384,083,181
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	6,642,587
Internal service funds are used by management to account for workers' compensation and property and casualty self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,386,171
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(2,330,293)
Long-term liabilities, net of related deferred outflows and inflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability, net of related deferred outflows and inflows	(44,177,894)
Pension related deferred outflows of resources	14,648,214
Pension related deferred inflows of resources	(36,662,081)
Net OPEB liability	(72,379,901)
OPEB related deferred outflows of resources	20,470,491
OPEB related deferred inflows of resources	(6,623,705)
Bonds and loans payable, net unamortized premiums	(137,125,253)
Compensated absences payable	(6,280,149)
Estimated liability for landfill postclosure care costs	<u>(394,908)</u>
Net position of governmental activities	<u>\$ 214,801,840</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Revenues:				
Property taxes	\$ 170,417,731	\$ 2,920,964	\$ -	\$ 173,338,695
Excise taxes	5,837,070	-	-	5,837,070
Penalties, interest, and other taxes	2,079,140	5,390	-	2,084,530
Charges for services	3,671,477	-	6,199,280	9,870,757
Departmental	1,236,064	-	-	1,236,064
Licenses and permits	2,771,497	-	-	2,771,497
Intergovernmental	26,804,304	1,238,965	14,068,346	42,111,615
Investment income (loss)	271,659	129,647	(295,066)	106,240
Fines and forfeitures	102,347	-	-	102,347
Contributions	-	-	348,106	348,106
Other	312,446	-	51,467	363,913
	<u>213,503,735</u>	<u>4,294,966</u>	<u>20,372,133</u>	<u>238,170,834</u>
Total Revenues				
Expenditures:				
Current:				
General government	7,365,968	453,571	1,011,998	8,831,537
Public safety	23,030,382	-	1,957,681	24,988,063
Education	115,733,212	-	13,246,169	128,979,381
Public works	25,986,861	-	272,425	26,259,286
Building design and construction	336,197	-	-	336,197
Health and human services	3,028,634	-	294,018	3,322,652
Culture and recreation	3,568,710	-	717,397	4,286,107
Employee benefits	897,640	-	-	897,640
Other	715,777	-	-	715,777
Capital outlay	-	1,497	19,826,172	19,827,669
Debt service:				
Principal	13,654,000	-	-	13,654,000
Interest and fiscal charges	4,498,497	-	-	4,498,497
Intergovernmental	1,572,207	-	-	1,572,207
	<u>200,388,085</u>	<u>455,068</u>	<u>37,325,860</u>	<u>238,169,013</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	13,115,650	3,839,898	(16,953,727)	1,821
Other Financing Sources (Uses):				
Issuance of bonds	-	-	9,970,000	9,970,000
Premium on bonds	-	-	734,564	734,564
Transfers in	5,484,304	548,878	14,403,489	20,436,671
Transfers out	(14,628,400)	(3,021,397)	(2,242,827)	(19,892,624)
	<u>(9,144,096)</u>	<u>(2,472,519)</u>	<u>22,865,226</u>	<u>11,248,611</u>
Total Other Financing Sources (Uses)				
Net change in fund balances	3,971,554	1,367,379	5,911,499	11,250,432
Fund Balances, at beginning of year, as reclassified	<u>52,376,805</u>	<u>9,191,623</u>	<u>20,726,520</u>	<u>82,294,948</u>
Fund Balances, at end of year	<u>\$ 56,348,359</u>	<u>\$ 10,559,002</u>	<u>\$ 26,638,019</u>	<u>\$ 93,545,380</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ 11,250,432
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay purchases, net of loss on disposal	22,078,593
Depreciation	(13,544,574)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for doubtful accounts.</p>	
	373,810
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any affect on the changes in net position:</p>	
Bond premium	(734,564)
Bond premium amortization	904,606
Issuance of debt	(9,970,000)
Refunded debt	-
Deposit to refunding escrow	-
Repayments of debt	13,654,000
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p>	
	(370,788)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</p>	
Change in net pension liability and related deferred outflows and inflows of resources	3,775,746
Change in net OPEB liability and related deferred outflows and inflows of resources	9,128,515
Change in compensated absences	686,337
Change in landfill liability	56,415
<p>Internal service funds are used by management to account for self-insurance activities. The net activity of internal service funds is reported with Governmental Activities.</p>	
	<u>806,129</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>38,094,657</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Current:				
Cash and short-term investments	\$ 4,916,593	\$ 8,696,483	\$ 13,613,076	\$ 1,940,154
User fees receivable	<u>3,425,574</u>	<u>3,278,541</u>	<u>6,704,115</u>	<u>-</u>
Total current assets	8,342,167	11,975,024	20,317,191	1,940,154
Noncurrent:				
Land and construction in progress	2,677,371	741,982	3,419,353	-
Other capital assets, net of accumulated depreciation	<u>21,998,518</u>	<u>30,594,699</u>	<u>52,593,217</u>	<u>-</u>
Total noncurrent assets	<u>24,675,889</u>	<u>31,336,681</u>	<u>56,012,570</u>	<u>-</u>
TOTAL ASSETS	33,018,056	43,311,705	76,329,761	1,940,154
Deferred Outflows of Resources:				
Related to pension	219,823	339,727	559,550	-
Related to OPEB	<u>224,314</u>	<u>(74,021)</u>	<u>150,293</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>444,137</u>	<u>265,706</u>	<u>709,843</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>33,462,193</u>	\$ <u>43,577,411</u>	\$ <u>77,039,604</u>	\$ <u>1,940,154</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION				
Liabilities:				
Current:				
Accounts payable	\$ 53,155	\$ 115,213	\$ 168,368	\$ -
Accrued liabilities	35,251	36,005	71,256	553,982
Refunds payable	151,771	21,736	173,507	-
Compensated absences	152,791	117,000	269,791	-
Current portion of long-term liabilities:				
Bonds payable	<u>520,117</u>	<u>598,974</u>	<u>1,119,091</u>	<u>-</u>
Total current liabilities	913,085	888,928	1,802,013	553,982
Noncurrent:				
Bonds payable, net of current portion	3,661,256	3,578,403	7,239,659	-
Net pension liability	662,970	1,024,590	1,687,560	-
Net OPEB liability	<u>793,129</u>	<u>693,704</u>	<u>1,486,833</u>	<u>-</u>
Total noncurrent liabilities	<u>5,117,355</u>	<u>5,296,697</u>	<u>10,414,052</u>	<u>-</u>
TOTAL LIABILITIES	6,030,440	6,185,625	12,216,065	553,982
Deferred Inflows of Resources:				
Related to pension	550,181	850,280	1,400,461	-
Related to OPEB	<u>72,582</u>	<u>55,231</u>	<u>127,813</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>622,763</u>	<u>905,511</u>	<u>1,528,274</u>	<u>-</u>
Net Position:				
Net investment in capital assets	20,396,932	27,159,305	47,556,237	-
Unrestricted	<u>6,412,058</u>	<u>9,326,970</u>	<u>15,739,028</u>	<u>1,386,171</u>
TOTAL NET POSITION	<u>26,808,990</u>	<u>36,486,275</u>	<u>63,295,265</u>	<u>1,386,171</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ <u>33,462,193</u>	\$ <u>43,577,411</u>	\$ <u>77,039,604</u>	\$ <u>1,940,153</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 8,869,263	\$ 7,491,165	\$ 16,360,428	\$ -
Other	-	-	-	1,011,912
Total Operating Revenues	8,869,263	7,491,165	16,360,428	1,011,912
Operating Expenses:				
Personnel services	834,784	1,680,988	2,515,772	542,783
Non-personnel services	351,766	1,083,053	1,434,819	-
Depreciation	974,587	1,444,720	2,419,307	-
Intergovernmental assessments	6,614,690	1,670,433	8,285,123	-
Total Operating Expenses	8,775,827	5,879,194	14,655,021	542,783
Operating Income	93,436	1,611,971	1,705,407	469,129
Nonoperating Revenues (Expenses):				
Investment income	8,442	14,172	22,614	-
Other revenue	5,000	-	5,000	-
Interest expense	(80,876)	(96,049)	(176,925)	-
Total Nonoperating Revenues (Expenses), Net	(67,434)	(81,877)	(149,311)	-
Income Before Contributions and Transfers	26,002	1,530,094	1,556,096	469,129
Transfers in	526,368	-	526,368	337,000
Transfers out	(507,526)	(899,889)	(1,407,415)	-
Change in Net Position	44,844	630,205	675,049	806,129
Net Position at Beginning of Year, as restated	26,764,146	35,856,070	62,620,216	580,042
Net Position at End of Year	\$ 26,808,990	\$ 36,486,275	\$ 63,295,265	\$ 1,386,171

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 8,202,667	\$ 6,354,578	\$ 14,557,245	\$ -
Employer contributions	-	-	-	1,011,912
Payments of utility assessments	(6,614,690)	(1,670,433)	(8,285,123)	-
Payments to vendors and contractors	(377,654)	(1,052,208)	(1,429,862)	-
Payments of employee salaries, benefits, and related expenses	(948,021)	(1,235,463)	(2,183,484)	(921,250)
Net Cash Provided By (Used For) Operating Activities	262,302	2,396,474	2,658,776	90,662
Cash Flows From Noncapital Financing Activities:				
Operating grants received	-	-	-	-
Transfers from other funds	526,368	-	526,368	337,000
Transfers to other funds	(507,526)	(899,889)	(1,407,415)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	18,842	(899,889)	(881,047)	337,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(51,969)	(461,174)	(513,143)	-
Principal payments on bonds and loans	(364,815)	(601,450)	(966,265)	-
Interest expense	(80,876)	(96,049)	(176,925)	-
Net Cash (Used For) Capital and Related Financing Activities	(497,660)	(1,158,673)	(1,656,333)	-
Cash Flows From Investing Activities:				
Investment income	8,442	14,172	22,614	-
Net Cash Provided By Investing Activities	8,442	14,172	22,614	-
Net Change in Cash and Short-Term Investments	(208,074)	352,084	144,010	427,662
Cash and Short-Term Investments, Beginning of Year	5,124,667	8,344,399	13,469,066	1,512,491
Cash and Short-Term Investments, End of Year	\$ 4,916,593	\$ 8,696,483	\$ 13,613,076	\$ 1,940,153
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating income (loss)	\$ 93,436	\$ 1,611,971	\$ 1,705,407	\$ 469,129
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	974,587	1,444,720	2,419,307	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(683,272)	(1,136,550)	(1,819,822)	-
Deferred outflows - related to pensions	(6,763)	188,048	181,285	-
Deferred outflows - related to OPEB	(63,394)	(63,394)	(126,788)	-
Accounts payable	(25,889)	30,845	4,956	-
Accrued liabilities	3,195	(6,450)	(3,255)	(378,467)
Refunds payable	16,676	(36)	16,640	-
Compensated absences	(9,072)	(28,376)	(37,448)	-
Net pension liability	(415,008)	(641,376)	(1,056,384)	-
Net OPEB liability	109,527	457,111	566,638	-
Deferred inflows - related to pensions	352,057	623,741	975,798	-
Deferred inflows - related to OPEB	(83,779)	(83,779)	(167,558)	-
Net Cash Provided By (Used For) Operating Activities	\$ 262,301	\$ 2,396,475	\$ 2,658,776	\$ 90,662

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Pension Trust Fund (As of <u>December 31, 2021</u>)	Other Post- Employment Benefit Trust Fund	Private Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and short-term investments	\$ 4,047,535	\$ -	\$ -	\$ 432,858
Investments:				
PRIT - external investment pool	238,610,538	-	-	-
SRBT - external investment pool	-	61,383,656	-	-
Other	<u>-</u>	<u>-</u>	<u>6,057,265</u>	<u>-</u>
TOTAL ASSETS	\$ <u>242,658,073</u>	\$ <u>61,383,656</u>	\$ <u>6,057,265</u>	\$ <u>432,858</u>
 LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable	\$ 311,960	\$ -	\$ 173,995	\$ 7,682
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>
TOTAL LIABILITIES	311,960	-	173,995	7,708
Net Position:				
Total net position restricted for pension, other post employment benefits, and other purposes	<u>242,346,113</u>	<u>61,383,656</u>	<u>5,883,270</u>	<u>425,150</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>242,658,073</u>	\$ <u>61,383,656</u>	\$ <u>6,057,265</u>	\$ <u>432,858</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2022

	Pension Trust Fund (For the Year Ended <u>December 31, 2021</u>)	Other Post- Employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions:				
Contributions:				
Employers	\$ 10,417,439	\$ 9,213,019	\$ -	\$ -
Plan members	4,870,976	-	-	-
Other	<u>220,589</u>	<u>-</u>	<u>65,261</u>	<u>564,673</u>
Total contributions	15,509,004	9,213,019	65,261	564,673
Investment income:				
Earnings and change in fair value of investments	40,698,196	(2,379,071)	(651,452)	203
Less: management fees	<u>(1,088,652)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income	<u>39,609,544</u>	<u>(2,379,071)</u>	<u>(651,452)</u>	<u>203</u>
Total additions	55,118,548	6,833,948	(586,191)	564,876
Deductions:				
Benefit payments to plan members and beneficiaries	14,999,093	5,626,770	-	-
Refunds to plan members	732,307	-	-	-
Administrative expenses	346,075	-	-	-
Other	<u>-</u>	<u>-</u>	<u>141,905</u>	<u>550,041</u>
Total deductions	<u>16,077,475</u>	<u>5,626,770</u>	<u>141,905</u>	<u>550,041</u>
Change in Net Position	39,041,073	1,207,178	(728,096)	14,835
Restricted Net Position				
Beginning of year	<u>203,305,040</u>	<u>60,176,478</u>	<u>6,611,366</u>	<u>410,315</u>
End of year	\$ <u>242,346,113</u>	\$ <u>61,383,656</u>	\$ <u>5,883,270</u>	\$ <u>425,150</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Needham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Select Board. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable.

Component unit fiduciary in nature: The Needham Contributory Retirement System (the System) which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System and complete financial statements can be obtained by contacting the System located at Town of Needham, Massachusetts, Town Hall, Needham, Massachusetts 02492.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* was adopted on November 2, 2004 by a state-wide act enabling legislation to allow Cities and Towns to choose to create a new funding source that can be used to address three core community concerns:
 - Acquisition and preservation of open space
 - Creation and support of affordable housing
 - Acquisition and preservation of historic buildings and landscapes

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to report the Town's sewer enterprise fund operations.
- The *Water Fund* is used to report the Town's water enterprise fund operations.

The self-insured employee workers compensation and property and casualty insurance is reported as an *Internal Service Fund* in the accompanying financial statements.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Pension Trust Fund* accounts for the activities of the Needham Retirement System (NRS), which accumulates resources for pension benefit payments to qualified employees.

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include Student Activity Funds.

Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds, except those required to be segregated by law. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments." The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

The Town's short-term investments also include their share of the Massachusetts Municipal Depository Trust (MMDT) cash portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. The fund is not Securities and Exchange Commission (SEC) registered. In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, MMDT's portfolio securities are valued at amortized cost.

Investments are presented at fair value based on quotations from national securities exchanges, except for investments in state pools that are required to be presented using net asset value (NAV). Investments measured at NAV are not subject to the fair value level classification.

The Town conforms to the municipal finance laws of the Commonwealth of Massachusetts including Massachusetts General Laws chapter 44, Sections 54 and 55, with respect to investments of trust funds and public funds on deposit, limitations, and investments.

Investments in the Needham Retirement System are held in the Pension Reserve Investment Trust Fund (PRIT). Investments in the OPEB Trust Fund are held in the Massachusetts State Retiree Benefits Trust Fund (SBRT). Both are maintained by the Massachusetts Pension Reserves Investment Management Board (PRIM). Fair value of the investments held in PRIT and SBRT are the same as the value of the pool shares.

Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot

increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2022 tax levy reflected an excess capaxTown of \$1,757,767.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of five years. The Town has a capitalization policy with the following established thresholds for capitalization:

<u>Assets</u>	<u>Threshold</u>
Land improvements	\$ 5,000
Buildings and facilities	\$ 50,000
Building improvements	\$ 25,000
Furniture, fixtures, machinery, and equipment	\$ 5,000
Vehicles	\$ 5,000
Road work	\$ 75,000
Water and sewer systems	\$ 75,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 - 50
Machinery, equipment, and furnishings	5 - 10
Vehicles	5
Infrastructure	20 - 40

Compensated Absences

Based on provisions contained in the Town's personnel policy or collective bargaining agreement, employees are eligible to accumulate earned but unused vacation and sick leave benefits. Vacation time accrues either annually or monthly based on years of service and is considered vested at the time it is earned. Employees are limited in their ability to carry unused vacation leave from one year to the next. Personal leave is not cumulative and is not carried forward to the next year. Sick leave is accrued either monthly or annually and accumulates without limit. Some employees whose employment terminates by retirement, disability, or death are entitled to payment upon termination at their current rate of pay for twenty-five percent of accrued sick leave. Some employees are subject to a 960-hour cap for the purposes of sick leave buy-back, and some employees are ineligible to participate in the program.

All vested personal and vacation pay is accrued when incurred in the government-wide financial statements. Twenty-five percent of vested sick leave is accrued when incurred in the government-wide financial statements, based on an estimate number of employees expected to retire. A liability for these amounts is reported in governmental funds only if the employee has met the requirements to be eligible for buy-back of sick leave upon a qualifying event.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the Town (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds represent the residual classification for the general fund and include all amounts not contained in other classifications. Unassigned amounts are available for any purpose. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances, which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflect deficit balances as of June 30, 2022. The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other funds and issuance of long-term debt.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Laws (MGL) Chapter 44, Section 55, limits 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 custodial credit risk policy allows unlimited amounts to be deposited in certificates of deposits with a maximum maturity as set by Massachusetts General Laws (MGL) and full collateralization through a third-party agreement. The policy also allows unlimited deposits in Massachusetts State pooled fund

and limits the remaining unsecured deposits to 5% of any institution’s assets and no more than 25% of the Town’s assets. The Town’s policy was designed to limit exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town will be held in the Town’s name and the tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The NRS does not have a deposit policy for custodial credit risk.

As of June 30, 2022, the Town had the following cash and short term investments:

Insured by FDIC or DIF	\$ 22,609,615
Collateralized	46,598,276
Held in state pool (MMDT), not subject to disclosure	19,000,055
Exposed to custodial credit risk	<u>14,934,569</u>
Total	<u>\$ 103,142,515</u>

As of December 31, 2021, the NRS bank balance of \$3,918,687 represented deposits of \$250,000 insured by FDIC, \$3,091,939 collateralized by the Federal Home Loan Bank of Pittsburgh, and \$576,748 invested in Pension Reserves Investment Trust (PRIT). PRIT Cash Fund III is measured at amortized cost which approximates fair value and maintains a stable net position value of \$1.00 per unit (NAV) with daily redemption frequency. Amounts invested in the state pools are not subject to custodial credit risk disclosure.

4. Investments

Town

The following is a summary of the Town’s investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury notes	\$ 5,451,262
Federal agencies	1,314,515
Corporate bonds	6,662,467
Fixed income mutual funds	2,256,728
Corporate equities	7,905,020
Equity mutual funds	263,095
Market-linked certificates of deposits	3,786,724
Certificates of deposits	<u>2,083,619</u>
Total investments	<u>\$ 29,723,430</u>

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, MGL, Chapter 44, Section 55, limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for debt related investments of the Town, as rated by Standard and Poor’s:

<u>Investment Type</u>	<u>Amount</u>	<u>Ratings as of Year End</u>				
		<u>AAA</u>	<u>AA + - AA-</u>	<u>A+ - A-</u>	<u>BBB+ - BBB-</u>	<u>Unrated</u>
Federal agencies	\$ 1,314,515	\$ -	\$ 1,314,515	\$ -	\$ -	\$ -
Corporate bonds	6,662,467	-	427,069	3,339,466	2,895,932	-
Fixed income mutual funds	2,256,728	-	-	-	-	2,256,728
Market-linked certificates of deposit	<u>3,786,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,786,724</u>
Total	<u>\$ 14,020,434</u>	<u>\$ -</u>	<u>\$ 1,741,584</u>	<u>\$ 3,339,466</u>	<u>\$ 2,895,932</u>	<u>\$ 6,043,452</u>

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, the Town 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 allows unlimited investments in U.S. agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. Investments are held in the Town’s name, except for \$6,235,491, which are held by counterparty.

Concentration of Credit Risk

The Town manages concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any type of security or issuer will be minimized. With the exception U.S. Treasury obligations or investments fully collateralized by U.S. agencies, and the state pool (MMDT), no more than 10% of the Town’s investments shall be invested in a single financial institution.

The Town does not have an investment in one issuer greater than 5% of total investments.

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. Per Massachusetts general law, investments of operating cash or bond paydown amounts should be placed in investments with a one year or less maturity date or in shares issued by money market funds registered with the Securities and Exchange Commission. The Town addresses interest rate risk by managing duration.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (in years)</u>
Debt related:		
U.S. Treasury notes	\$ 5,451,262	1.69
Federal agencies	1,314,515	3.39
Corporate bonds	6,662,467	3.10
Fixed income mutual funds	2,256,728	3.50
Market-linked certificates of deposits	<u>7,905,020</u>	3.60
Total debt securities	<u>\$ 23,589,992</u>	

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 will not invest in any investment exposed to foreign currency risk.

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). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's and OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

The Town has the following fair value measurements as of June 30, 2022:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Debt securities:				
U.S Treasury notes	\$ 5,451,262	\$ 5,451,262	\$ -	\$ -
Federal agencies	1,314,515	-	1,314,515	-
Corporate bonds	6,662,467	-	6,662,467	-
Fixed income mutual funds	2,256,728	-	2,256,728	-
Market-linked certificates of deposit	3,786,724	-	3,786,724	-
Equity securities:				
Corporate equities	7,905,020	7,905,020	-	-
Equity mutual funds	<u>263,095</u>	<u>263,095</u>	<u>-</u>	<u>-</u>
Total	\$ <u>27,639,811</u>	\$ <u>13,619,377</u>	\$ <u>14,020,434</u>	\$ <u>-</u>

OPEB Plan

Credit Risk

At June 30, 2022, the OPEB Plan maintained its investments in the SRBT. The SRBT fund is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. SBRT was created under Massachusetts General Laws (MGL), Chapter 32A, Section 24.

Custodial Credit Risk

Investments held in SBRT are not subject to custodial credit risk disclosure.

Concentration of Credit Risk

MGL limits the amount that may be invested in any one issuer or security type, with the exception of the PRIT fund. All of the OPEB Plan's investments were held in the SBRT, invested by the PRIT fund.

Fair Value

Investments held in the SBRT are valued at net asset value (NAV). There were no unfunded commitments. The redemption frequency is monthly with a 30-day redemption notice period.

Retirement System

Credit Risk

Massachusetts General Laws (MGL), Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2021, the System maintained its investments in PRIT. PRIT is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. PRIT issues separately available financial statements with a year end of June 30. PRIT was created under MGL, Chapter 32, Section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board (PRIM). PRIM chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under MGL, Chapter 30B.

Custodial Credit Risk

Investments held in PRIT are not subject to custodial credit risk disclosure.

Concentration of Credit Risk

Massachusetts General Laws Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT fund. NRS invests in the PRIT fund.

Fair Value

Investments held in PRIT are valued at net asset value (NAV). There were no unfunded commitments. The redemption frequency is monthly with a 30-day redemption notice period.

NRS values its investments in good faith at the System's pro-rata interest in PRIT based upon audited financial statements or other information provided by the underlying investment manager (PRIM). The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

5. Receivables

Property Taxes and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes (May 1), a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Taxes receivable at June 30, 2022 consist of the following:

<u>Receivables:</u>	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount (accrual basis)</u>
Real estate taxes	\$ 1,831,409	\$ -	\$ 1,831,409
Personal property taxes	912,905	(796,000)	116,905
Tax liens	1,316,015	-	1,316,015
Deferred taxes	609,587	-	609,587
CPA	<u>30,150</u>	<u>-</u>	<u>30,150</u>
Total property taxes	4,700,066	(796,000)	3,904,066
Excises	<u>901,181</u>	<u>(360,000)</u>	<u>541,181</u>
Grand total	<u>\$ 5,601,247</u>	<u>\$ (1,156,000)</u>	<u>\$ 4,445,247</u>

The allowance amount is estimated using varying percentages that the Town believes are not collectible based on year of levy.

Departmental Receivables

Departmental receivables are primarily comprised of ambulance and waste removal receivables. Departmental receivables in the accompanying entity-wide financial statements reflect an estimated allowance for doubtful accounts of \$155,000.

Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2022 and future reimbursements from the Massachusetts School Building Authority (MSBA).

6. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,484,304	\$ 14,628,400
Community Preservation Fund	548,878	3,021,397
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Town grants	-	1,139,207
Receipts reserved for appropriation	-	7,604
Capital Project Funds:		
Sunita L. Williams School	1,202,000	-
School Replace Equipment - Technology	586,575	-
NPDES Site Improvement	480,500	-
DPW Boiler Replacement	460,000	-
Other capital project funds	<u>11,674,414</u>	<u>1,096,016</u>
Subtotal Nonmajor Governmental Funds	14,403,489	2,242,827
Internal Service Fund	337,000	-
<u>Business-Type Funds:</u>		
Sewer Fund	526,368	507,526
Water Fund	-	<u>899,889</u>
Subtotal Business-Type Funds:	<u>526,368</u>	<u>1,407,415</u>
Grand Total	<u>\$ 21,300,039</u>	<u>\$ 21,300,039</u>

The \$1,407,415 from the sewer and water funds were transferred to the general fund to reimburse indirect costs and special articles.

The \$526,368 transfer from the general fund into the enterprise funds represents a subsidy to the sewer fund to cover storm water expenses funded by general revenues. Most of the transfers out of the general fund represent the Town's practice of using *free cash* (available unassigned fund balance as certified by the Massachusetts Department of Revenue) and overlay surplus to the various major and non-major capital project funds.

Transfers out of the general fund represent the Town's practice of funding capital activity with current year revenues as well as paying down some capital projects short-term notes payable with debt service appropriation.

Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 332,615	\$ 2,612	\$ (56)	\$ 335,171
Machinery, equipment, and furnishings	21,757	1,274	(1,565)	21,466
Vehicles	9,046	231	(516)	8,761
Infrastructure	<u>48,883</u>	<u>1,714</u>	<u>-</u>	<u>50,597</u>
Total capital assets, being depreciated	412,301	5,831	(2,137)	415,995
Less accumulated depreciation for:				
Buildings and improvements	(92,175)	(8,846)	56	(100,965)
Machinery, equipment, and furnishings	(14,514)	(2,234)	1,565	(15,183)
Vehicles	(7,596)	(686)	516	(7,766)
Infrastructure	<u>(27,053)</u>	<u>(1,855)</u>	<u>-</u>	<u>(28,908)</u>
Total accumulated depreciation	<u>(141,338)</u>	<u>(13,621)</u>	<u>2,137</u>	<u>(152,822)</u>
Capital assets, being depreciated, net	270,963	(7,790)	-	263,173
Capital assets, not being depreciated:				
Land	37,355	-	-	37,355
Works of art	120	-	-	120
Construction in progress	<u>67,116</u>	<u>22,532</u>	<u>(6,213)</u>	<u>83,435</u>
Total capital assets, not being depreciated	<u>104,591</u>	<u>22,532</u>	<u>(6,213)</u>	<u>120,910</u>
Governmental activities capital assets, net	<u>\$ 375,554</u>	<u>\$ 14,742</u>	<u>\$ (6,213)</u>	<u>\$ 384,083</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,137	\$ -	\$ -	\$ 21,137
Plant	6,600	-	-	6,600
Machinery, equipment, and furnishings	3,534	65	(110)	3,489
Vehicles	980	-	(70)	910
Infrastructure	<u>81,664</u>	<u>1,138</u>	<u>(546)</u>	<u>82,256</u>
Total capital assets, being depreciated	113,915	1,203	(726)	114,392
Less accumulated depreciation for:				
Buildings and improvements	(5,532)	(480)		(6,012)
Plant	(4,458)	(214)		(4,672)
Machinery, equipment, and furnishings	(2,585)	(219)	110	(2,694)
Vehicles	(937)	(41)	70	(908)
Infrastructure	<u>(46,671)</u>	<u>(1,388)</u>	<u>546</u>	<u>(47,513)</u>
Total accumulated depreciation	<u>(60,184)</u>	<u>(2,342)</u>	<u>726</u>	<u>(61,800)</u>
Capital assets, being depreciated, net	53,732	(1,139)	-	52,593
Capital assets, not being depreciated:				
Land	268	-	-	268
Construction in progress	<u>3,853</u>	<u>436</u>	<u>(1,138)</u>	<u>3,151</u>
Total capital assets, not being depreciated	<u>4,121</u>	<u>436</u>	<u>(1,138)</u>	<u>3,419</u>
Business-type activities capital assets, net	<u>\$ 57,853</u>	<u>\$ (703)</u>	<u>\$ (1,138)</u>	<u>\$ 56,012</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 1,779,688
Public safety	640,694
Education	7,123,035
Public works	3,187,721
Building design and construction	112,495
Health and human services	250,464
Culture and recreation	<u>450,477</u>
Total depreciation expense - governmental activities	<u>\$ 13,544,574</u>
Business-Type Activities:	
Sewer	\$ 974,587
Water	<u>1,444,720</u>
Total depreciation expense - business-type activities	<u>\$ 2,419,307</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Accrued Liabilities

Accrued liabilities primarily represent accrued payroll and withholdings. In the government-wide Statement of Net Position, accrued liabilities also include accrued interest for bonds and anticipation notes.

Accrued liabilities reported in the Internal Service Fund represent an estimate of incurred but not reported workers' compensation claims.

10. Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

11. Notes Payable

At year-end, the Town had no general obligation bond anticipation notes outstanding. During the fiscal year, the town issued \$2,761,000 in bond anticipation notes in April 2022 and repaid the notes on June 15, 2022.

12. Long-Term Debt

General Obligation Bonds and Direct Borrowings

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings (issuances through the MA Water Resources Authority) outstanding are as follows.

	Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding as of 6/30/22
<u>Governmental Activities</u>					
Public offering bonds:					
Town Hall, Parking and Bridge	\$ 2,460,000	2.00 - 3.125	10/05/11	08/01/26	\$ 525,000
GOB - Refunding FY2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	1,270,000
Municipal Purpose FY 2013	12,244,000	2.00 - 4.00	10/03/12	07/15/32	5,510,000
Municipal Purpose FY 2013	5,945,000	2.00 - 4.00	06/18/13	11/01/32	3,120,000
Municipal Purpose FY 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	3,010,000
Municipal Purpose FY 2014	5,032,000	2.00 - 2.50	06/02/14	05/15/34	770,000
Municipal Purpose FY 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	3,395,000
High School, High Rock and Pollard Schools	6,645,000	2.00 - 4.00	06/16/16	08/01/27	3,720,000
Municipal Purpose FY 2017	10,945,000	3.00 - 4.00	01/05/17	01/15/42	6,885,000
Municipal Purpose FY 2018	31,000,000	3.00 - 4.00	07/17/18	07/15/38	24,515,000
Municipal Purpose FY 2020	27,500,000	2.625 - 5.00	10/01/19	08/01/44	22,995,000
Municipal Purpose FY 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/40	21,260,000
Municipal Purpose FY 2021	4,668,000	2.00 - 5.00	04/14/21	06/30/41	3,995,000
Municipal Purpose FY 2021	19,407,000	2.00 - 5.00	04/14/21	06/30/41	15,900,000
Municipal Purpose FY 2022	9,970,000	2.00 - 5.00	04/14/22	08/15/36	9,970,000
Total Governmental Activities					\$ <u>126,840,000</u>

	Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding as of 6/30/22
<u>Business-Type Activities</u>					
Public offering bonds:					
Municipal Purpose FY 2014	\$ 5,032,000	2.00 - 2.50	06/02/14	05/15/34	\$ 1,195,000
Municipal Purpose FY 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	1,375,000
Municipal Purpose FY 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/28	30,000
Municipal Purpose FY 2022	145,000	2.00 - 5.00	04/14/22	08/15/27	145,000
Total public offering bonds					2,745,000
Direct borrowings:					
MA Water Resources Authority	765,335	2.00	06/01/12	07/15/30	398,618
MA Water Resources Authority	9,055,822	2.00	05/22/13	01/15/33	3,636,463
MA Water Resources Authority	2,310,813	3.00 - 4.00	05/11/17	01/15/28	1,314,669
MA Water Resources Authority	440,000	0.00	11/26/19	11/15/24	264,000
Total direct borrowings					5,613,750
Total Business-Type Activities					\$ <u>8,358,750</u>

Future Debt Service

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2022 are as follows:

<u>Governmental</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 13,500,000	\$ 4,481,267	\$ 17,981,267
2024	10,685,000	4,001,025	14,686,025
2025	9,745,000	3,534,775	13,279,775
2026	8,745,000	3,119,725	11,864,725
2027	8,280,000	2,755,172	11,035,172
2028 - 2032	32,920,000	9,161,335	42,081,335
2033 - 2037	24,920,000	4,166,844	29,086,844
2038 - 2042	15,225,000	1,444,056	16,669,056
2043 - 2045	<u>2,820,000</u>	<u>112,500</u>	<u>2,932,500</u>
Total	\$ <u>126,840,000</u>	\$ <u>32,776,699</u>	\$ <u>159,616,699</u>

<u>Business-Type</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 375,000	\$ 83,194	\$ 458,194
2024	260,000	71,900	331,900
2025	260,000	62,700	322,700
2026	220,000	54,550	274,550
2027	220,000	47,250	267,250
2028 - 2032	975,000	143,800	1,118,800
2033 - 2034	<u>435,000</u>	<u>15,250</u>	<u>450,250</u>
Total	\$ <u>2,745,000</u>	\$ <u>478,644</u>	\$ <u>3,223,644</u>

<u>Business-Type</u>	<u>MWRA Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 744,091	\$ 80,293	\$ 824,383
2024	645,439	73,544	718,983
2025	652,855	66,649	719,504
2026	572,430	59,606	632,036
2027	580,168	52,411	632,580
2028 - 2032	2,121,509	149,082	2,270,591
2033 - 2034	<u>297,259</u>	<u>7,345</u>	<u>304,604</u>
Total	\$ <u>5,613,750</u>	\$ <u>488,931</u>	\$ <u>6,102,681</u>

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2022 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
October 2016	Hillside School Construction	\$ 226,633
May 2018	RTS Property Repairs	185,000
May 2018	Public Works Storage Facility	2,288,000
May 2019	Water Distribution Improvements	4,000,000
June 2020	Mitchell School Restroom Upgrades	200,000
May 2021	Public Safety P/F Bldgs Construction	1,400,000
October 2021	Emery Grover Bldg Design	1,005,000
May 2022	Emery Grover Bldg Renovation	14,150,000
May 2021	Sewer Main Replacement	<u>204,500</u>
	Total	<u>\$ 23,659,133</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/21</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/22</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/22</u>
<u>Governmental Activities</u>						
Bonds payable - public offerings	\$ 130,525	\$ 9,970	\$ (13,654)	\$ 126,841	\$ (13,500)	\$ 113,341
Unamortized bond premium	<u>10,459</u>	<u>735</u>	<u>(910)</u>	<u>10,284</u>	<u>(954)</u>	<u>9,330</u>
Subtotal bonds payable	140,984	10,705	(14,564)	137,125	(14,454)	122,671
Net pension liability	70,951	-	(26,773)	44,178	-	44,178
Net OPEB liability	68,160	4,220	-	72,380	-	72,380
Accrued employee benefits	6,967	-	(687)	6,280	(1,570)	4,710
Landfill closure	<u>451</u>	<u>-</u>	<u>(57)</u>	<u>394</u>	<u>(56)</u>	<u>338</u>
Totals	<u>\$ 287,513</u>	<u>\$ 14,925</u>	<u>\$ (42,081)</u>	<u>\$ 260,357</u>	<u>\$ (16,080)</u>	<u>\$ 244,277</u>
<u>Business-Type Activities</u>						
Bonds payable - public offerings	\$ 3,046	\$ -	\$ (96)	\$ 2,950	\$ (375)	\$ 2,575
Bonds payable - direct offerings	<u>6,281</u>	<u>-</u>	<u>(413)</u>	<u>5,868</u>	<u>(1,203)</u>	<u>4,665</u>
Subtotal bonds payable	9,327	-	(509)	8,818	(1,578)	7,240
Net pension liability	2,744	-	(1,056)	1,688	-	1,688
Net OPEB liability	860	627	-	1,487	-	1,487
Accrued employee benefits	<u>307</u>	<u>-</u>	<u>(37)</u>	<u>270</u>	<u>-</u>	<u>270</u>
Totals	<u>\$ 13,238</u>	<u>\$ 627</u>	<u>\$ (1,602)</u>	<u>\$ 12,263</u>	<u>\$ (1,578)</u>	<u>\$ 10,685</u>

Current Year Refundings

On April 14, 2021 the Town issued general obligation bonds in the amount of \$4,668,000 with a variable interest rate ranging from 2.0 - 5.0% to refund \$5,455,000 of term bonds with an interest rate ranging from 2.625% - 4.0%. The net proceeds on this refunding were \$5,500,615. As a result of the refunding, the Town reduced its total debt service requirement by \$720,714 with a net present value savings of \$529,967 (economic gain).

Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2022, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$12,435,000.

13. Landfill Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$394,908 reported as postclosure care liability at June 30, 2022 represents the estimated costs to maintain and monitor the site for the remainder of the thirty years. These amounts are based on what it would cost to perform all postclosure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisitions of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports three items as deferred inflows of resources: one which is attributable to changes in the net pension liability, changes in OPEB liability, and the other one which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2022 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

15. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at June 30, 2022:

Nonspendable

This fund balance classification represents nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

This fund balance classification includes general fund encumbrances funded by bond issuances, community preservation funds, various special revenue funds, and the income portion of permanent trust funds.

Committed

This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and capital project funds funded by cash capital.

Assigned

This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Following is a breakdown of the Town's fund balances at June 30, 2022:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 113,326	\$ 113,326
Total Nonspendable	-	-	113,326	113,326
Restricted				
Debt service	733,044	-	-	\$ 733,044
Community preservation	-	10,559,002	-	10,559,002
Bonded projects	-	-	19,093,599	19,093,599
Special revenue funds:				
Expendable trust funds	-	-	3,001,986	3,001,986
Circuit Breaker	-	-	1,715,210	1,715,210
School lunch	-	-	923,004	923,004
RRFA - parking meter fund	-	-	379,224	379,224
RRFA - bond premiums	-	-	730,798	730,798
Insurance loss replacement	-	-	217,582	217,582
Facility activity use	-	-	357,394	357,394
Pupil transportation	-	-	225,612	225,612
Parks and recreation revolving	-	-	267,696	267,696
Other special revenue funds	-	-	3,667,914	3,667,914
Total Restricted	733,044	10,559,002	30,580,019	41,872,065
Committed				
Continuing appropriations articles	3,248,691	-	-	3,248,691
Compensated absences	464,270	-	-	464,270
Capital improvement stabilization	1,100,591	-	-	1,100,591
Capital facility stabilization	1,927,853	-	-	1,927,853
Athletic facility stabilization	978,607	-	-	978,607
Debt service stabilization	2,160,996	-	-	2,160,996
Capital projects	-	-	-	-
Total Committed	9,881,008	-	-	9,881,008
Assigned				
Encumbrances	3,230,812	-	-	3,230,812
For next year's expenditures:				
Primarily for capital	13,119,955	-	-	13,119,955
Total Assigned	16,350,767	-	-	16,350,767
Unassigned				
General fund	24,833,428	-	-	24,833,428
Stabilization fund	4,550,112	-	-	4,550,112
Police and fire details	-	-	(463,585)	(463,585)
Capital projects	-	-	(3,591,741)	(3,591,741)
Total Unassigned	29,383,540	-	(4,055,326)	25,328,214
Total Fund Balance	\$ 56,348,359	\$ 10,559,002	\$ 26,638,019	\$ 93,545,380

Stabilization Fund Arrangements

In accordance with Massachusetts General Laws, Section 5B of Chapter 40, as amended by Section 22 of Chapter 218 of the Acts of 2016, the Town maintains five stabilization funds. Per Chapter 218, balances in the stabilization funds can be expended only upon

appropriation at Town Meeting. Additionally, transfers to the stabilization funds are required to be approved at Town Meeting. The Town maintains the following stabilization funds:

- General stabilization – established around 1970, for general purposes.
- Capital improvement stabilization – established in May 2004, to reserve funds for the acquisition of new equipment, and/or the replacement of existing equipment (in both cases relating to equipment for which the Town may borrow for 5 years, or more), and/or for building/facility improvements with a cost of less than \$250,000.
- Capital facility stabilization – established in May 2007, to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity of the capital facilities.
- Athletic facility stabilization – established in May 2012, to reserve funds for the renovation and reconstruction of the Town’s athletic facilities.
- Debt service stabilization – established in November 2015, to reserve funds to pay certain debt obligations, when necessary. The fund is intended to be part of the Town’s overall planning strategy for addressing capital facility needs.

16. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). Major differences include an estimate for future potential tax refunds included in these financial statements, which is not recognized under UMAS.

17. Needham Contributory Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

Plan Description

Employees of the Town (except teachers and administrators under contract employed by the School Department) who meet the membership eligibility requirements of Chapter 32 of the Massachusetts General Laws are members of the Needham Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee defined benefit retirement system (PERS). Eligibility includes employees working over twenty hours per week and excludes part-time and seasonal employees. Eligible employees must participate in the System. The pension plan provides pension benefits,

deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 1471 Highland Avenue, Needham, Massachusetts 02492.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%
1979- present	An additional 2% of salary in excess of \$30,000.

For those members entering a System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2022 was \$10,417,439, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2022, the Town reported a liability of \$45,865,454 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2021, the Town's proportion was 98.65%, previously 98.47%.

For the year ended June 30, 2022, the Town recognized pension expense of \$6,323,600. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 8,903,017
Changes of assumptions	15,024,060	-
Changes in proportion	183,704	114,330
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>29,045,195</u>
Total	<u>\$ 15,207,764</u>	<u>\$ 38,062,542</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year ended June 30:	Deferred Outflows (Inflows) of Resources
	<u> </u>
2023	\$ (3,288,241)
2024	(6,354,365)
2025	(7,591,917)
2026	(5,594,139)
2027	<u>(26,116)</u>
Total	<u>\$ (22,854,778)</u>

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2022
Actuarial cost methods	Individual Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.25%, previously 6.50%
Projected salary increases	Ranging from 6.00% decreasing to 3.75% for Group 1 Ranging from 6.00% decreasing to 4.00% for Group 2 Ranging from 7.00% decreasing to 4.25% for Group 3
Inflation rate	2.4% per year
Payroll growth	3.5% per year
Post-retirement cost-of-living adjustment	3% of the first \$14,000

Actuarial valuation of the System involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on RP-2014 Blue Collar Employee Mortality Table with full generational mortality improvement using Scale MP-2016. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2016.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of June 30, 2022, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	38.00%	4.22%
Core fixed income	15.00%	0.70%
Value-Added fixed income	8.00%	4.00%
Private equity	15.00%	7.70%
Real estate	10.00%	3.60%
Timberland	4.00%	4.20%
Portfolio Completion (PCS)	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
\$ 81,980,707	\$ 45,865,454	\$ 16,771,444

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

18. **Massachusetts Teachers' Retirement System (MTRS)**

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012-2020.

- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocation

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 1 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	<u>4.00%</u>	4.30%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts’ contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase to 8.00%</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2021 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$168,708,472 based on a proportionate share of 0.742984%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution as of \$12,990,950 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$13,538,152 as both a revenue and expense in the governmental activities.

19. Other Post-Employment Benefits (GASB 74 and 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In prior years the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit

payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through a variety of health plans through the West Suburban Health Group, a municipal joint purchase group organized under Massachusetts General Laws Chapter 32B §12. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town’s funding policy includes funding the OPEB fund on a pay-as-you-go basis and making additional contributions based on actuarially determined amounts or annual budget limitations/authorizations.

Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Retirees/Disabled	940
Active employees	<u>1,423</u>
Total	<u><u>2,363</u></u>

Investments

The OPEB trust fund assets are invested with the Commonwealth’s State Retirees Benefit Trust Fund.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 6.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%, as of June 2022 and future periods
Salary increases	3.0% annually as of June 2022 and future period
Investment rate of return	6.41%, net of investment expenses, including in
Discount rate	6.25%, net of investment expenses, including in
Healthcare cost trend rates	4.50% for 2021, based on the SOA Getzen Model of Long-Run Medical Cost Trends
Participation rate	80% of eligible employees
Retirees' share of benefit-related costs	26%-50%, depending on the retiree's plan

Mortality rates were based on:

- RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females, set forward 1 year for females
- RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2016 for males and females, set forward 1 year for females
- RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2016 for males and females, set forward 1 year

The actuarial assumptions used in the valuation primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large Cap	14.50%	4.42%
Domestic equity - Small/Mid Cap	3.50%	4.81%
International developed markets equity	16.00%	4.91%
International emerging markets equity	6.00%	5.58%
Domestic Fixed Income	20.00%	1.00%
International Fixed Income	3.00%	1.04%
Alternatives	23.00%	5.98%
Real Estate	<u>14.00%</u>	6.25%
Total	<u><u>100.00%</u></u>	

Contributions

The Town's policy is to contribute the ADC.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.25%, previously 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$ 135,250,391
Plan fiduciary net position	<u>61,383,656</u>
Net OPEB liability	<u><u>\$ 73,866,735</u></u>

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 129,196,503	\$ 60,176,478	\$ 69,020,025
Changes for the year:			
Service cost	3,030,646	-	3,030,646
Interest	8,414,773	-	8,414,773
Contributions - employer	-	9,213,019	(9,213,019)
Net investment income	-	(2,379,071)	2,379,071
Differences between expected and actual experience	(3,714,901)	-	(3,714,901)
Changes in assumptions or other inputs	3,950,140	-	3,950,140
Benefit payments	<u>(5,626,770)</u>	<u>(5,626,770)</u>	<u>-</u>
Net Changes	<u>6,053,888</u>	<u>1,207,178</u>	<u>4,846,710</u>
Balances, end of year	\$ <u>135,250,391</u>	\$ <u>61,383,656</u>	\$ <u>73,866,735</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
\$ 86,496,704	\$ 73,866,735	\$ 54,679,230

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 52,965,338	\$ 73,866,735	\$ 88,836,970

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$8,272,920. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 6,759,770
Change in assumptions	15,520,396	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>2,427,545</u>
Total	<u>\$ 15,520,396</u>	<u>\$ 9,187,315</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ 1,910,368
2024	2,115,143
2025	71,253
2026	1,850,497
2027	356,627
Thereafter	<u>29,193</u>
Total	<u>\$ 6,333,081</u>

20. Self-Insurance

Workers' Compensation

The Town's personnel Department administers a self-insured workers' compensation program. In addition to in-house administration, the Town utilizes a third-party administrator, FutureComp, to process claims, produce workers' compensation vouchers, and conduct follow-up medical case management on individuals receiving workers compensation benefits.

As of June 30, 2022, the Town's workers' compensation fund had a balance of \$1,386,171 in net position (a component of Total Net Position). This amount is generated from the remainder of the workers compensation budget voted each year by Town Meeting, less

accrual for outstanding claims. The Town appropriated \$733,900 for workers' compensation line item in fiscal year 2022. These funds are used to pay workers' compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from Midwest Employers Casualty Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$450,000 per accident per employee to an aggregate limit of \$1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is \$4,000,000. The Town has no excess liability coverage for public safety employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2022 has been recorded in the Internal Service Fund. This represents the Town's estimate of future payments based on historical information on active cases.

Changes in the aggregate liability for claims for the year ended June 30, 2022 were as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 932,449
Claims incurred/recognized in fiscal year 2022	542,783
Claims paid in fiscal year 2022	<u>(921,250)</u>
Claims liability, end of year	<u>\$ 553,982</u>

21. Change in Accounting Principle

During the fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as the right to use another entity's non-financial assets over a definitive period of time. Management has concluded that the effects of Statement No. 87 are immaterial to the financial statements.

22. Commitments and Contingencies

Outstanding Legal Issues

There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Abatements

There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end, the Town's general fund had \$3,230,812 of encumbrances that will be honored in the next fiscal year.

23. Subsequent Events

Management has evaluated subsequent events through May 18, 2023, which is the date the financial statements were available to be issued.

24. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statements No. 94 and 96, effective for the Town beginning with its fiscal year ending June 30, 2023. Management is currently evaluating the impact of implementing this GASB pronouncement.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES AND USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 168,280,888	\$ 168,280,888	\$ 170,417,731	\$ 2,136,843
Excise taxes	4,000,000	4,000,000	5,837,070	1,837,070
Penalties, interest, and other taxes	880,000	880,000	2,079,140	1,199,140
Charges for services	2,845,000	2,845,000	3,671,477	826,477
Departmental	850,000	850,000	1,236,064	386,064
Licenses and permits	1,650,000	1,650,000	2,771,497	1,121,497
Intergovernmental	13,912,248	13,912,248	13,813,354	(98,894)
Investment income	150,000	150,000	194,651	44,651
Fines and forfeitures	-	-	102,347	102,347
Other revenue	-	-	312,444	312,444
	<u>192,568,136</u>	<u>192,568,136</u>	<u>200,435,775</u>	<u>7,867,639</u>
Total Revenues				
Expenditures				
General government	7,671,435	6,961,287	5,089,423	1,871,864
Land use	521,342	524,554	507,886	16,668
Public safety	17,705,004	18,702,061	17,868,110	833,951
Education	84,853,684	84,903,684	82,857,247	2,046,437
Public works	21,592,981	22,016,295	21,500,514	515,781
Building design and construction	391,112	392,287	294,913	97,374
Community services	5,569,751	5,626,560	5,233,628	392,932
Debt service	20,764,142	20,764,142	20,754,997	9,145
Employee benefits	35,134,466	35,134,466	33,309,626	1,824,840
Other appropriated expenses	1,596,900	775,481	723,276	52,205
Intergovernmental	1,581,893	1,581,893	1,572,207	9,686
Other amounts provided	12,500	12,500	-	12,500
	<u>197,395,210</u>	<u>197,395,210</u>	<u>189,711,827</u>	<u>7,683,383</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(4,827,074)	(4,827,074)	10,723,948	15,551,022
Other Financing Sources (Uses)				
Transfers in	2,428,812	2,428,812	3,600,499	1,171,687
Use of free cash primarily for capital	11,526,630	13,063,223	-	(13,063,223)
Use of bond premium	71,176	71,176	-	(71,176)
Use of overlay surplus for operating budget	150,000	1,150,000	-	(1,150,000)
Transfers out	(9,349,544)	(11,886,137)	(11,886,137)	-
	<u>4,827,074</u>	<u>4,827,074</u>	<u>(8,285,638)</u>	<u>(13,112,712)</u>
Total Other Financing Sources (Uses)				
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,438,310	\$ 2,438,310

See Independent Auditor's Report.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 213,503,735	\$ 200,388,085
Other financing sources/uses (GAAP Basis)	<u>5,484,304</u>	<u>14,628,400</u>
Subtotal (GAAP Basis)	218,988,039	215,016,485
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,520,116)
Add end-of-year appropriation carryforwards to expenditures	-	3,628,612
To reverse gross up for refunding activity	-	(33,101)
To reverse gross up for MTRS on behalf payment	(12,990,950)	(12,990,950)
Less nonbudgeted funds	<u>(1,960,815)</u>	<u>(502,966)</u>
Budgetary Basis	<u>\$ 204,036,274</u>	<u>\$ 201,597,964</u>

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(Unaudited)

Needham Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	December 31, 2021	98.47%	\$45,865,454	\$ 53,172,823	86.26%	0.00%
June 30, 2021	December 31, 2020	98.47%	\$73,694,482	\$ 43,397,457	169.81%	73.09%
June 30, 2020	December 31, 2019	98.72%	\$84,371,092	\$ 41,193,710	204.82%	68.07%
June 30, 2019	December 31, 2018	98.43%	\$78,768,106	\$ 43,859,715	179.59%	66.48%
June 30, 2018	December 31, 2017	98.48%	\$64,280,887	\$ 44,684,936	143.85%	71.58%
June 30, 2017	December 31, 2016	98.41%	\$68,675,930	\$ 38,860,207	176.73%	67.10%
June 30, 2016	December 31, 2015	98.20%	\$63,877,775	\$ 39,406,655	162.10%	67.43%
June 30, 2015	December 31, 2014	98.27%	\$54,445,695	\$ 35,772,213	152.20%	71.09%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	June 30, 2021	0.75%	\$ -	\$ 168,708,472	\$ 168,708,472	\$ 55,875,071	0.00%	62.03%
June 30, 2021	June 30, 2020	0.71%	\$ -	\$ 202,510,698	\$ 202,510,698	\$ 48,375,608	0.00%	50.67%
June 30, 2020	June 30, 2019	0.70%	\$ -	\$ 175,678,243	\$ 175,678,243	\$ 50,620,405	0.00%	53.95%
June 30, 2019	June 30, 2018	0.69%	\$ -	\$ 163,330,397	\$ 163,330,397	\$ 44,888,988	0.00%	54.84%
June 30, 2018	June 30, 2017	0.68%	\$ -	\$ 156,266,130	\$ 156,266,130	\$ 46,022,868	0.00%	54.25%
June 30, 2017	June 30, 2016	0.67%	\$ -	\$ 148,771,539	\$ 148,771,539	\$ 44,621,329	0.00%	52.73%
June 30, 2016	June 30, 2015	0.66%	\$ -	\$ 135,373,423	\$ 135,373,423	\$ 39,867,330	0.00%	55.38%
June 30, 2015	June 30, 2014	0.63%	\$ -	\$ 100,708,775	\$ 100,708,775	N/A	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

Needham Contributory Retirement System					
Fiscal Year	Actuarially Determined Contribution	Actuarially Determined Contribution	Contributions in Relation to the Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 10,417,439	\$ 10,417,439	\$ -	\$ 53,172,823	19.59%
June 30, 2021	\$ 9,368,084	\$ 9,368,084	\$ -	\$ 43,397,457	21.59%
June 30, 2020	\$ 8,577,048	\$ 8,577,048	\$ -	\$ 41,193,710	20.82%
June 30, 2019	\$ 7,809,911	\$ 7,809,911	\$ -	\$ 43,859,715	17.81%
June 30, 2018	\$ 7,203,059	\$ 7,203,059	\$ -	\$ 44,684,936	16.12%
June 30, 2017	\$ 6,600,162	\$ 6,600,162	\$ -	\$ 38,860,207	16.98%
June 30, 2016	\$ 6,039,115	\$ 6,039,115	\$ -	\$ 39,406,655	15.33%
June 30, 2015	\$ 5,524,150	\$ 5,524,150	\$ -	\$ 35,772,213	15.44%

Massachusetts Teachers' Retirement System					
Fiscal Year	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 12,990,950	\$ 12,990,950	\$ -	\$ 61,020,236	21.29%
June 30, 2021	\$ 11,020,792	\$ 11,020,792	\$ -	\$ 55,875,071	19.72%
June 30, 2020	\$ 10,059,024	\$ 10,059,024	\$ -	\$ 48,375,608	20.79%
June 30, 2019	\$ 9,056,616	\$ 9,056,616	\$ -	\$ 50,620,405	17.89%
June 30, 2018	\$ 8,436,349	\$ 8,436,349	\$ -	\$ 44,888,988	18.79%
June 30, 2017	\$ 7,483,070	\$ 7,483,070	\$ -	\$ 46,022,868	16.26%
June 30, 2016	\$ 6,751,809	\$ 6,751,809	\$ -	\$ 44,621,329	15.13%
June 30, 2015	\$ 5,938,614	\$ 5,938,614	\$ -	\$ 39,867,330	14.90%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Schedule of Changes in the Net OPEB Liability
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability						
Service cost	\$ 3,030,646	\$ 3,085,625	\$ 2,915,612	\$ 2,797,907	\$ 2,573,887	\$ 2,486,847
Interest	8,414,773	8,384,081	7,382,923	6,347,733	6,913,177	6,544,745
Plan amendments	-	-	-	-	(4,090,587)	-
Differences between expected and actual experience	(3,714,901)	(293,339)	159,645	(21,193,711)	1,798,808	-
Changes of assumptions	3,950,140	3,893,113	8,438,164	31,054,380	(4,589,355)	-
Benefit payments	<u>(5,626,770)</u>	<u>(5,034,735)</u>	<u>(4,502,453)</u>	<u>(4,174,262)</u>	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Net change in total OPEB liability	6,053,888	10,034,745	14,393,891	14,832,047	(1,857,215)	5,073,197
Total OPEB liability - beginning	<u>129,196,503</u>	<u>119,161,758</u>	<u>104,767,867</u>	<u>89,935,820</u>	<u>91,793,035</u>	<u>86,719,838</u>
Total OPEB liability - ending (a)	135,250,391	129,196,503	119,161,758	104,767,867	89,935,820	91,793,035
Plan fiduciary net position						
Contributions - employer	9,213,019	8,650,376	8,032,252	7,800,967	7,389,578	6,317,042
Net investment income	(2,379,070)	13,820,192	873,725	1,831,609	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	(5,626,770)	(5,034,735)	(4,502,453)	(4,174,262)	(4,463,145)	(3,958,395)
Other	-	-	-	-	-	257,093
Net change in plan fiduciary net position	1,207,179	17,435,833	4,403,524	5,458,314	6,043,636	5,635,970
Plan fiduciary net position - beginning	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>	<u>21,199,201</u>
Plan fiduciary net position - ending (b)	<u>61,383,657</u>	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB liability - ending (a-b)	<u>\$ 73,866,734</u>	<u>\$ 69,020,025</u>	<u>\$ 76,421,113</u>	<u>\$ 66,430,746</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>
Plan fiduciary net position as a percentage of the total OPEB liability	45.39%	46.58%	35.87%	36.59%	36.56%	29.23%
Covered employee payroll	105,734,622	102,654,973	99,665,022	93,645,807	94,042,382	94,042,382
Net OPEB liability as a percentage of covered employee payroll	69.86%	67.23%	76.68%	70.94%	60.67%	69.07%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Schedules of OPEB Contributions and Investment Returns
(Unaudited)

Schedule of Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 7,426,237	\$ 7,197,713	\$ 6,906,705	\$ 6,906,705	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially determined contribution	<u>7,426,237</u>	<u>7,426,237</u>	<u>6,906,705</u>	<u>6,906,705</u>	<u>6,115,455</u>	<u>5,568,923</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>(228,524)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(43,172)</u>	\$ <u>-</u>
Covered employee payroll	105,734,622	102,654,973	99,665,022	93,645,807	94,042,382	94,042,382
Contributions as a percentage of covered employee payroll	7.02%	7.23%	6.93%	7.38%	6.50%	5.92%

Schedule of Investment Returns

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Annual money weighted rate of return, net of investment expenses	-6.25%	28.97%	4.65%	4.93%	11.62%	14.25%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Revenues and Other Sources, and
Expenditures and Other Uses -
Sewer Enterprise Fund Budget vs. Actual Comparison

For the Year Ended June 30, 2022

(Unaudited)

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 8,810,688	\$ 8,396,752	\$ (413,936)
Intergovernmental	-	-	-
Interest income	3,500	8,442	4,942
Other revenue	<u>-</u>	<u>23,066</u>	<u>23,066</u>
Total Revenues	8,814,188	8,428,260	(385,928)
Expenditures:			
Sewer expenditures	1,640,809	1,443,181	197,628
Intergovernmental	6,614,690	6,614,690	-
Debt service	<u>610,000</u>	<u>603,693</u>	<u>6,307</u>
Total Expenditures	<u>8,865,499</u>	<u>8,661,564</u>	<u>203,935</u>
Excess of revenues over expenditures	(51,311)	(233,304)	(181,993)
Other Financing Sources and Uses:			
Transfers in	526,368	549,433	23,065
Use of retained earnings	365,000	-	(365,000)
Transfers out	<u>(840,057)</u>	<u>(840,057)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>51,311</u>	<u>(290,624)</u>	<u>(341,935)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>(523,928)</u>	\$ <u>(523,928)</u>

See Independent Auditor's Report.

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Revenues and Other Sources, and
Expenditures and Other Uses -
Water Enterprise Fund Budget vs. Actual Comparison

For the Year Ended June 30, 2022

(Unaudited)

	<u>Budget</u>	Adjusted <u>Actual</u>	Variance Positive <u>(Negative)</u>
Revenues:			
Current service charges	\$ 6,330,445	\$ 6,071,661	\$ (258,784)
Interest income	7,500	14,172	6,672
Other revenue	<u>-</u>	<u>22,415</u>	<u>22,415</u>
Total Revenues	6,337,945	6,108,248	(229,697)
Expenditures:			
Water expenditures	2,898,648	2,453,412	445,236
Intergovernmental	1,670,433	1,670,433	-
Debt service	<u>1,218,525</u>	<u>840,494</u>	<u>378,031</u>
Total Expenditures	<u>5,787,606</u>	<u>4,964,339</u>	<u>823,267</u>
Excess of revenues over expenditures	550,339	1,143,909	593,570
Other Financing Sources and Uses:			
Use of retained earnings	1,366,184	-	(1,366,184)
Transfers out	<u>(1,916,523)</u>	<u>(1,916,523)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(550,339)</u>	<u>(1,916,523)</u>	<u>(1,366,184)</u>
Excess of revenues over expenditures and other uses	\$ <u><u>-</u></u>	\$ <u><u>(772,614)</u></u>	\$ <u><u>(772,614)</u></u>

See Independent Auditor's Report.