

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Needham, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2016, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above 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, 2016, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budget and actual comparisons for Sewer, Water, and Solid Waste funds appearing on pages 79 through 81 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2017 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 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 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.

Melanson Heath

January 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, we offer readers this narrative overview and analysis of the financial activities of the Town of Needham for the fiscal year ended June 30, 2016.

A. 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains 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, public facility maintenance, health and human services, and culture and recreation. The business-type activities include sewer, water, and solid waste 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water and solid waste 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.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water and solid waste operations, all of which are considered to be major funds.

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, 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.

Other 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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$231,822,898 (net position), a change of \$8,860,319 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$49,484,614, a change of \$(3,654,687) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$20,764,847, a change of \$5,516,878 in comparison to the prior year.
- Total long-term bonds and loans payable, including unamortized bond premium, at the close of the current fiscal year was \$88,121,548, a change of \$(9,535,616) in comparison to the prior year.
- Total short-term notes payable at the close of the current fiscal year was \$9,285,000, none were outstanding in the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Net Position Summary (000s)</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 80,015	\$ 75,068	\$ 19,006	\$ 16,750	\$ 99,021	\$ 91,818
Capital assets	<u>237,337</u>	<u>232,147</u>	<u>64,764</u>	<u>64,826</u>	<u>302,101</u>	<u>296,973</u>
Total assets	317,352	307,215	83,770	81,576	401,122	388,791
Deferred outflow of resources	<u>9,063</u>	<u>1,789</u>	<u>522</u>	<u>110</u>	<u>9,585</u>	<u>1,899</u>
Total assets and deferred outflow of resources	<u>\$ 326,415</u>	<u>\$ 309,004</u>	<u>\$ 84,292</u>	<u>\$ 81,686</u>	<u>\$ 410,707</u>	<u>\$ 390,690</u>
Liabilities:						
Long-term liabilities	\$ 139,288	\$ 137,338	\$ 18,865	\$ 20,116	\$ 158,153	\$ 157,454
Notes payable	8,860	-	425	-	9,285	-
Other liabilities	<u>10,394</u>	<u>9,391</u>	<u>905</u>	<u>857</u>	<u>11,299</u>	<u>10,248</u>
Total liabilities	158,542	146,729	20,195	20,973	178,737	167,702
Deferred inflow of resources	<u>144</u>	<u>24</u>	<u>3</u>	<u>1</u>	<u>147</u>	<u>25</u>
Net position:						
Net investment in capital assets	156,036	151,855	50,020	48,762	206,056	200,617
Restricted	13,450	17,038	-	-	13,450	17,038
Unrestricted	<u>(1,757)</u>	<u>(6,642)</u>	<u>14,074</u>	<u>11,950</u>	<u>12,317</u>	<u>5,308</u>
Total net position	<u>167,729</u>	<u>162,251</u>	<u>64,094</u>	<u>60,712</u>	<u>231,823</u>	<u>222,963</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 326,415</u>	<u>\$ 309,004</u>	<u>\$ 84,292</u>	<u>\$ 81,686</u>	<u>\$ 410,707</u>	<u>\$ 390,690</u>

Changes in Net Position Summary (000s)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 10,468	\$ 9,784	\$ 17,077	\$ 17,368	\$ 27,545	\$ 27,152
Operating grants and contributions	25,906	21,962	28	28	25,934	21,990
Capital grants and contributions	409	439	305	-	714	439
General revenues:						
Property taxes	120,304	114,605	-	-	120,304	114,605
Excises	5,660	5,237	-	-	5,660	5,237
Penalties and interest on taxes	2,413	1,855	-	-	2,413	1,855
Grants and contributions not restricted to specific programs	2,184	2,169	-	-	2,184	2,169
Investment income	287	365	16	13	303	378
Other	298	240	-	25	298	265
Total revenues	<u>167,929</u>	<u>156,656</u>	<u>17,426</u>	<u>17,434</u>	<u>185,355</u>	<u>174,090</u>
Expenses:						
General government	6,082	6,079	-	-	6,082	6,079
Public safety	15,954	15,743	-	-	15,954	15,743
Education	97,461	89,349	-	-	97,461	89,349
Public works	8,975	8,706	-	-	8,975	8,706
Maintenance	11,538	11,555	-	-	11,538	11,555
Human services	2,467	2,094	-	-	2,467	2,094
Culture and recreation	3,827	3,218	-	-	3,827	3,218
Interest on long-term debt	2,382	2,718	-	-	2,382	2,718
Intergovernmental	1,282	1,273	-	-	1,282	1,273
Other unallocated costs	11,834	10,356	-	-	11,834	10,356
Sewer operations	-	-	7,958	8,027	7,958	8,027
Water operations	-	-	4,668	4,963	4,668	4,963
Solid waste operations	-	-	2,066	2,155	2,066	2,155
Total expenses	<u>161,802</u>	<u>151,091</u>	<u>14,692</u>	<u>15,145</u>	<u>176,494</u>	<u>166,236</u>
Change in net position before transfers	6,127	5,565	2,734	2,289	8,861	7,854
Transfers	<u>(648)</u>	<u>(507)</u>	<u>648</u>	<u>507</u>	<u>-</u>	<u>-</u>
Change in net position	5,479	5,058	3,382	2,796	8,861	7,854
Net position - beginning of year	<u>162,250</u>	<u>157,192</u>	<u>60,712</u>	<u>57,916</u>	<u>222,962</u>	<u>215,108</u>
Net position - end of year	<u>\$ 167,729</u>	<u>\$ 162,250</u>	<u>\$ 64,094</u>	<u>\$ 60,712</u>	<u>\$ 231,823</u>	<u>\$ 222,962</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 \$206,055,991 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); 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.

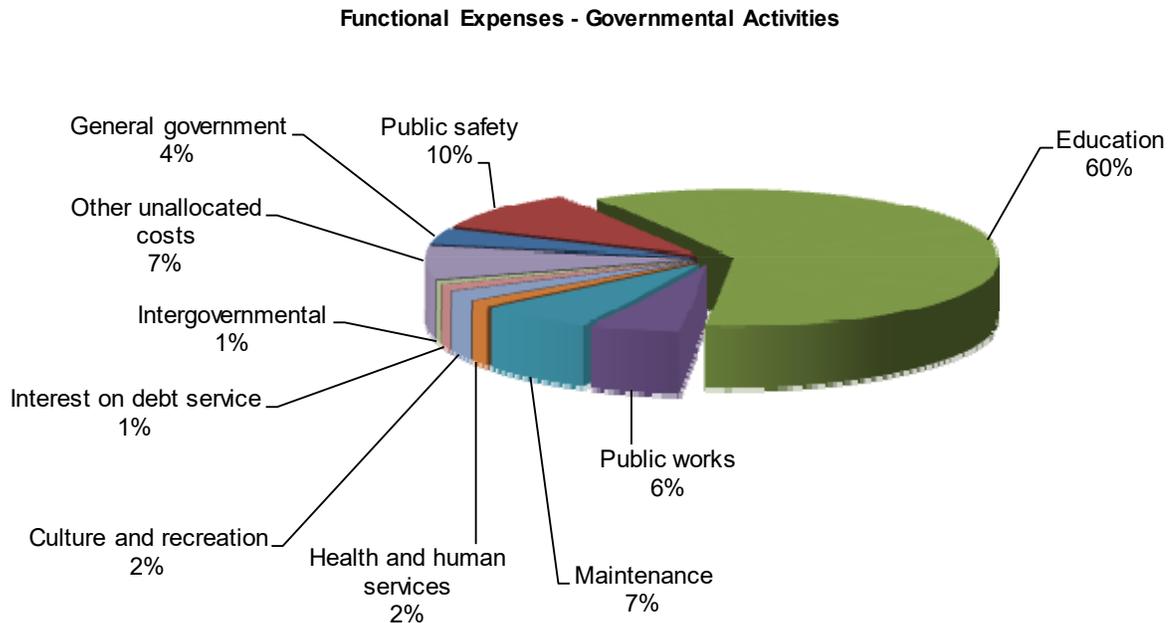
An additional portion of net position \$13,451,753 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,316,528 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

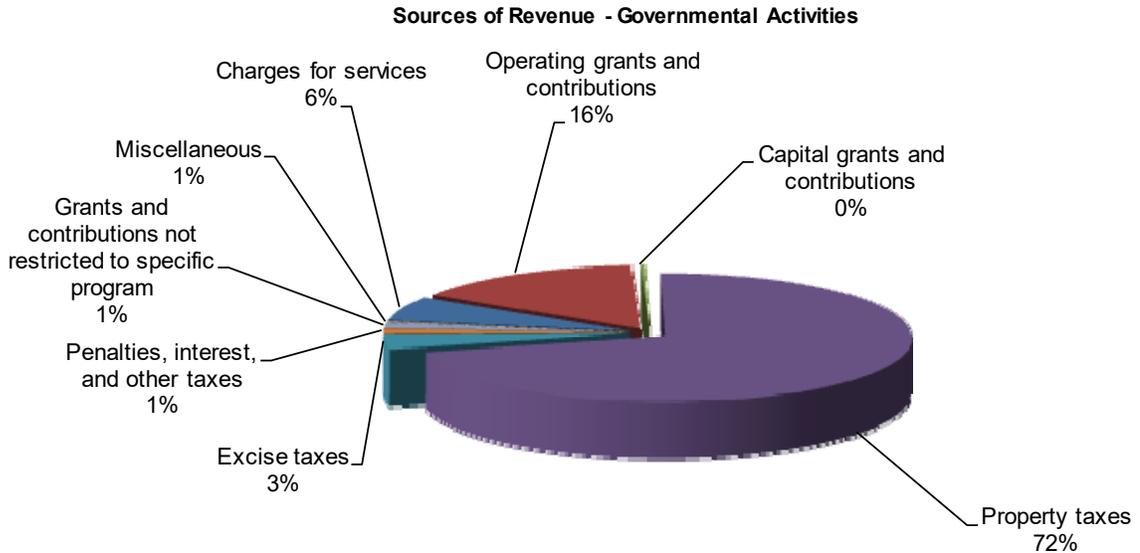
Governmental activities for the year resulted in a change in net position of \$5,477,990. Key elements of this change are as follows (in thousands):

General fund excess of revenues over expenditures - fund basis	\$ 10,506
CPA fund excess of revenues over non capitalized expenses	2,540
Increase in net pension liability	(8,885)
Increase in pension related deferred outflows, net of inflows	6,664
Increase in compensated absences	(820)
Loss in internal service fund	(607)
Depreciation in excess of debt service principle	(1,084)
Collection of prior year receivables	(1,035)
School lunch expenditure in excess of revenues	(500)
Other	<u>(1,301)</u>
Total	<u><u>\$ 5,478</u></u>

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$11M over the previous year or by 7.1%.



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by \$11M over the prior year or 7.3%.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$3,382,329. Positive results are due to strong budgetary performance (softened by the use of fund balance) and the Town's continued practice of financing capital improvements with revenues.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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 \$49,484,614, a change of \$(3,654,687) in comparison to the prior year. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 10,506
Major capital project fund expenditures in excess of revenues	(6,613)
CPA fund excess of expenditures over revenues	(938)
Capital project funds expenditures in excess of revenues	(4,905)
Special revenue funds expenditures in excess of revenues	(1,164)
Other	<u>(541)</u>
Total	<u>\$ (3,655)</u>

General Fund

The general fund is the chief operating fund. 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>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Unassigned fund balance	\$ 20,764,847	\$ 15,247,969	\$ 13,245,277
Total fund balance	\$ 36,959,218	\$ 29,535,720	\$ 28,564,772

	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Unassigned fund balance as of % of total General Fund expenditures	15.7%	11.9%	9.9%
Total fund balance as of % total General Fund expenditures	27.9%	23.0%	21.3%

The total fund balance of the general fund changed by \$7,423,498 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash, overlay surplus and other reserves for FY16	\$ (7,042)
Transfer to stabilization accounts	1,014
Revenues and other financing sources in excess of budget	4,865
Expenditures less than budget	4,460
Unused overlay allowance	2,320
Collection of prior levied taxes	507
Timing differences related to encumbrances	479
Other	<u>820</u>
Total	<u>\$ 7,423</u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 3,946,175	\$ 3,876,809	\$ 69,366
Capital stabilization	4,976,970	3,946,704	1,030,266
Compensated absences	195,060	195,060	-
Continuing appropriations	<u>996,025</u>	<u>1,001,852</u>	<u>(5,827)</u>
Total	<u>\$ 10,114,230</u>	<u>\$ 9,020,425</u>	<u>\$ 1,093,805</u>

Other Major Funds

State legislation allows Community Preservation Act fund property taxes and state matching funds to finance projects such as preservation of historical buildings. Expenditures in the current year resulted from \$1,478,551 for Newman Athletic Fields and \$784,000 for the Eastman Conservation area.

The Owens Farm Property Acquisition fund was created in accordance with Article 13 of the November 2015 Special Town Meeting for the acquisition of Owens Farm.

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.

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Sewer	\$ 6,244,857	\$ 4,991,631	\$ 1,253,226
Water	6,642,725	6,096,904	545,821
Solid Waste	<u>1,187,132</u>	<u>861,604</u>	<u>325,528</u>
Total	<u>\$ 14,074,714</u>	<u>\$ 11,950,139</u>	<u>\$ 2,124,575</u>

Total net position and unrestricted net position increased from operating results, exceeding the voted use of certified retained earnings (a component of unrestricted net position) for the acquisition of capital assets. The use of certified retained earnings resulted in an increase in the sewer and solid waste funds net position restricted for net investment in capital asset.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Almost 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 final budget total for fiscal year 2016 was amended upward by \$771,000, a change of 0.6% from the original budget. The original budget was approved at \$135,799,837.

The Town increased its appropriation for general debt service to \$11,474,301 at the November 2015 Special Town Meeting. This represented a change of \$250,000. The increase was used to pay down additional short-term debt rather than converting to long-term bonds. The Town also increased funding for the group health insurance, employee benefits and administrative expense budget by \$196,000 for addition health insurance costs. This increase was not unexpected at the time the FY2016 budget was presented to Town Meeting, but there were several variables which could impact the cost for the year, which included premium increases, additional head count in the School and Town departments, plan selection by employees which may change due to the higher increases in monthly premiums, and actual enrollment. The estimated range of additional funds needed for the FY2016 budget was between \$260,000 and \$280,000 over that of the initial funding, but it was understood that since it was reasonable to plan that funds would be available in the fall to address the issue and that we would have better information regarding enrollment and contingency requirements, it was to be taken up in the fall.

The \$185,000 increase to the Classification Performance & Settlements budget was done to set aside funds for the open union contracts and anticipated changes to the various non-represented employee compensation schedules. Schedule C provides the wage rates for the various part-time, seasonal, and temporary positions which the Town hires throughout the year. Schedule G is the salary and wage rates for full-time and permanent positions in Town Government and Schedule K represents the compensation plan for department managers who are not otherwise covered under a separate employment contract.

The FY2016 Reserve Fund was increased by \$140,000. The Reserve Fund change is one that often occurs in the fall when new revenues are identified that could supplement the annual reserve. The Reserve Fund is one of the budgets that provides budget flexibility and is relied upon as a fund to help cover snow and ice removal costs that come in above budget.

During fiscal year 2016, the Town realized revenue in excess of budget of \$4.5 million, and realized budget savings of \$4.6 million relative to expenditures.

Revenues in excess of budget were higher than the fiscal year 2015 results, and the budget return was notably higher than the fiscal year 2015 return of approximately \$2.0 million. The overall results were better than in recent years.

Motor vehicle excise tax revenue continued to grow and came in at \$1.5 million over budget and 7.4% more than actual receipts in fiscal year 2015. Revenue generated from other taxes and penalties was more than \$1.1 million over estimate, and was 30% more than the fiscal year 2015 actual revenue. This was a much higher percent than last year, due to collections on some long-term past-due taxes which resulted in a very high amount of penalty and interest income (\$728,071 for FY2016 versus \$300,493 for FY2015). Revenue from licenses and permits continues to be strong with the strong real estate construction activity in both the commercial and residential markets, especially in the commercial area known as Needham Crossing. Permit income was \$2,314,222 compared to \$1,702,030 in the prior year, an increase of more than \$600,000. Overall total actual General Fund revenue for fiscal year 2016 was \$8,051,623 more than the total for fiscal year 2015. The combination of motor vehicle excise, permit and license revenue, and other local tax receipts contributed approximately 80% of the total General Fund surplus, up from the 73% that these sources made up for 2015.

The General Fund operating budget, which accounts for most of the expenditures, returned \$4,406,846 or approximately 3.2% of the operating budget appropriation; the return for fiscal year 2015 was \$1,944,545 or approximately 1.5% of the appropriation for that year. The highest dollar turn back was from budgetary reserve fund in the amount of \$1,002,505, approximately 23% of the total operating budget return. The return was much higher than usual because of the milder winter which resulted in a much lower snow and ice expense than in recent years. The snow and ice removal budget for fiscal year 2016 was \$404,000 and total actual expense was \$775,062, which required a transfer from the budgetary reserve fund of \$371,062. This compares to the budget for fiscal year 2015 of \$400,000 and a total actual expense of \$1,713,370, which required a transfer of \$1,313,370.

The Needham Public Schools returned \$519,301 or 0.8% of the original budget of \$61,480,687, which compares to \$87,330 (0.2%) that was returned in 2015. The Public Facilities Department returned \$526,459 or 6.1% of its budget. The turn back came almost equally from personnel \$272,904 and expenses \$253,555. The milder winter also contributed to lower energy expenses that accounted for most of the expense budget turn back. The personnel savings was due to vacancies. The Police Department returned \$513,084 (8.2%), which was primarily due to vacancies; approximately 88% (\$452,997) of the department turn back; this compares to the \$532,994 that was returned by the department in fiscal year 2015. The Fire Department also had a number of vacancies during the year which accounts for most of the \$434,442 that was returned, 98% (\$425,890). The other 18 departments returned in \$715,865 or 4.5% of their combined amended budgets for the year.

The Town-wide expense budgets (excluding the budgetary reserve fund) returned a combined \$695,190 or approximately 1.9% of their related total amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year-end amounted to \$302,100,821 (net of accumulated depreciation), a change of \$5,127,550 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following (in thousands):

Governmental Activities:

Owens Farm property acquisition	\$ 6,648
Newmans Fields renovations	\$ 1,190
Eastman Trail installation	\$ 848
High School Cafeteria expansion	\$ 509
Rosemary Pool study and design	\$ 357

Business-Type Activities:

St. Mary street pump station replacement	\$ 775
Water main improvements	\$ 454
Townwide I/I study - phase 2	\$ 305

Debt. At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$88,121,548. The bonds are backed by the full faith and credit of the government. The Town’s general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standards & Poor’s to the Town debt since 2000.

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

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Total General Fund balance for fiscal year 2016 was much higher than 2015. Fund balance was \$37 million for fiscal year 2016 compared to \$29.5 million for fiscal year 2015 or approximately a 25% change. The unassigned portion of the General Fund also improved with a balance of \$21 million for 2016 compared to \$15.2 million for 2015. The 2016 balance was higher than the prior year due improved revenue and larger budget turn backs than in recent years. Another contributing factor was that the Town did not appropriate all of its available Free Cash. Free Cash is essentially the portion of the unassigned General Fund

balance that the Massachusetts Department of Revenue will allow to be appropriated by the Town. The Free Cash certified for fiscal year 2016 was \$6,890,372; the amount certified for use during fiscal year 2015 was \$6,207,875. The Town appropriated all but \$700,000 of that Free Cash. The Town used a significant amount of the Free Cash for capital investment, special finance warrant articles, and reserves. The Town's use of Free Cash for funding the subsequent fiscal year operating budget was in line with management's guidance of not more than two-percent of the previous year's final budget (excluding the budgetary reserve fund) or the actual turn back, whichever is less. The Town appropriated \$2,639,117 of the Free Cash for cash capital which included \$1,200,000 for public roads and related infrastructure improvements, \$591,169 in core fleet and special equipment investment, \$563,794 in cash capital for the Needham public schools, and \$169,154 directed to other various General Fund cash capital improvements. The balance of \$115,000 was for two feasibility studies: \$65,000 to investigate options for high school classrooms and \$50,000 for improvements to the Memorial Park building and grounds. The Town appropriated \$400,000 for general facility repairs and maintenance and \$153,222 for various projects and programs. The Town also appropriated \$664,682 to its Athletic Facility Improvement Stabilization Fund and \$570,186 to its Debt Service Stabilization Fund that was established at the November 2015 Special Town Meeting. 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 the operating budget. The Board of Selectmen voted to endorse this best practice.

Property tax New Growth revenue in fiscal year 2016 remained strong, but was less than the amount of growth in fiscal year 2015. The strength in the growth of new tax revenue is due to the ongoing strong demand for new residential construction and increased commercial development, particularly the Needham Crossing business park. New Growth revenue for 2016 was approximately \$3.7 million or 3.4% more than the prior year's base tax levy (the tax levy less excluded debt) compared to \$3.9 million for fiscal year 2015, an increase of 4% over the fiscal year 2014 base tax levy. The ten-year average increase for New Growth was 2.6%. New Growth for FY2017 will be lower than last few years both in total dollars and as a percent of increase over the prior year base levy. We expect that New Growth revenue for 2018 will be closer to the ten year average. The Town continues to see year over year increases in the room and meals excise revenue as the local economy remains strong, and the opening of a new hotel a couple of years ago has increased the number of rooms available in Needham. A third hotel has been permitted for construction and should open in fiscal year 2018. These revenue increases are needed as the new development has put increased demands on public safety services, to which we anticipate more resources being directed in the coming years. The Town has plans to implement full-day kindergarten as early as fiscal year 2019, but more likely in fiscal year 2020. The estimated additional cost is \$1.5 million. The current outlook is this increase will be funded within existing revenue growth.

As previously reported, the Town has been informed that the Massachusetts School Building Authority will be a partner with the Town to help fund the

construction of a new elementary school to replace the Hillside elementary school. The new school will be constructed on property recently purchased along Central Avenue in Needham. The estimated total cost of the project, including property acquisition, is \$66 million. The estimate to be paid by the MSBA is \$12.5 with the balance to be financed by long-term debt. The debt service has been exempted from the limits imposed under Proposition 2-1/2 by a vote of the citizens.

The Town is continuing its investigation of options relative to the upgrade, expansion, and or replacement of the Department of Public Works facility, Fire Station #2, the Police/Fire Station complex, and the School Administration building. The Town is working on a new design for replacement of the Rosemary Pool with a modernized out-door facility and office and recreation complex to be located at the present site of the pool. As noted previously the Town also funded feasibility studies of expanding the number of classrooms at Needham High School to accommodate the increasing student enrollment, and making significant improvements to Memorial Park facility. Funding options for all the aforementioned facilities are being reviewed and are expected to be vetted in the coming year. For projects that move forward, we see funding sources to be a mix of cash, debt supported by CPA funds, General Funds within the limits of Proposition 2½, and debt exclusions.

The Town made no draw against any of its appropriated stabilization accounts: Athletic Facility Improvement Fund, Capital Improvement Fund, Capital Facility Fund, and General Stabilization Fund, and it has created a new fund identified as Debt Service Stabilization Fund which is planned to be one of the tools used to manage the financing demands for the various building and facility improvements under study. Moving forward with any of the aforementioned major projects, the Town will also factor the impact such facilities will have on recurring expenses to operate and maintain the new facilities, as well as program expansion.

The Town's water and sewer operations are solid and the identified capital infrastructure improvements over the next several years are fundable within the current annual revenue stream and financing plan. However, the Town will need to increase user rates to offset consumption decreases anticipated due to the Department of Environment Protection's policy that all water systems must have programs in place to reduce residential water use to less than 65 gallons per person per day as soon as practicable, or as required in the WMA permit. Water rates, particularly for water use measured through a separate meter, for outdoor use, have been increased to promote less water use through economics, and are at an adequate level to encourage less water use and pay for the operation and maintenance of the water systems. However, sewer rates have increased twice in as many years and will likely need to increase annually for the foreseeable future to pay the costs of sewer treatment because the billable volume of water will decline due to the lower use resulting from the conservation efforts. These conservation efforts may have significant environmental benefits and other long-term economic advantages, but have minor savings, if any, to the day-to-day operation and maintenance of a sanitary sewer system.

The Town's solid waste and recycling program continues to be a challenge to fund on an enterprise approach as costs to provide these services continue to increase because of market conditions (lower recycling revenues), more stringent regulations, and other long term costs of disposing of waste. The Town's efforts to promote greater recycling by its citizens have required a greater contribution from the tax levy to offset other fees previously charged. Another future challenge is establishing and funding a stormwater operation to meet the growing rules for stormwater pollution abatement and additional and more frequent intervention to prevent or direct the runoff.

The outlook for the fiscal year 2017 year end results are expected to be stable with greater tax revenues, but a greater use of reserves to fund capital investments is anticipated. The Town maintains an adequate reserve for property tax abatements and exemptions for the fiscal year as well as for uncollected taxes from prior fiscal year years. We still anticipate that local resources will remain solid for the next 12 to 24 months based on permitted private activity construction, but overall revenue growth is likely to be less depending actions taken by the Commonwealth to address its forecasted lower revenue growth, or possibly actual declines. We again caution that actions at the Federal level can have national consequences and may impact the regional economy.

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
Needham, Massachusetts 02492

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	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	\$ 40,075,379	\$ 14,372,791	\$ 54,448,170
Investments	28,527,889	-	28,527,889
Receivables, net:			
Property taxes	1,105,997	-	1,105,997
Excises	538,146	-	538,146
Utilities	-	4,633,141	4,633,141
Departmental	469,390	-	469,390
Intergovernmental	1,477,523	-	1,477,523
Other	<u>50,082</u>	<u>-</u>	<u>50,082</u>
Total current assets	72,244,406	19,005,932	91,250,338
Noncurrent:			
Receivables, net:			
Property taxes	1,326,521	-	1,326,521
Intergovernmental	4,170,888	-	4,170,888
OPEB asset	2,273,579	-	2,273,579
Capital assets:			
Non-depreciable capital assets	35,805,363	6,940,918	42,746,281
Depreciable assets, net of accumulated depreciation	<u>201,531,281</u>	<u>57,823,259</u>	<u>259,354,540</u>
Total non-current assets	<u>245,107,632</u>	<u>64,764,177</u>	<u>309,871,809</u>
TOTAL ASSETS	317,352,038	83,770,109	401,122,147
Deferred Outflows of Resources			
Non-pension related	587,593	-	587,593
Pension related	<u>8,475,741</u>	<u>521,860</u>	<u>8,997,601</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 326,415,372</u>	<u>\$ 84,291,969</u>	<u>\$ 410,707,341</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current:			
Warrants and accounts payable	\$ 3,014,349	\$ 444,473	\$ 3,458,822
Accrued liabilities	5,656,974	93,782	5,750,756
Unearned revenue	594,994	-	594,994
Refunds payable	925,717	366,517	1,292,234
Notes payable	8,860,000	425,000	9,285,000
Other liabilities	202,143	-	202,143
Current portion of long-term liabilities:			
Bonds payable	8,311,242	1,850,528	10,161,770
Compensated absences	1,283,394	327,908	1,611,302
Landfill liability	<u>49,460</u>	<u>-</u>	<u>49,460</u>
Total current liabilities	28,898,273	3,508,208	32,406,481
Noncurrent:			
Bonds payable, net of current portion	64,978,194	12,981,584	77,959,778
Compensated absences, net of current portion	3,850,180	-	3,850,180
Net pension liability	60,172,864	3,704,911	63,877,775
Landfill liability, net of current portion	<u>642,980</u>	<u>-</u>	<u>642,980</u>
Total non-current liabilities	<u>129,644,218</u>	<u>16,686,495</u>	<u>146,330,713</u>
TOTAL LIABILITIES	158,542,491	20,194,703	178,737,194
Deferred Inflows of Resources			
Non-pension related	98,235	-	98,235
Pension related	46,172	2,842	49,014
Net Position:			
Net investment in capital assets	156,036,281	50,019,710	206,055,991
Restricted for:			
Permanent funds:			
Nonexpendable	188,478	-	188,478
Expendable	2,126,066	-	2,126,066
Grants and other statutory restrictions	11,135,835	-	11,135,835
Unrestricted	<u>(1,758,186)</u>	<u>14,074,714</u>	<u>12,316,528</u>
TOTAL NET POSITION	<u>167,728,474</u>	<u>64,094,424</u>	<u>231,822,898</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 326,415,372</u>	<u>\$ 84,291,969</u>	<u>\$ 410,707,341</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 6,081,546	\$ 741,792	\$ 21,881	\$ -	\$ (5,317,873)	\$ -	\$ (5,317,873)
Public safety	15,954,249	3,059,866	163,030	-	(12,731,353)	-	(12,731,353)
Education	97,461,222	5,295,321	24,830,452	-	(67,335,449)	-	(67,335,449)
Public works	8,974,581	478,603	279,728	-	(8,216,250)	-	(8,216,250)
Maintenance	11,537,559	133,261	-	408,927	(10,995,371)	-	(10,995,371)
Health and human services	2,466,813	192,165	381,719	-	(1,892,929)	-	(1,892,929)
Culture and recreation	3,827,469	566,604	228,645	-	(3,032,220)	-	(3,032,220)
Interest on debt service	2,382,021	-	-	-	(2,382,021)	-	(2,382,021)
Intergovernmental	1,281,984	-	-	-	(1,281,984)	-	(1,281,984)
Other unallocated costs	11,834,054	-	-	-	(11,834,054)	-	(11,834,054)
Total Governmental Activities	<u>161,801,498</u>	<u>10,467,612</u>	<u>25,905,455</u>	<u>408,927</u>	<u>(125,019,504)</u>	<u>-</u>	<u>(125,019,504)</u>
Business-Type Activities:							
Sewer services	7,957,660	8,995,381	28,485	305,152	-	1,371,358	1,371,358
Water services	4,668,142	6,757,421	-	-	-	2,089,279	2,089,279
Solid waste services	2,065,688	1,323,660	-	-	-	(742,028)	(742,028)
Total Business-Type Activities	<u>14,691,490</u>	<u>17,076,462</u>	<u>28,485</u>	<u>305,152</u>	<u>-</u>	<u>2,718,609</u>	<u>2,718,609</u>
Total	<u>\$ 176,492,988</u>	<u>\$ 27,544,074</u>	<u>\$ 25,933,940</u>	<u>\$ 714,079</u>	<u>(125,019,504)</u>	<u>2,718,609</u>	<u>(122,300,895)</u>
General Revenues and Transfers:							
Property taxes					120,303,963	-	120,303,963
Excise taxes					5,659,892	-	5,659,892
Penalties, interest, and other taxes					2,412,572	-	2,412,572
Grants and contributions not restricted to specific programs					2,183,969	-	2,183,969
Investment income					286,969	16,103	303,072
Miscellaneous					297,746	-	297,746
Total general revenues					<u>131,145,111</u>	<u>16,103</u>	<u>131,161,214</u>
Excess before transfers					6,125,607	2,734,712	8,860,319
Transfers, net					<u>(647,617)</u>	<u>647,617</u>	<u>-</u>
Change in Net Position					5,477,990	3,382,329	8,860,319
Net Position:							
Beginning of year					<u>162,250,484</u>	<u>60,712,095</u>	<u>222,962,579</u>
End of year					<u>\$ 167,728,474</u>	<u>\$ 64,094,424</u>	<u>\$ 231,822,898</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Owens Farm Property Acquisition</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 24,199,908	\$ -	\$ 148,222	\$ 13,954,686	\$ 38,302,816
Investments	19,372,450	6,828,619	-	2,326,821	28,527,890
Receivables:					
Property taxes	2,873,358	11,160	-	-	2,884,518
Excises	968,146	-	-	-	968,146
Departmental	1,426,542	-	-	40,848	1,467,390
Intergovernmental	4,866,036	-	-	782,376	5,648,412
Other	50,083	-	-	-	50,083
TOTAL ASSETS	\$ 53,756,523	\$ 6,839,779	\$ 148,222	\$ 17,104,731	\$ 77,849,255
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Warrants and accounts payable	\$ 1,569,639	\$ 91,760	\$ 61,177	\$ 1,291,772	\$ 3,014,348
Unearned revenue	-	-	-	594,994	594,994
Accrued liabilities	4,053,656	-	-	133,216	4,186,872
Anticipation notes payable	-	-	6,700,000	2,160,000	8,860,000
Refunds payable	925,717	-	-	-	925,717
Other liabilities	200,528	-	-	1,615	202,143
TOTAL LIABILITIES	6,749,540	91,760	6,761,177	4,181,597	17,784,074
Deferred Inflows of Resources	10,047,765	11,160	-	521,642	10,580,567
Fund Balances:					
Nonspendable	-	-	-	188,478	188,478
Restricted	666,280	6,736,859	-	6,786,521	14,189,660
Committed	10,114,230	-	-	6,185,837	16,300,067
Assigned	5,413,861	-	-	-	5,413,861
Unassigned	20,764,847	-	(6,612,955)	(759,344)	13,392,548
TOTAL FUND BALANCES	36,959,218	6,736,859	(6,612,955)	12,401,492	49,484,614
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 53,756,523	\$ 6,839,779	\$ 148,222	\$ 17,104,731	\$ 77,849,255

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, 2016

Total governmental fund balances	\$ 49,484,614
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 237,336,644 • Net other post employment benefits asset is reported on the Statement of Net Position, and not reported in the funds. 2,273,579 • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 8,602,331 • Deferred debt expense for refunding is net of amortization on the statement of net position, whereas all debt expense is reported when paid in the governmental funds. 587,593 • Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. 891,239 • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (588,781) • 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. <ul style="list-style-type: none"> Net pension liability, net of related deferred outflows and inflows (51,743,295) Bonds and loans payable, net unamortized premiums (73,289,436) Compensated absences payable (5,133,574) Estimated liability for landfill postclosure care costs <u>(692,440)</u> 	
Net position of governmental activities	\$ <u>167,728,474</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, 2016

	General	Community Preservation Fund	Owens Farm Property Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 119,108,696	\$ 2,028,800	\$ -	\$ -	\$ 121,137,496
Excise taxes	5,627,887	-	-	-	5,627,887
Penalties, interest, and other taxes	2,410,193	2,379	-	-	2,412,572
Charges for services	985,609	-	-	5,936,113	6,921,722
Departmental	1,038,922	-	-	-	1,038,922
Licenses and permits	2,314,222	-	-	-	2,314,222
Intergovernmental	10,901,975	579,514	-	5,868,297	17,349,786
Investment income	197,107	60,537	-	29,325	286,969
Fines and forfeitures	186,517	-	-	-	186,517
Contributions	-	-	-	444,166	444,166
Other	69,941	-	-	29,395	99,336
Total Revenues	142,841,069	2,671,230	-	12,307,296	157,819,595
Expenditures:					
Current:					
General government	4,970,776	40,078	-	291,004	5,301,858
Public safety	14,812,811	-	-	83,958	14,896,769
Education	69,073,634	-	-	10,991,245	80,064,879
Public works	7,216,857	-	-	288,061	7,504,918
Maintenance	9,019,331	-	-	-	9,019,331
Health and human services	1,569,348	-	-	472,616	2,041,964
Culture and recreation	2,249,111	19,754	-	872,467	3,141,332
Employee benefits	10,754,691	-	-	-	10,754,691
Other	518,998	-	-	-	518,998
Capital outlay	-	3,549,305	6,612,955	5,376,915	15,539,175
Debt service:					
Principal	8,232,133	-	-	-	8,232,133
Interest	2,635,519	-	-	-	2,635,519
Intergovernmental	1,281,985	-	-	-	1,281,985
Total Expenditures	132,335,194	3,609,137	6,612,955	18,376,266	160,933,552
Excess (deficiency) of revenues over expenditures	10,505,875	(937,907)	(6,612,955)	(6,068,970)	(3,113,957)
Other Financing Sources (Uses):					
Issuance of refunded debt	6,645,000	-	-	-	6,645,000
Bond premium	1,069,480	-	-	-	1,069,480
Transfers in	2,211,732	-	-	4,114,562	6,326,294
Deposit to refunding escrow	(7,607,593)	-	-	-	(7,607,593)
Transfers out	(5,400,996)	(1,132,438)	-	(440,477)	(6,973,911)
Total Other Financing Sources (Uses)	(3,082,377)	(1,132,438)	-	3,674,085	(540,730)
Net change in fund balances	7,423,498	(2,070,345)	(6,612,955)	(2,394,885)	(3,654,687)
Fund Balances, at beginning of year	29,535,720	8,807,204	-	14,796,377	53,139,301
Fund Balances, at end of year	\$ 36,959,218	\$ 6,736,859	\$ (6,612,955)	\$ 12,401,492	\$ 49,484,614

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, 2016

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,654,687)																												
<ul style="list-style-type: none"> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases, net of loss on disposal</td> <td style="text-align: right;">14,520,831</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(9,331,353)</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(1,035,180)</td> </tr> </table> • Change in net other post employment benefits asset <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">30,395</td> </tr> </table> • The issuance of long-term debt (bonds and loans) 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 net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt, including refunding</td> <td style="text-align: right;">(6,645,000)</td> </tr> <tr> <td>Defeasance of debt refunding</td> <td style="text-align: right;">7,607,593</td> </tr> <tr> <td>Bond premium</td> <td style="text-align: right;">(1,014,742)</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">109,154</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">8,247,526</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">253,498</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td>Net pension expense, net of related deferred outflows and inflows</td> <td style="text-align: right;">(2,220,667)</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(819,660)</td> </tr> <tr> <td>Landfill liability</td> <td style="text-align: right;">37,625</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(607,343)</u></td> </tr> </table> 		Capital outlay purchases, net of loss on disposal	14,520,831	Depreciation	(9,331,353)		(1,035,180)		30,395	Issuance of debt, including refunding	(6,645,000)	Defeasance of debt refunding	7,607,593	Bond premium	(1,014,742)	Bond premium amortization	109,154	Repayments of debt	8,247,526		253,498	Net pension expense, net of related deferred outflows and inflows	(2,220,667)	Compensated absences	(819,660)	Landfill liability	37,625		<u>(607,343)</u>
Capital outlay purchases, net of loss on disposal	14,520,831																												
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	<u>(607,343)</u>																												
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>5,477,990</u>																												

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

TOWN OF NEEDHAM, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 116,282,088	\$ 116,282,088	\$ 116,282,088	\$ -
Excise taxes	4,085,000	4,085,000	5,627,887	1,542,887
Penalties, interest, and other taxes	1,275,000	1,275,000	2,410,193	1,135,193
Charges for services	814,565	814,565	985,609	171,044
Departmental	558,435	558,435	1,038,922	480,487
Licenses and permits	1,430,000	1,430,000	2,314,222	884,222
Intergovernmental	10,791,511	10,791,511	10,909,671	118,160
Investment income	67,500	67,500	111,638	44,138
Fines and forfeits	159,500	159,500	186,517	27,017
Other revenue	3,500	3,500	69,941	66,441
Total Revenues	135,467,099	135,467,099	139,936,688	4,469,589
Expenditures				
General government	4,184,743	4,207,921	3,943,735	264,186
Land use	485,716	488,396	483,169	5,227
Public safety	13,966,546	14,078,921	13,116,074	962,847
Education	62,134,821	62,134,821	61,577,576	557,245
Public works	5,784,473	6,328,271	6,128,413	199,858
Public facilities	8,596,261	8,672,418	8,105,820	566,598
Community services	3,597,686	3,628,801	3,443,749	185,052
Debt service	11,224,301	11,474,301	11,468,247	6,054
Employee benefits	23,705,523	23,901,523	23,311,019	590,504
Other appropriated expenses	2,119,767	1,655,464	554,327	1,101,137
Intergovernmental	1,291,397	1,291,397	1,281,984	9,413
Other amounts provided	12,500	12,500	878	11,622
Total Expenditures	137,103,734	137,874,734	133,414,991	4,459,743
Excess (deficiency) of revenues over expenditures	(1,636,635)	(2,407,635)	6,521,697	8,929,332
Other Financing Sources (Uses)				
Bond premium	-	-	54,740	54,740
Transfers in	1,871,251	1,871,251	2,211,732	340,481
Use of free cash	2,093,764	6,270,971	-	(6,270,971)
Use of bond premium	99,550	99,550	-	(99,550)
Use of overlay surplus	385,195	671,111	-	(671,111)
Transfers out	(2,813,125)	(6,505,248)	(6,505,248)	-
Total Other Financing Sources (Uses)	1,636,635	2,407,635	(4,238,776)	(6,646,411)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,282,921	\$ 2,282,921

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Current:					
Cash and short-term investments	\$ 5,446,033	\$ 6,747,540	\$ 2,179,218	\$ 14,372,791	\$ 1,772,562
User fees receivable	<u>2,423,752</u>	<u>1,865,849</u>	<u>343,540</u>	<u>4,633,141</u>	<u>-</u>
Total current assets	7,869,785	8,613,389	2,522,758	19,005,932	1,772,562
Noncurrent:					
Land and construction in progress	876,948	992,671	5,071,299	6,940,918	-
Other capital assets, net of accumulated depreciation	<u>23,242,741</u>	<u>32,766,845</u>	<u>1,813,673</u>	<u>57,823,259</u>	<u>-</u>
Total noncurrent assets	<u>24,119,689</u>	<u>33,759,516</u>	<u>6,884,972</u>	<u>64,764,177</u>	<u>-</u>
TOTAL ASSETS	31,989,474	42,372,905	9,407,730	83,770,109	1,772,562
Deferred Outflows of Resources					
Pension related	<u>170,954</u>	<u>224,940</u>	<u>125,966</u>	<u>521,860</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ <u>32,160,428</u>	\$ <u>42,597,845</u>	\$ <u>9,533,696</u>	\$ <u>84,291,969</u>	\$ <u>1,772,562</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION					
Liabilities:					
Current:					
Accounts payable	\$ 12,343	\$ 328,359	\$ 103,771	\$ 444,473	\$ -
Accrued payroll	31,548	39,996	22,238	93,782	-
Accrued liabilities	-	-	-	-	881,323
Refunds payable	90,300	17,773	258,444	366,517	-
Notes payable	-	425,000	-	425,000	-
Current portion of long-term liabilities:					
Bonds payable	879,279	876,249	95,000	1,850,528	-
Compensated absences	<u>154,628</u>	<u>112,515</u>	<u>60,765</u>	<u>327,908</u>	<u>-</u>
Total current liabilities	1,168,098	1,799,892	540,218	3,508,208	881,323
Noncurrent:					
Bonds payable, net of current portion	6,907,491	6,049,093	25,000	12,981,584	-
Net pension liability	<u>1,213,678</u>	<u>1,596,944</u>	<u>894,289</u>	<u>3,704,911</u>	<u>-</u>
Total noncurrent liabilities	<u>8,121,169</u>	<u>7,646,037</u>	<u>919,289</u>	<u>16,686,495</u>	<u>-</u>
TOTAL LIABILITIES	9,289,267	9,445,929	1,459,507	20,194,703	881,323
Deferred Inflow of Resources					
	931	1,225	686	2,842	-
Net Position:					
Net investment in capital assets	16,625,373	26,507,966	6,886,371	50,019,710	-
Unrestricted	<u>6,244,857</u>	<u>6,642,725</u>	<u>1,187,132</u>	<u>14,074,714</u>	<u>891,239</u>
TOTAL NET POSITION	<u>22,870,230</u>	<u>33,150,691</u>	<u>8,073,503</u>	<u>64,094,424</u>	<u>891,239</u>
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOW OF RESOURCES	\$ <u>32,160,428</u>	\$ <u>42,597,845</u>	\$ <u>9,533,696</u>	\$ <u>84,291,969</u>	\$ <u>1,772,562</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, 2016

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 8,995,381	\$ 6,751,905	\$ 1,323,660	\$ 17,070,946	\$ -
Other	-	5,516	-	5,516	319,304
Total Operating Revenues	8,995,381	6,757,421	1,323,660	17,076,462	319,304
Operating Expenses:					
Personnel services	1,050,813	1,132,343	702,958	2,886,114	926,647
Non-personnel services	331,350	994,257	1,079,970	2,405,577	-
Depreciation	964,591	1,266,411	277,748	2,508,750	-
Intergovernmental assessments	5,408,445	1,012,962	-	6,421,407	-
Total Operating Expenses	7,755,199	4,405,973	2,060,676	14,221,848	926,647
Operating Income (Loss)	1,240,182	2,351,448	(737,016)	2,854,614	(607,343)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	28,485	-	-	28,485	-
Investment income	5,478	7,197	3,428	16,103	-
Interest expense	(202,461)	(262,169)	(5,012)	(469,642)	-
Total Nonoperating Revenues (Expenses), Net	(168,498)	(254,972)	(1,584)	(425,054)	-
Income (Loss) Before Transfers	1,071,684	2,096,476	(738,600)	2,429,560	(607,343)
Capital contribution	305,152	-	-	305,152	-
Transfers in	569,430	-	1,420,000	1,989,430	-
Transfers out	(363,721)	(660,484)	(317,608)	(1,341,813)	-
Change in Net Position	1,582,545	1,435,992	363,792	3,382,329	(607,343)
Net Position at Beginning of Year	21,287,685	31,714,699	7,709,711	60,712,095	1,498,582
Net Position at End of Year	\$ 22,870,230	\$ 33,150,691	\$ 8,073,503	\$ 64,094,424	\$ 891,239

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, 2016

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 8,895,049	\$ 7,010,535	\$ 1,263,499	\$ 17,169,083	\$ -
Employer contributions	-	-	-	-	319,304
Payments of utility assessments	(5,408,445)	(1,012,962)	-	(6,421,407)	-
Payments to vendors and contractors	(341,280)	(974,062)	(1,088,829)	(2,404,171)	-
Payments of employee salaries, benefits, and related expenses	(949,415)	(1,042,247)	(713,319)	(2,704,981)	(257,105)
Net Cash Provided By (Used For) Operating Activities	2,195,909	3,981,264	(538,649)	5,638,524	62,199
Cash Flows From Noncapital Financing Activities:					
Operating grants received	28,485	-	-	28,485	-
Transfers from other funds	569,430	-	1,420,000	1,989,430	-
Transfers to other funds	(363,721)	(660,484)	(317,608)	(1,341,813)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	234,194	(660,484)	1,102,392	676,102	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(512,377)	(1,717,901)	(246,470)	(2,476,748)	-
Proceeds from issuance of notes	-	425,000	-	425,000	-
Principal payments on bonds and loans	(853,139)	(865,536)	(100,000)	(1,818,675)	-
Capital contribution	305,152	-	-	305,152	-
Interest expense	(202,460)	(262,171)	(5,012)	(469,643)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,262,824)	(2,420,608)	(351,482)	(4,034,914)	-
Cash Flows From Investing Activities:					
Investment income	5,478	7,197	3,427	16,102	-
Net Cash Provided By Investing Activities	5,478	7,197	3,427	16,102	-
Net Change in Cash and Short-Term Investments	1,172,757	907,369	215,688	2,295,814	62,199
Cash and Short-Term Investments, Beginning of Year	4,273,276	5,840,171	1,963,530	12,076,977	1,710,363
Cash and Short-Term Investments, End of Year	<u>\$ 5,446,033</u>	<u>\$ 6,747,540</u>	<u>\$ 2,179,218</u>	<u>\$ 14,372,791</u>	<u>\$ 1,772,562</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Operating income (loss)	\$ 1,240,182	\$ 2,351,448	\$ (737,016)	\$ 2,854,614	\$ (607,343)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	964,591	1,266,411	277,748	2,508,750	-
Loss on disposal of assets	-	-	29,926	29,926	-
Changes in assets and liabilities:					
User fees	(116,532)	244,583	(88,673)	39,378	-
Accounts payable	(9,929)	20,194	(38,786)	(28,521)	-
Accrued liabilities	3,965	16,852	2,606	23,423	669,542
Refunds payable	16,200	8,531	28,512	53,243	-
Compensated absences	70	14,311	6,601	20,982	-
Net pension liability	97,362	58,934	(19,567)	136,729	-
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,195,909</u>	<u>\$ 3,981,264</u>	<u>\$ (538,649)</u>	<u>\$ 5,638,524</u>	<u>\$ 62,199</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	Pension Trust Fund (As of <u>December 31, 2015</u>)	Private Purpose Trust <u>Fund</u>	Other Post- Employment Benefit <u>Trust Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 784,387	\$ 37,291	\$ 19,356	\$ 1,169,484
Investments - PRIT external investment pool	133,862,555	4,632,589	21,179,845	-
Receivables	<u>73,379</u>	<u>-</u>	<u>-</u>	<u>153,465</u>
Total Assets	134,720,321	4,669,880	21,199,201	1,322,949
<u>LIABILITIES AND NET POSITION</u>				
Accounts payable	-	150,679	-	27,749
Accrued liabilities	26,511	-	-	52,508
Refunds payable	-	-	-	15,359
Other liabilities	<u>2,507</u>	<u>-</u>	<u>-</u>	<u>1,227,333</u>
Total Liabilities	<u>29,018</u>	<u>150,679</u>	<u>-</u>	<u>1,322,949</u>
<u>NET POSITION</u>				
Total net position held in trust for pension benefits and other purposes	\$ <u><u>134,691,303</u></u>	\$ <u><u>4,519,201</u></u>	\$ <u><u>21,199,201</u></u>	\$ <u><u>-</u></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, 2016

	Pension Trust Fund (For the Year Ended December 31, 2015)	Private Purpose Trust Fund	Other Post- Employment Benefit Trust Fund
Additions:			
Contributions:			
Employers	\$ 6,149,812	\$ -	\$ 5,336,302
Plan members	3,416,022	-	-
Other	<u>368,046</u>	<u>166,126</u>	<u>-</u>
Total contributions	9,933,880	166,126	5,336,302
Investment Income:			
Increase in fair value of investments	1,524,601	86,840	305,789
Less: management fees	<u>(698,387)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>826,214</u>	<u>86,840</u>	<u>305,789</u>
Total additions	10,760,094	252,966	5,642,091
Deductions:			
Benefit payments to plan members and beneficiaries	11,484,713	-	2,866,896
Refunds to plan members	266,006	-	-
Administrative expenses	349,833	-	-
Other	<u>229,913</u>	<u>159,620</u>	<u>-</u>
Total deductions	<u>12,330,465</u>	<u>159,620</u>	<u>2,866,896</u>
Net increase (decrease)	(1,570,371)	93,346	2,775,195
Net position:			
Beginning of year	<u>136,261,674</u>	<u>4,425,855</u>	<u>18,424,006</u>
End of year	<u>\$ 134,691,303</u>	<u>\$ 4,519,201</u>	<u>\$ 21,199,201</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:

A. Reporting Entity

The Government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

In the Fiduciary Funds: The Needham Contributory Retirement 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.

B. 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.

C. 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 is 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 Government 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, debt service expendi-

tures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Government 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 *Owens Farm Property Acquisition* fund was created in accordance with Article 13 of the November 2015 Special Town Meeting for the acquisition of Owens Farm. Expenditures in the current year result from the purchase of the farm and adjoining properties.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 government 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 *Solid Waste Fund* is used to report the Town's transfer station enterprise fund operations.

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

The *Pension Trust Fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified 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 fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.

The *Agency Funds* include *Student Activity Funds, Police, Fire and Maintenance Detail Funds, Traffic Mitigation Fund, Sewer Impact Fees Fund, Needham Retirement Board Fund, Rail Trail Fund and other Miscellaneous Funds.*

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. 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 short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value except certificates of deposit which are reported at cost.

F. 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 2016 tax levy reflected an excess capacity of approximately \$13,000.

G. 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 government 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>
Building and improvements	40 - 50
Machinery, equipment, and furnishings	5 - 10
Vehicles	5
Infrastructure	20 - 40

H. 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.

I. 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.

J. 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 and current liabilities. 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 (i.e., inventory or prepaid items) 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 government (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: committed, restricted, 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 their use either through the 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.

K. 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

A. 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 the 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.

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 142,841,069	\$ 132,335,194
Other financing sources/uses (GAAP Basis)	<u>9,926,212</u>	<u>13,008,589</u>
Subtotal (GAAP Basis)	152,767,281	145,343,783
Unused overlay allowance	(2,319,522)	-
To adjust property tax revenue to the budgetary basis	(507,087)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,108,994)
Add end-of-year appropriation carryforwards from expenditures	-	2,588,196
Remove effect of refunding	(7,659,740)	(7,688,745)
Less nonbudgeted funds	(85,469)	1,778,302
Less MWPAT subsidy	<u>7,697</u>	<u>7,697</u>
Budgetary Basis	<u>\$ 142,203,160</u>	<u>\$ 139,920,239</u>

D. Deficit Fund Equity

The Town reflects several special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of grant reim-

bursements and the use of bond anticipation notes to finance construction activities or in anticipation of future use of bond anticipation notes or issuance of long-term debt authorized at Town Meetings.

The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other funds and issuance of long-term debt.

The following funds had deficits as of June 30, 2016:

A 13 STM 11/15 Owens Farm Acquisition	\$ 6,612,955
Nonmajor Governmental Funds:	
Special Revenue Funds:	
FY15 EMPG	12,427
FY14 911 Training and EMD grant	16,083
FY15 Utility Force	37,873
FY16 911 Training and EMD grant	7,875
FY16 911 Dept Support and Incentive	2,300
Capital Project Funds	
A 11 STM 11/15 High School Café Renovation	511,522
A 7 STM 05/16 Property Acquisition	35,250
Chapter 90	<u>136,014</u>
Subtotal Nonmajor Governmental Funds	<u>759,344</u>
Fiduciary Funds:	
Fire outside detail	87,216
Police outside detail	77,374
Needham retirement board	<u>19,279</u>
Subtotal Fiduciary Funds	<u>183,869</u>
Total	<u>\$ 7,556,168</u>

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 Law (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 Contributory Retirement System (the System) does not have a deposit policy for custodial credit risk.

As of June 30, 2016, \$15,590,038 of the Town's cash bank balance of \$54,801,028 was exposed to custodial credit risk as uninsured or uncollateralized. Of the Town's exposed risk, \$801,640 was mitigated by SIPC and \$5,067,081 was invested in MMDT.

As of December 31, 2015, \$597,131 of the Contributory Retirement System's cash bank balance of \$747,814 was exposed to custodial credit risk as uninsured or uncollateralized. Of the System's exposed risk, \$311,159 was invested in MMDT and \$285,972 was invested in PRIT.

4. Investments

A. 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). Effective November 7, 2016, legislation (referred to as the Municipal Modernization Act) expands the listing of legal investments and now permits most investments to have a maturity date from date of purchase of up to 3 years.

Presented below is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating as of Year-end</u>
Certificates of deposits	\$ 13,669,720	N/A
State investment pool	21,179,845	N/A
Corporate equities	4,175,596	N/A
Mutual funds	3,945,633	N/A
Federal agency securities	5,909,058	AAA
US Treasury notes	2,930,666	AAA
Corporate bonds	2,414,469	A2
Municipal bonds	<u>115,336</u>	AAA
Total investments	\$ <u><u>54,340,323</u></u>	

Massachusetts General Law, 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, 2015, the System maintained its investments in the State Investment Pool (PRIT)* with a fair value of \$133,862,555. The PRIT fund is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. The PRIT Fund issues separately available financial statements with a year end of June 30.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. Agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. The Retirement System does not have policies for custodial credit risk.

As of June 30, 2016, \$44,588,242 out of the Town's investments of \$54,340,323 was exposed to custodial credit risk as uninsured and uncollateralized. The Town manages this risk with Securities Investor Protection Corporation (SIPC) and excess SIPC coverage for \$23,408,397 and \$21,179,845 was held in the State investment pool (PRIT).

As of December 31, 2015, the System's investments of \$133,862,555 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State investment pool (PRIT).

C. 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 State Pool (MMDT), no more than 10% of the Town's investments shall be

invested in a single financial institution. The Retirement System places no limit on the amount invested in any one issuer.

Massachusetts General Law 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. All of the System's investments are in the PRIT fund.

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

D. 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. The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt-related Securities:				
Corporate bonds	\$ 2,414,469	\$ 412,202	\$ 2,002,267	\$ -
Federal agency securities	5,909,058	-	5,828,366	80,692
US Treasury notes	2,930,666	1,498,495	1,432,171	-
Municipal bonds	<u>115,336</u>	<u>-</u>	<u>-</u>	<u>115,336</u>
Total	<u>\$ 11,369,529</u>	<u>\$ 1,910,697</u>	<u>\$ 9,262,804</u>	<u>\$ 196,028</u>

E. 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. The System does not have policies for foreign currency risk.

F. 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 the 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, 2016

<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 securities	\$ 2,930,666	\$ -	\$ 2,930,666	\$ -
Federal agency securities	5,909,058	-	5,909,058	-
Corporate bonds	2,414,469	-	2,414,469	-
Municipal bonds	115,336			
Equity securities				
Other sectors - Bartholomew CPA	1,193,409	1,193,409	-	-
Other sectors - Bartholomew Stabilization	810,809	810,809	-	-
Other Sectors - Rockland Trust	3,170,878	3,170,878	-	-
Other sectors - Invesco	71,551	71,551	-	-
Other Sectors - Wells Fargo	212,898	212,898	-	-
Consumer Discretionary	428,104	428,104	-	-
Utilities	352,338	352,338	-	-
Information Technology	318,076	318,076	-	-
Healthcare	270,508	270,508	-	-
Telecommunication Services	269,789	269,789	-	-
Industrials	239,795	239,795	-	-
Financial	221,294	221,294	-	-
Energy	180,264	180,264	-	-
Consumer Staples	171,748	171,748	-	-
Materials	209,768	209,768	-	-
Investments measured at the net asset value (NAV):				
External investment pool	<u>21,179,845</u>			
Total	<u>\$ 40,670,603</u>			

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 21,179,845	\$ -	Monthly	30 days

The System has the following investments measured at net asset value (NAV) as of December 31, 2015:

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 133,862,555	\$ -	Monthly	30 days

The System values its investments in good faith at the System's pro-rata interest in PRIT based upon audited financial statements or other information provided to the Plan 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. Accounts Receivable

A. Property Taxes

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 Assessor's 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, 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.

Taxes receivable at June 30, 2016 consist of the following (in thousands):

Real Estate		
2016		\$ 551
Personal Property		
2016	48	
2015	21	
2014	23	
2013	52	
2012	35	
2011	45	
Prior	<u>332</u>	
Subtotal		556
Tax Liens		1,298
Deferred Taxes		469
CPA		<u>11</u>
Total		\$ <u><u>2,885</u></u>

B. Allowance for Uncollectibles

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Personal property taxes	\$ 452
Excises	\$ 430
Ambulance	\$ 998

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

C. Departmental

Departmental receivables primarily comprise ambulance receivables.

D. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016 and future reimbursements from the MSBA.

6. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,211,732	\$ 5,400,996
Community Preservation Fund	-	1,132,438
Nonmajor Funds:		
Special Revenue Funds:		
Town grants	-	279,728
Receipts reserved for appropriation	-	65,000
Revolving funds	-	1,589
Trust funds	-	5,700
Other special revenue funds	5,700	-
Capital Project Funds:	<u>4,108,862</u>	<u>88,460</u>
Subtotal Nonmajor Funds	4,114,562	440,477
<u>Business-Type Funds:</u>		
Sewer Fund	569,430	363,721
Water Fund	-	660,484
Solid Waste Fund	<u>1,420,000</u>	<u>317,608</u>
Subtotal Business-Type Funds:	<u>1,989,430</u>	<u>1,341,813</u>
Grand Total	\$ <u><u>8,315,724</u></u>	\$ <u><u>8,315,724</u></u>

The transfers from the sewer, water, and solid waste funds to the general fund are made to cover indirect costs and short term note payments incurred by general fund. The majority of the \$4,108,862 transferred into the non-major Capital Project Fund represents the Town's practice of funding certain capital

activity from General Fund specifically from the November 2015 Special Town Meeting and the May 2016 Annual Town Meeting. The \$1,989,430 transferred from the General Fund into the Enterprise Funds represents a subsidy to the Solid Waste Fund of \$1,420,000 and a \$569,430 reimbursement to Sewer Fund for stormwater drains related programs. 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 and accounted for in other funds in accordance with budgetary authorizations.

7. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 235,831	\$ 366	\$ -	\$ 236,197
Machinery, equipment, and furnishings	12,202	494	(213)	12,483
Vehicles	5,785	830	(265)	6,350
Infrastructure	<u>34,853</u>	<u>539</u>	<u>-</u>	<u>35,392</u>
Total capital assets, being depreciated	288,671	2,229	(478)	290,422
Less accumulated depreciation for:				
Buildings and improvements	(48,452)	(6,220)	-	(54,672)
Machinery, equipment, and furnishings	(8,989)	(1,050)	210	(9,829)
Vehicles	(4,644)	(551)	265	(4,930)
Infrastructure	<u>(17,949)</u>	<u>(1,510)</u>	<u>-</u>	<u>(19,459)</u>
Total accumulated depreciation	<u>(80,034)</u>	<u>(9,331)</u>	<u>475</u>	<u>(88,890)</u>
Total capital assets, being depreciated, net	208,637	(7,102)	(3)	201,532
Capital assets, not being depreciated:				
Land	22,205	6,648	-	28,853
Works of Art	120	-	-	120
Construction in progress	<u>1,185</u>	<u>6,617</u>	<u>(970)</u>	<u>6,832</u>
Total capital assets, not being depreciated	<u>23,510</u>	<u>13,265</u>	<u>(970)</u>	<u>35,805</u>
Governmental activities capital assets, net	<u>\$ 232,147</u>	<u>\$ 6,163</u>	<u>\$ (973)</u>	<u>\$ 237,337</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,693	\$ 5,899	\$ -	\$ 21,592
Plant	6,600	-	-	6,600
Machinery, equipment, and furnishings	5,099	280	(224)	5,155
Vehicles	1,657	-	(24)	1,633
Infrastructure	<u>73,761</u>	<u>2,123</u>	<u>-</u>	<u>75,884</u>
Total capital assets, being depreciated	102,810	8,302	(248)	110,864
Less accumulated depreciation for:				
Buildings and improvements	(3,961)	(493)	-	(4,454)
Plant	(3,173)	(214)	-	(3,387)
Machinery, equipment, and furnishings	(3,792)	(371)	194	(3,969)
Vehicles	(1,423)	(104)	24	(1,503)
Infrastructure	<u>(38,400)</u>	<u>(1,326)</u>	<u>-</u>	<u>(39,726)</u>
Total accumulated depreciation	<u>(50,749)</u>	<u>(2,508)</u>	<u>218</u>	<u>(53,039)</u>
Total capital assets, being depreciated, net	52,061	5,794	(30)	57,825
Capital assets, not being depreciated:				
Land	5,275	-	-	5,275
Construction in progress	<u>7,490</u>	<u>813</u>	<u>(6,639)</u>	<u>1,664</u>
Total capital assets, not being depreciated	<u>12,765</u>	<u>813</u>	<u>(6,639)</u>	<u>6,939</u>
Business-type activities capital assets, net	<u>\$ 64,826</u>	<u>\$ 6,607</u>	<u>\$ (6,669)</u>	<u>\$ 64,764</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 827
Public safety	477
Education	4,829
Public works	2,241
Health and human services	336
Culture and recreation	<u>621</u>
Total depreciation expense - governmental activities	<u>\$ 9,331</u>
Business-Type Activities:	
Sewer	\$ 965
Water	1,265
Solid waste	<u>278</u>
Total depreciation expense - business-type activities	<u>\$ 2,508</u>

8. Deferred Outflows of Resources – Non-pension related

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

Deferred outflows as of June 30, 2016 of \$587,593 result from the deferred amount on refunding. The amount will be amortized over three years starting in fiscal year 2017.

9. Warrants and Accounts Payable

Warrants and accounts payable represent 2016 expenditures paid after June 30, 2016.

10. Accrued Liabilities

Accrued liabilities represent primary accrued payroll and withholdings. On 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.

11. 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.

12. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2016:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ -	\$ 1,153,860	\$ (1,153,860)	\$ -
Bond anticipation	-	9,285,000	-	9,285,000
Total	\$ -	\$ 10,438,860	\$ (1,153,860)	\$ 9,285,000

13. Long-Term Debt

A. Long-Term Debt Supporting Activities

General obligation bonds, issued by the Town, are repaid with general and enterprise fund revenues and the use of unassigned fund balance or unrestricted retained earnings. Compensated absences are paid from the fund responsible for the employee's compensation - the general fund and the enterprise funds.

B. General Obligation Bonds

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 currently outstanding are as follows:

	Original	Interest	Date of	Date of	Amount
	Amount	Rate(s) %	Issue	Maturity	Outstanding
					as of
					6/30/16
<u>Governmental Activities:</u>					
MA Water Pollution Abatement Trust	\$ 85,894	Various	05/01/01	01/01/20	\$ 18,896
MA Water Pollution Abatement Trust	496,276	Various	11/01/04	01/01/20	111,209
High School, High Rock and Pollard Schools	12,600,000	3.25 - 5.00	06/03/08	12/01/26	2,160,000
High Rock and Pollard Schools	5,000,000	4.61	11/01/08	08/01/27	795,000
High School	3,850,000	2.94	06/01/09	06/01/28	2,305,000
Schools and Admin Building	14,500,000	2.00 - 4.00	12/15/09	08/01/28	9,730,000
Schools and Admin Building	2,000,000	2.00 - 3.00	06/15/10	12/01/24	1,035,000
Town Hall	2,500,000	1.00 - 3.00	10/15/10	04/01/17	300,000
Town Hall and Newman School	8,500,000	2.00 - 5.00	05/19/11	10/01/28	6,125,000
Town Hall, Parking and Bridge	2,460,000	2.00 - 3.125	10/05/11	08/01/26	1,625,000
GOB - Refunding FY2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	8,520,000
Municipal Purpose FY 2013	12,154,000	2.00 - 4.00	10/03/12	07/15/32	9,480,000
Municipal Purpose FY 2013	5,805,000	2.00 - 4.00	06/18/13	11/01/32	4,875,000
Municipal Purpose FY 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	5,115,000
Municipal Purpose FY 2014	2,827,000	2.00 - 2.50	06/02/14	05/15/34	2,040,000
Municipal Purpose FY 2015	10,187,000	2.00 - 4.00	04/01/15	11/15/33	9,457,000
High School, High Rock and Pollard Schools	6,645,000	2.00 - 4.00	06/16/16	08/01/27	6,645,000
Subtotal Governmental:					\$ <u>70,337,105</u>
<u>Business-Type Activities:</u>					
MA Water Pollution Abatement Trust	91,400	Various	11/01/04	08/01/18	\$ 17,400
MA Water Pollution Abatement Trust	243,300	Various	11/01/04	08/01/18	46,100
MA Water Pollution Abatement Trust	1,261,272	Various	11/01/04	08/01/18	261,300
MA Water Pollution Abatement Trust	175,500	Various	11/01/04	08/01/18	33,300
Water and Sewer	5,525,000	3.75 - 4.50	11/01/06	11/11/19	1,830,000
Water and Sewer	3,500,000	4.05 - 5.00	06/15/07	06/15/23	200,000
Water Improvements and Sewer Pump Station	1,367,000	2.94	06/01/09	06/01/28	405,000
Water and Sewer	1,025,000	2.00 - 4.00	12/15/09	08/01/28	670,000
Water and Sewer	545,000	2.00 - 3.00	06/15/10	12/01/24	280,000
MA Water Resources Authority	220,990	0.00	02/27/12	02/15/17	44,198
MA Clean Water Trust	78,491	2.00	02/01/16	01/15/18	78,491
MA Water Pollution Abatement Trust	980,226	2.00	06/01/12	07/15/30	627,342
Sewer Pump Station	90,000	2.00 - 4.00	10/03/12	07/15/32	30,000
MA Water Pollution Abatement Trust	6,034,290	2.00	05/22/13	01/15/33	5,285,981
RTS Remediation	140,000	2.00 - 4.00	06/18/13	11/01/32	50,000
Pump Station and RTS Equipment	2,205,000	2.00 - 2.50	06/02/14	05/15/34	1,865,000
Pump Station and Water Mains	3,238,000	2.00 - 4.00	04/01/15	11/15/33	3,108,000
Subtotal Business-Type Activities:					\$ <u>14,832,112</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,117,526	\$ 2,159,369	\$ 10,276,895
2018	7,274,526	2,032,079	9,306,605
2019	6,857,526	1,804,518	8,662,044
2020	6,367,527	1,572,682	7,940,209
2021	5,425,000	1,362,188	6,787,188
2022 - 2026	23,700,000	4,049,585	27,749,585
2027 - 2031	10,035,000	1,099,122	11,134,122
2032 - 2034	<u>2,560,000</u>	<u>113,700</u>	<u>2,673,700</u>
Total	\$ <u>70,337,105</u>	\$ <u>14,193,243</u>	\$ <u>84,530,348</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,850,528	\$ 421,219	\$ 2,271,747
2018	1,765,060	357,924	2,122,984
2019	1,717,319	300,361	2,017,680
2020	826,184	242,787	1,068,971
2021	812,992	219,255	1,032,247
2022 - 2026	3,532,348	774,261	4,306,609
2027 - 2031	3,045,978	370,109	3,416,087
2032 - 2035	<u>1,281,703</u>	<u>53,904</u>	<u>1,335,607</u>
Total	\$ <u>14,832,112</u>	\$ <u>2,739,820</u>	\$ <u>17,571,932</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2016 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2007	Sewer System Rehabilitation	\$ 59,160
May 2008	Water Main Improvements	49,575
November 2011	Sewer Pump Station Construction (Reservoir B)	170,000
November 2012	RTS Soil Remediation	116,000
May 2013	St. Marys Pump Station	625,000
May 2014	Central Ave, Elliot Street Bridge	610,000
May 2015	Water System Rehabilitation	585,000
May 2015	Public Works Infrastructure Program	1,000,000
May 2015	Central Ave, Elliot Street Bridge	1,660,000
November 2015	High School Cafeteria Renovation	2,100,000
November 2015	Owens Farm Property Acquisition	7,000,000
May 2016	609 Central Property Acquisition	762,500
May 2016	Public Works Infrastructure Program	500,000
May 2016	RTS Fleet Replacement	<u>269,000</u>
Total		\$ <u>15,506,235</u>

E. Changes in General Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Refunded	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>							
Bonds payable	\$ 78,960	\$ 6,645	\$ (7,020)	\$ (8,248)	\$ 70,337	\$ (8,118)	\$ 62,219
Unamortized bond premium	2,047	1,015	-	(109)	2,953	(194)	2,759
Subtotal bonds payable	81,007	7,660	(7,020)	(8,357)	73,290	(8,312)	64,978
Other:							
Accrued employee benefits	4,313	820	-	-	5,133	(1,283)	3,850
Net pension liability	51,288	8,885	-	-	60,173	-	60,173
Landfill closure	730	-	-	(38)	692	(49)	643
Totals	\$ <u>137,338</u>	\$ <u>17,365</u>	\$ <u>(7,020)</u>	\$ <u>(8,395)</u>	\$ <u>139,288</u>	\$ <u>(9,644)</u>	\$ <u>129,644</u>
<u>Business-Type Activities</u>							
Bonds payable	\$ 16,651	\$ -	-	(1,818)	\$ 14,833	\$ (1,851)	\$ 12,982
Other:							
Accrued employee benefits	307	21	-	-	328	(328)	-
Net pension liability	3,158	547	-	-	3,705	-	3,705
Totals	\$ <u>20,116</u>	\$ <u>568</u>	\$ <u>-</u>	\$ <u>(1,818)</u>	\$ <u>18,866</u>	\$ <u>(2,179)</u>	\$ <u>16,687</u>

F. Advance and Current Refundings

On June 16, 2016, the Town issued General Obligation Refunding Bonds in the amount of \$6,645,000 with interest rates ranging from 2.0% to 4.0% throughout the life of the Bonds. The Bonds were issued at a true interest cost (TIC) of 1.3837%.

The refunding bonds were issued to advance refund \$4,670,000 of the June 1, 2008 Bonds (the "June 2008 Bonds"), comprised of serial bonds with interest rates ranging from 3.75% to 4.00%, and to advance refund \$2,350,000 of the November 1, 2008 Bonds (the "November 2008 Bonds"), comprised of serial bonds with interest rates ranging from 4.50% to 5.00% and one term bond with an interest rate of 5.00%. The June 2008 serial bonds mature on December 1, 2019 through December 1, 2026 and will be called on December 1, 2018. The November 2008 serial bonds mature on August 1, 2019 through August 1, 2025, and the term bond matures August 1, 2027; the serial and term maturities will be called on August 1, 2018.

\$7,580,754 of the net proceeds from the issuance of the refunding bonds were used to purchase State and Local Government Series (SLGS) securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the serial bonds and term bond are called on December 1, 2018, with respect to the June 2008 Bonds, and August 1, 2018, with respect to the November 2008 Bonds.

The refunding met the requirements of an in-substance debt defeasance and the serial bonds were removed from the Town's financial statements.

As a result of the June 2008 advance refunding, the Town reduced its total debt service cash flow requirements by \$431,946, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$340,995.

As a result of the November 2008 advance refunding, the Town reduced its total debt service cash flow requirements by \$356,141, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$320,550.

Defeased debt for the June 2008 Bonds still outstanding at June 30, 2016 is \$4,670,000.

Defeased debt for the November 2008 Bonds issue still outstanding at June 30, 2016 is \$2,350,000.

G. 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, 2016, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$24,070,000.

14. 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 \$692,440 reported as postclosure care liability at June 30, 2016 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 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources – Non Pension Related

Deferred inflows of resources are the acquisition 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 following is a summary of deferred inflow of resources balances as of June 30, 2016:

	Entity-wide Basis	Fund Basis		
		Governmental Funds		
	Governmental Activities	General Fund	Community Preservation	Nonmajor
Unavailable revenues	\$ -	\$ 10,047,765	\$ 11,160	\$ 423,407
Prepaid tax revenues	98,235	-	-	98,235
Total deferred inflows	\$ 98,235	\$ 10,047,765	\$ 11,160	\$ 521,642

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2016 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

16. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. 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, 2016:

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, 2016:

	General Fund	Community Preservation Fund	Owens Farm Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ -	\$ -	\$ -	\$ 188,478	\$ 188,478
Total Nonspendable	-	-	-	188,478	188,478
Restricted					
Debt service	666,280	-	-	-	\$ 666,280
Community preservation	-	6,736,859	-	-	6,736,859
Bonded projects	-	-	-	261,479	261,479
Special revenue funds:					
Expendable trust funds	-	-	-	2,126,066	2,126,066
School lunch	-	-	-	485,487	485,487
Kindergarten after school enrichment program	-	-	-	566,617	566,617
Pupil transportation	-	-	-	529,764	529,764
RRFA - parking meter fund	-	-	-	381,152	381,152
Insurance loss replacement	-	-	-	161,059	161,059
Library equalization	-	-	-	137,409	137,409
Parks and recreation revolving	-	-	-	147,186	147,186
Other special revenue funds	-	-	-	1,990,302	1,990,302
Total Restricted	666,280	6,736,859	-	6,786,521	14,189,660
Committed					
Continuing appropriations articles	996,025	-	-	-	996,025
Compensated absences	195,060	-	-	-	195,060
General and capital stabilization	8,923,145	-	-	-	8,923,145
Capital projects	-	-	-	6,185,837	6,185,837
Total Committed	10,114,230	-	-	6,185,837	16,300,067
Assigned					
Encumbrances	2,588,196	-	-	-	2,588,196
For next year's expenditures	2,825,665	-	-	-	2,825,665
Total Assigned	5,413,861	-	-	-	5,413,861
Unassigned					
	20,764,847	-	(6,612,955)	(759,344)	13,392,548
Total Fund Balance	\$ 36,959,218	\$ 6,736,859	\$ (6,612,955)	\$ 12,401,492	\$ 49,484,614

18. 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.

19. 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.

20. Post-Employment Healthcare and Life Insurance Benefits (Other Post-Employment Benefits)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired

employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2015, the actuarial valuation date, approximately 904 retirees and 824 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria may receive these benefits.

C. Funding Policy

Retirees contribute 32 - 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pre-funded basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB asset (obligation) based on an actuarial valuation as of July 1, 2015.

Annual Required Contribution (ARC)	\$ 5,336,302
Interest on net OPEB obligation	(173,847)
Adjustment to ARC	<u>143,452</u>
Annual OPEB cost	5,305,907
Contributions made	<u>5,336,302</u>
Increase in net OPEB asset	30,395 *
Net OPEB asset - beginning of year	<u>2,243,184</u>
Net OPEB asset - end of year	<u>\$ 2,273,579</u>

* represents funding in excess of ARC

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset
2015	\$ 5,305,907	104%	\$ 2,273,579
2014	\$ 4,710,209	118%	\$ 2,028,657
2013	\$ 4,523,887	109%	\$ 900,000
2012	\$ 3,906,275	113%	\$ 500,000
2011	\$ 3,626,375	100%	\$ -
2010	\$ 3,446,556	100%	\$ -
2009	\$ 3,102,311	100%	\$ -

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 80,807,629
Actuarial value of plan assets	<u>18,424,006</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 62,383,623</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>22.8%</u>
Covered payroll (active plan members)	<u>\$ 82,973,387</u>
UAAL as a percentage of covered payroll	<u>75.2%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical

pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 7.5% investment rate of return and an initial annual healthcare cost trend rate of 7.6% which decreases to a 5% long-term rate for all healthcare benefits after 8 years. The amortization costs for the initial UAAL is a level percentage of payroll for a remaining period of 26 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.25%.

21. 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.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Needham Contributory Retirement System (the System), a cost sharing, multiple-employer public employee defined benefit retirement system (PERS). 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 publically 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 Massachusetts 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.

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%

For those members entering a Massachusetts 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, 2016 was \$6,039,115, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$63,877,775 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. 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, 2015, the Town's proportion was 98.20% percent.

Changes of benefit terms: As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Board has increased the Cost of Living Adjustment (COLA) base from \$12,000 to \$14,000 effective July 1, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$8,396,510. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,052
Changes of assumptions	1,268,674	-
Changes in proportion	-	29,962
Net difference between projected and actual earnings on pension plan investments	<u>7,728,927</u>	<u>-</u>
Total	<u>\$ 8,997,601</u>	<u>\$ 49,014</u>

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

Year ended June 30:	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 2,361,673
2018	2,361,673
2019	2,361,673
2020	<u>1,863,568</u>
Total	<u>\$ 8,948,587</u>

D. Actuarial Assumptions:

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.75% for Group 1 and 2 5.25% for Group 4
Investment rate of return	7.75%
Post-retirement cost-of-living adjustment	3.00%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap equities	14.5%	6.00%
Small/Mid cap equities	3.5%	6.25%
International equities	16.0%	7.07%
Emerging international equities	6.0%	9.26%
Total global equities	<u>40.0%</u>	
Core bonds	5.0%	2.46%
20+ Year treasury strips	5.0%	2.00%
TIPS	3.0%	2.50%
Total core fixed income	<u>13.0%</u>	
High-yield bonds	1.5%	5.25%
Bank loans	1.5%	5.50%
EMD (external)	1.0%	4.75%
EMD (local currency)	2.0%	6.50%
Private debt	4.0%	7.50%
Total value-added fixed income	<u>10.0%</u>	
Private equity	10.0%	8.50%
Real estate	10.0%	6.50%
Timberland	4.0%	6.76%
Hedge funds	9.0%	5.75%
Portfolio completion	4.0%	5.74%
Total alternative investments	<u>37.0%</u>	
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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.

F. 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 7.75 percent, 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 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2016	\$ 85,012,835	\$ 63,877,775	\$ 45,897,133

G. Pension Plan Fiduciary Net Position

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

22. Massachusetts Teachers' Retirement System (MTRS)

A. 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 on behalf of municipal teachers and municipal teacher retirees. The Commonwealth 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's 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.

B. 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.

C. Contributions

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.8% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years

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, 2015 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Hedge funds	9.0%	5.8%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Portfolio compilation strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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's 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.

F. 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>Fiscal Year</u> <u>Ended</u>	<u>1% Decrease</u> <u>to 6.50%</u>	<u>Current Discount</u> <u>Rate 7.50%</u>	<u>1% Increase</u> <u>to 8.50%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

G. Special Funding Situation

The Commonwealth 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 GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth 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.

H. Town Proportions

In fiscal year 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was \$135,373,423 and \$10,979,989 respectively, based on a proportionate share of 0.660692%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

23. 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, 2016, the Town's workers compensation fund had a balance of \$891,239 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 the Town Meeting. The Town appropriated \$610,000 for workers compensation line item in fiscal year 2016. 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 \$400,000 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, 2016 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, 2016 are as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 201,161
Claims incurred/recognized in fiscal year 2016	926,647
Claims paid in fiscal year 2016	<u>(246,485)</u>
Claims liability, end of year	<u>\$ 881,323</u>

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**TOWN OF NEEDHAM, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/15	\$ 18,424,006	\$ 80,807,629	\$ 62,383,623	22.8%	\$ 82,973,387	75.2%
07/01/13	\$ 15,496,964	\$ 62,345,026	\$ 46,848,062	24.9%	\$ 68,551,814	68.3%
07/01/11	\$ 6,423,760	\$ 59,122,322	\$ 52,698,562	10.9%	\$ 60,859,276	86.6%
07/01/09	\$ 5,008,484	\$ 48,888,127	\$ 43,879,643	10.2%	\$ 61,582,295	71.3%
07/01/07	\$ 3,075,317	\$ 46,672,308	\$ 43,596,991	6.6%	\$ 59,616,565	73.1%
07/01/05	\$ 2,131,044	\$ 43,172,705	\$ 41,041,661	4.9%	\$ 51,915,780	79.1%

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

Needham Contributory Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	98.20%	\$63,877,775	\$ 39,406,655	162.10%	67.43%
June 30, 2015	98.27%	\$54,445,695	\$ 35,772,213	152.20%	71.09%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.66%	\$ -	\$ 135,373,423	\$ 135,373,423	\$ 44,621,329	0.00%	55.38%
June 30, 2015	0.63%	\$ -	\$ 100,708,775	\$ 100,708,775	\$ 39,867,330	0.00%	61.64%

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

Needham Contributory Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%

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

See Independent Auditors' 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, 2016

	<u>Budget</u>	<u>Adjusted Actual</u>	Variance Positive (Negative)
Revenues:			
Current service charges	\$ 7,524,280	\$ 8,878,850	\$ 1,354,570
Interest income	<u>3,500</u>	<u>5,478</u>	<u>1,978</u>
Total Revenues	7,527,780	8,884,328	1,356,548
Expenditures:			
Sewer expenditures	1,474,181	1,313,233	160,948
Intergovernmental	5,462,757	5,408,445	54,312
Debt service	<u>1,500,000</u>	<u>1,049,531</u>	<u>450,469</u>
Total Expenditures	<u>8,436,938</u>	<u>7,771,209</u>	<u>665,729</u>
Excess of revenues over expenditures	(909,158)	1,113,119	2,022,277
Other Financing Sources and Uses:			
Transfers in	569,430	569,430	-
Use of unrestricted net position	766,974	-	(766,974)
Transfers out	<u>(427,246)</u>	<u>(427,246)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>909,158</u>	<u>142,184</u>	<u>(766,974)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,255,303</u>	<u>\$ 1,255,303</u>

See Independent Auditors' 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, 2016

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 5,461,052	\$ 6,996,488	\$ 1,535,436
Interest income	5,000	7,197	2,197
Other revenue	<u>3,100</u>	<u>5,516</u>	<u>2,416</u>
Total Revenues	5,469,152	7,009,201	1,540,049
Expenditures:			
Water expenditures	2,245,706	2,112,979	132,727
Intergovernmental	1,012,962	1,012,962	-
Debt service	<u>1,550,000</u>	<u>1,543,099</u>	<u>6,901</u>
Total Expenditures	<u>4,808,668</u>	<u>4,669,040</u>	<u>139,628</u>
Excess of revenues over expenditures	660,484	2,340,161	1,679,677
Other Financing Sources and Uses:			
Use of unrestricted net position	345,679	-	(345,679)
Transfers out	<u>(1,006,163)</u>	<u>(1,006,163)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(660,484)</u>	<u>(1,006,163)</u>	<u>(345,679)</u>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,333,998</u>	<u>\$ 1,333,998</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
Schedule of Revenues and Other Sources, and
Expenditures and Other Uses -
Solid Waste Enterprise Fund Budget vs. Actual Comparison
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 940,752	\$ 1,237,376	\$ 296,624
Interest income	<u>1,500</u>	<u>3,428</u>	<u>1,928</u>
Total Revenues	942,252	1,240,804	298,552
Expenditures:			
Transfers station expenditures	2,004,644	1,945,141	59,503
Debt service	<u>150,000</u>	<u>147,012</u>	<u>2,988</u>
Total Expenditures	<u>2,154,644</u>	<u>2,092,153</u>	<u>62,491</u>
Excess of revenues over expenditures	(1,212,392)	(851,349)	361,043
Other Financing Sources and Uses:			
Transfers in	1,420,000	1,420,000	-
Use of unrestricted net position	325,927	-	(325,927)
Transfers out	<u>(533,535)</u>	<u>(533,535)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>1,212,392</u>	<u>886,465</u>	<u>(325,927)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 35,116</u>	<u>\$ 35,116</u>

See Independent Auditors' Report.