

**FINAL OFFICIAL STATEMENT DATED MAY 24, 2017**

**TOWN OF NEEDHAM, MASSACHUSETTS**

**\$470,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

Dated  
June 1, 2017

Due  
June 15, 2017

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<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>
1	\$ 470,000	1.20%	NRO

**Century Bank and Trust Company**

*Purchaser*

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The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 22, 2017 supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

**FirstSouthwest, a Division of Hilltop Securities Inc.**

*Financial Advisor*

## PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 22, 2017

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. The Notes will not be designated as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "Tax Exemption" herein.

### TOWN OF NEEDHAM, MASSACHUSETTS \$470,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

The Town of Needham, Massachusetts (the "Town") will receive telephone and electronic bids at FirstSouthwest, a Division of Hilltop Securities Inc. (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 12:00 noon, Eastern Time, Wednesday, May 24, 2017, for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$470,000      General Obligation Bond Anticipation Notes (new money) dated June 1, 2017 and payable June 15, 2017. Interest will be computed on a 30 day month, 360-day year basis (14/360). The Notes will not be subject to redemption prior to their stated redemption date.

Bids for the Notes may be submitted electronically via **PARITY** pursuant to this Notice of Sale until 11:00 AM, Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact the FirstSouthwest, a Division of Hilltop Securities Inc. or **PARITY** at (212) 404-8102.

Bids may be submitted for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%). No bid for less than par and accrued interest to the date of delivery will be considered. The Notes will be awarded on the basis of lowest net interest cost to the Town.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to FirstSouthwest, a Division of Hilltop Securities Inc. by not later than 1:00 p.m., Eastern Time, on the date of sale.

The award of the Notes to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The Notes will be awarded on the basis of lowest net interest cost to the Town. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from June 1, 2017 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of notes than bid, the premium shall be reduced proportionately. The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid.

A successful bidder for all of the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of The Depository Trust Company ("DTC"). The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

On or prior to the date of delivery of the Notes, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel to the effect that (a) as of May 24, 2017 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued

interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the purchaser is purchasing the Notes for its own account and not on behalf of another party, and the purchaser does not presently intend to resell the Notes, the successful bidder will be required to so certify.

Principal of and interest on the Notes will be payable upon maturity in federal reserve funds at the U.S. Bank National Association, Boston, Massachusetts. The Notes will not be subject to redemption prior to maturity. The Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000, or integral multiples thereof with transfer of the Notes on the records of DTC and its Participants pursuant to the rules and procedures adopted by DTC, unless the issuance of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See Preliminary Official Statement, "Book-Entry Transfer System").

The purchaser(s) of the Notes will be furnished the opinion of Locke Lord LLP, Boston, Massachusetts approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may also be subject to the exercise of judicial discretion in appropriate cases. Payment of principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will be valid and binding general obligations of the Town of Needham, Massachusetts, and unless paid from the bond proceeds in anticipation of which they are issued or from other sources, the principal of and interest on the Notes are payable from taxes which may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

In order to assist bidders in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will undertake to provide notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting Notes and paying therefor, it shall be furnished, without costs, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery such Notes and receipt of payment therefor, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of such Notes or the power of the Town to levy and collect taxes to pay them, and (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of such Notes referred to below, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on said Notes shall be paid for by the Town, however, the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such number.

The Notes in definitive form will be delivered to DTC, or to the office of its custodial agent, or to the registered owner if a fully registered certificate is requested by the winning bidder and approved by the Town, on or about June 1, 2017, against payment to the Town in federal reserve funds.

Additional information concerning the Town of Needham and the Notes is contained in the Preliminary Official Statement dated May 22, 2017 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes, and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from the FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, 5 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

TOWN OF NEEDHAM, MASSACHUSETTS  
/s/ Ms. Evelyn M. Poness, Treasurer

May 22, 2017

**PRELIMINARY OFFICIAL STATEMENT  
TOWN OF NEEDHAM, MASSACHUSETTS  
\$470,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Needham, Massachusetts (the "Town") in connection with the sale of \$470,000 principal amount of General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

**The Notes**

The Notes will be dated June 1, 2017 and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on June 15, 2017. The Notes will bear interest payable at maturity, calculated on the basis of 30 day months and on a 360-day year, at the rate or rates determined upon their sale in accordance with the Notice of Sale dated May 22, 2017. The Notes will be issued by means of a book-entry-only system, evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC), unless the delivery of a fully registered physical note certificate is requested by the winning bidder of the Notes and the issuance of such certificate is approved by the Town. (See "Book-Entry Transfer System" herein.)

**Authorization of the Notes and Use of Proceeds**

The following table sets forth the principal amounts, purposes, statutory references and other relevant details for the current offering of Notes.

This Issue	Purpose	Amount Originally Authorized	Date of Authorization	Law Cite	Article
\$ 170,000	Central Avenue/Elliot Street Bridge Design	\$ 900,000	5/12/2014	Ch. 44 s. 7(1)	39
230,000	Central Avenue/Elliot Street Bridge Construction	2,000,000	5/11/2015	Ch. 44 s. 7(1)	43
52,000	RTS Fleet Replacement (Front-End Loader)	269,000	5/2/2016	Ch. 44 s. 7(1)	46
18,000	Water System Rehabilitation Program	635,000	5/11/2015	Ch. 44 s. 8	47
<u>\$ 470,000</u>					

**Tax Exemption**

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes (“Premium Notes”), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder’s basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Notes being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Notes from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law.

Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective holders of the Notes are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

### **Book-Entry Transfer System**

This section shall only apply to the Notes, if they are issued in book-entry form through the facilities of The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for “qualified bonds” as described above (see “TYPES OF OBLIGATIONS - Serial Bonds and Notes” under “INDEBTEDNESS” below) and setoffs of state distributions as described below (see “State Distributions” below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments”. Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “Tax Limitations” Under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “Debt Limits” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “Tax Limitations” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “Serial Bonds and Notes” under “TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the “Commonwealth”) or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the

Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

## **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Notes will be rendered by Locke Lord LLP, Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of the original delivery of the Notes and will speak only as of such date.

Bond counsel are not passing upon and do not assume any responsibility for the accuracy or adequacy of the information contained herein other than matters set forth as the opinion of bond counsel, and make no representation that they have independently verified the same.

## **Bank Eligibility**

The Notes will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

## **Financial Advisory Services of First Southwest Company**

FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town of Needham.

## **Disclosure of Significant Events**

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) optional contingent or unscheduled calls of bonds, if material; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Town; (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

**During the past five years, the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

## TOWN OF NEEDHAM, MASSACHUSETTS

### General

The Town of Needham is located in Norfolk County, 10 miles southwest of Boston. It is bordered on the west and northwest by the Town of Wellesley, on the north and northeast by the City of Newton, on the east by the West Roxbury section of the City of Boston, on the southeast by the Town of Dedham, and on the south by the Towns of Westwood and Dover. Needham has a population of approximately 28,886 and occupies a land area of 12.6 square miles. Established as a town in 1711, Needham is governed by a limited form of town meeting and by a five-member Board of Selectmen. School affairs are administered by a seven-member School Committee and a Superintendent of Schools.

### PRINCIPAL TOWN OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Expires</u>
Selectman, Chairman	Marianne B. Cooley	Elected	2020
Selectman, Vice Chairman	Daniel P. Matthews	Elected	2020
Selectman, Clerk	John A. Bulian	Elected	2019
Selectman	Matthew D. Borrelli	Elected	2018
Selectman	Maurice P. Handel	Elected	2018
Town Manager	Kate Fitzpatrick	Appointed	2019
Director of Finance	David Davison	Appointed	Indefinite
Treasurer/Collector	Evelyn M. Pones	Appointed	Indefinite
Town Accountant	Michelle Vaillancourt	Appointed	Indefinite
Town Clerk	Theodora K. Eaton	Elected	2019
Town Counsel	David S. Tobin	Appointed	Indefinite
Superintendent of Schools	Daniel E. Gutekanst	Appointed	2018

### Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, collection, disposal, and recycling of solid waste, public education in grades kindergarten through twelve, water, sewers, streets and recreation. Technical education in grades 9 through 12 is provided by the Minuteman Regional Vocational Technical School District.

The Town has implemented a mandatory recycling program in accordance with Section 8H of Chapter 40 of the Massachusetts General Laws. Under this program, begun in fiscal 1991, the Town recycles newspaper, mixed paper, glass, corrugated cardboard, aluminum and steel cans, returnable bottles, clothing, used motor oil, plastic containers and yard waste. The Town's practice has been to introduce new items to the recycling program each year in order to reduce the flow of solid waste tonnage.

Gas and electric services are provided by established private utilities.

The Town's Public Works Department provides water supply, treatment and distribution and sewage collection, to substantially all commercial, industrial and residential users in the Town. In addition certain water and sewer services are provided by the MWRA. See "INDEBTEDNESS - Overlapping Debt".

The principal services provided by Norfolk County are a jail and house of correction and registry of deeds. For additional information on Counties see "INDEBTEDNESS - Overlapping Debt".

### Education

The Town currently operates 1 pre-school, 5 elementary schools, 2 middle schools (High Rock and Pollard), and a senior high school. Total capacity is sufficient to meet current enrollment. The Town's capital plan reflects the need for further renovations. The Town has recently completed the construction and/or reconstruction of 3 elementary schools, the middle school, and the high school. A portion of the debt service on such borrowings has been exempted from the limits of Proposition 2 1/2. The following table sets forth the trend in public school enrollments. This does not include pre-school or out of district students.

## PUBLIC SCHOOL ENROLLMENTS - OCTOBER 1,

	Actual				
	2012	2013	2014	2015	2016
Elementary (Pre-K and K-5)	2,601	2,613	2,604	2,627	2,552
Middle/Junior High(6-8)	1,313	1,317	1,312	1,290	1,297
Senior High(9-12)	1,562	1,606	1,631	1,665	1,659
<b>Totals</b>	<b>5,476</b>	<b>5,536</b>	<b>5,547</b>	<b>5,582</b>	<b>5,508</b>

The Town is a member of the Minuteman Regional Vocational Technical School District, which is located in Lexington, and includes 16 member towns.

### Industry and Commerce

Needham is a residential suburb of Boston, located within the Boston Standard Metropolitan Statistical Area. As the table below indicates, the Town's economy has a diverse mix of manufacturing, services, and commercial trades.

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2011	2012	2013	2014	2015
Construction	689	607	681	730	732
Manufacturing	974	905	845	1,030	986
Trade, Transportation and Utilities	2,198	2,104	2,171	2,227	2,297
Information	1,063	1,159	1,351	1,161	1,040
Financial Activities	1,278	1,423	1,372	1,395	1,607
Professional and Business Services	5,096	5,280	5,735	5,794	5,773
Education and Health Services	4,741	5,277	5,643	6,170	6,724
Leisure and Hospitality	1,241	1,143	1,214	1,207	1,265
Other Services	879	921	867	916	749
<b>Total Employment</b>	<b>18,159</b>	<b>18,819</b>	<b>19,879</b>	<b>20,630</b>	<b>21,173</b>
Number of Establishments	1,405	1,381	1,383	1,433	1,488
Average Weekly Wages	\$ 1,675	\$ 1,698	\$ 1,656	\$ 1,607	\$ 1,702
<b>Total Wages</b>	<b>\$ 1,612,703,181</b>	<b>\$ 1,696,831,400</b>	<b>\$ 1,747,794,340</b>	<b>\$ 1,756,869,740</b>	<b>\$ 1,907,073,900</b>

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

### Transportation

The principal highways serving the Town are State Routes 9, 135 and 128 (I-95). There are four exits off Interstate 95 that provide direct access to Needham. A project is currently underway to widen Route 128 through Needham. This add-a-lane project is expected to be completed by 2018. The MBTA provides commuter rail service on a regular basis to Boston. There are four commuter rails stops physically located in Needham: Needham Heights, Needham Center, Needham Junction and Hersey. The MBTA also provides bus service between Needham and Watertown Square. Established trucking lines provide competitive service locally and to long distance points. The Town is within commuting distance of the airport facilities of Boston's Logan International Airport, the Norwood Municipal Airport, and Hanscom Field in Bedford, Massachusetts.

The following table sets forth the largest employers in Needham, exclusive of the Town itself.

### LARGEST EMPLOYERS

Name	Product/Function	No. of Employees Approximate
Justice Reserve Institute	Human/Social Services	1000+
Trip Advisor	Travel Agency	800+
Parametiic Technologies	Software Development	500+
GateHouse Media	Publishing	500+
Allston Brighhton Tab	Publishing	500+
Dialogic Inc	Wireless Communication	250-499
North Hill Living Center	Retirement Center	250-499
WCVB Channel 5	Television	250-499
Charles River Center	Assisted Living	250-499
Beth Israel Deaconess Hospital	Health Care	250-499
Briarwood Healthcare	Health Care	100-250
Olin College of Engineering	Education	100-250
Advantage Nursing care	Health care	100-250

SOURCE: Individual Employers listed.

Needham Crossing is a multi-million dollar business park located approximately 3 miles northeast of downtown Needham. The business park offers proximity to both Routes 9 and 128 (Interstate 95) as well as the natural conveniences as Cutler Lake Park and the Charles River. The business park originally contained primarily warehouses and offices and now, over 30 years later, through land use zoning changes, Needham Crossing is unique in its mix of residential, office and other commercial uses that has generated much interest from businesses to locate there. The Needham Crossing area boasts long term occupants such as Coca Cola, PTC, and the Sheraton Hotel, and several new arrivals which include Trip-Advisors which built its new world headquarters in the park, and life science companies such as Verastem. A brand new Marriott Residence Inn hotel opened in the park a couple of years ago, and plans for third major hotel are being reviewed. BigBelly Solar Inc., a maker of "green" trash cans has doubled the size of its headquarters when it moved to the park last year. Euro-Pro, known for its Shark vacuums and Ninja blenders, plans to relocate to the park near Trip-Advisor's new complex within the next year.

A state highway project is currently underway to widen Route 95/128 through Needham. The project will expand the highway from three lanes to four lanes and add an additional ramp in Needham. The project is expected to be completed by 2018, and the Town anticipates that the roadway improvement will have an overall positive effect and economic benefit for the Needham Business Center, as well as the community.

### Labor Force, Employment and Unemployment

According to the Massachusetts Department of Employment and Training preliminary data, in March 2017, the Town had a total labor force of 15,734 of which 15,312 were employed and 422 or 2.7% were unemployed as compared with 3.9% for the Commonwealth. The following table sets forth the Town's average labor force and unemployment rates for each of the last five calendar years and the unemployment rate for the Commonwealth and country as a whole for the same period.

### UNEMPLOYMENT RATES

Calendar Year	Town of Needham			Massachusetts Unemployment Rate	United States Unemployment Rate
	Labor Force	Employment	Unemployment Rate		
2016	15,323	14,929	2.6 %	3.7 %	4.9 %
2015	15,125	14,616	3.4	5.0	5.3
2014	14,978	14,403	3.8	5.8	6.8
2013	14,423	13,736	4.8	7.1	7.4
2012	14,424	13,786	4.4	6.7	7.8

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data for Town are unadjusted.

## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2012 through 2016. Permits are filed for both private constructions as well as for Town projects.

### BUILDING PERMITS

Calendar Year	New Construction				Additions/Alterations				Totals	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No	Value	No.	Value	No	Value	No.	Value		
2016	123	\$ 115,587,947	2	\$ 11,459,830	1,140	\$ 53,170,114	177	\$ 54,230,096	1,442	\$ 234,447,987
2015	96	49,102,984	4	40,797,038	1,261	49,792,473	157	20,565,226	1,518	160,257,721
2014	128	55,233,407	2	7,098,527	866	34,165,215	117	56,433,250	1,113	152,930,399
2013	104	43,260,044	9	87,468,435	901	29,704,213	254	37,865,698	1,268	198,298,390 (1)
2012	65	29,309,250	6	70,092,432	933	45,019,656	198	40,324,037	1,202	184,745,375 (2)

SOURCE: Report of the Building Inspector.

- (1) Includes Trip Advisor (\$34.5 million office building and \$13.2 million parking garage), 865 Central Ave. North Hill (\$25 million), Beth Israel Hospital (\$2.2 million) and 50 Dedham Ave (\$3.4 million).  
 (2) Includes Senior Center (\$5,548,000) and Charles River Pump Station (\$5,391,706) and one new non-residential building permit for the Marriott Residence Inn Motel, (\$9.4 million).

## Population and Income

The table below illustrates the Town's changes in median age, median family income, and per capita income according to the federal census.

### POPULATION AND INCOME

	Needham	Massachusetts	United States
<b>Median Age:</b>			
2010	43.0	39.1	37.2
2000	40.8	36.5	35.3
1990	38.6	33.6	32.9
1980	35.1	31.2	30.9
<b>Median Family Income:</b>			
2010	\$114,365	\$81,165	\$51,144
2000	107,570	61,664	50,046
1990	69,515	44,367	35,225
1980	31,793	21,166	19,908
<b>Per Capita Income:</b>			
2010	\$57,716	\$33,966	\$27,334
2000	44,549	25,952	21,587
1990	27,935	17,224	14,420
1980	11,580	7,459	7,313

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal census, the Town has a population density of approximately 2,290 persons per square mile.

### POPULATION TRENDS

2010	2000	1990	1980	1970
28,886	28,911	27,557	27,901	29,748

SOURCE: Federal Census.

## PROPERTY TAXATION

### Tax Levy Computation

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Because some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

The table below illustrates the manner in which the tax levy was determined for the following fiscal years.

### TAX LEVY COMPUTATION

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Total Appropriations(1)	\$ 141,800,888	\$ 151,203,653	\$ 151,350,572	\$ 164,302,914	\$ 169,950,342
Additions:					
State & County Assessments	1,238,429	1,273,564	1,274,075	1,291,397	1,299,850
Overlay Reserve	1,876,905	2,151,633	3,258,232	3,009,775	1,855,476
Other Additions	74,736	508,749	272,954	122,519	49,085
Total Additions	<u>3,190,070</u>	<u>3,933,946</u>	<u>4,805,261</u>	<u>4,423,691</u>	<u>3,204,411</u>
Gross Amount to be Raised	<u>144,990,958</u>	<u>155,137,599</u>	<u>156,155,833</u>	<u>168,726,605</u>	<u>173,154,753</u>
Deductions:					
Local Estimated Receipts: (2)	27,362,876	29,353,230	27,393,362	30,755,183	29,430,576
State Aid:					
Current Year	10,059,745	10,296,504	10,661,337	10,811,766	11,163,358
Available Funds (3)	1,759,346	1,344,380	4,797,374	7,867,793	7,771,029
Free Cash Used to Reduce Tax Rate	5,366,720	8,135,372	-	-	-
Total Deductions	<u>44,548,687</u>	<u>49,129,486</u>	<u>42,852,073</u>	<u>49,434,742</u>	<u>48,364,963</u>
Net Amount to be Raised	<u>\$ 100,442,271</u>	<u>\$ 106,008,113</u>	<u>\$ 113,303,760</u>	<u>\$ 119,291,863</u>	<u>\$ 124,789,790</u>

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.

(2) Includes CPA surcharge tax and state matching funds.

(3) Transfers from other available funds, generally made as an offset to a particular appropriation item.

## Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

A revaluation of all real and personal property in the Town to full and fair cash value was completed for use in fiscal year 2015.

The following table sets forth the trend in the Town's assessed valuations, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita(1)
2017	\$ 9,006,087,416	\$ 234,987,080	\$ 9,241,074,496	\$ 124,789,790	\$ 4,320
2016	8,825,776,592	242,412,230	9,068,188,822	119,291,863	4,130
2015 (2)	8,556,759,236	181,968,510	8,738,727,746	113,303,760	3,922
2014	7,886,696,905	182,036,090	8,068,732,995	106,008,113	3,670
2013	7,746,219,400	177,770,530	7,923,989,930	100,442,271	3,477

(1) 2010 Federal Census.

(2) Revaluation year.

The table below sets forth the trend of the Town's tax rates for different classes of property for the following fiscal years:

Fiscal Year	Tax Rate per \$1,000 Valuation	
	Residential Property	Commercial, Industrial & Personal Property
2017	\$11.89	\$23.63
2016	11.54	23.02
2015	11.29	23.43
2014	11.64	22.99
2013	11.30	22.18

## Classification of Property

The following is a breakdown of the Town's assessed valuation in fiscal years 2015, 2016 and 2017.

Property Type	2015 (1)		2016		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$7,625,574,778	87.3 %	\$7,792,495,058	85.9 %	\$7,970,766,680	86.3 %
Commercial	881,392,158	10.1	881,651,434	9.7	879,476,228	9.5
Industrial	49,792,300	0.6	151,630,100	1.7	155,844,508	1.7
Personal	181,968,510	2.1	242,412,230	2.7	234,987,080	2.5
Total Real Estate	<u>\$8,738,727,746</u>	<u>100.0 %</u>	<u>\$9,068,188,822</u>	<u>100.0 %</u>	<u>\$9,241,074,496</u>	<u>100.0 %</u>

(1) Revaluation year.

## LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2017. All of the largest taxpayers are current in their tax payments.

Name	Nature of Business	Total Assesed Valuation for Fiscal 2017	% of Total Assessed Value
Digital 128 First Avenue, LLC	Data Storage Facility	\$148,193,800	1.60 %
Lofts at Charles River Landing	Residential Apartments Complex	84,476,500	0.91
Babson College	Assisted Living	71,072,800	0.77
Needham Nine Owners LLC	Real Estate Developer	49,699,400	0.54
BP 140 Kendrick Street Property	Software Design	45,038,100	0.49
Digital Cabot, LLC	Data Storage Facility	38,367,000	0.42
WCP Needham Cabot LLC (1)	Hotel	33,534,700	0.36
117 Kendrick DE, LLC	Office Complex	29,452,100	0.32
Needham Travel Property LLC	Travel Advisory Company	25,929,600	0.28
Coca Cola Refreshments	Bottling & Distributing	24,489,500	0.27
Total		<u>\$550,253,500</u>	<u>5.95 %</u>

(1) Formerly Starwood Needham CMBS.

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value".

The following table sets forth the trend in equalized valuations of the Town of Needham.

January 1,	State Equalized Valuation	% Change
2016	\$9,675,551,500	16.7 %
2014	8,293,426,000	1.9
2012	8,141,495,500	5.3
2010	7,730,432,400	1.2
2008	7,637,636,300	4.5
2006	7,307,708,400	16.3
2004	6,285,224,900	22.3
2002	5,139,824,700	28.7

## Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the next tax levy. An abatement granted after a tax payment has been made is accounted for as a refund on the books of the Town. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the amount of the overlay reserve for the last five fiscal years and the amounts of abatements and exemptions granted as of June 30, 2016.

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements and Exemptions Granted Through As of June 30, 2016
		Dollar Amount	As a % of Net Levy	
2016	\$ 116,282,088	\$ 3,009,775	2.59 %	\$ 690,254
2015	110,045,528	3,258,232	2.96	549,202
2014	103,856,480	2,151,633	2.07	406,628
2013	98,565,366	1,876,905	1.90	425,190
2012	94,110,985	2,135,466	2.27	543,914

(1) Tax levy prior to addition of overlay reserve.

## Tax Collections

The Town has accepted a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the current and each of the previous five fiscal years, exclusive of the surcharge of property tax levied under the CPA.

Fiscal Year	Gross Tax Levy (2)	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of 6/30/2016 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2016	\$ 119,291,863	\$ 3,009,775	\$ 116,282,088	\$ 117,554,391	101.09 %	\$ 117,554,391	101.09 %
2015	113,303,760	3,258,232	110,045,528	111,766,131	101.56	112,639,178	102.36
2014	106,008,113	2,151,633	103,856,480	104,450,422	100.57	105,195,699	101.29
2013	100,442,271	1,876,905	98,565,366	99,107,154	100.55	99,578,618	101.03
2012	96,246,451	2,135,466	94,110,985	94,677,572	100.60	95,319,045	101.28

(1) Actual dollar collections, net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

(2) Exclusive of the property tax levied under the Community Preservation Act.

## Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The table below sets forth the amount of tax titles and possessions and deferred taxes outstanding at the end of the following fiscal years.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>	<u>Deferred Taxes</u>
2016	\$ 1,298,052	\$ 470,642
2015	1,201,442	628,738
2014	1,184,252	537,255
2013	1,016,567	619,572
2012	904,840	561,509

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The town does not expect to utilize this option at the present time.

## Taxation to Meet Deficits

As noted elsewhere (see "Abatements and Overlay" above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as “Proposition 2½”, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town of Needham has been in full compliance with Proposition 2½ since its inception. The Town has voted to override Proposition 2½ for operating purposes and to exclude debt service on several occasions for capital projects. Most recently, the Town approved general overrides in 2003 (\$2,459,318), 2006 (\$597,370), 2007 (\$1,128,670) and 2009 (\$1,887,929). In addition, the Town voted to exclude \$15,700,000 principal and the interest thereon for library renovation and expansion, \$62,000,000 principal and the interest thereon for high school renovation and expansion, \$21,000,000 principal and the interest thereon for the High Rock and Pollard School projects, \$27,412,128 principal and the interest thereon for the Newman School renovation project and \$762,500, \$7,000,000 and \$57,542,500 principal and the interest thereon for site acquisition and construction of the Hillside School project (less any MSBA grants).

### Unused Levy Capacity (1)

	Fiscal Year				
	2017	2016	2015	2014	2013
Primary Levy Limit (2)	\$ 231,026,862	\$ 226,704,721	\$ 220,968,194	\$ 201,718,325	\$ 198,099,748
Prior Fiscal Year Levy Limit	113,229,253	106,870,366	98,925,881	93,756,886	89,636,531
2.5% Levy Growth	2,830,797	2,671,812	2,473,147	2,343,970	2,240,913
New Growth (3)	2,919,417	3,684,955	3,922,530	2,825,025	1,879,442
Amended New Growth	2,615	-	-	-	-
Overrides	-	-	1,548,410	-	-
Growth Levy Limit	118,982,082	113,227,133	106,869,968	98,925,881	93,756,886
Debt Exclusions	5,886,862	6,075,283	6,551,850	7,109,986	6,705,439
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	124,868,944	119,302,416	113,421,818	106,035,867	100,462,325
Tax Levy	124,789,790	119,291,863	113,303,760	106,008,113	100,442,271
Unused Levy Capacity (4)	79,154	10,553	118,058	27,754	20,054
Unused Primary Levy Capacity (5)	\$ 112,044,780	\$ 113,477,588	\$ 114,098,226	\$ 102,792,444	\$ 104,342,862

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

### Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERT TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns

that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has accepted the Act and set the surcharge rate at 2%. The Town implemented the program in fiscal year 2006 and is utilizing revenues to pay for a variety of municipal projects, including a \$19.2 million town hall preservation/restoration project financed, in part, with bonds in 2011 and 2012.

**Community Preservation Fund Revenues**

<u>Fiscal Year</u>	<u>Property Tax (1)</u>	<u>State Contribution</u>	<u>Total</u>
2016	\$ 2,028,800	\$ 579,514	\$ 2,608,314
2015	1,950,156	566,099	2,516,255
2014	1,791,323	886,498	2,677,821
2013	1,697,565	437,167	2,134,732
2012	1,619,595	417,271	2,036,866

(1) Reflects actual collections.

**Pledged Taxes**

Taxes on the increased value certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" under "TOWN FINANCES" below).

## TOWN FINANCES

### Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting, which takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee, which submits reports and recommendations on proposed expenditures at town meetings.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In each fiscal year, the Town has appropriated at least the minimum expenditure requirement imposed by the Act.

The Town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

Enterprises: Beginning with the fiscal 1996 budget, water and sewer operations are accounted for in separate enterprise accounts. Beginning with the fiscal 1999 budget solid waste operations are accounted for in a separate enterprise account.

Mandatory Items: Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget.

Revenues: Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION--Tax Levy Computation".)

### Budget Trends

The following table sets forth the trend in operating budgets for fiscal years 2013 through 2017, as voted at the town meeting. As such, said budgets reflect neither revenues nor certain mandatory items.

#### BUDGET COMPARISON (1)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
General Government	\$3,807,723	\$3,943,011	\$4,036,311	\$4,181,185	\$4,294,265
Land Use and Development	385,926	411,156	423,211	489,274	515,350
Public Safety	12,145,898	13,027,952	13,714,066	13,957,884	14,493,710
Education(2)	51,892,719	54,729,548	58,854,499	62,134,821	65,952,600
Public Works & Facilities	12,916,949	13,313,148	13,497,982	14,389,396	15,274,299
Health & Human Services	1,077,278	1,187,497	1,247,688	1,433,752	1,493,315
Culture & Recreation	1,945,917	1,994,757	2,073,654	2,163,934	2,193,270
Employee Benefits(3)	19,778,577	20,523,425	21,095,270	23,095,821	25,491,114
Other Operating Expenses	1,266,000	1,017,550	1,247,252	1,344,702	1,816,490
Debt Service(4)	11,288,276	12,108,851	11,587,884	11,224,301	11,161,839
Reserve Fund	1,199,821	1,373,243	1,464,490	1,384,767	1,541,875
Total Expenditures	<u>\$117,705,084</u>	<u>\$123,630,138</u>	<u>\$129,242,307</u>	<u>\$135,799,837</u>	<u>\$144,228,127</u>

(1) Budget reflects only the amount appropriated by Town Meeting and thus does not include overlay or State assessments.

(2) Includes regional vocational school assessment.

(3) Includes pension and OPEB funding.

(4) Includes debt excluded from Proposition 2½ as well as estimated debt service on authorized and unissued debt.

## Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION-- Tax Limitations" above. The table below sets forth the amount of property tax revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>Property Taxes</u>
2016	\$ 118,981,810
2015	108,651,058
2014	105,364,496
2013	99,390,107
2012	95,268,408

State Aid: The Town's state aid entitlement is based upon a number of different formulas, and while such formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate. The table below sets forth the amount of state aid revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>State Aid</u>
2017 (est.)	\$ 11,636,358
2016	10,723,030
2015	9,946,703
2014	9,677,266
2013	9,212,185
2012	8,542,051

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. The state annually estimates state aid but actual payments may vary from the estimate. The table below sets forth the amount of motor vehicle excise revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>Motor Vehicle Excise</u>
2016	\$ 5,627,887
2015	5,242,444
2014	4,923,980
2013	4,620,449
2012	4,357,996

Water and Sewer Rates and Services: The Town's Public Works Department provides water and sewer services, accounted for as enterprise funds, to all commercial, industrial and residential users within the Town and charges them on the basis of metered consumption. Water and sewer rates are set by the Board of Selectmen. The Town has an ascending block rate schedule ranging from \$3.10 to \$5.10 per 100 cubic feet for water and from \$8.49 to \$10.99 per 100 cubic feet for sewer. Water irrigation rates range from \$5.10 to \$8.10 per 100 cubic feet for water.

In fiscal year 2011, water and sewer revenues totaled \$14,833,214 and expenditures totaled \$12,048,070 including debt service, retirement costs and overhead. In fiscal year 2012, water and sewer revenues totaled \$13,819,336, which included \$469,610 in general fund receipts, and expenditures totaled \$13,112,987 including debt service, retirement costs and overhead. In fiscal year 2013, water and sewer revenues totaled \$14,923,190, which included \$493,392 in general fund receipts, and expenditures totaled \$13,682,552 including debt service, retirement costs and overhead. In fiscal year 2014, water and sewer revenues totaled \$15,183,031 which included \$858,439 in general fund receipts, and expenditures totaled \$14,332,762 including debt service, retirement costs and overhead. In fiscal year 2015, water and sewer revenues totaled \$16,745,962 which included \$823,671 in general fund receipts, and expenditures totaled \$14,378,741 including

debt service, retirement costs and overhead. In fiscal year 2016, water and sewer revenues totaled \$16,007,776 which included \$569,430 in general fund receipts, and expenditures totaled \$13,464,453 including debt service, retirement costs and overhead.

Local Options Meals Tax: On November 2, 2009, the Town adopted the local meals excise tax to be effective January 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The table below sets forth the amount of local option meals tax revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>Local Option Meals Tax</u>
2016	\$ 490,317
2015	476,896
2014	471,830
2013	443,716
2012	404,409

Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel lodging house rooms and bed and breakfast rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. On November 2, 2009, the Town adopted an increase in the room occupancy tax to 6% to be effective January 1, 2010. The table below sets forth the amount of room occupancy tax revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>Room Occupancy Tax</u>
2016	\$ 1,118,325
2015	1,024,085
2014	816,498
2013	539,026
2012	454,378

Interest and Dividends: Fiscal year 2010 interest and dividends totaled \$496,885. Fiscal year 2011 interest and dividends totaled \$275,705. Fiscal year 2012 interest and dividends totaled \$103,130. Fiscal year 2013 interest and dividends totaled \$84,802. Fiscal year 2014 interest and dividends totaled \$77,523. Fiscal year 2015 interest and dividends totaled \$101,273. Fiscal year 2016 interest and dividends totaled \$111,638.

## **State Distributions**

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from

50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the MSBA to finance and administer the school building assistance program. The MSBA assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appeared on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

The maximum of reimbursement rate for new project grant applications submitted to the MSBA on or after July 1, 2007 is 80% of approved project costs. The MSBA promulgated regulations with respect to the application and approval process for projects submitted after July 1, 2007. The MSBA pays grants for such projects as project costs are incurred pursuant to project funding agreements between the MSBA and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects are included in the approved project costs eligible for reimbursement.

## **Investment of Town Funds**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in 1.) term deposits and certificates of deposits of banks and trust companies with a maturity date from date of purchase of up to three years; 2.) in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year; 3.) in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities; 4.) in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or; 5) in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

MMDT funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and §55 do not apply to city and town retirement systems.

A breakdown of the Town's investments may be obtained from the Town Treasurer.

## **Annual Audits**

The Town's financial statements have been audited annually. Copies of audit reports are available at the office of the Town Accountant of the Town of Needham. The Town's financial statements are audited by Melanson, Heath & Company, P.C., Nashua, New Hampshire.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Annual Report or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

## **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014 and the Statement of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2016, 2015, 2014, 2013 and 2012. All said financial statements have been extracted from the Town's audited financial statements.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2016 (1)**

	General	Community Preservation Fund	Owens Farm Property Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>\$ 53,756,523</b>	<b>\$ 6,839,779</b>	<b>\$ 148,222</b>	<b>\$ 17,104,731</b>	<b>\$ 77,849,255</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
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
<b>TOTAL LIABILITIES</b>	<b>6,749,540</b>	<b>91,760</b>	<b>6,761,177</b>	<b>4,181,597</b>	<b>17,784,074</b>
<b>DEFERED INFLOWS OF RESOURCES</b>	<b>10,047,765</b>	<b>11,160</b>	<b>-</b>	<b>521,642</b>	<b>10,580,567</b>
<b>FUND BALANCES</b>					
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
<b>TOTAL FUND BALANCES</b>	<b>36,959,218</b>	<b>6,736,859</b>	<b>(6,612,955)</b>	<b>12,401,492</b>	<b>49,484,614</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 53,756,523</b>	<b>\$ 6,839,779</b>	<b>\$ 148,222</b>	<b>\$ 17,104,731</b>	<b>\$ 77,849,255</b>

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2015 (1)**

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short term investments	\$ 19,643,035	\$ 887,377	\$ 12,299,283	\$ 32,829,695
Investments	17,264,599	7,933,808	2,454,593	27,653,000
Receivables:				-
Property taxes	4,228,979	13,484	-	4,242,463
Excises	919,939	-	-	919,939
Departmental	1,306,998	-	36,004	1,343,002
Intergovernmental	5,561,184	-	776,850	6,338,034
Other	69,562	-	-	69,562
<b>TOTAL ASSETS</b>	<b>\$ 48,994,296</b>	<b>\$ 8,834,669</b>	<b>\$ 15,566,730</b>	<b>\$ 73,395,695</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants and accounts payable	\$ 1,490,653	\$ 13,149	\$ 528,455	\$ 2,032,257
Accrued liabilities	5,258,568	832	140,211	5,399,611
Refunds payable	703,609	-	-	703,609
Other liabilities	200,235	-	1,615	201,850
<b>TOTAL LIABILITIES</b>	<b>7,653,065</b>	<b>13,981</b>	<b>670,281</b>	<b>8,337,327</b>
<b>DEFERED INFLOWS OF RESOURCES</b>	<b>11,805,511</b>	<b>13,484</b>	<b>100,072</b>	<b>11,919,067</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	188,478	188,478
Restricted	794,835	8,807,204	8,756,913	18,358,952
Committed	9,020,424	-	6,122,886	15,143,310
Assigned	4,472,492	-	-	4,472,492
Unassigned	15,247,969	-	(271,900)	14,976,069
<b>TOTAL FUND BALANCES</b>	<b>29,535,720</b>	<b>8,807,204</b>	<b>14,796,377</b>	<b>53,139,301</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 48,994,296</b>	<b>\$ 8,834,669</b>	<b>\$ 15,566,730</b>	<b>\$ 73,395,695</b>

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2014 (1)**

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,219,039	\$ 442,653	\$ 8,795,450	\$ 26,457,142
Investments	16,957,683	6,612,103	2,457,922	26,027,708
Receivables:				-
Property Taxes	3,752,853	13,706	-	3,766,559
Excises	857,407	-	-	857,407
Departmental	1,069,181	-	21,175	1,090,356
Intergovernmental	6,256,332	-	869,172	7,125,504
Other	46,390	-	-	46,390
Total Assets	<u>\$ 46,158,885</u>	<u>\$ 7,068,462</u>	<u>\$ 12,143,719</u>	<u>\$ 65,371,066</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Warrants and Accounts Payable	\$ 884,602	\$ 8,441	\$ 615,196	\$ 1,508,239
Accrued liabilities	4,373,846	1,811	104,733	4,480,390
Refunds payable	402,764	-	-	402,764
Notes payable	-	-	1,607,000	1,607,000
Other Liabilities	200,191	-	1,581	201,772
Total Liabilities	<u>5,861,403</u>	<u>10,252</u>	<u>2,328,510</u>	<u>8,200,165</u>
Deferred Inflows of Resources	11,732,710	13,706	21,175	11,767,591
<b>Fund Balance:</b>				
Nonspendable	-	-	188,478	188,478
Restricted	869,983	7,044,504	7,762,480	15,676,967
Committed	9,561,267	-	4,325,665	13,886,932
Assigned	4,888,245	-	-	4,888,245
Unassigned	13,245,277	-	(2,482,589)	10,762,688
Total Fund Balances	<u>28,564,772</u>	<u>7,044,504</u>	<u>9,794,034</u>	<u>45,403,310</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 46,158,885</u>	<u>\$ 7,068,462</u>	<u>\$ 12,143,719</u>	<u>\$ 65,371,066</u>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES**  
**AS OF JUNE 30, 2016**

	General	Community Preservation	Owens Farm Property Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
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
<b>TOTAL REVENUES</b>	<b>\$ 142,841,069</b>	<b>\$ 2,671,230</b>	<b>\$ -</b>	<b>\$ 12,307,296</b>	<b>\$ 157,819,595</b>
<b>EXPENDITURES</b>					
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
<b>TOTAL EXPENDITURES</b>	<b>132,335,194</b>	<b>3,609,137</b>	<b>6,612,955</b>	<b>18,376,266</b>	<b>160,933,552</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,505,875</b>	<b>(937,907)</b>	<b>(6,612,955)</b>	<b>(6,068,970)</b>	<b>(3,113,957)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,082,377)</b>	<b>(1,132,438)</b>	<b>-</b>	<b>3,674,085</b>	<b>(540,730)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,423,498</b>	<b>(2,070,345)</b>	<b>(6,612,955)</b>	<b>(2,394,885)</b>	<b>(3,654,687)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>29,535,720</b>	<b>8,807,204</b>	<b>-</b>	<b>14,796,377</b>	<b>53,139,301</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 36,959,218</b>	<b>\$ 6,736,859</b>	<b>\$ (6,612,955)</b>	<b>\$ 12,401,492</b>	<b>\$ 49,484,614</b>

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES**  
**AS OF JUNE 30, 2015**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 112,329,687	\$ 1,950,156	\$ -	\$ 114,279,843
Excise taxes	5,242,444	-	-	5,242,444
Penalties, interest, and other taxes	1,852,862	2,456	-	1,855,318
Charges for services	987,849	-	6,123,560	7,111,409
Departmental	654,516	-	-	654,516
Licenses and permits	1,702,030	-	-	1,702,030
Intergovernmental	10,799,610	566,099	5,380,602	16,746,311
Investment Income	168,567	154,529	42,332	365,428
Fines and forfeitures	204,198	-	-	204,198
Contributions	-	20,518	1,455,025	1,475,543
Other	345,471	-	15,240	360,711
<b>TOTAL REVENUES</b>	<b>\$ 134,287,234</b>	<b>\$ 2,693,758</b>	<b>\$ 13,016,759</b>	<b>\$ 149,997,751</b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 4,673,887	\$ 455,295	\$ 106,259	\$ 5,235,441
Public safety	14,829,123	-	149,027	14,978,150
Education	65,814,871	-	10,686,070	76,500,941
Public works	7,678,186	-	215,243	7,893,429
Maintenance	8,660,730	-	4,423,569	13,084,299
Health and human services	1,453,707	-	238,976	1,692,683
Culture and recreation	2,156,905	-	417,795	2,574,700
Employee benefits	10,084,343	-	-	10,084,343
Other	518,182	-	-	518,182
Debt Service:				
Principal	8,374,612	-	-	8,374,612
Interest	2,632,650	-	-	2,632,650
Intergovernmental	1,272,800	-	-	1,272,800
<b>TOTAL EXPENDITURES</b>	<b>128,149,996</b>	<b>455,295</b>	<b>16,236,939</b>	<b>144,842,230</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,137,238</b>	<b>2,238,463</b>	<b>(3,220,180)</b>	<b>5,155,521</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	-	2,850,000	2,850,000
Issuance of refunded debt	7,337,000	-	-	7,337,000
Bond premium	1,225,361	-	-	1,225,361
Transfers in	2,301,520	-	5,837,871	8,139,391
Deposit to refunding escrow	(8,325,359)	-	-	(8,325,359)
Transfers out	(7,704,812)	(475,763)	(465,348)	(8,645,923)
<b>TOTAL OTHER FINANCING SOURCES (USE)</b>	<b>(5,166,290)</b>	<b>(475,763)</b>	<b>8,222,523</b>	<b>2,580,470</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>970,948</b>	<b>1,762,700</b>	<b>5,002,343</b>	<b>7,735,991</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>28,564,772</b>	<b>7,044,504</b>	<b>9,794,034</b>	<b>45,403,310</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 29,535,720</b>	<b>\$ 8,807,204</b>	<b>\$ 14,796,377</b>	<b>\$ 53,139,301</b>

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**AS OF JUNE 30, 2014 (1)**

<b>REVENUES:</b>	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 105,482,632	\$ 1,791,323	\$ -	\$ 107,273,955
Excise Taxes	4,923,980	-	-	4,923,980
Penalties, Interest & Other Taxes	1,642,864	1,860	-	1,644,724
Charges for Services	975,393	-	6,268,448	7,243,841
Departmental	695,239	-	-	695,239
Licenses and Permits	2,306,750	-	-	2,306,750
Intergovernmental	22,891,596	886,498	6,906,632	30,684,726
Investment Income	166,796	56,252	329,361	552,409
Fines and Forfeitures	196,181	-	-	196,181
Contributions	-	-	484,046	484,046
Other	165,670	-	82,353	248,023
<b>Total Revenues</b>	<b>\$ 139,447,101</b>	<b>\$ 2,735,933</b>	<b>\$ 14,070,840</b>	<b>\$ 156,253,874</b>
<b>EXPENDITURES:</b>				
General Government	4,699,929	790,054	95,935	5,585,918
Public Safety	14,678,174	-	44,317	14,722,491
Education	73,372,843	-	10,329,315	83,702,158
Public Works	6,842,282	-	109,866	6,952,148
Maintenance	7,957,103	-	12,483,541	20,440,644
Health and Human Services	1,253,052	-	434,590	1,687,642
Culture and Recreation	2,109,233	-	843,280	2,952,513
Employee Benefits	10,638,023	-	-	10,638,023
Other	507,278	-	-	507,278
Debt Service				-
Principal	7,786,979	-	-	7,786,979
Interest	2,800,219	-	-	2,800,219
Intergovernmental	1,270,948	-	-	1,270,948
<b>Total Expenditures</b>	<b>133,916,063</b>	<b>790,054</b>	<b>24,340,844</b>	<b>159,046,961</b>
Excess (Deficiency) of Revenues				
Over Expenditures	5,531,038	1,945,879	(10,270,004)	(2,793,087)
Other Financing Sources (Uses)				
Issuance of Bonds	-	-	8,912,000	8,912,000
Bond Premium	146,553	-	-	146,553
Transfers In	2,553,023	53,478	7,627,396	10,233,897
Transfers out	(9,261,701)	(711,000)	(237,126)	(10,209,827)
<b>Total Other Financing Sources - Net</b>	<b>(6,562,125)</b>	<b>(657,522)</b>	<b>16,302,270</b>	<b>9,082,623</b>
Net Change in Fund Balances	(1,031,097)	1,288,357	3,761,768	4,019,028
Fund Balances, at Beginning of Year	29,595,859	5,756,147	3,761,768	39,113,774
<b>Fund Balances, at End of Year</b>	<b>\$ 28,564,762</b>	<b>\$ 7,044,504</b>	<b>\$ 7,523,536</b>	<b>\$ 43,132,802</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**AS OF JUNE 30, 2013 (1)**

<b>REVENUES:</b>	General	Community Preservation Fund	Senior Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 99,970,554	\$ 1,697,565	\$ -	\$ -	\$ 101,668,119
Excise Taxes	4,620,449	-	-	-	4,620,449
Penalties, Interest & Other Taxes	1,330,634	2,429	-	-	1,333,063
Charges for Services	887,648	-	-	5,762,393	6,650,041
Departmental	851,889	-	-	-	851,889
Licenses and Permits	1,869,446	-	-	-	1,869,446
Intergovernmental	22,193,047	437,167	-	5,619,279	28,249,493
Investment Income	161,042	40,751	-	268,009	469,802
Fines and Forfeitures	220,952	-	-	-	220,952
Contributions	-	-	-	917,571	917,571
Other	479,326	-	-	64,425	543,751
<b>Total Revenues</b>	<b>\$ 132,584,987</b>	<b>\$ 2,177,912</b>	<b>\$ -</b>	<b>\$ 12,631,677</b>	<b>\$ 147,394,576</b>
<b>EXPENDITURES:</b>					
General Government	4,718,884	208,600	-	56,941	4,984,425
Public Safety	13,445,757	-	-	209,889	13,655,646
Education	69,546,442	-	-	9,927,443	79,473,885
Public Works	6,498,065	-	-	22,451	6,520,516
Maintenance	8,043,322	-	5,473,672	10,396,722	23,913,716
Health and Human Services	1,191,925	-	-	325,825	1,517,750
Culture and Recreation	2,112,052	-	-	588,124	2,700,176
Employee Benefits	8,742,496	-	-	-	8,742,496
Other	480,929	-	-	-	480,929
Debt Service					-
Principal	7,117,979	-	-	-	7,117,979
Interest	2,339,358	-	-	-	2,339,358
Intergovernmental	1,181,083	-	-	-	1,181,083
<b>Total Expenditures</b>	<b>125,418,292</b>	<b>208,600</b>	<b>5,473,672</b>	<b>21,527,395</b>	<b>152,627,959</b>
Excess (Deficiency) of Revenues					
Over Expenditures	7,166,695	1,969,312	(5,473,672)	(8,895,718)	(5,233,383)
Other Financing Sources (Uses)					
Issuance of Bonds	-	-	1,000,000	16,959,000	17,959,000
Bond Premium	811,162	-	-	-	811,162
Transfers In	2,402,361	-	267,500	5,403,459	8,073,320
Transfers out	(6,408,769)	(550,000)	-	(701,344)	(7,660,113)
<b>Total Other Financing Sources - Net</b>	<b>(3,195,246)</b>	<b>(550,000)</b>	<b>1,267,500</b>	<b>21,661,115</b>	<b>19,183,369</b>
Net Change in Fund Balances	3,971,449	1,419,312	(4,206,172)	12,765,397	13,949,986
Fund Balances, at Beginning of Year	25,624,410	4,336,835	(888,416)	(3,909,041)	25,163,788
<b>Fund Balances, at End of Year</b>	<b>\$ 29,595,859</b>	<b>\$ 5,756,147</b>	<b>\$ (5,094,588)</b>	<b>\$ 8,856,356</b>	<b>\$ 39,113,774</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**AS OF JUNE 30, 2012 (1)**

<b>REVENUES:</b>	General	Community Preservation Fund	Town Hall Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 95,321,535	\$ 1,619,595	\$ -	\$ -	\$ 96,941,130
Excise Taxes	4,357,996	-	-	-	4,357,996
Penalties, Interest & Other Taxes	1,253,898	2,225	-	-	1,256,123
Charges for Services	937,946	-	-	5,781,445	6,719,391
Departmental	654,886	-	-	-	654,886
Licenses and Permits	1,950,768	-	-	-	1,950,768
Intergovernmental	20,983,554	417,271	6,067,548	6,481,766	33,950,139
Investment Income	257,434	52,255	-	12,535	322,224
Fines and Forfeitures	235,632	-	-	-	235,632
Contributions	-	-	-	482,130	482,130
Other	625,721	-	-	79,912	705,633
<b>Total Revenues</b>	<b>\$ 126,579,370</b>	<b>\$ 2,091,346</b>	<b>\$ 6,067,548</b>	<b>\$ 12,837,788</b>	<b>\$ 147,576,052</b>
<b>EXPENDITURES:</b>					
General Government	4,488,463	172,862	-	71,279	4,732,604
Public Safety	13,408,932	-	-	69,349	13,478,281
Education	66,722,685	-	-	10,350,310	77,072,995
Public Works	5,567,194	-	-	79,832	5,647,026
Maintenance	7,414,663	-	19,884,378	13,230,234	40,529,275
Health and Human Services	1,218,079	-	-	323,466	1,541,545
Culture and Recreation	2,043,808	-	-	899,221	2,943,029
Employee Benefits	7,725,321	-	-	-	7,725,321
Other	455,170	-	-	-	455,170
Debt Service					-
Principal	7,203,678	-	-	-	7,203,678
Interest	2,659,206	-	-	-	2,659,206
Intergovernmental	1,165,155	-	-	-	1,165,155
<b>Total Expenditures</b>	<b>120,072,354</b>	<b>172,862</b>	<b>19,884,378</b>	<b>25,023,691</b>	<b>165,153,285</b>
Excess (Deficiency) of Revenues Over Expenditures	6,507,016	1,918,484	(13,816,830)	(12,185,903)	(17,577,233)
Other Financing Sources (Uses)					
Issuance of Bonds	-	-	-	2,460,000	2,460,000
Issuance of Refunded Debt	10,995,000	-	-	-	10,995,000
Payment to Refunding Escrow Agent	(11,065,000)	-	-	-	(11,065,000)
Bond Premium	207,238	-	-	-	207,238
Transfers In	2,500,159	-	276,005	2,594,553	5,370,717
Transfers out	(4,458,706)	(300,000)	-	(724,931)	(5,483,637)
<b>Total Other Financing Sources - Net</b>	<b>(1,821,309)</b>	<b>(300,000)</b>	<b>276,005</b>	<b>4,329,622</b>	<b>2,484,318</b>
<b>Net Change in Fund Balances</b>	<b>4,685,707</b>	<b>1,618,484</b>	<b>(13,540,825)</b>	<b>(7,856,281)</b>	<b>(15,092,915)</b>
Fund Balances, at Beginning of Year as Reclassified	20,938,703	2,718,351	3,911,180	12,688,469	40,256,703
<b>Fund Balances, at End of Year</b>	<b>\$ 25,624,410</b>	<b>\$ 4,336,835</b>	<b>\$ (9,629,645)</b>	<b>\$ 4,832,188</b>	<b>\$ 25,163,788</b>

(1) Extracted from the audited financial statements of the Town.

## Free Cash and Unassigned General Fund Balances

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue (or, in the Town's case, Unreserved Fund Balance) less uncollected and overdue property taxes from prior years.

The following table sets forth the trend in free cash as certified by the Bureau of Accounts as well as the Unassigned General Fund balance.

Fiscal Year	Free Cash (July 1)		Unassigned General Fund Balance
2016	\$ 13,849,687		\$ 20,970,404
2015	6,890,372		15,247,969
2014	6,207,875		13,245,277
2013	10,133,912	(1)	15,150,157
2012	2,153,808	(1)	10,846,842

(1) Free Cash was reduced in 2012 by the Massachusetts Department of Revenue by the amount of a capital project advance. The general fund was reimbursed in FY2013 with proceeds from a borrowing.

## Stabilization Fund

The Town maintains a stabilization fund, which is accounted for in the Trust Funds. Funded by an appropriation, the Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any purpose. The following table sets forth the trend in Stabilization Fund balance.

Fiscal Year	Stabilization Fund Balance (June 30)
2016	\$ 3,946,174
2015	3,876,809
2014	3,815,322
2013	3,729,614
2012	3,718,000

## Capital Improvement Fund

The Town continues to provide additional funding to its capital improvement fund, which helps ensure the replacement of capital equipment, however there were no draws on the Town's Stabilization Fund to support any operating or capital expenditures. The following table sets forth the trend in Capital Improvement Fund balance.

Fiscal Year	Capital Improvement Fund Balance (June 30)
2017 (est.)	\$ 701,081
2016	701,081
2015	668,954
2014	650,177
2013	648,940
2012	649,000

### Capital Facility Fund

The Capital Facilities Fund exists primarily to fund building improvements. The following table sets forth the trend in Capital Facility Fund balance.

<u>Fiscal Year</u>	<u>Capital Facility Fund Balance (June 30)</u>
2016	\$ 1,312,275
2015	1,307,397
2014	1,295,691
2013	1,293,383
2012	1,150,251

### Athletic Facility Fund

In fiscal year 2013, the Town created a stabilization fund to cover the costs of the eventual replacement of the Town's artificial turf fields. The following table sets forth the trend in Athletic Facility Fund balance.

<u>Fiscal Year</u>	<u>Athletic Facility Fund Balance (June 30)</u>
2016	\$ 2,643,429
2015	1,970,353
2014	901,333
2013	283,133

### Debt Service Stabilization Fund

In fiscal year 2016, the Town created a stabilization fund the purpose of which is to allow the Town by appropriation to reserve funds to pay the debt service for engineering and design, renovation, reconstruction or construction of Town facilities. The Town appropriated \$320,186 to the fund in fiscal 2016.

## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board ("MFOB") composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state MFOB, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the MFOB. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt

service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town has not issued revenue anticipation notes during the past twenty fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**DIRECT DEBT SUMMARY (1)**  
**Projected as of June 30, 2017**

<b>Long-Term Debt Outstanding:</b>		
Within the General Debt Limit:		
Schools	\$ 42,902,000	
Sewers & Drains	6,635,898	
Other Inside General	29,930,000	
Total Within the General Debt Limit		\$ 79,467,898
Outside the General Debt Limit:		
Water	6,309,093	
Sewer	355,000	
Other Outside General	14,172	
Total Outside the General Debt Limit	6,678,265	
Total Bonded Debt		86,146,163
<b>Short-Term Debt Outstanding:</b>		
This Issue New Money Bond Anticipation Notes (2)	470,000	
Total Short-Term Debt Outstanding (after this Issue)		470,000
<b>Total Direct Debt after This Issue</b>		<b>\$ 86,616,163</b>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

(2) Payable June 15, 2017.

## Debt Ratios

The following table sets forth debt as a percentage of assessed valuation and per capita debt at the end of the following fiscal years. The table considers the principal amount of general obligation bonds of the Town. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation
2017 (1)	\$ 86,146,163	28,886	\$ 9,241,074,496	\$ 2,982	0.93 %
2016	85,544,217	28,886	9,068,188,822	2,961	0.94
2015	95,610,417	28,886	8,738,727,746	3,310	1.09
2014	101,636,574	28,886	8,068,732,995	3,519	1.26
2013	100,315,626	28,886	7,923,989,930	3,473	1.27
2012	85,101,441	28,886	7,833,149,500	2,946	1.09

(1) Projected.

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding bonds projected as of June 30, 2017.

### GENERAL OBLIGATION BONDS Principal Payments by Purpose Projected as of June 30, 2017

Year	General	School	Water	Sewer	Total (1)
2018	\$ 3,777,724	\$ 4,469,000	\$ 1,086,978	\$ 880,884	\$ 10,214,587
2019	3,337,724	4,412,000	940,722	834,399	9,524,845
2020	2,772,724	4,312,000	428,480	455,506	7,968,710
2021	1,903,000	4,177,000	419,253	393,739	6,892,992
2022	1,753,000	4,152,000	420,043	399,906	6,724,949
2023	1,678,000	4,067,000	415,848	406,207	6,567,055
2024	1,663,000	3,972,000	301,669	342,644	6,279,313
2025	1,548,000	3,332,000	302,506	349,222	5,531,728
2026	1,472,000	2,588,000	238,361	355,942	4,654,303
2027	1,467,000	2,128,000	239,233	362,809	4,197,042
2028	1,097,000	1,723,000	240,121	394,825	3,454,946
2029	1,087,000	1,348,000	246,029	391,993	3,073,022
2030	897,000	558,000	236,953	344,317	2,036,270
2031	897,000	558,000	237,898	351,800	2,044,698
2032	847,000	553,000	190,000	359,446	1,949,446
2033	847,000	553,000	185,000	367,258	1,952,258
2034	675,000	-	180,000	-	855,000
2035	305,000	-	-	-	305,000
2036	305,000	-	-	-	305,000
2037	305,000	-	-	-	305,000
2038	285,000	-	-	-	285,000
2039	275,000	-	-	-	275,000
2040	250,000	-	-	-	250,000
2041	250,000	-	-	-	250,000
2042	250,000	-	-	-	250,000
<b>TOTAL</b>	<b>\$ 29,944,172</b>	<b>\$ 42,902,000</b>	<b>\$ 6,309,093</b>	<b>\$ 6,990,898</b>	<b>\$ 86,146,163</b>

(1) \$42,716,172 of principal and \$7,936,073 of interest has been voted exempt from Proposition 2½, subject to the limits imposed by Chapter 44, Section 20 of the General Laws.

## Debt Service Requirements

The following table sets forth the required principal and interest payments on the outstanding general obligation bonds of the Town projected as of June 30, 2017, including debt service subsidies expected to be received from the MSBA and Massachusetts Clean Water Trust.

### GENERAL OBLIGATION DEBT Projected as of June 30, 2017 (1)

Fiscal Year	Outstanding		Less	Less	Total	Cumulative % Retired
	Principal	Interest	MSBA Subsidies	MCWT Subsidies	Net Debt Service	
2018	\$ 10,214,587	\$ 2,809,905	\$ (695,148)	\$ (49,722)	\$ 12,279,622	11.9 %
2019	9,524,845	2,479,328	(695,148)	(45,857)	11,263,168	22.9
2020	7,968,710	2,151,919	(695,148)	(9,583)	9,415,898	32.2
2021	6,892,992	1,886,893	(695,148)	-	8,084,737	40.2
2022	6,724,949	1,644,147	(695,148)	-	7,673,948	48.0
2023	6,567,055	1,411,324	(695,148)	-	7,283,231	55.6
2024	6,279,313	1,183,025	(695,148)	-	6,767,190	62.9
2025	5,531,728	975,674	-	-	6,507,402	69.3
2026	4,654,303	803,925	-	-	5,458,228	74.7
2027	4,197,042	655,477	-	-	4,852,519	79.6
2028	3,454,946	523,677	-	-	3,978,623	83.6
2029	3,073,022	415,700	-	-	3,488,722	87.2
2030	2,036,270	336,390	-	-	2,372,661	89.5
2031	2,044,698	275,237	-	-	2,319,934	91.9
2032	1,949,446	215,584	-	-	2,165,030	94.2
2033	1,952,258	154,689	-	-	2,106,947	96.4
2034	855,000	105,256	-	-	960,256	97.4
2035	305,000	82,944	-	-	387,944	97.8
2036	305,000	72,650	-	-	377,650	98.1
2037	305,000	61,975	-	-	366,975	98.5
2038	285,000	49,775	-	-	334,775	98.8
2039	275,000	38,375	-	-	313,375	99.1
2040	250,000	28,750	-	-	278,750	99.4
2041	250,000	20,000	-	-	270,000	99.7
2042	250,000	10,000	-	-	260,000	100.0
Total	<u>\$ 86,146,163</u>	<u>\$ 18,392,621</u>	<u>\$ (4,866,036)</u>	<u>\$ (105,162)</u>	<u>\$ 99,567,586</u>	

(1) \$42,716,172 of principal and \$7,936,073 of interest has been voted exempt from Proposition 2½, subject to the limits imposed by Chapter 44, Section 20 of the General Laws.

## Authorized Unissued Debt and Prospective Financing

Currently, the Town has the following authorized unissued debt:

Amount	Purpose	Original Authorization
\$ 338,093	Sewer	(1) \$ 1,806,800
11,758	Senior Center Construction	8,051,808
73,487	Sewer Pump Station	(1) 6,300,000
116,000	Soil Remediation & Removal	400,000
200,000	Water	(1) 5,565,100
610,000	Bridge	900,000
250,000	Infrastructure Improvement Repairs	1,000,000
1,000,000	Bridge Repair/Reconstruction	2,000,000
325,000	Water System Rehabilitation	(1) 635,000
380,000	High School Cafeteria Repairs	2,100,000
64,000	RTS Fleet Replacement	269,000
32,500	Land Acquisition	(2) 762,500
2,100,000	Infrastructure	2,100,000
57,542,500	School Construction	(2) 57,542,500
<u>\$ 63,043,338</u>		

- (1) Debt service on water and sewer authorizations is expected to be paid entirely from the Water and Sewer Enterprise Fund.  
(2) The Town voted to exclude debt service on bonds and notes for the Hillside School project, including site acquisition, from the limitations of Proposition 2 ½.

## Overlapping Debt

The Town is a member of the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of Norfolk County, the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District, and the Town's estimated gross share of such debt and the estimated fiscal year 2017 dollar assessment for each.

Overlapping Entity	Outstanding Debt	Needham's Estimated Share (1)	Fiscal 2017 Dollar Assessment (2)
Norfolk County (3)	\$ 11,830,000	7.000 %	\$ 419,673
Massachusetts Water Resources Authority (4)			
Water	2,084,311,000	0.625	421,335
Sewer	3,690,804,000	1.337	1,721,038
Massachusetts Bay Transportation Authority (5)	5,656,191,000	0.510	643,109
Minuteman Regional Vocational Technical School District (6)	-	N/A	720,437

- (1) Estimated share based on debt service only.  
(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.  
(3) SOURCE: Norfolk County Treasurer. Debt as of June 30, 2016. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.  
(4) SOURCE: MWRA. Debt as of June 30, 2016. The MWRA provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater, collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to \$6.1 billion for its corporate

purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and special purpose entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

- (5) SOURCE: MBTA. Debt as of June 30, 2016. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.
- (6) SOURCE: Minuteman Regional Vocational Technical School District. Debt as of June 30, 2016. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993.

## **Contractual Obligations**

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric light department.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town currently has a twenty year contract expiring June 30, 2028 for transportation and disposal of solid waste. The tipping fee rate was \$66.00 per ton for fiscal year 2017. The amount for this contract \$606,543 in fiscal 2013, \$595,396 in fiscal 2014, \$640,513 in fiscal 2015 and \$668,408 in fiscal 2016. The Town has budgeted \$730,544 for fiscal year 2017 and \$647,983 for fiscal year 2018.

## RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that the payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town has its own retirement system, the Needham Contributory Retirement System ("NCRS"), a cost-sharing, multi-employer defined benefit public employee retirement system. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Substantially all employees of the Town are members of the NCRS, except teachers and administrators under contract employed by the school department, who are members of the Commonwealth of Massachusetts Teachers Contributory Retirement System, to which the Town does not contribute.

The following table sets forth the trend in the Town's pension appropriations to NCRS:

<u>Year Ending</u>	<u>Contributory</u>	<u>Non-Contributory</u>
June 30, 2017 (budgeted)	\$ 6,706,800	\$ 17,700
June 30, 2016	7,314,235	18,042
June 30, 2015	5,621,000	34,800
June 30, 2014	5,420,454	34,100
June 30, 2013	4,997,421	33,400
June 30, 2012	4,722,775	32,700

The unfunded actuarial accrued liability of the System as of January 1, 2015 was approximately \$60,124,673. The System is currently 71.07% funded according to the last actuarial study. The Town's current funding schedule amortizes the unfunded actuarial accrued liability to zero by 2030 as shown below.

<u>Fiscal Year End</u>	<u>Amortization of Unfunded Actuarial Accrued Liability (with interest)</u>	<u>Total Plan Cost</u>
2016	\$ 4,305,489	\$ 6,149,812
2017	4,790,388	6,706,800
2018	5,322,934	7,314,235
2019	5,907,590	7,976,686
2020	6,173,546	8,323,455
2021	6,451,355	8,685,213
2022	6,741,666	9,062,730
2023	7,045,041	9,456,692
2024	7,362,068	9,867,818
2025	7,693,361	10,296,858
2026	8,039,562	10,744,595
2027	8,401,342	11,211,845
2028	8,779,403	11,699,462
2029	9,174,476	12,208,334
2030	9,587,328	12,739,393
2031	-	3,274,848

The foregoing data do not include the retirement system costs or liabilities of any larger entity, such as the county.

For additional information see Appendix A.

### Other Post-Employment Benefits (OPEB)

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. For the last five years, the Town has been appropriating its Annual Required Cost (ARC) to the OPEB fund and pays the annual healthcare costs from the fund.

The following table sets forth the trend in OPEB appropriations.

<u>Fiscal Year</u>	<u>OPEB Contribution (1)</u>
June 30, 2017 (budgeted)	\$ 5,568,923
June 30, 2016	5,336,302
June 30, 2015	4,940,198
June 30, 2014	4,727,462
June 30, 2013	4,523,887
June 30, 2012	3,906,275

(1) Represents the Annual Required Contributions (ARC). The Town appropriated additional amounts of \$500,000 in fiscal year 2012, \$400,000 in fiscal year 2013, \$807,677 in fiscal year 2014 and \$360,000 in fiscal year 2015.

The Governmental Accounting Standards Board (“GASB”) Statement Nos. 43 and 45 require public sector entities to report the future costs of non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has hired an outside firm which has completed the actuarial valuation of its post-employment benefit liability. The total liability for the Town is \$62,384,000 as of July 1, 2015 (net of the balance in the OPEB Trust Fund). The actuarial assumptions included a 7.5% investment rate of return and an initial annual healthcare cost trend rate of 7% which decreases to a 4.5% long term rate for all healthcare benefits after five years. In fiscal year 2002 the Town began funding its post-retirement health insurance liability. The Town is funding its ARC at an assumed 7.5% discount count rate and the fiscal year 2017 required payment is \$5,568,923. The balance in the OPEB Trust Fund as of June 30, 2016 was \$21,454,346.

### **EMPLOYEE RELATIONS**

The Town employs approximately 1,297 full-time equivalent employees (FTE), 933 FTE's employed by the School Department, 87 by the Public Works Department, 59 by the Police Department, 71 by the Fire Department, 58 by Public Facilities, and the balance by various other Town Departments. Town employees (other than managerial and confidential employees) are entitled to join unions and bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 1,232 (full and part time) Town employees are represented by unions including public works, general government, police, fire, teachers, and school administrators.

The Building Custodian Tradesman Independent Association (Public Facilities) contract expires on June 30, 2018. Needham Independent Public Employees Association (Public Works) contract expires June 30, 2017. The contracts with the Needham Firefighters Local 1706 (all units) expires on June 30, 2019. The Needham Police Union contract expires June 30, 2019, and the Needham Police Superior Officers Association contract expires on June 30, 2019. The Needham Independent Town Workers Association (various administrative, professional and technical positions) contract expires June 30, 2018.

The Needham Public Schools have contracts in place with the Needham Education Association Unit A (teachers) through August 31, 2019, with the Needham Education Association Unit B (administrators) through June 30, 2016, with the Needham Education Association Unit C (Non DESE licensed staff) through June 30, 2017, with the Needham Education Association Unit D (clerical, secretarial and technical positions) through June 30, 2017, and with the Needham Education Association Unit E (food service workers) through June 30, 2017. The expired contract with Needham Education Association Unit B (administrators) is currently in negotiations.

### **LITIGATION**

At present there are various cases pending in various courts throughout the Commonwealth in which the Town is a defendant. In the opinion of the Town, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

May 22, 2017

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TOWN OF NEEDHAM, MASSACHUSETTS  
/s/ Ms. Evelyn M. Pones, Town Treasurer

**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.

	<b><u>Net Position Summary (000s)</u></b>					
	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
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		Business-Type		Total	
	Activities		Activities			
	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	(648)	(507)	648	507	-	-
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.

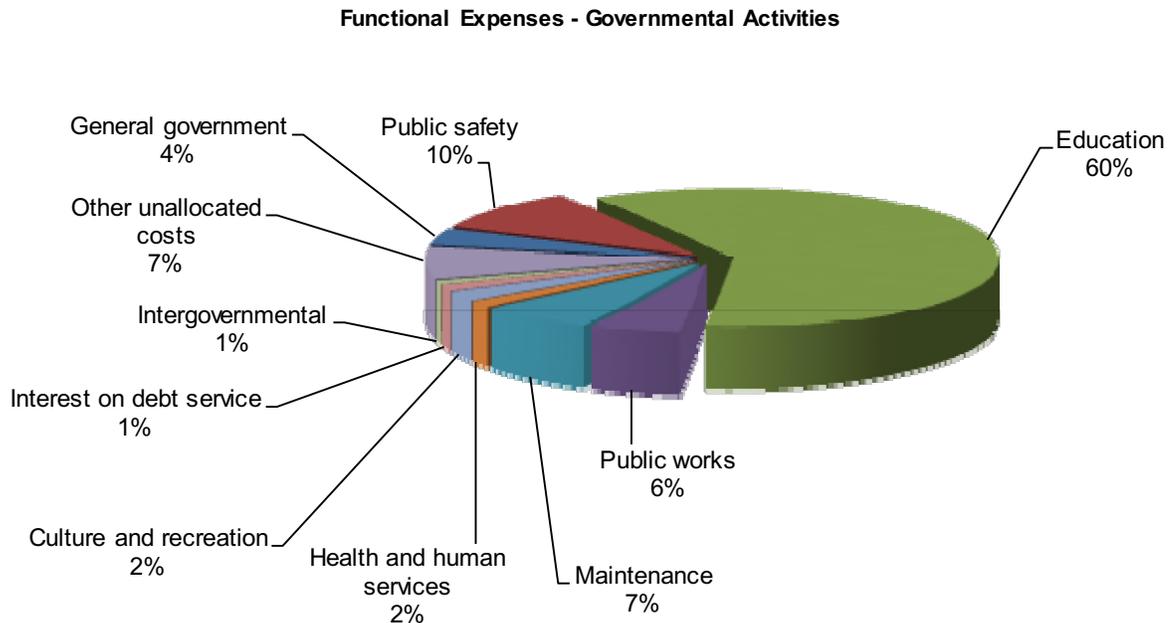
An additional portion of net position \$13,451,753 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,316,528 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental Activities**

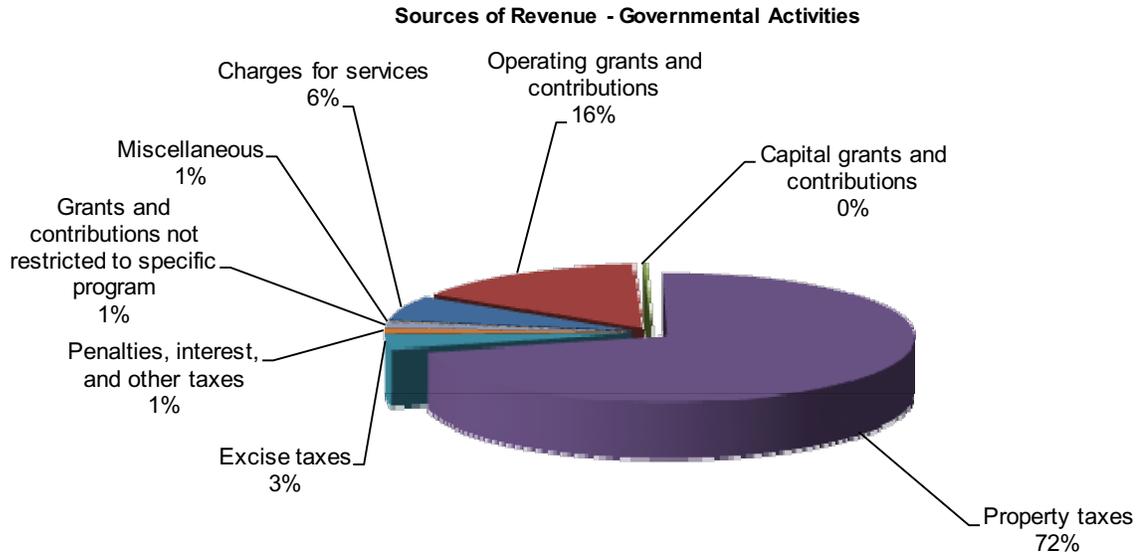
Governmental activities for the year resulted in a change in net position of \$5,477,990. Key elements of this change are as follows (in thousands):

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>
<b>Total</b>	<b><u><u>\$ 5,478</u></u></b>

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 additional 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>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
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>
<b>TOTAL ASSETS</b>	<b>317,352,038</b>	<b>83,770,109</b>	<b>401,122,147</b>
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>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 326,415,372</b>	<b>\$ 84,291,969</b>	<b>\$ 410,707,341</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
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>
<b>TOTAL LIABILITIES</b>	<b>158,542,491</b>	<b>20,194,703</b>	<b>178,737,194</b>
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>
<b>TOTAL NET POSITION</b>	<b><u>167,728,474</u></b>	<b><u>64,094,424</u></b>	<b><u>231,822,898</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 326,415,372</b>	<b>\$ 84,291,969</b>	<b>\$ 410,707,341</b>

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

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 6,081,546	\$ 21,881	\$ -	\$ (5,317,873)	\$ -	\$ (5,317,873)
Public safety	15,954,249	163,030	-	(12,731,353)	-	(12,731,353)
Education	97,461,222	24,830,452	-	(67,335,449)	-	(67,335,449)
Public works	8,974,581	279,728	-	(8,216,250)	-	(8,216,250)
Maintenance	11,537,559	-	408,927	(10,995,371)	-	(10,995,371)
Health and human services	2,466,813	381,719	-	(1,892,929)	-	(1,892,929)
Culture and recreation	3,827,469	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	161,801,498	25,905,455	408,927	(125,019,504)	-	(125,019,504)
<b>Business-Type Activities:</b>						
Sewer services	7,957,660	28,485	305,152	-	1,371,358	1,371,358
Water services	4,668,142	-	-	-	2,089,279	2,089,279
Solid waste services	2,065,688	-	-	-	(742,028)	(742,028)
Total Business-Type Activities	14,691,490	28,485	305,152	-	2,718,609	2,718,609
Total	\$ 176,492,988	\$ 27,544,074	\$ 714,079	(125,019,504)	2,718,609	(122,300,895)
<b>General Revenues and Transfers:</b>						
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				131,145,111	16,103	131,161,214
Excess before transfers				6,125,607	2,734,712	8,860,319
Transfers, net				(647,617)	647,617	-
Change in Net Position				5,477,990	3,382,329	8,860,319
<b>Net Position:</b>						
Beginning of year				162,250,484	60,712,095	222,962,579
End of year				\$ 167,728,474	\$ 64,094,424	\$ 231,822,898

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>
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>\$ 53,756,523</b>	<b>\$ 6,839,779</b>	<b>\$ 148,222</b>	<b>\$ 17,104,731</b>	<b>\$ 77,849,255</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
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
<b>TOTAL LIABILITIES</b>	<b>6,749,540</b>	<b>91,760</b>	<b>6,761,177</b>	<b>4,181,597</b>	<b>17,784,074</b>
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
<b>TOTAL FUND BALANCES</b>	<b>36,959,218</b>	<b>6,736,859</b>	<b>(6,612,955)</b>	<b>12,401,492</b>	<b>49,484,614</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 53,756,523</b>	<b>\$ 6,839,779</b>	<b>\$ 148,222</b>	<b>\$ 17,104,731</b>	<b>\$ 77,849,255</b>

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

<b>Total governmental fund balances</b>	\$ 49,484,614
• 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.	
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>
<b>Net position of governmental activities</b>	<b>\$ <u>167,728,474</u></b>

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

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Owens Farm Property Acquisition</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
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	<u>142,841,069</u>	<u>2,671,230</u>	<u>-</u>	<u>12,307,296</u>	<u>157,819,595</u>
<b>Expenditures:</b>					
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	<u>132,335,194</u>	<u>3,609,137</u>	<u>6,612,955</u>	<u>18,376,266</u>	<u>160,933,552</u>
Excess (deficiency) of revenues over expenditures	10,505,875	(937,907)	(6,612,955)	(6,068,970)	(3,113,957)
<b>Other Financing Sources (Uses):</b>					
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)	<u>(3,082,377)</u>	<u>(1,132,438)</u>	<u>-</u>	<u>3,674,085</u>	<u>(540,730)</u>
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	<u>29,535,720</u>	<u>8,807,204</u>	<u>-</u>	<u>14,796,377</u>	<u>53,139,301</u>
Fund Balances, at end of year	<u>\$ 36,959,218</u>	<u>\$ 6,736,859</u>	<u>\$ (6,612,955)</u>	<u>\$ 12,401,492</u>	<u>\$ 49,484,614</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2016

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (3,654,687)</b>																												
<ul style="list-style-type: none"> <li>• 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> </li> <li>• 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> </li> <li>• 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> </li> <li>• 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> </li> <li>• 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> </li> <li>• 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> </li> <li>• 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> </li> </ul>		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>																												
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>5,477,990</u></b>																												

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		
<b>Revenues:</b>				
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
<b>Total Revenues</b>	<b>135,467,099</b>	<b>135,467,099</b>	<b>139,936,688</b>	<b>4,469,589</b>
<b>Expenditures</b>				
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
<b>Total Expenditures</b>	<b>137,103,734</b>	<b>137,874,734</b>	<b>133,414,991</b>	<b>4,459,743</b>
Excess (deficiency) of revenues over expenditures	(1,636,635)	(2,407,635)	6,521,697	8,929,332
<b>Other Financing Sources (Uses)</b>				
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)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,636,635</b>	<b>2,407,635</b>	<b>(4,238,776)</b>	<b>(6,646,411)</b>
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
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
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>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ <u>32,160,428</u></b>	<b>\$ <u>42,597,845</u></b>	<b>\$ <u>9,533,696</u></b>	<b>\$ <u>84,291,969</u></b>	<b>\$ <u>1,772,562</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION</b>					
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>
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOW OF RESOURCES</b>	<b>\$ <u>32,160,428</u></b>	<b>\$ <u>42,597,845</u></b>	<b>\$ <u>9,533,696</u></b>	<b>\$ <u>84,291,969</u></b>	<b>\$ <u>1,772,562</u></b>

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
<b>Operating Revenues:</b>					
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
<b>Operating Expenses:</b>					
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)
<b>Nonoperating Revenues (Expenses):</b>					
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
	Fund	Fund	Fund	Total	Fund
<b>Cash Flows From Operating Activities:</b>					
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
<b>Cash Flows From Noncapital Financing Activities:</b>					
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	-
<b>Cash Flows From Capital and Related Financing Activities:</b>					
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)	-
<b>Cash Flows From Investing Activities:</b>					
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>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</b>					
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>
<b><u>ASSETS</u></b>				
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
<b><u>LIABILITIES AND NET POSITION</u></b>				
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>
<b><u>NET POSITION</u></b>				
Total net position held in trust for pension benefits and other purposes	\$ <u>134,691,303</u>	\$ <u>4,519,201</u>	\$ <u>21,199,201</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 <u>December 31, 2015</u> )	Private Purpose <u>Trust Fund</u>	Other Post- Employment Benefit <u>Trust Fund</u>
<b>Additions:</b>			
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
<b>Deductions:</b>			
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
<b>Net position:</b>			
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	115,336	-	-	115,336
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>\$ 8,315,724</u>	<u>\$ 8,315,724</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):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
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>
<b>Business-Type Activities:</b>				
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	<u>\$ -</u>	<u>\$ 10,438,860</u>	<u>\$ (1,153,860)</u>	<u>\$ 9,285,000</u>

### 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
<b><u>Governmental Activities</u></b>							
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>
<b><u>Business-Type Activities</u></b>							
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 Governmental Activities	Fund Basis		
		Governmental Funds		
		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
<b>Nonspendable</b>					
Permanent funds	\$ -	\$ -	\$ -	\$ 188,478	\$ 188,478
Total Nonspendable	-	-	-	188,478	188,478
<b>Restricted</b>					
Debt service	666,280	-	-	-	\$ 666,280
Community preservation	-	6,736,859	-	-	6,736,859
Bonded projects	-	-	-	261,479	261,479
<b>Special revenue funds:</b>					
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
<b>Committed</b>					
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
<b>Assigned</b>					
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
<b>Unassigned</b>					
	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:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
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 <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
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

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<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 <u>(Negative)</u>
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.