

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2018

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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, 2018, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2017), 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, 2018, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2017), 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, and the Pension and OPEB schedules appearing on pages 78 to 81 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 82 through 84 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 December 12, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

December 12, 2018

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, 2018.

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

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

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 \$205,994,292 (net position), a change of \$20,152,540 in comparison to the prior year, as restated.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$44,122,965, a change of \$(21,965,276) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,817,111, a change of \$(1,617,223) in comparison to 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.

	Net Position Summary (000s)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 95,326	\$ 90,859	\$ 22,573	\$ 19,631	\$ 117,899	\$ 110,490
Capital assets	<u>272,792</u>	<u>243,339</u>	<u>63,854</u>	<u>64,044</u>	<u>336,646</u>	<u>307,383</u>
Total assets	368,118	334,198	86,427	83,675	454,545	417,873
Deferred outflow of resources	<u>17,445</u>	<u>10,623</u>	<u>626</u>	<u>607</u>	<u>18,071</u>	<u>11,230</u>
Total assets and deferred outflow of resources	<u>\$ 385,563</u>	<u>\$ 344,821</u>	<u>\$ 87,053</u>	<u>\$ 84,282</u>	<u>\$ 472,616</u>	<u>\$ 429,103</u>
Liabilities:						
Long-term liabilities	\$ 189,953	\$ 147,048	\$ 19,219	\$ 17,630	\$ 209,172	\$ 164,678
Notes payable	31,980	4,810	5	119	31,985	4,929
Other liabilities	<u>11,802</u>	<u>10,141</u>	<u>715</u>	<u>489</u>	<u>12,517</u>	<u>10,630</u>
Total liabilities	233,735	161,999	19,939	18,238	253,674	180,237
Deferred inflow of resources	<u>12,389</u>	<u>711</u>	<u>558</u>	<u>42</u>	<u>12,947</u>	<u>753</u>
Net position:						
Net investment in capital assets	178,606	163,535	51,293	50,817	229,899	214,352
Restricted	14,054	14,960	-	-	14,054	14,960
Unrestricted	<u>(53,221)</u>	<u>3,616</u>	<u>15,263</u>	<u>15,185</u>	<u>(37,958)</u>	<u>18,801</u>
Total net position	<u>139,439</u>	<u>182,111</u>	<u>66,556</u>	<u>66,002</u>	<u>205,995</u>	<u>248,113</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 385,563</u>	<u>\$ 344,821</u>	<u>\$ 87,053</u>	<u>\$ 84,282</u>	<u>\$ 472,616</u>	<u>\$ 429,103</u>

Changes in Net Position Summary (000s)

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 13,442	\$ 13,695	\$ 17,301	\$ 17,248	\$ 30,743	\$ 30,943
Operating grants and contributions	32,402	32,636	32	30	32,434	32,666
Capital grants and contributions	3,648	3,800	147	-	3,795	3,800
General revenues:						
Property taxes	134,594	126,632	-	-	134,594	126,632
Excises	5,911	5,551	-	-	5,911	5,551
Penalties and interest on taxes	2,065	2,229	-	-	2,065	2,229
Grants and contributions not restricted to specific programs	2,124	2,132	-	-	2,124	2,132
Investment income	660	665	87	23	747	688
Other	549	267	-	-	549	267
Total revenues	<u>195,395</u>	<u>187,607</u>	<u>17,567</u>	<u>17,301</u>	<u>212,962</u>	<u>204,908</u>
Expenses:						
General government	6,600	6,433	-	-	6,600	6,433
Public safety	17,996	17,632	-	-	17,996	17,632
Education	109,125	106,272	-	-	109,125	106,272
Public works	11,693	9,988	-	-	11,693	9,988
Maintenance	8,691	9,805	-	-	8,691	9,805
Human services	2,651	2,498	-	-	2,651	2,498
Culture and recreation	3,339	3,793	-	-	3,339	3,793
Interest on long-term debt	2,578	2,651	-	-	2,578	2,651
Intergovernmental	1,333	1,309	-	-	1,333	1,309
Other unallocated costs	13,269	12,400	-	-	13,269	12,400
Sewer operations	-	-	8,169	8,143	8,169	8,143
Water operations	-	-	4,841	5,347	4,841	5,347
Solid waste operations	-	-	2,524	2,346	2,524	2,346
Total expenses	<u>177,275</u>	<u>172,781</u>	<u>15,534</u>	<u>15,836</u>	<u>192,809</u>	<u>188,617</u>
Change in net position before transfers	18,120	14,826	2,033	1,465	20,153	16,291
Transfers	<u>(374)</u>	<u>(443)</u>	<u>374</u>	<u>443</u>	<u>-</u>	<u>-</u>
Change in net position	17,746	14,383	2,407	1,908	20,153	16,291
Net position - beginning of year	<u>121,693</u>	<u>167,728</u>	<u>64,149</u>	<u>64,094</u>	<u>185,842</u>	<u>231,822</u>
Net position - end of year	<u>\$ 139,439</u>	<u>\$ 182,111</u>	<u>\$ 66,556</u>	<u>\$ 66,002</u>	<u>\$ 205,995</u>	<u>\$ 248,113</u>

Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

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 \$229,897,930 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.

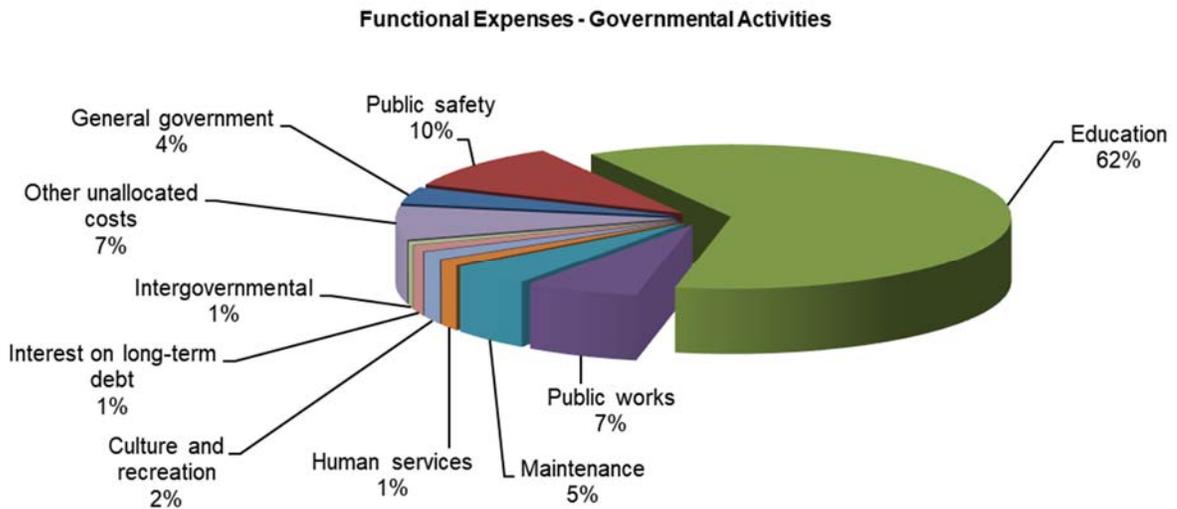
An additional portion of net position \$14,053,907 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(37,957,545) as a result of our net pension and net OPEB liabilities.

Governmental Activities

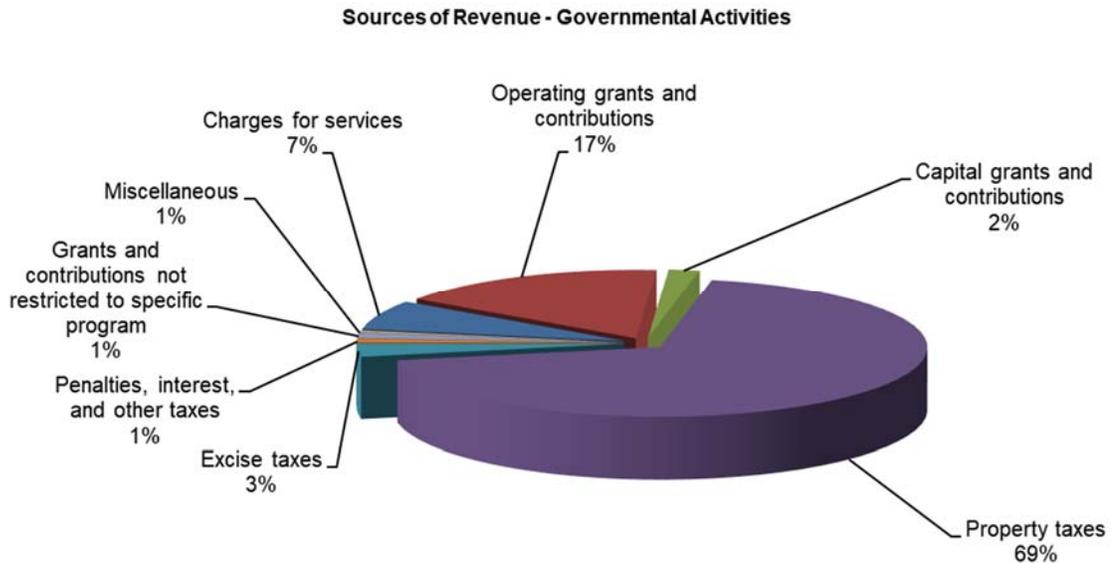
Governmental activities for the year resulted in a change in net position of \$17,745,624. Key elements of this change are as follows (in thousands):

General fund budgetary performance	\$ (1,170)
General fund transfer for cash capital	11,262
CPA revenues over expenditures	1,543
Increase in net pension liability, net of related deferrals	(2,026)
Decrease in OPEB liability, net of related deferrals	4,634
Depreciation in excess of debt service principal	(1,232)
Chapter 90 capital highway grant reimbursements	1,378
Unused overlay allowance	2,852
Other	<u>504</u>
Total	<u><u>\$ 17,746</u></u>

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$4,493,624 over the previous year or by 2.6%.



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by \$7,787,483 over the prior year or 4.2%.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$2,406,916. Positive results are due to strong budgetary performance (softened by the use of unrestricted net position) and the Town's continued practice of financing capital improvements with revenues.

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$44,122,965, a change of \$(21,965,276) 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	\$ 12,008
CPA fund revenues in excess of expenditures, prior to transfers out	1,543
Sunita Williams major fund expenditures in excess of revenues	(9,232)
Rosemary Recreation Complex major fund expenditures in excess of revenues	(11,060)
Needham High Expansion major fund expenditures in excess of revenues	(4,445)
Nonmajor capital project funds expenditures in excess of revenues, prior to other financing sources (uses)	(8,261)
Nonmajor special revenue funds expenditures in excess of revenues, prior to other financing sources (uses)	(2,150)
Other	<u>(368)</u>
Total	<u>\$ (21,965)</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>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Unassigned fund balance	\$ 17,817,111	\$ 19,434,334	\$ 20,764,847
Total fund balance	\$ 48,053,088	\$ 45,300,057	\$ 36,959,218
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Unassigned fund balance as of % of total General Fund expenditures	12.1%	15.7%	11.9%
Total fund balance as of % total General Fund expenditures	32.5%	27.9%	23.0%

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

The total fund balance of the general fund changed by \$2,753,031 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 FY2018	\$ (10,514)
Revenues and other financing sources in excess of budget	4,875
Expenditures less than budget	4,482
Unused overlay allowance	2,852
Other	<u>1,058</u>
Total	<u>\$ 2,753</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 4,128,629	\$ 4,001,401	\$ 127,228
Capital improvement stabilization	747,227	735,557	11,670
Capital facility stabilization	26,767	1,829,877	(1,803,110)
Athletic facility stabilization	4,409,021	4,346,708	62,313
Debt service stabilization	2,062,952	938,175	1,124,777
Compensated absences	199,997	196,678	3,319
Continuing appropriations	<u>1,189,163</u>	<u>740,596</u>	<u>448,567</u>
Total	<u>\$ 12,763,756</u>	<u>\$ 12,788,992</u>	<u>\$ (25,236)</u>

In fiscal year 2018 general fund intergovernmental revenues and education expenditures include \$8,436,349 in on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System.

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. Capital expenditures in the current year resulted from the development of the Needham Accessible Reservoir Trail.

At the May 2017 Annual Town Meeting, article 33 authorized \$2,970,000 be transferred from the CPA reserves and free cash, to the capital project fund for the Rosemary Recreation Complex. In FY2018, \$1,030,000 additional will be transferred for the project, from FY2018 revenues.

Sunita L. Williams School – At the October 2016 Special Town Meeting, article 2 appropriated \$57,542,500 for the architectural design, engineering, and construction of the Sunita L. Williams School. The Massachusetts School Building Authority (MSBA) approved a school construction grant of \$13,066,791 and reimbursement rates of 34.72% for the project. During fiscal year 2018, the Town expended \$11,249,083 on the project, and received \$2,017,071 in reimbursements from MSBA.

Rosemary Recreation Complex – At the May 2017 Annual Town Meeting, article 33 was passed appropriating fund for the renovations of the Rosemary Recreation Complex. Over \$11m was expended in fiscal year 2018 for design and renovation costs.

Needham High School Expansion – At the October 2017 Special Town Meeting, article 11 was passed appropriating fund for the expansion of the Needham High School. Over \$4m was expended in fiscal year 2018 for design and renovation costs.

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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Sewer	\$ 6,952,846	\$ 6,839,450	\$ 113,396
Water	7,315,364	7,087,050	228,314
Solid Waste	<u>995,115</u>	<u>1,258,496</u>	<u>(263,381)</u>
Total	<u>\$ 15,263,325</u>	<u>\$ 15,184,996</u>	<u>\$ 78,329</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 positive effect on Unrestricted Net Position from operating results were mitigated by the implementation of GASB 75 which reduced Unrestricted by approximately \$800,000 in the water fund and sewer fund. The Solid Waste Fund is scheduled to be dissolved in fiscal year 2020.

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 2018 was amended upward by \$480,000, a change of 0.3% from the original budget. The original budget was approved at \$152,704,148.

The Town increased its appropriation for employee benefits by \$480,000. The funding increase was expected at the time the fiscal year 2018 budget was presented to Town Meeting in May 2017. However, there were a number of variables which were unknown at the time the original budget was being presented for action, so it was agreed by the Town Manager and Finance Committee to wait until the fall and amend the budget at a Special Town Meeting.

The Town also voted to increase the Public Facilities Department expense budget line by \$50,000 to provide funding for an outside consultant to review the Town's maintenance program for its public buildings. The funding request was made by the Town Manager and the Finance Committee to have an outside assessment of the Town's practices and assumptions in planning and maintaining its capital investment in its buildings, to help ensure the expected life cycles are met, and best practices are in place in meeting those demands. This increase was offset by a decrease to the budgetary reserve.

During fiscal year 2018, the Town realized revenue in excess of budget of \$4.8 million, and realized budget returns of \$4.5 million. General Fund revenue in excess of budget was lower than the fiscal year 2017 results. The budget return was higher than the fiscal year 2017 return of approximately \$4.0 million. The lower revenue surplus was primarily due to permit income. The prior year permit income was a record year which was not expected to continue. Budget returns were on par with recent years.

Motor vehicle excise tax revenue was 3.7% more than the prior year's actual receipts (\$5,910,555 for fiscal year 2018 versus \$5,701,527 for fiscal year 2017), but the margin between budgeted and actual revenue was less, with actual receipts for fiscal year 2018 at \$1.16 million over budget, compared to \$1.30 million over budget for fiscal year 2017. Revenue generated from other taxes and penalties was approximately \$0.52 million over the estimate for fiscal year 2018, which was a smaller margin than fiscal year 2017 when actual revenue exceeded the estimate by approximately \$0.80 million. Comparing the actual revenue from those sources for fiscal year 2018 to fiscal year 2017 shows a decline as well, with the total receipt which was approximately \$25,000 less (\$2,132,175 for fiscal year 2018 compared to \$2,156,902 for fiscal year 2017). This decline was attributed to an unanticipated drop in room excise during fiscal year 2018. The Town received \$1,045,862 for the year compared to \$1,079,169 received in fiscal year 2017. The drop was not expected because a third hotel was opening in the Town. Revenue from licenses and permits declined, which was expected, but residential and commercial construction activity remains strong. The total permit income for fiscal year 2018 was \$2,603,017 compared to \$4,477,430 for fiscal year 2017, which was a record year. However, the fiscal year 2018 revenue is still considered high when compared to \$2,314,222 for fiscal year 2016 and \$1,702,030 for fiscal year 2015. Overall total actual General Fund revenue for fiscal year 2018 was \$6,759,667 more than the total for fiscal year 2017. The total General Fund revenue surplus for fiscal year 2018 was \$4,821,572, which was \$1,322,669 less than fiscal year 2017. The combination of motor vehicle excise, permit and license revenue, and other local tax receipts contributed

approximately 56.6% of the total General Fund surplus for fiscal year 2018, down from the 82.2% that these sources comprised in 2017.

The General Fund operating budget, which accounts for most of the expenditures, returned \$4,450,548 or approximately 2.9% of the operating budget appropriation; the return for fiscal year 2017 was \$4,031,697 or approximately 2.8% of the appropriation for that year. The highest dollar turn back was from The Group Health Insurance, Employee Benefits and Administrative Costs budget in the amount of \$1,034,706, approximately 23.2% of the total return. This turn back was realized due to several factors, which included a greater number of vacancies, changes with health insurance enrollment, and changes to the health insurance offerings to employees.

The budgetary reserve fund returned \$834,939 which represents 18.8% of the total return for the year. The amount returned was more than fiscal year 2017 (\$744,621), but as a percent of the original budget was lower. The \$834,939 return represents approximately 45% of the original voted budget of \$1,862,600. The draws on the reserve fund during fiscal year 2018, above the amount transferred by Town Meeting at the October 2017 Special Town Meeting, was \$47,538 to hire staff early to train and prepare for the opening of the new Rosemary Pool during the summer of 2018. A transfer of \$45,260 to the Town's legal budget was approved as a contingency for pending invoices from outside counsel for several cases that the Town is a party. The annual transfer to cover snow and ice removal expenses above the base budget of \$412,120 for fiscal year 2018 was \$884,863 for a total actual expense of \$1,296,983. This compares to the total actual expense for fiscal year 2017 of \$1,004,369, fiscal year 2016 of \$775,062, and \$1,713,370 for fiscal year 2015.

Looking at the individual department budget turn backs, the Needham Public Schools returned the highest amount with \$503,575 or 0.7% of the original budget of \$68,350,083, which compares to \$542,220 (0.8%) that was returned for fiscal year 2017 and \$519,301 (0.8%) that was returned for fiscal year 2016. The Public Facilities Department returned \$395,695 or 5.9% of its budget which compares to the \$239,685 or 5.9% of the fiscal year 2017 budget return. Approximately two-thirds of the turn back was from salary and wages. There was a number of vacancies in the department during the year and the Town transferred some of the related salary expense from the construction division to specific construction projects. The Police Department returned \$272,159 or 4.1% of its budget which compares to the \$537,182 or 8.3% of its fiscal year 2017 budget. Similar to the Public Facilities Department, most of the return (\$223,608) was from salary and wages due to several positions being vacant for a portion or all of the year. The Finance Department also had a number of vacancies during the year which accounts for most of the \$152,838 that was returned, 65% (\$99,186). The other 16 departmental budgets returned in total \$544,925 or 2.4% of their combined amended budgets for the year. The Town-wide expense budgets (excluding the budgetary reserve fund and employee benefits) returned a combined \$711,711 or approximately 2.3% of their related total amended budgets.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year-end amounted to \$336,645,558 (net of accumulated depreciation), a change of \$29,262,325 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:

Sunita L. Williams elementary school	\$ 11,249
Rosemary recreation improvements	\$ 11,060
Needham High expansion	\$ 4,445
Public safety complex design	\$ 1,882
Public works infrastructure	\$ 1,249
Memorial park improvements	\$ 371
Fuel island relocation	\$ 1,171

Business-Type Activities:

Water distribution improvements	\$ 830
Water service connections	\$ 308
Sewer pump station improvement	\$ 137
Sewer system rehab program	\$ 100

Debt. At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$81,394,881. 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. The Town also has \$31,985,000 in bond anticipation notes outstanding as of June 30, 2018.

Additional information on capital assets and 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 2018 was higher than 2017. Fund balance was \$48.1 million for fiscal year 2018 compared to \$45.3 million for fiscal year 2017 or approximately a 6.1% change. However, the unassigned portion of the General Fund declined slightly from the prior fiscal year with a balance of \$17.8 million which compares to \$19.4 million for 2017. The decline in the unassigned balance was not unexpected as the Town continues its heavy cash investment in its capital assets over the past couple of years. The State certified \$13,518,622 available as Free Cash for fiscal year 2018. 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 prior year was \$13,849,687.

The Town allocated \$9,020,289 for capital equipment and projects. The Free Cash for cash capital included \$1,523,500 for public roads and related infrastructure improvements, \$1,382,000 for the construction of a seasonal storage facility for public works equipment, \$1,032,000 for the construction of a new building at Memorial Park, \$685,000 to fund an LED street light conversion project, and \$431,000 for additional funding for the High School expansion project. Free Cash was also used to fund capital equipment which included \$981,442 in core fleet and special equipment, \$840,163 for a new fire engine, \$767,290 in cash capital equipment and technology for the Needham Public Schools, and \$772,894 was directed to other General Fund cash capital investments in equipment, technology, and facility upgrades for Town departments. The balance of the Free Cash that was used for cash capital related to the Pollard School with \$65,000 to fund a feasibility study for a phased improvement project on the Pollard School and \$540,000 to fund immediate upgrades to Pollard School Blue and Green gyms.

The Town also allocated \$2,506,298 in Free Cash to the fiscal year 2019 operating budget, \$81,000 for the purchase of a time clock system, and \$100,000 to fund a study of the Town's recycling and transfer station operations. 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 also transferred \$1,386,000 of Free Cash to the Capital Facility Fund, \$141,413 to the Capital Improvement Fund, and \$63,378 to the Athletic Facility Improvement Fund. The \$220,244 balance in Free Cash was closed out at year end to fund balance. Management continues to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for ongoing operating budget expenses. The Board of Selectmen has voted to endorse this best practice.

Property tax collections remain consistently strong, and revenue growth from "New Growth" as anticipated, set a record of \$4,841,774 for fiscal year 2018. The source of the growth of new tax revenue is due to the continued demand for new residential construction and increased commercial development, particularly the Needham Crossing business park as was reported for the past few years. The ten-year average increase in New Growth property tax was 2.9% of the prior year tax levy, excluding excluded debt, and the growth for fiscal year 2018 was 4.1%. The New Growth for fiscal year 2019 will be much similar to fiscal year 2018, and we continue to forecast that New Growth revenue is expected to be above average through fiscal year 2021. Increased development in the park includes NBC Universal which has begun construction and is expected to open a new studio before the end of calendar year 2019. The Tax Increment Financing (TIF) plan

with TripAdvisor will decline from a 76% exemption to 1% exemption so the Town will receive a much greater amount of New Growth revenue from that development starting in fiscal year 2021. Room and meals excise revenue growth did slow, and room excise dropped, which as previously stated, was unanticipated, but we have confidence that this revenue source will grow because the Town has been approached by a developer to construct a fourth hotel in the Needham Crossing area.

As we stated in previous reports, this new development has put increased demands on public safety services, to which we are directing more resources in the coming years. Funding for an additional police officer was approved for fiscal year 2019, and the Town has been notified that it has been awarded a Federal Grant to hire eight additional firefighters in the next 12 months. The Town is planning on increasing the police staffing by three over the next two fiscal years. The Town is still planning to request funding for full-day kindergarten with the fiscal year 2020 budget. The funding for the aforementioned increases is expected to be fundable within the Proposition 2½ limits.

The Sunita L. Williams elementary school is scheduled to open in September 2019 (FY2020) and the additional operating costs for the facility are fundable within current resources. The estimated final cost of the project, including property acquisition, is \$66 million. The estimate to be paid by the MSBA is \$12.5 million with the balance to be financed by long-term debt. The debt service has been exempted from the limits imposed under Proposition 2½ by a vote of the citizens.

The Town has approved funding for the construction of a new Fire Station #2, a new Fire and Police public safety complex, a new field house at Memorial Park for community activities, and a new seasonal storage facility for public works. The police and fire stations projects are to be funded by debt exclusion, which was passed by the voters at the November 2018 state election. The estimated cost of the public safety projects is \$70 million. The Memorial Park project has been funded at \$6,250,000 with \$3,332,000 from cash and \$2,918,000 by debt within the tax levy – no debt exclusion. Similarly, the seasonal storage facility for Public Works has been funded by cash and debt within the levy limit, with \$3,503,000 from debt and \$4,112,000 from cash for a total of \$7,615,000. For both projects that have been approved to be funded by cash and debt, the cash will be used first and debt second, so any project savings will reduce the amount of debt that would need to be issued.

The Town transferred \$1,855,000 from the Athletic Facility Improvement Fund (AFIF) as planned to pay a portion of the Memorial Park Field House project (\$1,800,000), and \$55,000 was transferred for the engineering and design work for the artificial turf carpets to be replaced. When funding for the artificial turf carpets is presented to Town Meeting, funding will come from the AFIF as well. The estimated cost is \$2 million. The Town has restored the \$1,817,000 that was transferred from the Capital Facility Fund to provide additional cash towards the High School expansion project last year back to the fund. The Town also anticipates

draws on the Debt Service Stabilization Fund over the next several years, as planned when the Town created the new fund to be one of the tools used to manage the financing demands of the various building and facility improvements under consideration.

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 has been notified that Coca Cola will cease production at its Needham facility by the end of 2018. The company intends to occupy the facility and to consolidate other operations from nearby communities to Needham, but the bottling operations will be discontinued. The company was one of the largest users of water and its relocation will impact revenues. However, because of prior actions by the Town to account for less water use for conservation reasons, the Town anticipates it will be able to mitigate the loss with smaller annual rate adjustments over a three-year period, rather than needing a significant one-year jump in the rates.

As we have reported for several years, the Town's solid waste and recycling program was 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. Management conducted an analysis of whether to dissolve the solid waste and recycling enterprise and incorporate the budget into the General Fund operating budget. We determined that incorporating the operation into the General Fund budget was the most prudent, and made that recommendation to the Town. Town Meeting approved the recommendation to dissolve the enterprise beginning in fiscal year 2020. All the activities for solid waste disposal and recycling will be recorded under the General Fund beginning in the year ending June 30, 2020.

The outlook for the fiscal year 2019 year-end results are expected to be stable with greater tax revenues, with another year of heavy use of reserves to fund capital investments. As previously mentioned, significant increases in the General Fund operating budget are expected for fiscal year 2020 as the Town funds increases in public safety personnel, expands kindergarten from half day to full day, and funds additional personnel needs for the community going forward. 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 construction activity. However, management will continue its prudent approach with its budget estimates to help buffer any decline in the major local revenue sources in the next two to three years. 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
1471 Highland Avenue
Needham, Massachusetts 02492

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current:			
Cash and short-term investments	\$ 49,944,568	\$ 17,689,034	\$ 67,633,602
Investments	37,472,355	-	37,472,355
Receivables, net:			
Property taxes	1,171,162	-	1,171,162
Excises	388,260	-	388,260
Utilities	-	4,884,326	4,884,326
Departmental	609,947	-	609,947
Intergovernmental	1,737,826	-	1,737,826
Other	18,684	-	18,684
Deposits	134,884	-	134,884
Total current assets	91,477,686	22,573,360	114,051,046
Noncurrent:			
Receivables, net:			
Property taxes	1,067,957	-	1,067,957
Intergovernmental	2,780,592	-	2,780,592
Capital assets:			
Non-depreciable capital assets	78,329,481	9,220,553	87,550,034
Depreciable assets, net of accumulated depreciation	194,462,160	54,633,364	249,095,524
Total non-current assets	276,640,190	63,853,917	340,494,107
TOTAL ASSETS	368,117,876	86,427,277	454,545,153
Deferred Outflows of Resources			
Related to pensions	9,992,675	592,785	10,585,460
Related to OPEB	7,256,863	33,208	7,290,071
Other	195,865	-	195,865
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,445,403	625,993	18,071,396
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 385,563,279	\$ 87,053,270	\$ 472,616,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current:			
Warrants and accounts payable	\$ 6,841,900	\$ 309,001	\$ 7,150,901
Accrued liabilities	3,027,875	55,381	3,083,256
Unearned revenue	1,255,056	-	1,255,056
Refunds payable	541,984	351,057	893,041
Notes payable	31,980,000	5,000	31,985,000
Other liabilities	136,163	-	136,163
Current portion of long-term liabilities:			
Bonds payable	7,983,425	2,051,355	10,034,780
Compensated absences	1,456,261	333,644	1,789,905
Landfill liability	51,714	-	51,714
Total current liabilities	53,274,378	3,105,438	56,379,816
Noncurrent:			
Bonds payable, net of current portion	59,729,120	11,630,981	71,360,101
Net pension liability	60,681,158	3,599,729	64,280,887
Net OPEB liability	55,113,637	1,603,450	56,717,087
Compensated absences, net of current portion	4,368,781	-	4,368,781
Landfill liability, net of current portion	568,854	-	568,854
Total non-current liabilities	180,461,550	16,834,160	197,295,710
TOTAL LIABILITIES	233,735,928	19,939,598	253,675,526
Deferred Inflows of Resources			
Related to pensions	6,647,212	394,327	7,041,539
Related to OPEB	5,626,282	163,688	5,789,970
Taxes paid in advance	115,222	-	115,222
TOTAL DEFERRED INFLOWS OF RESOURCES	12,388,716	558,015	12,946,731
Net Position:			
Net investment in capital assets	178,605,598	51,292,332	229,897,930
Restricted for:			
Permanent funds:			
Nonexpendable	188,478	-	188,478
Expendable	2,409,459	-	2,409,459
Grants and by enabling legislation	11,455,970	-	11,455,970
Unrestricted	(53,220,870)	15,263,325	(37,957,545)
TOTAL NET POSITION	139,438,635	66,555,657	205,994,292
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 385,563,279	\$ 87,053,270	\$ 472,616,549

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	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
Governmental Activities:							
General government	\$ 6,600,444	\$ 503,591	\$ 9,976	\$ -	\$ (6,086,877)	\$ -	\$ (6,086,877)
Public safety	17,995,683	3,999,078	555,992	-	(13,440,613)	-	(13,440,613)
Education	109,124,972	6,608,013	30,535,445	-	(71,981,514)	-	(71,981,514)
Public works	11,692,926	1,366,138	8,460	-	(10,318,328)	-	(10,318,328)
Maintenance	8,691,207	159,418	-	3,648,344	(4,883,445)	-	(4,883,445)
Health and human services	2,650,875	196,983	299,646	-	(2,154,246)	-	(2,154,246)
Culture and recreation	3,338,642	608,961	992,719	-	(1,736,962)	-	(1,736,962)
Interest on debt service	2,578,382	-	-	-	(2,578,382)	-	(2,578,382)
Intergovernmental	1,333,038	-	-	-	(1,333,038)	-	(1,333,038)
Other unallocated costs	13,269,103	-	-	-	(13,269,103)	-	(13,269,103)
Total Governmental Activities	177,275,272	13,442,182	32,402,238	3,648,344	(127,782,508)	-	(127,782,508)
Business-Type Activities:							
Sewer services	8,169,111	9,190,864	31,734	146,903	-	1,200,390	1,200,390
Water services	4,840,556	6,928,955	-	-	-	2,088,399	2,088,399
Solid waste services	2,524,017	1,180,739	-	-	-	(1,343,278)	(1,343,278)
Total Business-Type Activities	15,533,684	17,300,558	31,734	146,903	-	1,945,511	1,945,511
Total	\$ 192,808,956	\$ 30,742,740	\$ 32,433,972	\$ 3,795,247	(127,782,508)	1,945,511	(125,836,997)
General Revenues and Transfers:							
Property taxes					134,593,910	-	134,593,910
Excise taxes					5,911,160	-	5,911,160
Penalties, interest, and other taxes					2,064,496	-	2,064,496
Grants and contributions not restricted to specific programs					2,123,504	-	2,123,504
Investment income					660,286	87,570	747,856
Miscellaneous					548,611	-	548,611
Total general revenues					145,901,967	87,570	145,989,537
Excess before transfers					18,119,459	2,033,081	20,152,540
Transfers, net					(373,835)	373,835	-
Change in Net Position					17,745,624	2,406,916	20,152,540
Net Position:							
Beginning of year, as restated					121,693,011	64,148,741	185,841,752
End of year					\$ 139,438,635	\$ 66,555,657	\$ 205,994,292

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General	Community Preservation	Sunita L. Williams School	Rosemary Recreation Complex	Needham High School Expansion	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 23,289,029	\$ -	\$ 7,164,308	\$ 224,196	\$ 6,230,019	\$ 11,572,106	\$ 48,479,658
Investments	28,988,972	5,661,761	-	-	-	2,821,622	37,472,355
Receivables:							
Property taxes	2,906,442	13,677	-	-	-	-	2,920,119
Excises	985,260	-	-	-	-	-	985,260
Departmental	1,696,211	-	-	-	-	25,736	1,721,947
Intergovernmental	3,475,740	-	-	-	-	1,042,678	4,518,418
Other	18,684	-	-	-	-	-	18,684
Deposits	-	-	-	-	-	134,884	134,884
TOTAL ASSETS	\$ 61,360,338	\$ 5,675,438	\$ 7,164,308	\$ 224,196	\$ 6,230,019	\$ 15,597,026	\$ 96,251,325
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Warrants and accounts payable	\$ 2,511,800	\$ 45,912	\$ 1,567,462	\$ -	\$ 1,031,272	\$ 1,685,457	\$ 6,841,903
Unearned revenue	-	-	-	-	-	1,255,055	1,255,055
Accrued liabilities	1,273,977	-	-	-	-	37,362	1,311,339
Anticipation notes payable	-	-	16,150,000	7,000,000	7,010,000	1,820,000	31,980,000
Refunds payable	541,984	-	-	-	-	-	541,984
Other liabilities	134,548	-	-	-	-	1,615	136,163
TOTAL LIABILITIES	4,462,309	45,912	17,717,462	7,000,000	8,041,272	4,799,489	42,066,444
Deferred Inflows of Resources:							
Unavailable revenues	8,729,719	13,677	-	-	-	1,203,298	9,946,694
Taxes paid in advance	115,222	-	-	-	-	-	115,222
TOTAL DEFERRED INFLOWS OF RESOURCES	8,844,941	13,677	-	-	-	1,203,298	10,061,916
Fund Balances:							
Nonspendable	-	-	-	-	-	188,478	188,478
Restricted	1,013,132	5,615,849	-	-	-	8,131,191	14,760,172
Committed	12,763,756	-	-	-	-	4,261,084	17,024,840
Assigned	16,459,089	-	-	-	-	-	16,459,089
Unassigned	17,817,111	-	(10,553,154)	(6,775,804)	(1,811,253)	(2,986,514)	(4,309,614)
TOTAL FUND BALANCES	48,053,088	5,615,849	(10,553,154)	(6,775,804)	(1,811,253)	9,594,239	44,122,965
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 61,360,338	\$ 5,675,438	\$ 7,164,308	\$ 224,196	\$ 6,230,019	\$ 15,597,026	\$ 96,251,325

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, 2018

Total governmental fund balances	\$ 44,122,965
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	272,791,641
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	7,556,694
• 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.	195,865
• 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.	454,146
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(705,770)
• 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	(60,681,158)
Pension related deferred outflows of resources	9,992,675
Pension related deferred inflows of resources	(6,647,212)
Net OPEB liability, net of related deferred outflows and inflows	(55,113,637)
OPEB related deferred outflows of resources	7,256,863
OPEB related deferred inflows of resources	(5,626,282)
Bonds and loans payable, net unamortized premiums	(67,712,545)
Compensated absences payable	(5,825,042)
Estimated liability for landfill postclosure care costs	<u>(620,568)</u>
Net position of governmental activities	<u>\$ 139,438,635</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Community Preservation	Sunita L. Williams School	Rosemary Recreation Complex	Needham High School Expansion	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 132,578,018	\$ 2,300,322	\$ -	\$ -	\$ -	\$ -	\$ 134,878,340
Excise taxes	5,910,555	-	-	-	-	-	5,910,555
Penalties, interest, and other taxes	2,132,175	2,453	-	-	-	-	2,134,628
Charges for services	1,528,075	-	-	-	-	6,967,230	8,495,305
Departmental	1,852,700	-	-	-	-	-	1,852,700
Licenses and permits	2,598,567	-	-	-	-	-	2,598,567
Intergovernmental	20,403,002	368,739	2,017,071	-	-	7,130,486	29,919,298
Investment income (loss)	682,322	(176,907)	-	-	-	154,872	660,287
Fines and forfeitures	192,010	-	-	-	-	-	192,010
Contributions	-	-	-	-	-	429,729	429,729
Other	313,342	-	-	-	-	31,347	344,689
Total Revenues	168,190,766	2,494,607	2,017,071	-	-	14,713,664	187,416,108
Expenditures:							
Current:							
General government	5,617,952	5,182	-	-	-	119,117	5,742,251
Public safety	16,842,201	-	-	-	-	1,180,774	18,022,975
Education	86,532,516	-	-	-	-	11,508,817	98,041,333
Public works	8,860,429	-	-	-	-	1,749,368	10,609,797
Maintenance	9,077,653	-	-	-	-	-	9,077,653
Health and human services	1,837,753	-	-	-	-	557,542	2,395,295
Culture and recreation	2,342,237	-	-	-	-	366,142	2,708,379
Employee benefits	12,616,631	-	-	-	-	-	12,616,631
Other	521,244	-	-	-	-	-	521,244
Capital outlay	-	946,647	11,249,083	11,060,244	4,445,253	9,642,658	37,343,885
Debt service:							
Principal	8,139,526	-	-	-	-	-	8,139,526
Interest	2,461,942	-	-	-	-	-	2,461,942
Intergovernmental	1,333,038	-	-	-	-	-	1,333,038
Total Expenditures	156,183,122	951,829	11,249,083	11,060,244	4,445,253	25,124,418	209,013,949
Excess (deficiency) of revenues over expenditures	12,007,644	1,542,778	(9,232,012)	(11,060,244)	(4,445,253)	(10,410,754)	(21,597,841)
Other Financing Sources (Uses):							
Bond premium	-	-	-	-	-	6,400	6,400
Transfers in	2,007,530	75,000	575,000	1,030,000	2,634,000	6,420,894	12,742,424
Transfers out	(11,262,143)	(1,479,164)	-	-	-	(374,952)	(13,116,259)
Total Other Financing Sources (Uses)	(9,254,613)	(1,404,164)	575,000	1,030,000	2,634,000	6,052,342	(367,435)
Net change in fund balances	2,753,031	138,614	(8,657,012)	(10,030,244)	(1,811,253)	(4,358,412)	(21,965,276)
Fund Balances, at beginning of year, as reclassified	45,300,057	5,477,235	(1,896,142)	3,254,440	-	13,952,651	66,088,241
Fund Balances, at end of year	\$ 48,053,088	\$ 5,615,849	\$ (10,553,154)	\$ (6,775,804)	\$ (1,811,253)	\$ 9,594,239	\$ 44,122,965

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, 2018

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (21,965,276)																		
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases, net of loss on disposal</td> <td style="text-align: right;">38,823,580</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(9,371,076)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for doubtful accounts. (193,345) • 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>Bond premium amortization</td> <td style="text-align: right;">260,892</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">8,139,526</td> </tr> <tr> <td>Amortization of deferred amount on refunding</td> <td style="text-align: right;">(195,864)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 79,424 • 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 liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(2,025,754)</td> </tr> <tr> <td>Net/total OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">4,634,463</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">(392,505)</td> </tr> <tr> <td>Change in landfill liability</td> <td style="text-align: right;">51,714</td> </tr> </table> • Internal service funds are used by management to account for self-insurance activities. The net activity of internal service funds is reported with Governmental Activities. <u>(100,155)</u> 		Capital outlay purchases, net of loss on disposal	38,823,580	Depreciation	(9,371,076)	Bond premium amortization	260,892	Repayments of debt	8,139,526	Amortization of deferred amount on refunding	(195,864)	Net pension liability and related deferred outflows and inflows of resources	(2,025,754)	Net/total OPEB liability and related deferred outflows and inflows of resources	4,634,463	Change in compensated absences	(392,505)	Change in landfill liability	51,714
Capital outlay purchases, net of loss on disposal	38,823,580																		
Depreciation	(9,371,076)																		
Bond premium amortization	260,892																		
Repayments of debt	8,139,526																		
Amortization of deferred amount on refunding	(195,864)																		
Net pension liability and related deferred outflows and inflows of resources	(2,025,754)																		
Net/total OPEB liability and related deferred outflows and inflows of resources	4,634,463																		
Change in compensated absences	(392,505)																		
Change in landfill liability	51,714																		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>17,745,624</u>																		

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

TOWN OF NEEDHAM, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 129,245,995	\$ 129,725,995	\$ 129,725,995	\$ -
Excise taxes	4,750,000	4,750,000	5,910,555	1,160,555
Penalties, interest, and other taxes	1,610,000	1,610,000	2,132,175	522,175
Charges for services	762,010	762,010	1,528,075	766,065
Departmental	1,417,990	1,417,990	1,852,700	434,710
Licenses and permits	1,555,850	1,555,850	2,598,567	1,042,717
Intergovernmental	11,763,308	11,763,308	11,958,637	195,329
Investment income	80,000	80,000	434,319	354,319
Fines and forfeits	149,150	149,150	192,010	42,860
Other revenue	10,500	10,500	313,342	302,842
Total Revenues	151,344,803	151,824,803	156,646,375	4,821,572
Expenditures				
General government	4,458,345	4,534,678	4,304,890	229,788
Land use	533,443	538,710	532,040	6,670
Public safety	15,297,134	15,300,170	14,825,699	474,471
Education	69,156,335	69,156,335	68,647,839	508,496
Public works	6,623,707	7,568,165	7,433,287	134,878
Public facilities	9,421,745	9,474,183	8,768,528	705,655
Community services	3,857,469	3,914,941	3,772,333	142,608
Debt service	12,573,958	12,573,958	12,558,451	15,507
Employee benefits	28,053,212	28,533,212	27,369,288	1,163,924
Other appropriated expenses	2,728,800	1,589,796	521,244	1,068,552
Intergovernmental	1,351,898	1,351,898	1,333,038	18,860
Other amounts provided	12,500	12,500	-	12,500
Total Expenditures	154,068,546	154,548,546	150,066,637	4,481,909
Excess (deficiency) of revenues over expenditures	(2,723,743)	(2,723,743)	6,579,738	9,303,481
Other Financing Sources (Uses)				
Transfers in	1,954,577	1,954,577	2,007,529	52,952
Use of free cash	8,016,949	8,447,949	-	(8,447,949)
Use of free cash for stabilization	185,000	185,000	-	(185,000)
Use of bond premium	80,807	80,807	-	(80,807)
Use of overlay surplus	1,800,000	1,800,000	-	(1,800,000)
Transfers out	(9,313,590)	(9,744,590)	(9,757,017)	(12,427)
Total Other Financing Sources (Uses)	2,723,743	2,723,743	(7,749,488)	(10,473,231)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (1,169,750)	\$ (1,169,750)

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Current:					
Cash and short-term investments	\$ 6,851,413	\$ 8,771,068	\$ 2,066,553	\$ 17,689,034	\$ 1,464,911
User fees receivable	<u>2,541,296</u>	<u>2,039,145</u>	<u>303,885</u>	<u>4,884,326</u>	<u>-</u>
Total current assets	9,392,709	10,810,213	2,370,438	22,573,360	1,464,911
Noncurrent:					
Land and construction in progress	1,613,591	2,561,702	5,045,260	9,220,553	-
Other capital assets, net of accumulated depreciation	<u>22,349,868</u>	<u>30,399,672</u>	<u>1,883,824</u>	<u>54,633,364</u>	<u>-</u>
Total noncurrent assets	<u>23,963,459</u>	<u>32,961,374</u>	<u>6,929,084</u>	<u>63,853,917</u>	<u>-</u>
TOTAL ASSETS	33,356,168	43,771,587	9,299,522	86,427,277	1,464,911
Deferred Outflows of Resources:					
Related to pensions	190,538	254,051	148,196	592,785	-
Related to OPEB	<u>17,145</u>	<u>16,063</u>	<u>-</u>	<u>33,208</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 33,563,851</u>	<u>\$ 44,041,701</u>	<u>\$ 9,447,718</u>	<u>\$ 87,053,270</u>	<u>\$ 1,464,911</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION					
Liabilities:					
Current:					
Accounts payable	\$ 34,673	\$ 29,661	\$ 244,667	\$ 309,001	\$ -
Accrued payroll	20,485	20,696	14,200	55,381	-
Accrued liabilities	-	-	-	-	1,010,765
Refunds payable	98,900	23,084	229,073	351,057	-
Notes payable	-	-	5,000	5,000	-
Current portion of long-term liabilities:					
Bonds payable	842,507	1,153,848	55,000	2,051,355	-
Compensated absences	<u>165,345</u>	<u>131,234</u>	<u>37,065</u>	<u>333,644</u>	<u>-</u>
Total current liabilities	1,161,910	1,358,523	585,005	3,105,438	1,010,765
Noncurrent:					
Bonds payable, net of current portion	5,391,449	6,199,532	40,000	11,630,981	-
Net pension liability	1,157,056	1,542,741	899,932	3,599,729	-
Net OPEB liability	<u>827,843</u>	<u>775,607</u>	<u>-</u>	<u>1,603,450</u>	<u>-</u>
Total noncurrent liabilities	<u>7,376,348</u>	<u>8,517,880</u>	<u>939,932</u>	<u>16,834,160</u>	<u>-</u>
TOTAL LIABILITIES	8,538,258	9,876,403	1,524,937	19,939,598	1,010,765
Deferred Inflow of Resources:					
Related to pensions	126,748	168,997	98,582	394,327	-
Related to OPEB	<u>84,510</u>	<u>79,178</u>	<u>-</u>	<u>163,688</u>	<u>-</u>
Net Position:					
Net investment in capital assets	17,861,489	26,601,759	6,829,084	51,292,332	-
Unrestricted	<u>6,952,846</u>	<u>7,315,364</u>	<u>995,115</u>	<u>15,263,325</u>	<u>454,146</u>
TOTAL NET POSITION	<u>24,814,335</u>	<u>33,917,123</u>	<u>7,824,199</u>	<u>66,555,657</u>	<u>454,146</u>
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOW OF RESOURCES	<u>\$ 33,563,851</u>	<u>\$ 44,041,701</u>	<u>\$ 9,447,718</u>	<u>\$ 87,053,270</u>	<u>\$ 1,464,911</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 9,190,864	\$ 6,924,740	\$ 1,180,739	\$ 17,296,343	\$ -
Other	-	4,215	-	4,215	480,244
Total Operating Revenues	9,190,864	6,928,955	1,180,739	17,300,558	480,244
Operating Expenses:					
Personnel services	976,599	1,250,126	767,098	2,993,823	580,399
Non-personnel services	222,894	984,564	1,400,153	2,607,611	-
Depreciation	921,083	1,291,773	348,071	2,560,927	-
Intergovernmental assessments	5,889,796	1,109,794	-	6,999,590	-
Total Operating Expenses	8,010,372	4,636,257	2,515,322	15,161,951	580,399
Operating Income (Loss)	1,180,492	2,292,698	(1,334,583)	2,138,607	(100,155)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	31,734	-	-	31,734	-
Investment income	37,327	46,650	3,593	87,570	-
Other revenue	146,903	-	-	146,903	-
Interest expense	(158,739)	(204,299)	(8,695)	(371,733)	-
Total Nonoperating Revenues (Expenses), Net	57,225	(157,649)	(5,102)	(105,526)	-
Income (Loss) Before Transfers and Special Items	1,237,717	2,135,049	(1,339,685)	2,033,081	(100,155)
Transfers in	496,247	28	1,676,672	2,172,947	-
Transfers out	(433,386)	(829,517)	(536,209)	(1,799,112)	-
Change in Net Position	1,300,578	1,305,560	(199,222)	2,406,916	(100,155)
Net Position at Beginning of Year	23,513,757	32,611,563	8,023,421	64,148,741	554,301
Net Position at End of Year	\$ 24,814,335	\$ 33,917,123	\$ 7,824,199	\$ 66,555,657	\$ 454,146

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, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>					
Receipts from customers and users	\$ 9,161,562	\$ 6,755,107	\$ 1,205,650	\$ 17,122,319	\$ -
Employer contributions	-	-	-	-	480,244
Payments of utility assessments	(5,889,796)	(1,109,794)	-	(6,999,590)	-
Payments to vendors and contractors	(211,405)	(1,005,839)	(1,202,997)	(2,420,241)	-
Payments of employee salaries, benefits, and related expenses	(988,603)	(1,247,356)	(753,971)	(2,989,930)	(627,343)
Net Cash Provided By (Used For) Operating Activities	2,071,758	3,392,118	(751,318)	4,712,558	(147,099)
<u>Cash Flows From Noncapital Financing Activities:</u>					
Operating grants received	31,734	-	-	31,734	-
Transfers from other funds	496,247	28	1,676,672	2,172,947	-
Transfers to other funds	(433,386)	(829,517)	(536,209)	(1,799,112)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	94,595	(829,489)	1,140,463	405,569	-
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(469,009)	(1,508,961)	(403,239)	(2,381,209)	-
Nonoperating revenue	146,903	-	-	146,903	-
Paydown of notes	-	(113,120)	-	(113,120)	-
Proceeds from issuance of bonds	179,548	2,131,265	-	2,310,813	-
Principal payments on bonds and loans	(853,083)	(1,086,978)	(135,000)	(2,075,061)	-
Paydowns of notes	-	-	(1,000)	(1,000)	-
Interest expense	(158,739)	(204,299)	(8,695)	(371,733)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,154,380)	(782,093)	(547,934)	(2,484,407)	-
<u>Cash Flows From Investing Activities:</u>					
Investment income	37,326	46,651	3,594	87,571	-
Net Cash Provided By Investing Activities	37,326	46,651	3,594	87,571	-
Net Change in Cash and Short-Term Investments	1,049,299	1,827,187	(155,195)	2,721,291	(147,099)
Cash and Short-Term Investments, Beginning of Year	5,802,114	6,943,881	2,221,748	14,967,743	1,612,010
Cash and Short-Term Investments, End of Year	\$ 6,851,413	\$ 8,771,068	\$ 2,066,553	\$ 17,689,034	\$ 1,464,911
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>					
Operating income (loss)	\$ 1,180,492	\$ 2,292,698	\$ (1,334,583)	\$ 2,138,607	\$ (100,155)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Loss on disposal of an asset	-	-	10,461	10,461	-
Depreciation	921,083	1,291,773	348,071	2,560,927	-
Changes in assets, liabilities, and deferred outflows/inflows:					
User fees	(50,524)	(176,859)	6,511	(220,872)	-
Deferred outflows - related to pensions	4,547	7,144	3,537	15,228	-
Deferred outflows - related to OPEB	(17,145)	(17,145)	-	(34,290)	-
Accounts payable	11,488	(21,275)	186,695	176,908	-
Accrued liabilities	274	2,503	3,831	6,608	(46,944)
Refunds payable	21,223	3,012	18,400	42,635	-
Compensated absences	10,499	6,294	(20,748)	(3,955)	-
Net pension liability	(79,111)	(105,481)	(61,531)	(246,123)	-
Net OPEB liability	(128,769)	(120,644)	-	(249,413)	-
Deferred inflows - related to pensions	113,191	145,589	88,038	346,818	-
Deferred inflows - related to OPEB	84,510	84,510	-	169,020	-
Net Cash Provided By (Used For) Operating Activities	\$ 2,071,758	\$ 3,392,119	\$ (751,318)	\$ 4,712,559	\$ (147,099)

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

TOWN OF NEEDHAM, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	Pension Trust Fund (As of <u>December 31, 2017</u>)	Other Post- Employment Benefit <u>Trust Fund</u>	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,182,744	\$ 760,259	\$ -	\$ 1,090,966
Investments:				
PRIT - external investment pool	161,143,397	-	-	-
SRBT - external investment pool	-	32,118,548	-	-
Other	-	-	5,130,207	-
Receivables	<u>74,346</u>	<u>-</u>	<u>-</u>	<u>163,544</u>
Total Assets	164,400,487	32,878,807	5,130,207	1,254,510
LIABILITIES AND NET POSITION				
Accounts payable	17,347	-	-	-
Accrued liabilities	-	-	-	32,924
Refunds payable	-	-	-	19,424
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202,162</u>
Total Liabilities	<u>17,347</u>	<u>-</u>	<u>-</u>	<u>1,254,510</u>
NET POSITION				
Total net position restricted for pension, other post employment benefits, and other purposes	<u>\$ 164,383,140</u>	<u>\$ 32,878,807</u>	<u>\$ 5,130,207</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, 2018

	Pension Trust Fund (For the Year Ended December 31, 2017)	Other Post- Employment Benefit Trust Fund	Private Purpose Trust Fund
Additions:			
Contributions:			
Employers	\$ 7,314,235	\$ 7,389,578	\$ -
Plan members	4,245,509	-	-
Other	<u>358,777</u>	<u>-</u>	<u>153,327</u>
Total contributions	11,918,521	7,389,578	153,327
Investment Income:			
Increase in fair value of investments	24,654,905	3,117,203	177,677
Less: management fees	<u>(792,785)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>23,862,120</u>	<u>3,117,203</u>	<u>177,677</u>
Total additions	35,780,641	10,506,781	331,004
Deductions:			
Benefit payments to plan members and beneficiaries	12,644,871	4,463,145	-
Refunds to plan members	775,790	-	-
Administrative expenses	303,311	-	-
Other	<u>-</u>	<u>-</u>	<u>125,125</u>
Total deductions	<u>13,723,972</u>	<u>4,463,145</u>	<u>125,125</u>
Net increase	22,056,669	6,043,636	205,879
Net position restricted for pensions and other purposes:			
Beginning of year	<u>142,326,471</u>	<u>26,835,171</u>	<u>4,924,328</u>
End of year	<u>\$ 164,383,140</u>	<u>\$ 32,878,807</u>	<u>\$ 5,130,207</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 Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable.

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

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 Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* was adopted on November 2, 2004 by a state-wide act enabling legislation to allow Cities and Towns to choose to create a new funding source that can be used to address three core community concerns:
 - Acquisition and preservation of open space
 - Creation and support of affordable housing
 - Acquisition and preservation of historic buildings and landscapes
- The *Sunita L. Williams School Fund* was created in accordance with Article 2 of the October 2016 Special Town Meeting for the construction of the new elementary school. Expenditures in the current year result mainly from the architectural and engineering costs. This fund specifically excludes land acquisition costs associated with the project.
- The *Rosemary Recreation Complex Fund* was created in accordance with Article 33 of the May 2017 Annual Town Meeting for the renovation of the complex. Expenditures in the current year result mainly from the architectural and engineering costs as well as general construction costs.
- The *Needham High School Expansion Fund* was created in accordance with Article 11 of the October 2017 Special Town Meeting for the High School expansion. Expenditures in the current year result mainly from the architectural and engineering costs as well as general construction costs.

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

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

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to report the Town's sewer enterprise fund operations.
- The *Water Fund* is used to report the Town's water enterprise fund operations.
- The *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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The Pension Trust Fund accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The Other Post-Employment Benefits Trust Fund is used to accumulate resources for health and life insurance benefits for retired employees.
- The Private-Purpose Trust Fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- 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. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

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.

The Town reports its investment in Massachusetts Municipal Depository Trust (MMDT), an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, at amortized cost per GASB 79.

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 three years 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 2018 tax levy reflected an excess capacity of \$1,283,513.

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 Town as assets with an estimated useful life in excess of five years. The Town has a capitalization policy with the following established thresholds for capitalization:

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
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/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

- 1) Nonspendable funds are either unspendable in the current form (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 Town (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds represent the residual classification for the general fund and include all amounts not contained in other classifications.

Unassigned amounts are available for any purpose. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: 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>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 168,190,766	\$ 156,183,122
Other financing sources/uses (GAAP Basis)	<u>2,007,530</u>	<u>11,262,143</u>
Subtotal (GAAP Basis)	170,198,296	167,445,265
Unused allowance for abatements	(2,852,023)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,319,730)
Add end-of-year appropriation carryforwards from expenditures	-	2,679,292
Add transfer to special article fund	-	1,185,000
To reverse gross up for MTRS on behalf payment	(8,436,349)	(8,436,349)
Less nonbudgeted funds	(248,003)	(721,807)
Less MWPAT subsidy	<u>(8,017)</u>	<u>(8,017)</u>
Budgetary Basis	<u>\$ 158,653,904</u>	<u>\$ 159,823,654</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 reimbursements 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, 2018:

A 2 STM 10/16 Sunita L. Williams School	\$ 10,553,154
Rosemary Recreation Complex	6,775,804
NHS Expansion Construction	1,811,253
Nonmajor Governmental Funds:	
Special Revenue Funds:	
FY16 EOHED 2014 Round Award	195,937
FY15 Utility Force	44,556
FY18 Metco/317	42,689
CB - Circuit Breaker	38,921
FY18 SAPC - Substance Abuse	26,429
FY18 Shine	22,444
FY17 Shine Dual One Care	19,311
FY18 FFY2018 EMPG	16,480
FY18 MW Health First Aid	13,265
FY18 SAMHSA Health Grant	12,396
FY18 911 Dept Support & Incentive	10,229
Other Deficit Funds	26,408
Capital Project Funds	
Public Safety Buildings Design	1,644,223
Other Deficit Funds	873,225
Subtotal Nonmajor Governmental Funds	<u>2,986,513</u>
Fiduciary Funds:	
Fire outside detail	95,974
Police outside detail	195,367
Needham retirement board	19,279
Subtotal Fiduciary Funds	<u>310,620</u>
Total	<u>\$ 22,437,344</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, 2018, \$7,468,902 of the Town’s cash bank balance of \$74,199,414 was exposed to custodial credit risk as uninsured or uncollateralized. Amount invested in MMDT was \$10,130,166, which is not subject to this disclosure.

As of December 31, 2017, the System’s bank balance of \$3,226,472 represented deposits of \$178,683 insured by FDIC, \$2,749,987 invested in MMDT and \$297,802 invested in Pension Reserves Investment Trust (PRIT). The MMDT Cash Portfolio is an external state investment pool and is not SEC-registered. The fund is State-regulated and is valued at amortized cost. PRIT Cash Fund III is measured at fair value and maintains a stable net position value of \$1.00 per unit (NAV) with daily redemption frequency. Amounts invested in the state pools are not subject to custodial credit risk disclosure.

4. Investments

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) expanded 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>Ratings as of Year End</u>			
		<u>Aaa-A3</u>	<u>Baa1-B3</u>	<u>Caa-C3</u>	<u>Other/Unrated</u>
Debt related:					
Federal agency securities	\$ 8,567,559	\$ 8,567,559	\$ -	\$ -	\$ -
US treasury notes	8,067,833	8,067,833	-	-	-
Corporate bonds	2,384,122	934,748	1,449,374	-	-
Fixed income mutual funds	<u>1,519,639</u>	<u>1,167,176</u>	<u>158,765</u>	<u>2,370</u>	<u>191,328</u>
Total debt securities	20,539,153	<u>\$ 18,737,316</u>	<u>\$ 1,608,139</u>	<u>\$ 2,370</u>	<u>\$ 191,328</u>
Equities:					
Corporate equities	3,972,593				
Equity mutual funds	<u>3,197,206</u>				
Total equities	7,169,799				
External investment pool:					
SRBT	32,118,548				
Certificates of deposits	<u>14,893,610</u>				
Total investments	\$ <u>74,721,110</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, 2017, the System maintained its investments in PRIT with a fair value of \$161,143,397, same as the value of the pool share. The PRIT fund is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. PRIT Fund issues separately available financial statements with a year end of June 30. PRIT was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board (PRIM). PRIM chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under 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, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. Agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. The Retirement System does not have policies for custodial credit risk.

As of June 30, 2018, \$4,253,562 out of the Town's investments of \$74,721,110 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. The Town investments included \$32,118,548 held in the State investment pool (SRBT), which is not subject to this disclosure.

As of December 31, 2017, the System's investments of \$161,143,397 were held in the State investment pool (PRIT) and are not subject to custodial credit risk disclosure.

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>Average Effective Duration (in years)</u>
Debt related:		
Federal agency securities	\$ 8,567,559	3.38
US treasury notes	8,067,833	2.09
Corporate bonds	2,384,122	1.32
Fixed income mutual funds	<u>1,519,639</u>	4.41
Total debt securities	<u>\$ 20,539,153</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, 2018:

Description	Fair Value Measurements Using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 8,567,559	\$ -	\$ 8,567,559	\$ -
US treasury notes	8,067,833	-	8,067,833	-
Corporate bonds	2,384,122	-	2,384,122	-
Fixed income mutual funds	1,519,639	-	1,519,639	-
Equity securities				
Consumer discretionary	255,620	255,620	-	-
Utilities	266,956	266,956	-	-
Information technology	264,257	264,257	-	-
Healthcare	236,474	236,474	-	-
Telecommunication services	245,205	245,205	-	-
Industrials	238,530	238,530	-	-
Financial	254,784	254,784	-	-
Energy	257,679	257,679	-	-
Consumer staples	247,228	247,228	-	-
Materials	249,947	249,947	-	-
Other	1,455,913	1,455,913	-	-
Equity mutual funds	<u>3,197,206</u>	<u>3,197,206</u>	<u>-</u>	<u>-</u>
Subtotal	27,708,952	<u>\$ 7,169,799</u>	<u>\$ 20,539,153</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
External investment pool - SRBT	<u>32,118,548</u>			
Total	<u>\$ 59,827,500</u>			
Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool - SRBT	\$ 32,118,548	\$ -	Monthly	30 days

The System has the following investments measured at net asset value (NAV) as of December 31, 2017:

<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 - PRIT	\$ 161,143,397	\$ -	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 and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of 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.

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

Taxes receivable at June 30, 2018 consist of the following (in thousands):

<u>Receivables:</u>	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount (accrual basis)</u>
Real estate taxes	\$ 732,721	\$ -	\$ 732,721
Personal property taxes	749,777	(681,000)	68,777
Tax liens	984,371	-	984,371
Deferred taxes	439,572	-	439,572
CPA	<u>13,677</u>	<u>-</u>	<u>13,677</u>
Total property taxes	2,920,118	(681,000)	2,239,118
Motor vehicle excise	<u>985,260</u>	<u>(597,000)</u>	<u>388,260</u>
Grand total	<u>\$ 3,905,378</u>	<u>\$ (1,278,000)</u>	<u>\$ 2,627,378</u>

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

B. Departmental

Departmental receivables primarily comprise ambulance receivables. Departmental receivables in the accompanying entity-wide financial statements reflect an estimated allowance for doubtful accounts of \$1,034,000.

C. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018 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 2018:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,007,530	\$ 11,262,143
Community Preservation Fund	75,000	1,479,164
Sunita L. Williams School	575,000	-
Rosemary Recreation Complex	1,030,000	-
Needham High School Expansion	2,634,000	-
Nonmajor Funds:		
Special Revenue Funds:		
Town grants	12,427	15,616
Trust funds	-	6,000
Other special revenue funds	6,000	-
Capital Project Funds:		
Public Works infrastructure	2,262,000	-
Pollard Bathroom upgrade	650,000	-
Various School Projects	699,901	-
Vehicles and equipment	1,195,566	-
Other capital project funds	<u>1,595,000</u>	<u>353,336</u>
Subtotal Nonmajor Funds	6,420,894	374,952
<u>Business-Type Funds:</u>		
Sewer Fund	496,247	433,386
Water Fund	28	829,517
Solid Waste Fund	<u>1,676,672</u>	<u>536,209</u>
Subtotal Business-Type Funds:	<u>2,172,947</u>	<u>1,799,112</u>
Grand Total	<u>\$ 14,915,371</u>	<u>\$ 14,915,371</u>

Of the transfers out from the sewer, water, and solid waste funds, \$1,794,614 was transferred to the general fund to reimburse indirect costs.

The majority of the transfers from the general fund into the enterprise funds represents a subsidy to the solid waste of \$1,462,500 and \$491,749 to cover sewer fund storm water expenses funded by general revenues. Most of the transfers out of the general fund represent the Town's practice of using free cash and overlay surplus to the various major and non-major capital project funds, including the repayment of previously issued bond anticipation notes.

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, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 237,954	\$ 2,683	\$ -	\$ 240,637
Machinery, equipment, and furnishings	12,782	625	(290)	13,117
Vehicles	7,100	948	(347)	7,701
Infrastructure	<u>36,282</u>	<u>3,097</u>	<u>-</u>	<u>39,379</u>
Total capital assets, being depreciated	294,118	7,353	(637)	300,834
Less accumulated depreciation for:				
Buildings and improvements	(60,927)	(6,387)	-	(67,314)
Machinery, equipment, and furnishings	(10,633)	(829)	290	(11,172)
Vehicles	(5,394)	(754)	347	(5,801)
Infrastructure	<u>(20,711)</u>	<u>(1,373)</u>	<u>-</u>	<u>(22,084)</u>
Total accumulated depreciation	<u>(97,665)</u>	<u>(9,343)</u>	<u>637</u>	<u>(106,371)</u>
Total capital assets, being depreciated, net	196,453	(1,990)	-	194,463
Capital assets, not being depreciated:				
Land	30,885	1,463	-	32,348
Works of art	120	-	-	120
Construction in progress	<u>15,881</u>	<u>34,711</u>	<u>(4,731)</u>	<u>45,861</u>
Total capital assets, not being depreciated	<u>46,886</u>	<u>36,174</u>	<u>(4,731)</u>	<u>78,329</u>
Governmental activities capital assets, net	<u>\$ 243,339</u>	<u>\$ 34,184</u>	<u>\$ (4,731)</u>	<u>\$ 272,792</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,864	\$ 84	\$ -	\$ 21,948
Plant	6,600	-	-	6,600
Machinery, equipment, and furnishings	5,122	437	(66)	5,493
Vehicles	1,646	66	(179)	1,533
Infrastructure	<u>76,519</u>	<u>-</u>	<u>-</u>	<u>76,519</u>
Total capital assets, being depreciated	111,751	587	(245)	112,093
Less accumulated depreciation for:				
Buildings and improvements	(5,225)	(503)	-	(5,728)
Plant	(3,601)	(214)	-	(3,815)
Machinery, equipment, and furnishings	(3,673)	(426)	66	(4,033)
Vehicles	(1,568)	(70)	169	(1,469)
Infrastructure	<u>(41,067)</u>	<u>(1,348)</u>	<u>-</u>	<u>(42,415)</u>
Total accumulated depreciation	<u>(55,134)</u>	<u>(2,561)</u>	<u>235</u>	<u>(57,460)</u>
Total capital assets, being depreciated, net	56,617	(1,974)	(10)	54,633
Capital assets, not being depreciated:				
Land	5,275	-	-	5,275
Construction in progress	<u>2,152</u>	<u>1,824</u>	<u>(30)</u>	<u>3,946</u>
Total capital assets, not being depreciated	<u>7,427</u>	<u>1,824</u>	<u>(30)</u>	<u>9,221</u>
Business-type activities capital assets, net	<u>\$ 64,044</u>	<u>\$ (150)</u>	<u>\$ (40)</u>	<u>\$ 63,854</u>

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

Governmental Activities:	
General government	\$ 956,412
Public safety	474,514
Education	4,965,859
Public works	2,026,712
Maintenance	33,554
Health and human services	287,914
Culture and recreation	626,111
	<hr/>
Total depreciation expense - governmental activities	\$ 9,371,076
	<hr/>
Business-Type Activities:	
Sewer	\$ 921,083
Water	1,291,773
Solid waste	348,071
	<hr/>
Total depreciation expense - business-type activities	\$ 2,560,927
	<hr/>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position 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 of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

Governmental activities report deferred outflows as of June 30, 2018 of \$195,865 result from the deferred amount on refunding. The amount is being amortized over three years starting in fiscal year 2017.

9. Warrants and Accounts Payable

Warrants and accounts payable represent 2018 expenditures paid after June 30, 2018.

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. Notes Payable

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 4,929,120	\$ -	\$ (4,929,120)	\$ -
Bond anticipation	-	580,000	(580,000)	-
Bond anticipation	-	1,000,000	-	1,000,000
Bond anticipation	-	2,425,000	-	2,425,000
Bond anticipation	-	28,560,000	-	28,560,000
Total	\$ 4,929,120	\$ 32,565,000	\$ (5,509,120)	\$ 31,985,000

The Town had the following notes outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Sunita L. Williams School	2.00%	06/18/18	08/01/18	\$ 12,725,000 *
Central Ave/Elliot Street Bridge Construction	2.00%	06/18/18	08/01/18	320,000
Rosemary Recreation Complex	2.00%	06/18/18	08/01/18	7,000,000
Needham High Expansion	2.00%	06/18/18	08/01/18	7,010,000
Public Safety Building	2.00%	06/18/18	08/01/18	1,500,000
Hillside Elementary School	2.00%	11/01/17	08/01/18	3,425,000
RTS Fleet Replacement	2.00%	06/18/18	08/01/18	5,000
Total				\$ 31,985,000

*See Note 23.

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
<u>Governmental Activities:</u>	<u>Amount</u>	<u>Rate(s) %</u>	<u>Issue</u>	<u>Maturity</u>	<u>Outstanding</u>
					<u>as of</u>
					<u>6/30/18</u>
MA Water Pollution Abatement Trust	\$ 85,894	Various	05/01/01	01/01/20	\$ 9,448
MA Water Pollution Abatement Trust	496,276	Various	11/01/04	01/01/20	55,604
High School, High Rock and Pollard Schools	12,600,000	3.25 - 5.00	06/03/08	12/01/26	720,000
High Rock and Pollard Schools	5,000,000	4.61	11/01/08	08/01/27	265,000
High School	3,850,000	2.94	06/01/09	06/01/28	1,905,000
Schools and Admin Building	14,500,000	2.00 - 4.00	12/15/09	08/01/28	8,140,000
Schools and Admin Building	2,000,000	2.00 - 3.00	06/15/10	12/01/24	705,000
Town Hall and Newman School	8,500,000	2.00 - 5.00	05/19/11	10/01/28	5,175,000
Town Hall, Parking and Bridge	2,460,000	2.00 - 3.125	10/05/11	08/01/26	1,245,000
GOB - Refunding FY2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	5,490,000
Municipal Purpose FY 2013	12,154,000	2.00 - 4.00	10/03/12	07/15/32	7,870,000
Municipal Purpose FY 2013	5,805,000	2.00 - 4.00	06/18/13	11/01/32	4,280,000
Municipal Purpose FY 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	4,310,000
Municipal Purpose FY 2014	2,827,000	2.00 - 2.50	06/02/14	05/15/34	1,310,000
Municipal Purpose FY 2015	10,187,000	2.00 - 4.00	04/01/15	11/15/33	6,960,000
High School, High Rock and Pollard Schools	6,645,000	2.00 - 4.00	06/16/16	08/01/27	6,505,000
Municipal Purpose FY 2017	10,480,000	3.00 - 4.00	01/05/17	01/15/42	9,615,000
Total Governmental					\$ <u>64,560,052</u>
<u>Business-Type Activities:</u>					
MA Water Pollution Abatement Trust	91,400	Various	11/01/04	08/01/18	\$ 6,000
MA Water Pollution Abatement Trust	243,300	Various	11/01/04	08/01/18	15,800
MA Water Pollution Abatement Trust	1,261,272	Various	11/01/04	08/01/18	89,600
MA Water Pollution Abatement Trust	175,500	Various	11/01/04	08/01/18	11,400
Water and Sewer	5,525,000	3.75 - 4.50	11/01/06	11/11/19	635,000
Water Improvements and Sewer Pump Station	1,367,000	2.94	06/01/09	06/01/28	135,000
Water and Sewer	1,025,000	2.00 - 4.00	12/15/09	08/01/28	560,000
Water and Sewer	545,000	2.00 - 3.00	06/15/10	12/01/24	200,000
MA Water Pollution Abatement Trust	765,335	2.00	06/01/12	07/15/30	554,115
MA Water Pollution Abatement Trust	6,034,290	2.00	05/22/13	01/15/33	4,759,609
Pump Station and RTS Equipment	2,205,000	2.00 - 2.50	06/02/14	05/15/34	1,595,000
Pump Station and Water Mains	3,238,000	2.00 - 4.00	04/01/15	11/15/33	2,655,000
RTS Fleet Replacement	205,000	3.00 - 4.00	01/05/17	01/15/20	95,000
Water System Rehab	260,000	3.00 - 4.00	01/05/17	01/15/20	60,000
Water System Rehab	2,310,813	3.00 - 4.00	05/11/17	01/15/28	2,310,813
Total Business-Type Activities					\$ <u>13,682,337</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,722,526	\$ 2,172,768	\$ 9,895,294
2020	7,072,526	1,906,332	8,978,858
2021	6,080,000	1,667,638	7,747,638
2022	5,905,000	1,448,347	7,353,347
2023	5,745,000	1,239,138	6,984,138
2024 - 2028	20,990,000	3,542,856	24,532,856
2029 - 2033	8,145,000	1,170,834	9,315,834
2034 - 2038	1,875,000	368,000	2,243,000
2039 - 2042	1,025,000	97,125	1,122,125
Total	\$ <u>64,560,052</u>	\$ <u>13,613,038</u>	\$ <u>78,173,090</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,051,355	\$ 306,561	\$ 2,357,916
2020	1,145,220	245,587	1,390,807
2021	1,062,028	219,255	1,281,283
2022	1,068,985	195,800	1,264,785
2023	1,071,091	172,187	1,243,278
2024 - 2028	4,192,964	598,922	4,791,886
2029 - 2033	2,910,694	226,766	3,137,460
2034	180,000	4,600	184,600
Total	\$ <u>13,682,337</u>	\$ <u>1,969,678</u>	\$ <u>15,652,015</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2018 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2007	Sewer System Rehabilitation	\$ 21
May 2008	Water Main Improvements	1,455
May 2013	St. Marys Pump Station	135,000
May 2014	Central Ave, Elliot Street Bridge	440,000
May 2015	Water System Rehabilitation	307,000
May 2015	Central Ave, Elliot Street Bridge	425,000
May 2016	609 Central Property Acquisition	32,500
October 2017	Sunita L. Williams School	54,586,878
October 2017	NHS Expansion Construction	11,125,000
October 2017	Public Safety Buildings Design	3,750,000
May 2017	NHS Expansion Design	810,000
May 2017	Rosemary Recreation Complex	11,000,000
May 2017	Wastewater Pump Station Rehabilitation	273,550
May 2017	Water Distribution Improvements	168,735
Total		\$ <u>83,055,139</u>

E. Changes in General Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Governmental Activities</u>						
Bonds payable	\$ 72,700	\$ -	\$ (8,140)	\$ 64,560	\$ (7,723)	\$ 56,837
Unamortized bond premium	3,413	-	(261)	3,152	(261)	2,891
Subtotal bonds payable	76,113	-	(8,401)	67,712	(7,984)	59,728
Other:						
Net pension liability	64,830	-	(4,149)	60,681	-	60,681
Net OPEB liability	63,686	-	(8,572)	55,114	-	55,114
Accrued employee benefits	5,432	393	-	5,825	(1,456)	4,369
Landfill closure	673	-	(52)	621	(52)	569
Totals	\$ <u>210,734</u>	\$ <u>393</u>	\$ <u>(21,174)</u>	\$ <u>189,953</u>	\$ <u>(9,492)</u>	\$ <u>180,461</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 13,447	\$ 2,311	\$ (2,075)	\$ 13,683	\$ (2,051)	\$ 11,632
Other:						
Net pension liability	3,846	-	(246)	3,600	-	3,600
Net OPEB liability	1,853	-	(249)	1,604	-	1,604
Accrued employee benefits	338	-	(4)	334	(334)	-
Totals	\$ <u>19,484</u>	\$ <u>2,311</u>	\$ <u>(2,574)</u>	\$ <u>19,221</u>	\$ <u>(2,385)</u>	\$ <u>16,836</u>

F. 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, 2018, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$18,535,000.

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 \$620,568 reported as postclosure care liability at June 30, 2018 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 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

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 Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other one which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2018 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

16. 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, 2018:

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, 2018:

	General Fund	Community Preservation Fund	Sunita L. Williams School	Rosemary Complex Project	Needham High Expansion	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,478	\$ 188,478
Total Nonspendable	-	-	-	-	-	188,478	188,478
Restricted							
Debt service	1,013,132	-	-	-	-	661,169	\$ 1,674,301
Community preservation	-	5,615,849	-	-	-	-	5,615,849
Bonded projects	-	-	-	-	-	380,318	380,318
Special revenue funds:							
Expendable trust funds	-	-	-	-	-	2,409,459	2,409,459
Toll Bros mitigation donation	-	-	-	-	-	546,431	546,431
School lunch	-	-	-	-	-	546,631	546,631
Kindergarten after school enrichment program	-	-	-	-	-	455,530	455,530
RRFA - parking meter fund	-	-	-	-	-	379,224	379,224
Insurance loss replacement	-	-	-	-	-	208,918	208,918
Facility activity use	-	-	-	-	-	223,444	223,444
Parks and recreation revolving	-	-	-	-	-	200,118	200,118
Other special revenue funds	-	-	-	-	-	2,119,949	2,119,949
Total Restricted	1,013,132	5,615,849	-	-	-	8,131,191	14,760,172
Committed							
Continuing appropriations articles	1,189,163	-	-	-	-	-	1,189,163
Compensated absences	199,997	-	-	-	-	-	199,997
General stabilization	4,128,629	-	-	-	-	-	4,128,629
Capital improvement stabilization	747,227	-	-	-	-	-	747,227
Capital facility stabilization	26,767	-	-	-	-	-	26,767
Athletic facility stabilization	4,409,021	-	-	-	-	-	4,409,021
Debt service stabilization	2,062,952	-	-	-	-	-	2,062,952
Capital projects	-	-	-	-	-	4,261,084	4,261,084
Total Committed	12,763,756	-	-	-	-	4,261,084	17,024,840
Assigned							
Encumbrances	2,579,211	-	-	-	-	-	2,579,211
For next year's expenditures	13,879,878	-	-	-	-	-	13,879,878
Total Assigned	16,459,089	-	-	-	-	-	16,459,089
Unassigned	17,817,110	-	(10,553,154)	(6,775,804)	(1,811,253)	(2,986,514)	(4,309,615)
Total Fund Balance	\$ 48,053,087	\$ 5,615,849	\$ (10,553,154)	\$ (6,775,804)	\$ (1,811,253)	\$ 9,594,239	\$ 44,122,964

Stabilization Fund Arrangements:

In accordance with Massachusetts General Law, Section 5B of Chapter 40, as amended by Section 22 of Chapter 218 of the Acts of 2016, the Town maintains five stabilization funds. Per Chapter 218, balances in the stabilization funds can be expended only upon appropriation at Town Meeting. Additionally, transfers to the stabilization funds are required to be approved at Town Meeting. The Town maintains the following stabilization funds:

- General stabilization – established around 1970, for general purposes.
- Capital improvement stabilization – established in May 2004, to reserve funds for the acquisition of new equipment, and/or the replacement of existing equipment (in both cases relating to equipment for which the Town may borrow for 5 years, or more), and/or for building/facility improvements with a cost of less than \$250,000.
- Capital facility stabilization – established in May 2007, to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity of the capital facilities.

- Athletic facility stabilization – established in May 2012, to reserve funds for the renovation and reconstruction of the Town’s athletic facilities.
- Debt service stabilization – established in November 2015, to reserve funds to pay certain debt obligations, when necessary. The fund is intended to be part of the Town’s overall planning strategy for addressing capital facility needs.

17. 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.

18. 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 publicly available from the System located at 1471 Highland Avenue, Needham, Massachusetts 02492.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the 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.

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

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

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

Participant Refunds

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

Participants Contributions

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

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

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, 2018 was \$7,203,059, 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, 2018, the Town reported a liability of \$64,280,888 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017, the Town's proportion was 98.48% percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$9,348,984. 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	\$ 675,178	\$ 545,231
Changes of assumptions	9,806,452	-
Changes in proportion	103,830	14,981
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>6,481,327</u>
Total	<u>\$ 10,585,460</u>	<u>\$ 7,041,539</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>
2019	\$ 2,401,228
2020	1,931,751
2021	40,316
2022	<u>(829,374)</u>
Total	<u>\$ 3,543,921</u>

D. Actuarial Assumptions

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

Valuation date	1/1/2018
Actuarial cost methods	Entry Age
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary decreases	4.75% for Group 1 4.75% for Group 2 5.25% for Group 4
Inflation rate	3.50%
Post-retirement cost-of-living adjustment	3% of the first \$14,000

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

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2016 (previously, set forward one year for females)
- Healthy: RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2016 (previously, set forward one year for females)
- Disabled: RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D

Changes of Assumptions

Effective January 1, 2018:

- Investment rate of return, previously, 7.50% decreased to 7.25%.
- The administrative expense assumption was increased from \$285,000 for calendar 2017 to \$325,000 for calendar 2018.

E. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of June 30, 2018, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	1.50%
Commodities	4.00%	3.00%
Hedge fund, GTAA, risk parity	13.00%	3.94%
Private equity	12.00%	10.28%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. 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 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2017	\$ 90,088,899	\$ 64,280,887	\$ 42,502,272

H. Pension Plan Fiduciary Net Position

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

19. 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>Membership 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the 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, 2017 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	40.00%	5.00%
Portfolio completion strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 as of June 30, 2017. 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 Ended</u>	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
June 30, 2017	\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

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 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was \$156,266,130 and \$16,309,951 respectively, based on a proportionate share of 0.682820%. As required by GASB 85, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

20. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

A. General Information about the OPEB Plan

Plan Description

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

levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	933
Vested terminated members entitled to but not yet receiving benefits	17
Active employees	<u>828</u>
Total	<u><u>1,778</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.5%
Salary increases	6%-7% for 2017, decreasing over 6 to 9 years to an ultimate rate of 4.0% 4.75%
Investment rate of return	7.5%
Discount rate	7.5%
Healthcare cost trend rates	7% for 2017, decreasing by 0.5% for 5 years, to an ultimate rate of 4.5% in 2022
Retirees' share of benefit-related costs	23.5%-50%, depending on the retiree's plan

Mortality rates were based on:

- Pre-Retirement (Non-Teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale 20162D set forward 1 year for females.
- Healthy (Non-Teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale 20162D set forward 1 year for females.
- Disabled (Non-Teachers): RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015.

- Pre-Retirement (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.
- Disabled (Teachers): RP-2014 Healthy Annuitant Mortality Table set forward 4 years projected generationally with Scale BB2D from 2014.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	18.00%	6.44%
International developed markets equity	16.00%	7.40%
International emerging markets equity	6.00%	9.42%
Core fixed income	12.00%	2.02%
High-yield fixed income	10.00%	4.43%
Real estate	10.00%	5.00%
Commodities	4.00%	4.43%
Hedge fund, GTAA, risk parity	13.00%	3.75%
Private equity	11.00%	10.47%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the net OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2017, were as follows:

Total OPEB liability	\$ 83,552,257
Plan fiduciary net position	<u>26,835,171</u>
Net OPEB liability	<u>\$ 56,717,086</u>

E. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 86,994,954	\$ 21,199,201	\$ 65,795,753
Changes for the year:			
Service cost	2,486,847	-	2,486,847
Interest	6,544,745	-	6,544,745
Contributions - employer	-	6,317,042	(6,317,042)
Net investment income	-	3,020,230	(3,020,230)
Plan amendment	(4,090,587)	-	(4,090,587)
Differences between expected and actual experience	1,468,270	257,093	1,211,177
Changes in assumptions or other inputs	(5,893,577)	-	(5,893,577)
Benefit payments	<u>(3,958,395)</u>	<u>(3,958,395)</u>	<u>-</u>
Net Changes	<u>(3,442,697)</u>	<u>5,635,970</u>	<u>(9,078,667)</u>
Balances, end of year	<u>\$ 83,552,257</u>	<u>\$ 26,835,171</u>	<u>\$ 56,717,086</u>

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 66,464,699	\$ 56,717,086	\$ 48,512,557

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 47,451,519	\$ 56,717,086	\$ 67,599,234

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$2,110,178. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 6,115,455	\$ -
Difference between expected and actual experience	1,174,616	-
Change in assumptions	-	(4,714,862)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(1,075,108)</u>
Total	<u>\$ 7,290,071</u>	<u>\$ (5,789,970)</u>

The \$6,115,455 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30:</u>	
2019	\$ (1,153,838)
2020	(1,153,838)
2021	(1,153,838)
2022	<u>(1,153,840)</u>
Total	\$ <u>(4,615,354)</u>

21. Other Post-Employment Benefits (GASB 74)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In prior years, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. Investments

The OPEB trust fund assets consist of equities, fixed income, real estate, and alternatives. (specify)

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 11.62 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.5%
Salary increases	6%-7% for 2017, decreasing over 6 to 9 years to an ultimate rate of 4.0% 4.75%
Investment rate of return	7.25%
Discount rate	7.25%
Healthcare cost trend rates	6.5% for 2017, decreasing by 0.5% for 4 years, to an ultimate rate of 4.5%
Retirees' share of benefit-related costs	23.5%-50%, depending on the retiree's plan

Mortality rates were based on:

- Pre-Retirement (Non-Teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale 20162D set forward 1 year for females.
- Healthy (Non-Teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale 20162D set forward 1 year for females.
- Disabled (Non-Teachers): RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015
- Pre-Retirement (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.
- Disabled (Teachers): RP-2014 Healthy Annuitant Mortality Table set forward 4 years projected generationally with Scale BB2D from 2014.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2017.

Changes of assumptions and other inputs include:

- The discount rate was decreased from 7.5% on June 30, 2017 to 7.25% on June 30, 2018.
- Per capita health care costs were updated to reflect recent experience.
- Trend assumptions were revised to reflect future expectations.
- Mortality assumptions were updated.
- Salary increase assumptions were revised to reflect future expectations.
- Impact of the excise tax on high cost health plans beginning in 2022 was recalculated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge fund, GTAA, risk parity	13.00%	3.94%
Private equity	12.00%	10.28%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 89,935,820
Plan fiduciary net position	<u>32,878,807</u>
Net OPEB liability	<u>\$ 57,057,013</u>
Plan fiduciary net position as a percentage of the total OPEB liability	36.56%

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 67,422,155	\$ 57,057,013	\$ 47,914,574

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 45,989,847	\$ 57,057,013	\$ 69,630,040

22. 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, 2018, the Town's workers compensation fund had a deficit balance of \$6,425 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, less accrual for outstanding claims. The Town appropriated \$656,283 for workers compensation line item in fiscal year 2018. 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, 2018 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, 2018 are as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 1,057,709
Claims incurred/recognized in fiscal year 2018	580,399
Claims paid in fiscal year 2018	<u>(627,343)</u>
Claims liability, end of year	<u>\$ 1,010,765</u>

23. Subsequent Events

Debt:

Subsequent to June 30, 2018, the Town incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note - Sunita L. Williams School	\$ 3,425,000	1.05%	11/01/17	08/01/18

Water/Sewer-related:

Subsequent to year-end, Coca-Cola Bottling of Northern New England, one of the Town's largest users of the water and sewer systems, ceased beverage manufacturing operations at its Needham facility and is converting the site to a warehouse. The Town is in the process of evaluating the impact this may have on future water and sewer rates.

24. 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.

25. Beginning Fund Balance Restatement

The beginning, July 1, 2017, fund balance of the Town has been restated as follows:

	<u>Sunita L. Williams School</u>	<u>Rosemary Recreation Complex</u>	<u>Nonmajor Governmental Funds</u>
As previously reported, June 30, 2017	\$ (1,904,416)	\$ -	\$ 17,215,365
To reclassify	<u>8,274</u>	<u>3,254,440</u>	<u>(3,262,714)</u>
As restated, July 1, 2017	<u>\$ (1,896,142)</u>	<u>\$ 3,254,440</u>	<u>\$ 13,952,651</u>

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>			<u>Total</u>
		<u>Sewer Fund</u>	<u>Water Fund</u>	<u>RTS Fund</u>	
As previously reported for June 30, 2017	\$ 182,110,762	\$ 24,470,369	\$ 33,507,814	\$ 8,023,421	\$ 66,001,604
Net position restatement: Implementation of GASB 75	<u>(60,417,751)</u>	<u>(956,612)</u>	<u>(896,251)</u>	<u>-</u>	<u>(1,852,863)</u>
As restated for July 1, 2017	<u>\$ 121,693,011</u>	<u>\$ 23,513,757</u>	<u>\$ 32,611,563</u>	<u>\$ 8,023,421</u>	<u>\$ 64,148,741</u>

TOWN OF NEEDHAM, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
JUNE 30, 2018
(Unaudited)

Needham Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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, 2018	December 31, 2017	98.48%	\$64,280,887	\$ 44,684,936	143.85%	71.58%
June 30, 2017	December 31, 2016	98.41%	\$68,675,930	\$ 38,860,207	176.73%	67.10%
June 30, 2016	December 31, 2015	98.20%	\$63,877,775	\$ 39,406,655	162.10%	67.43%
June 30, 2015	December 31, 2014	98.27%	\$54,445,695	\$ 35,772,213	152.20%	71.09%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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, 2018	June 30, 2017	0.00%	\$ -	\$ 156,266,130	\$ 156,266,130	\$ 44,888,988	0.00%	54.25%
June 30, 2017	June 30, 2016	0.67%	\$ -	\$ 148,771,539	\$ 148,771,539	\$ 46,022,868	0.00%	52.73%
June 30, 2016	June 30, 2015	0.66%	\$ -	\$ 135,373,423	\$ 135,373,423	\$ 44,621,329	0.00%	55.38%
June 30, 2015	June 30, 2014	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 See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2018
(Unaudited)**

Needham Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<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, 2018	December 31, 2017	\$ 7,203,059	\$ 7,203,059	\$ -	\$ 44,684,936	16.12%
June 30, 2017	December 31, 2016	\$ 6,600,162	\$ 6,600,162	\$ -	\$ 38,860,207	16.98%
June 30, 2016	December 31, 2015	\$ 6,039,115	\$ 6,039,115	\$ -	\$ 39,406,655	15.33%
June 30, 2015	December 31, 2014	\$ 5,524,150	\$ 5,524,150	\$ -	\$ 35,772,213	15.44%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 8,436,349	\$ 8,436,349	\$ -	\$ 44,888,988	18.79%
June 30, 2017	June 30, 2016	\$ 7,483,070	\$ 7,483,070	\$ -	\$ 46,022,868	16.26%
June 30, 2016	June 30, 2015	\$ 6,751,809	\$ 6,751,809	\$ -	\$ 44,621,329	15.13%
June 30, 2015	June 30, 2014	\$ 5,938,614	\$ 5,938,614	\$ -	\$ 39,867,330	14.90%

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

See Independent Auditors' Report.

**TOWN OF NEEDHAM, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 2,573,887	\$ 2,486,847
Interest	6,913,177	6,544,745
Plan amendments	(4,090,587)	-
Differences between expected and actual experience	1,798,808	-
Changes of assumptions	(4,589,355)	-
Benefit payments	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Net change in total OPEB liability	(1,857,215)	5,073,197
Total OPEB liability - beginning	<u>91,793,035</u>	<u>86,719,838</u>
Total OPEB liability - ending (a)	89,935,820	91,793,035 *
Plan fiduciary net position		
Contributions - employer	7,389,578	6,317,042
Net investment income	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	(4,463,145)	(3,958,395)
Other	<u>-</u>	<u>257,093</u>
Net change in plan fiduciary net position	6,043,636	5,635,970
Plan fiduciary net position - beginning	<u>26,835,171</u>	<u>21,199,201</u>
Plan fiduciary net position - ending (b)	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB liability - ending (a-b)	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>

*Based on actuarial valuation dated June 30, 2017. See Note 20 for updated actuarial valuation dated June 30, 2018.

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

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

See Independent Auditors' Report.

**TOWN OF NEEDHAM, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 89,935,820	\$ 91,793,035
Plan fiduciary net position	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB liability	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>
Plan fiduciary net position as a percentage of the total OPEB liability	36.56%	29.23%
Covered employee payroll	94,042,382	89,329,181
Participating employer net OPEB liability as a percentage of covered employee payroll	60.67%	72.72%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially determined contribution	<u>6,115,455</u>	<u>5,568,923</u>
Contribution deficiency (excess)	<u>\$ (43,172)</u>	<u>\$ -</u>
Covered employee payroll	94,042,382	89,329,181
Contributions as a percentage of covered employee payroll	6.50%	6.23%

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	11.62%	14.25%

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

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

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, 2018

	<u>Budget</u>	<u>Adjusted Actual</u>	Variance Positive <u>(Negative)</u>
Revenues:			
Current service charges	\$ 8,515,415	\$ 9,140,338	\$ 624,923
Interest income	<u>5,000</u>	<u>37,326</u>	<u>32,326</u>
Total Revenues	8,520,415	9,177,664	657,249
Expenditures:			
Sewer expenditures	1,492,003	1,376,116	115,887
Intergovernmental	5,889,796	5,889,796	-
Debt service	<u>1,483,033</u>	<u>980,086</u>	<u>502,947</u>
Total Expenditures	<u>8,864,832</u>	<u>8,245,998</u>	<u>618,834</u>
Excess of revenues over expenditures	(344,417)	931,666	1,276,083
Other Financing Sources and Uses:			
Transfers in	491,749	491,749	-
Use of retained earnings	281,556	-	(281,556)
Transfers out	<u>(428,888)</u>	<u>(428,888)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>344,417</u>	<u>62,861</u>	<u>(281,556)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 994,527</u>	<u>\$ 994,527</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, 2018

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 5,838,784	\$ 6,747,882	\$ 909,098
Interest income	6,800	46,651	39,851
Other revenue	<u>-</u>	<u>4,214</u>	<u>4,214</u>
Total Revenues	5,845,584	6,798,747	953,163
Expenditures:			
Water expenditures	2,431,301	2,286,095	145,206
Intergovernmental	1,109,794	1,109,794	-
Debt service	<u>1,550,000</u>	<u>1,404,398</u>	<u>145,602</u>
Total Expenditures	<u>5,091,095</u>	<u>4,800,287</u>	<u>290,808</u>
Excess of revenues over expenditures	754,489	1,998,460	1,243,971
Other Financing Sources and Uses:			
Transfers in	-	28	28
Use of retained earnings	271,074	-	(271,074)
Transfers out	<u>(1,025,563)</u>	<u>(1,025,563)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(754,489)</u>	<u>(1,025,535)</u>	<u>(271,046)</u>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 972,925</u>	<u>\$ 972,925</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, 2018

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 1,216,107	\$ 1,187,250	\$ (28,857)
Interest income	<u>3,500</u>	<u>3,594</u>	<u>94</u>
Total Revenues	1,219,607	1,190,844	(28,763)
Expenditures:			
Transfers station expenditures	2,314,768	2,235,723	79,045
Debt service	<u>150,000</u>	<u>149,695</u>	<u>305</u>
Total Expenditures	<u>2,464,768</u>	<u>2,385,418</u>	<u>79,350</u>
Excess of revenues over expenditures	(1,245,161)	(1,194,574)	50,587
Other Financing Sources and Uses:			
Transfers in	1,462,500	1,462,800	300
Use of retained earnings	815,040	-	(815,040)
Transfers out	<u>(1,032,379)</u>	<u>(1,032,379)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>1,245,161</u>	<u>430,421</u>	<u>(814,740)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (764,153)</u>	<u>\$ (764,153)</u>

See Independent Auditors' Report.