

## **TOWN OF NEEDHAM, MASSACHUSETTS**

Annual Financial Report

For the Year Ended June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Select Board

Town of Needham, Massachusetts

### **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, 2020, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2019), 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, 2020, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund on pages 79 to 80, and the Pension and OPEB schedules appearing on pages 81 to 84 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 and Water funds appearing on pages 85 through 86 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire  
January 7, 2021

## **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, 2020.

### **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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

**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 \$237,990,781 (net position), a change of \$12,986,101 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$72,823,323, a change of \$28,767,056 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$28,831,766 a change of \$4,820,303 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. Fiscal year 2019 was adjusted to reflect Town's solid waste and recycling program as governmental and not business-type activity for comparability to Fiscal year 2020. The Town Meeting approved the dissolution of the solid waste and recycling program enterprise fund effective fiscal year 2020 and it's now being reported in governmental activities.

	Net Position Summary (000s)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other assets	\$ 95,740	\$ 99,250	\$ 16,075	\$ 16,115	\$ 111,815	\$ 115,365
Capital assets	<u>364,119</u>	<u>332,659</u>	<u>59,238</u>	<u>58,663</u>	<u>423,357</u>	<u>391,322</u>
Total assets	459,859	431,909	75,313	74,778	535,172	506,687
Deferred outflow of resources	<u>46,026</u>	<u>38,434</u>	<u>1,283</u>	<u>983</u>	<u>47,309</u>	<u>39,417</u>
Total assets and deferred outflow of resources	<u>\$ 505,885</u>	<u>\$ 470,343</u>	<u>\$ 76,596</u>	<u>\$ 75,761</u>	<u>\$ 582,481</u>	<u>\$ 546,104</u>
<b>Liabilities:</b>						
Long-term liabilities	\$ 291,874	\$ 239,266	\$ 15,904	\$ 16,593	\$ 307,778	\$ 255,859
Notes payable	1,200	35,960	-	360	1,200	36,320
Other liabilities	<u>16,793</u>	<u>14,609</u>	<u>454</u>	<u>210</u>	<u>17,247</u>	<u>14,819</u>
Total liabilities	309,867	289,835	16,358	17,163	326,225	306,998
Deferred inflow of resources	<u>17,716</u>	<u>13,772</u>	<u>549</u>	<u>329</u>	<u>18,265</u>	<u>14,101</u>
Net position:						
Net investment in capital assets	230,614	212,724	48,642	46,718	279,256	259,442
Restricted	16,889	15,584	-	-	16,889	15,584
Unrestricted	<u>(69,201)</u>	<u>(61,572)</u>	<u>11,047</u>	<u>11,551</u>	<u>(58,154)</u>	<u>(50,021)</u>
Total net position	<u>178,302</u>	<u>166,736</u>	<u>59,689</u>	<u>58,269</u>	<u>237,991</u>	<u>225,005</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 505,885</u>	<u>\$ 470,343</u>	<u>\$ 76,596</u>	<u>\$ 75,761</u>	<u>\$ 582,481</u>	<u>\$ 546,104</u>

	<u>Changes in Net Position Summary (000s)</u>					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 12,912	\$ 14,924	\$ 15,773	\$ 15,452	\$ 28,685	\$ 30,376
Operating grants and contributions	39,417	32,834	-	34	39,417	32,868
Capital grants and contributions	1,936	7,344	360	710	2,296	8,054
General revenues:						
Property taxes	153,740	144,182	-	-	153,740	144,182
Excises	5,842	6,131	-	-	5,842	6,131
Penalties and interest on taxes	2,115	2,412	-	-	2,115	2,412
Grants and contributions not restricted to specific programs	2,451	2,253	-	-	2,451	2,253
Investment income	1,329	1,787	57	58	1,386	1,845
Other	372	560	-	-	372	560
Total revenues	220,114	212,427	16,190	16,254	236,304	228,681
<b>Expenses:</b>						
General government	10,793	8,478	-	-	10,793	8,478
Public safety	23,776	21,501	-	-	23,776	21,501
Education	134,011	124,661	-	-	134,011	124,661
Public works	26,059	27,101	-	-	26,059	27,101
Building design and construction	533	668	-	-	533	668
Human services	3,719	3,367	-	-	3,719	3,367
Culture and recreation	4,359	4,257	-	-	4,359	4,257
Interest on long-term debt	3,496	2,938	-	-	3,496	2,938
Intergovernmental	1,445	1,389	-	-	1,445	1,389
Other unallocated costs	1,152	2,382	-	-	1,152	2,382
Sewer operations	-	-	8,883	8,240	8,883	8,240
Water operations	-	-	5,092	4,689	5,092	4,689
Total expenses	209,343	196,742	13,975	12,929	223,318	209,671
Change in net position before transfers	10,771	15,685	2,215	3,325	12,986	19,010
Transfers	795	3,788	(795)	(3,788)	-	-
Change in net position	11,566	19,473	1,420	(463)	12,986	19,010
Net position - beginning of year, as restated	166,736	147,263	58,269	58,732	225,005	205,995
Net position - end of year	\$ 178,302	\$ 166,736	\$ 59,689	\$ 58,269	\$ 237,991	\$ 225,005

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 \$279,255,448 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.

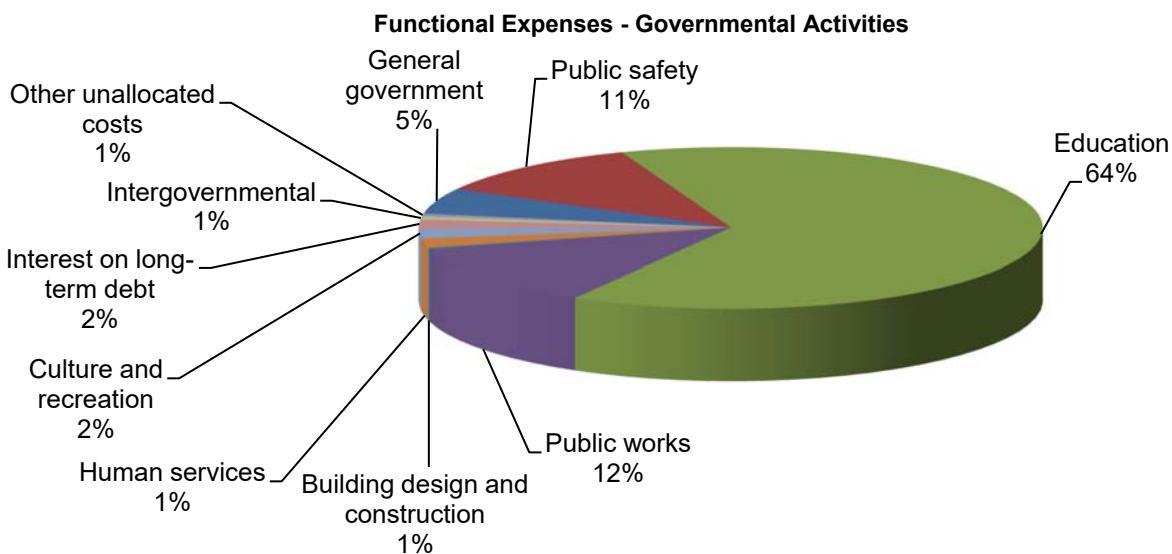
An additional portion of net position \$16,889,839 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(58,154,506) as a result of our net pension and net OPEB liabilities.

### **Governmental Activities**

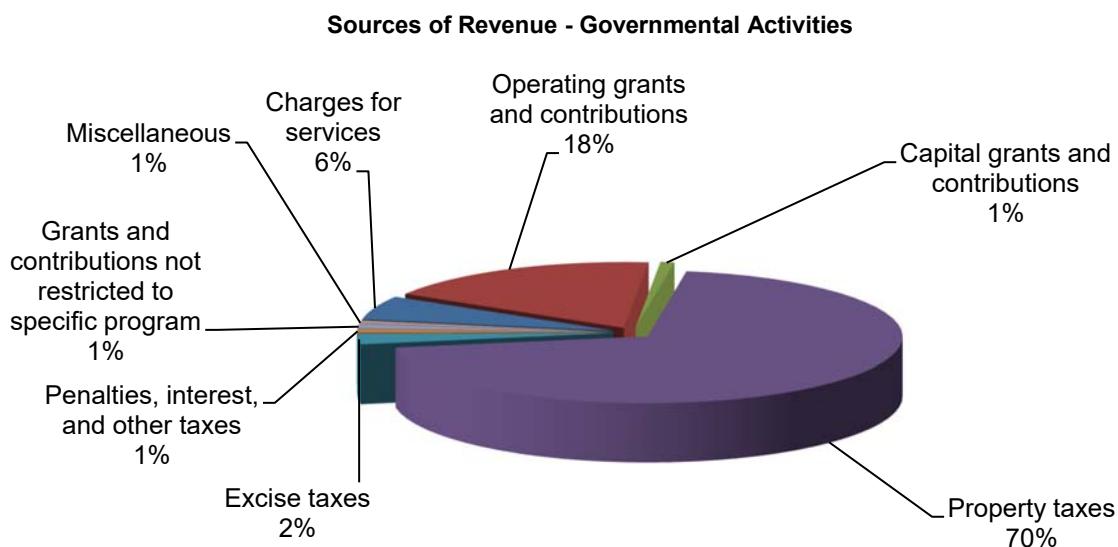
Governmental activities for the year resulted in a change in net position of \$11,556,192. Key elements of this change are as follows:

General fund transfer for cash capital	\$ 15,778,195
Capital grants and contributions	1,935,589
Increase in net pension liability, net of related deferrals	(5,390,519)
Depreciation in excess of debt service principal	(1,943,000)
Other	<u>1,185,927</u>
Total	<u>\$ 11,556,192</u>

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$12.6 million over the previous year or by 6.4%.



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by \$7.6 million over the prior year or 3.6%.



### **Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$1,419,909. The increase in net position is a result of strong budgetary performance in Business-Type Activities and the Town's continued practice of financing some 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 \$72,823,323 a change of \$28,767,056 in comparison to the prior year. Key elements of this change are as follows:

- General Fund results of operations of \$954,271.
- Issuance of debt for the Public Safety Building construction in October 2019 and June 2020 exceeding current year expenditures by \$7,609,182. Total unspent debt amount of June 30, 2020 for this project is \$1,729,430.

- School grants revenue exceeding current year expenditures by \$1,472,616. This primarily results from carrying forward Circuit Breaker special education funds. At June 30, 2020 the carry forward is \$1,587,125 as listed in Note 16.
- Capital projects, other than Public Safety Building, current year issuance of debt and transfers from General Fund exceeded capital outlay expenditures by \$17,837,567 due to timing of issuance of debt and work on the projects.

### **General Fund**

The general fund is the chief operating fund. The unassigned fund balance at June 30, 2020 was \$28,831,766 (which includes our general stabilization fund of \$4,365,010) increased by \$4,820,303. The increase primarily results from favorable budgetary results of \$12,001,757 from revenues and transfers in excess of budget and unspent appropriations (page 82), \$906,293 from the liquidation of prior encumbrances, less the use of free cash for fiscal year 2021 of \$8,368,686. 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>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
Unassigned fund balance:	\$ 28,831,766	\$ 24,011,463	\$ 22,017,467
General Fund*	24,466,756	19,823,947	17,888,838
Stabilization Fund**	4,365,010	4,187,516	4,128,629
Total fund balance*	\$ 48,669,479	\$ 47,715,208	\$ 48,700,784

\*General Fund fund balances for 6/30/19 and 6/30/18 are restated to include the Solid Waste Fund.

\*\*General Stabilization Fund fund balance was previously classified as Committed and is now Unassigned.

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
Unassigned fund balance as of % of total General Fund expenditures	17.4%	15.5%	14.9%
Total fund balance as of % total General Fund expenditures	29.3%	30.8%	33.0%

Expenditure amounts used to calculate the above percentages have been adjusted to exclude the \$10,059,024 on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System.

The total fund balance of the general fund changed by \$954,271 during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus and other reserves used for FY2020 appropriations	\$ (10,813,030)
Revenues and transfers in excess of budget	4,356,475
Expenditures less than budget	7,645,282
Other	(234,456)
Total	\$ <u>954,271</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
Compensated absences	\$ 336,952	\$ 204,995	\$ 131,957
Continuing appropriations	1,601,174	1,610,524	(9,350)
Capital improvement stabilization	1,095,016	910,577	184,439
Capital facility stabilization	1,918,088	1,886,376	31,712
Athletic facility stabilization	269,698	2,686,229	(2,416,531)
Debt service stabilization	2,150,051	2,114,506	35,545
Total	<u>\$ 7,370,979</u>	<u>\$ 9,413,207</u>	<u>\$ (2,042,228)</u>

### **Other Major Funds**

**Community Preservation Act Fund** – State legislation allows 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 Cricket Field renovation and non-capital expenditures resulting primarily from Rosemary Lake sediment remediation.

**Public Safety Building** – At the October 2018 Special Town Meeting, article 10 was passed appropriating fund for the renovations of the Public Safety Building and Fire Station #2. In fiscal year 2020, \$24,390,818 was expended for renovation costs.

**Non-major Governmental Funds** – The non-major fund balances changed by \$20,372,315 primarily from timing differences of capital projects.

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

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
Sewer	\$ 5,251,659	\$ 6,024,336	\$ (772,677)
Water	<u>5,795,177</u>	<u>5,526,376</u>	<u>268,801</u>
Total	<u>\$ 11,046,836</u>	<u>\$ 11,550,712</u>	<u>\$ (503,876)</u>

Unrestricted net position of the Sewer fund decreased primarily from the voted use of certified retained earnings (a component of unrestricted net position) much of which was used for the acquisition of capital assets. Unrestricted net position of the Water fund increased from positive budgetary results.

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

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

The COVID-19 Pandemic has affected residents, businesses, civic and private foundations, municipal and school operations, and the entire country. This is reflective in our comments. The Town implemented additional spending restrictions during the last quarter of fiscal year 2020 in acknowledgement of the downturn in the economy due to COVID-19. The Town postponed or cancelled contracts, reduced hours of operations, and made other changes in response to the work restrictions that were imposed by the state to battle the spread of COVID-19. Some resources were diverted from intended projects to meet costs incurred by the Town to address COVID-19 concerns.

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line-item amendments are made at a special town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The operating budget was approved at \$178,260,006 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$179,716,826. There were no appropriation amendments to the operating budget for the year.

General Fund		Original	Final
Town Meeting Operating Budget Appropriation		\$178,260,006	\$178,260,006
State and County Assessments		\$1,444,320	\$1,444,320
Other Amounts to be Provided		\$12,500	\$12,500
<b>Total</b>		<b>\$179,716,826</b>	<b>\$179,716,826</b>

During fiscal year 2020, the Town realized revenue in excess of budget of \$3.9 million and realized budget returns of \$7.6 million. General Fund revenue in excess of budget was notably lower than the fiscal year 2019 results. The \$7.6 million budget return was higher than the fiscal year 2019 return of approximately \$4.9 million. The lower revenue surplus was attributable to the COVID-19 response restrictions and business closures. Many local receipt categories for the year were lower than the prior year. Receipts for the first eight months of the fiscal year were tracking to run ahead of fiscal year 2019, but with the spread of COVID-19, the travel restrictions, business slow down and closures, there was a noticeable drop in economic activity and revenue declined. The larger than usual budget return was reflective of the steps the Town took to reduce spending in anticipation of declining revenue as a consequence of COVID-19. The Town suspended or deferred some contracted work, implemented restrictions on personnel utilization, and a slow down on hiring for vacant positions all contributed to the higher turnback. The turn back for fiscal year 2020 was 4.3% of budget which compares to a return of 3.0% for fiscal year 2019.

Motor vehicle excise tax revenue was down 7.5% from prior year's actual receipts (\$5,679,213 for FY2020 vs \$6,138,951 for FY2019) and was lower than the actual receipts for FY2018 (\$5,910,555). Furthermore, the margin between budgeted and actual revenue was significantly lower than prior years, with actual receipts for fiscal year 2020 at \$0.48 million over the budget compared to \$1.24 million for FY2019 and \$1.16 million for FY2018.

Revenue generated from other taxes, penalties, and payments in lieu of tax was approximately \$0.34 million over the budget for fiscal year 2020 which compares to \$0.77 million over the budget for fiscal year 2019, and FY2020 was below the fiscal year 2018 amount of \$0.52 million over the budget. Comparing the actual revenue from those sources for fiscal year 2020 to fiscal year 2019 shows a decline in each of the receipt categories and total receipts being approximately \$358,000 less (\$2,050,593 for FY2020 compared to \$2,408,784 for FY2019). The total was less than FY2018 as well with total receipts of \$2,132,175.

	Actual FY2020	Actual FY2019	Change \$	Actual FY2018
Motor Vehicle Excise	\$5,679,213	\$6,138,951	(\$459,738)	\$5,910,555
Other Taxes and PILOT	\$1,777,874	\$2,011,190	(\$233,316)	\$1,674,895
Penalties and Interest	\$272,719	\$397,594	(\$124,875)	\$457,280
Licenses & Permits Income Actual	\$2,381,660	\$2,590,858	(\$209,198)	\$2,603,017
Total	\$10,111,466	\$11,138,593	(\$1,027,127)	\$10,645,747

Revenue from licenses and permits declined by more than eight percent, even though building activity remained strong and many projects were allowed to continue even as other industries had to reduce or stop operations due to COVID-19 social distancing requirements. The total permit income for fiscal year 2020 was \$2,381,660 compared to \$2,590,858 for fiscal year 2019, and the \$2,603,017 for fiscal year 2018.

Overall total actual General Fund revenue (\$179,455,757) for fiscal year 2020 was \$8,901,905 more than the total for fiscal year 2019 (\$170,553,852). The increase was principally related to the growth in property taxes with \$8.87 million more in fiscal year 2020. The increase resulted from the high New Growth tax revenue, and a higher amount of excluded debt which was added to the tax levy, for projects previously approved by the voters of Needham. Conversely, the total General Fund revenue surplus for fiscal year 2020 was \$3,892,905 which was \$2,928,831 less than fiscal year 2019. The combination of motor vehicle excise revenue permit and license revenue, and other local tax receipts contributed approximately 32.6% of the total General Fund surplus for fiscal year 2020, down from the 39.2% that these sources comprised in 2019.

The General Fund appropriated operating budget, excluding county and state assessments and other amounts to be provided, accounting for most of the expenditures, returned \$7,634,782 or approximately 4.3% of the operating budget appropriation; the return for fiscal year 2019 was \$4,894,717 or approximately 3.0% of the appropriation for that year. The budgetary reserve fund (reserve fund) returned \$1,851,500 which represents 24.3% of the total General Fund operating budget return for the fiscal year 2020 and was the highest dollar amount returned. The reserve fund budget amount returned was more than fiscal year 2019 reserve fund budget return (\$1,552,099), which was 31.7% of the total return in that year. The \$1,851,500 return of the reserve fund budget represents approximately 98% of the original voted reserve fund budget of \$1,881,500. There was only one draw on the reserve fund during fiscal year 2020, which was the transfer of \$30,000 to the Planning and Community Development Department to hire a consultant for a traffic study. However, the study was not conducted because traffic volumes declined significantly due to travel restrictions imposed to contain the spread of COVID-19. Usually, the Town incurs expenses for snow and ice removal that exceed the annual budgeted amount, and the overage is covered by a transfer from the reserve fund, however, FY2020 was the first year in many years that a transfer was not required as the amount and number of snow events was less than in past years.

The second highest dollar turnback was from the Department of Public Works in the amount of \$1,354,100. The budget returns resulted from both the slowdown in hiring and the scaling back of contracted services due to COVID-19. The dollar return was 8.5% of the department budget. The expense line turnback from Public Works totaled \$849,984 which represents approximately 63% of the total return. The turn back from DPW accounts for approximately 17.7% of the total General Fund budget return.

The Group Health Insurance, Employee Benefits and Administrative Costs budget returned \$1,321,044 which accounted for approximately 17.3% of the total General Fund budget return. The turn back was due to greater number of employees remaining in the high deductible health plans rather than switching back to the more traditional health plans, as was anticipated and because much fewer seasonal and temporary labor was hired because of the closure of various recreational and cultural programs because of the COVID-19 restrictions. The Town's Social Security expenses were lower than in the past five years. Conversely the Town's unemployment expense grew. The total return was approximately 8.5% of that budget line.

A combination of many public building closures (schools and various community service functions) and lower energy prices during the last quarter of FY2020 contributed to the Needham Electric, Light & Gas Program expense turnback of \$659,653. This represented a turnback of 17.6% of the budget line and was approximately 8.6% of the total General Fund budget return.

The Police Department had the fifth highest budget turnback returning \$471,630 or 6.6% of its budget which compares to \$139,620 or 2.0% of its fiscal year 2019 budget. Approximately 73% of the turn back (\$343,752) was from salary and wages due to delays with filling vacant positions. The balance (\$127,879) was from operating expenses, which was due to spending restrictions that were put into place. The department budget turnback represented approximately 6.2% of the total General Fund budget return.

The Needham Public Schools had the sixth highest dollar turnback with \$455,091 for fiscal year 2020, which compares to the \$18,954 return for fiscal year 2019. The appropriated school budget for fiscal year 2020 was \$76,005,765, so the \$455,091 return represents just 0.6% of the original budget but made up six percent of the total General Fund budget return.

The other 17 departmental budgets returned in total \$1,145,502 or 5.2% of their combined amended budgets for the year. Last year the return was approximately 2.8%. The higher return was again attributed to the spending and hiring restrictions implemented during the last part of fiscal year 2020. The Town-wide expense budgets (excluding the budgetary reserve fund, employee benefits, and electric, light & gas program) returned a combined \$376,263 or approximately 1.0% of their related total amended budgets, which compares to the same budgets last year returning \$378,338 or approximately 1.4% 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 \$423,357,628 (net of accumulated depreciation), a change of \$32,035,107 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:

### Governmental Activities:

Public safety building	\$ 24,308,554
Sunita L. Williams elementary school	\$ 7,293,116
Athletic facility improvements	\$ 1,825,094
Public works infrastructure	\$ 1,208,321
Memorial park improvements	\$ 1,453,973
Public works storage facility	\$ 3,773,927

Business-Type Activities:

Sewer system rehab program	\$ 1,261,558
Water service connections	\$ 285,943

**Debt.** At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$144,751,227. 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 \$1,200,000 in bond anticipation notes outstanding as of June 30, 2020.

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**

COVID-19 negatively impacted fiscal year 2020 revenues, will continue to do so during fiscal year 2021, and we anticipate that it will continue through fiscal year 2022. The total General Fund balance for fiscal year 2020 was higher than fiscal year 2019. Fund balance was \$48.7 million for fiscal year 2020 compared to \$47.7 million for fiscal year 2019, approximately a 3.6% change. The unassigned portion of the General Fund increased from the prior fiscal year with a balance of \$28.8 million for fiscal year 2020 compared to \$19.4 million for fiscal year 2019. However, the figure for FY2020 is inclusive of the General Stabilization Fund. The increase is also attributable to a less use of Free Cash for appropriations during the year. The State certified \$12,369,898 available as Free Cash for fiscal year 2020 of which the Town appropriated \$7,862,473 of that amount. 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 \$10,387,871.

The Town allocated \$3,939,433 of the Free Cash for capital equipment and projects for fiscal year 2021. This was approximately \$3.5 million less than was appropriated in the previous fiscal year. The Free Cash appropriated for capital included \$770,500 for NPDES and related infrastructure improvements and \$50,000 for traffic improvements, \$460,000 for the replacement of the boiler at the Public Works facility located at 470 Dedham Avenue, \$179,300 for a technology room conversion project at the Eliot School, and \$60,000 for locker room redesign at the Pollard School. Free Cash was also used to fund capital equipment which included \$1,268,729 in core fleet and special equipment, \$192,000 for a loader mounted snow blower for the Highway division of Public Works, \$683,995 in cash capital equipment and technology for the Needham Public Schools, and \$174,909 was directed to other General Fund cash capital investments in equipment, technology, and protective gear for Town departments. The balance of the Free Cash for capital of \$100,000 was appropriated for energy efficiency upgrades and improvements in the various municipal and school buildings.

The Town also allocated \$3,201,753 of Free Cash to the fiscal year 2021 operating budget and \$6,288 for unpaid bills from a prior year. The Town's use of Free Cash for funding the subsequent fiscal year operating budget (FY2021) was in line with management's guidance of not more than two-percent of the previous year's (FY2019) final budget (excluding the budgetary reserve fund) or the actual turn back, whichever is less. Two percent of the fiscal year 2019 operating budget excluding the budgetary reserve fund was \$3,217,536; the related budgetary return was \$3,342,618. The amount of Free Cash appropriated for budget purposes was \$3,208,041.

The Town appropriated \$655,000 of Free Cash for its ongoing public facilities maintenance program. The Town also appropriated \$60,000 for consulting services for the Planning and Community Development Department for planning studies. The \$4,507,426 balance in Free Cash was closed out at year end to fund balance. Management continues to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for ongoing operating budget expenses. The Select Board endorsed this best practice.

Property tax collections remained high, but due to COVID-19 there was an increase in the number of overdue accounts and a greater dollar amount. The total property tax outstanding at June 30, 2020 was \$4.8 million which compares to \$3.3 million outstanding at June 30, 2019. We increased our allowance for doubtful personal property tax accounts from \$660,000 to \$744,000. However, property investment and construction activity remain strong, and revenue increase from "New Growth" was another above average year with \$4,697,667 for fiscal year 2020 compared to \$4,394,835 for fiscal year 2019, however it was lower than the fiscal year 2018 record at \$4,841,774. We now anticipate and are planning for a slowdown in New Growth revenue as the overall economy adjusts to the impact of COVID-19. The Town should realize better New Growth revenue than would otherwise be likely because of the pending future revenue from the NBC Universal studios which opened last year. Meals and room excise revenues will be anemic as the hospitality industry was impacted negatively by the travel restrictions and social distancing requirements put into place as a result of COVID-19. Even with hopes of a mass vaccination effort during 2021, we anticipate that these revenues will take one to two years to return to previous levels.

The Sunita L. Williams elementary school opened in September 2019 (FY2020) and the additional operating costs for the facility were fundable within current resources. The Town will formally close out and the MSBA will complete its audit of the project to determine the final payment due the Town for the MSBA's share of the project during the spring of 2021. The Town may need to issue one additional bond to cover expenses that are not paid by the MSBA.

The Town has approved funding for the construction of a new Fire Station #2, a new central Fire Station and a new Police station. The estimated cost of the public safety projects was \$70 million. However, unexpected soil contamination was found at the Station #2 location and challenges to continue construction of the facilities resulted with COVID-19. The Town may need to appropriate an additional \$1.7 million debt authorization to complete the three projects. Although the initial appropriation was exempted from the limits imposed under

Proposition 2-1/2 by a vote of the citizens at the November 2018 State election, the additional appropriation would be funded within the levy limit. The central Fire Station opened in November 2020, and Station #2 is expected to open in November 2021. The construction of the police station, the final phase, has begun. The police station is anticipated to open in 2022.

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. Although commercial use of water and sewer is down, residential use has increased as a result of more people working from home and staying local. The Town had planned a multi-year phase in of rate changes to mitigate the revenue loss from the closure of the Coca Cola bottling production in Needham, and did make minor changes for FY2020, but chose not to change the rates for fiscal year 2021 due to COVID-19. The Town relied upon a greater use of retained earnings to fund sewer operations for fiscal year 2021. Supplementary rate changes due to the loss of Coca Cola will likely still be required for fiscal year 2022, and again for fiscal year 2023.

As stated at the onset, the Town is taking proactive steps to manage the operations through a time of greater uncertainty, lower revenue growth, perhaps for a time, shrinking revenues. Management reduced its fiscal year 2021 revenue estimates prior to enacting the budget for the year which has proven to be a prudent step. The Town reduced its use of Free Cash for fiscal year 2021, which should increase available reserves to fund one-time expenses resulting from COVID-19, and to ease the impact of lower revenues. We are expecting weak revenue growth from local resources for fiscal year 2022, which may linger into fiscal year 2023. The demands from the public schools due to mandates imposed by the Commonwealth is a challenge. 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. However, management will continue its prudent approach with its budget estimates to help buffer any decline in the major local revenue sources in the next two to three years.

### **REQUESTS FOR INFORMATION**

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

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

## TOWN OF NEEDHAM, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets:			
Current:			
Cash and short-term investments	\$ 71,782,968	\$ 11,138,465	\$ 82,921,433
Investments	15,659,272	-	15,659,272
Receivables, net:			
Property taxes	2,725,748	-	2,725,748
Excises	543,336	-	543,336
Utilities	-	4,936,294	4,936,294
Departmental	1,010,043	-	1,010,043
Intergovernmental	1,057,884	-	1,057,884
Other	56,273	-	56,273
Deposits	<u>182,226</u>	<u>-</u>	<u>182,226</u>
Total current assets	93,017,750	16,074,759	109,092,509
Noncurrent:			
Receivables, net:			
Property taxes	1,332,163	-	1,332,163
Intergovernmental	1,390,296	-	1,390,296
Capital assets:			
Non-depreciable capital assets	138,358,048	4,058,322	142,416,370
Depreciable assets, net of accumulated depreciation	<u>225,760,919</u>	<u>55,180,339</u>	<u>280,941,258</u>
Total non-current assets	<u>366,841,426</u>	<u>59,238,661</u>	<u>426,080,087</u>
<b>TOTAL ASSETS</b>	<b>459,859,176</b>	<b>75,313,420</b>	<b>535,172,596</b>
Deferred Outflows of Resources			
Related to pensions	20,808,664	865,739	21,674,403
Related to OPEB	<u>25,217,637</u>	<u>416,964</u>	<u>25,634,601</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>46,026,301</u></b>	<b><u>1,282,703</u></b>	<b><u>47,309,004</u></b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ <u>505,885,477</u></b>	<b>\$ <u>76,596,123</u></b>	<b>\$ <u>582,481,600</u></b>

(continued)

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities:			
Current:			
Warrants and accounts payable	\$ 7,493,055	\$ 220,463	\$ 7,713,518
Accrued liabilities	7,422,558	51,550	7,474,108
Unearned revenue	1,138,318	-	1,138,318
Refunds payable	562,856	182,467	745,323
Notes payable	1,200,000	-	1,200,000
Other liabilities	175,924	-	175,924
Current portion of long-term liabilities:			
Bonds payable	14,164,606	1,176,028	15,340,634
Compensated absences	1,662,946	347,328	2,010,274
Landfill liability	56,415	-	56,415
Total current liabilities	<u>33,876,678</u>	<u>1,977,836</u>	<u>35,854,514</u>
Noncurrent:			
Bonds payable, net of current portion	119,983,859	9,426,734	129,410,593
Net pension liability	81,001,063	3,370,029	84,371,092
Net OPEB liability	69,565,492	1,584,099	71,149,591
Compensated absences, net of current portion	4,988,838	-	4,988,838
Landfill liability, net of current portion	451,323	-	451,323
Total non-current liabilities	<u>275,990,575</u>	<u>14,380,862</u>	<u>290,371,437</u>
<b>TOTAL LIABILITIES</b>	<b>309,867,253</b>	<b>16,358,698</b>	<b>326,225,951</b>
Deferred Inflows of Resources			
Related to pensions	7,975,161	331,805	8,306,966
Related to OPEB	9,529,758	217,006	9,746,764
Taxes paid in advance	211,138	-	211,138
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>17,716,057</b>	<b>548,811</b>	<b>18,264,868</b>
Net Position:			
Net investment in capital assets	230,613,670	48,641,778	279,255,448
Restricted for:			
Permanent funds:			
Nonexpendable	188,478	-	188,478
Expendable	2,605,483	-	2,605,483
Grants and by enabling legislation	14,095,878	-	14,095,878
Unrestricted	(69,201,342)	11,046,836	(58,154,506)
<b>TOTAL NET POSITION</b>	<b>178,302,167</b>	<b>59,688,614</b>	<b>237,990,781</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 505,885,477</b>	<b>\$ 76,596,123</b>	<b>\$ 582,481,600</b>

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Expenses</u>	Program Revenues				<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>Governmental Activities:</b>						
General government	\$ 10,793,020	\$ 502,397	\$ 100,730	\$ -	\$ (10,189,893)	
Public safety	23,776,466	4,043,424	621,267	-	(19,111,775)	
Education	134,010,948	4,879,979	37,461,520	1,935,589	(89,733,860)	
Public works	26,058,932	2,480,285	-	-	(23,578,647)	
Building design and construction	532,663	133,022	-	-	(399,641)	
Health and human services	3,719,586	210,209	962,594	-	(2,546,783)	
Culture and recreation	4,359,373	662,447	270,573	-	(3,426,353)	
Interest on debt service	3,495,953	-	-	-	(3,495,953)	
Intergovernmental	1,445,490	-	-	-	(1,445,490)	
Other unallocated costs	1,150,264	-	-	-	(1,150,264)	
Total Governmental Activities	209,342,695	12,911,763	39,416,684	1,935,589	(155,078,659)	
<b>Business-Type Activities:</b>						
Sewer services	8,882,890	9,201,404	-	360,000	678,514	
Water services	5,092,201	6,571,424	-	-	1,479,223	
Total Business-Type Activities	13,975,091	15,772,828	-	360,000	2,157,737	
Total	\$ 223,317,786	\$ 28,684,591	\$ 39,416,684	\$ 2,295,589	\$ (152,920,922)	

(continued)

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Change in Net Position:</b>			
Net (Expenses) revenue from previous page	(155,078,659)	2,157,737	(152,920,922)
<b>General Revenues and Transfers:</b>			
Property taxes	153,739,907	-	153,739,907
Excise taxes	5,842,176	-	5,842,176
Penalties, interest, and other taxes	2,114,772	-	2,114,772
Grants and contributions not restricted to specific programs	2,451,083	-	2,451,083
Investment income	1,329,450	57,205	1,386,655
Miscellaneous	<u>372,430</u>	-	<u>372,430</u>
Total general revenues	<u>165,849,818</u>	<u>57,205</u>	<u>165,907,023</u>
Excess before transfers	10,771,159	2,214,942	12,986,101
Transfers, net	<u>795,033</u>	<u>(795,033)</u>	-
Change in Net Position	11,566,192	1,419,909	12,986,101
<b>Net Position:</b>			
Beginning of year, as restated	<u>166,735,975</u>	<u>58,268,705</u>	<u>225,004,680</u>
End of year	<u>\$ 178,302,167</u>	<u>\$ 59,688,614</u>	<u>\$ 237,990,781</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2020

	<u>General</u>	<u>Community Preservation</u>	<u>Public Safety Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 44,593,304	\$ 4,907,569	\$ 5,095,463	\$ 15,995,069	\$ 70,591,405
Investments	9,417,500	3,681,346	-	2,560,426	15,659,272
Receivables:					
Property taxes	4,765,333	36,578	-	-	4,801,911
Excises	1,149,336	-	-	-	1,149,336
Departmental	1,112,160	-	-	30,884	1,143,044
Intergovernmental	2,085,444	-	-	362,736	2,448,180
Other	56,273	-	-	-	56,273
Deposits	-	-	-	182,226	182,226
<b>TOTAL ASSETS</b>	<b>\$ 63,179,350</b>	<b>\$ 8,625,493</b>	<b>\$ 5,095,463</b>	<b>\$ 19,131,341</b>	<b>\$ 96,031,647</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Warrants and accounts payable	\$ 1,654,589	\$ 1,179,025	\$ 3,366,033	\$ 1,293,409	\$ 7,493,056
Unearned revenue	-	-	-	1,138,317	1,138,317
Accrued liabilities	3,892,671	-	-	89,856	3,982,527
Anticipation notes payable	-	-	-	1,200,000	1,200,000
Refunds payable	562,856	-	-	-	562,856
Other liabilities	174,309	-	-	1,615	175,924
<b>TOTAL LIABILITIES</b>	<b>6,284,425</b>	<b>1,179,025</b>	<b>3,366,033</b>	<b>3,723,197</b>	<b>14,552,680</b>
Deferred Inflows of Resources:					
Unavailable revenues	8,014,308	36,578	-	393,620	8,444,506
Taxes paid in advance	<u>211,138</u>	-	-	-	<u>211,138</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,225,446</b>	<b>36,578</b>	<b>-</b>	<b>393,620</b>	<b>8,655,644</b>
Fund Balances:					
Nonspendable	-	-	-	188,478	188,478
Restricted	792,826	7,409,890	1,729,430	9,012,981	18,945,127
Committed	7,370,979	-	-	7,665,439	15,036,418
Assigned	11,673,908	-	-	-	11,673,908
Unassigned	28,831,766	-	-	(1,852,374)	26,979,392
<b>TOTAL FUND BALANCES</b>	<b>48,669,479</b>	<b>7,409,890</b>	<b>1,729,430</b>	<b>15,014,524</b>	<b>72,823,323</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 63,179,350</b>	<b>\$ 8,625,493</b>	<b>\$ 5,095,463</b>	<b>\$ 19,131,341</b>	<b>\$ 96,031,647</b>

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

JUNE 30, 2020

<b>Total governmental fund balances</b>	\$ 72,823,323
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	364,118,967
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	6,961,505
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.	(28,350)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(2,220,118)
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	(81,001,063)
Pension related deferred outflows of resources	20,808,664
Pension related deferred inflows of resources	(7,975,161)
Net OPEB liability, net of related deferred outflows and inflows	(69,565,492)
OPEB related deferred outflows of resources	25,217,637
OPEB related deferred inflows of resources	(9,529,758)
Bonds and loans payable, net unamortized premiums	(134,148,465)
Compensated absences payable	(6,651,784)
Estimated liability for landfill postclosure care costs	<u>(507,738)</u>
<b>Net position of governmental activities</b>	<u>\$ 178,302,167</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, 2020

	<u>General</u>	<u>Community Preservation</u>	<u>Public Safety Building</u>	<u>Nonmajor Governmental Funds</u>	Total <u>Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 150,349,498	\$ 2,609,353	\$ -	\$ -	\$ 152,958,851
Excise taxes	5,679,213	-	-	-	5,679,213
Penalties, interest, and other taxes	2,050,592	3,019	-	-	2,053,611
Charges for services	2,812,847	-	-	5,630,247	8,443,094
Departmental	1,585,175	-	-	-	1,585,175
Licenses and permits	2,376,998	-	-	-	2,376,998
Intergovernmental	23,176,245	592,379	-	9,101,388	32,870,012
Investment income (loss)	1,105,210	110,497	-	113,745	1,329,452
Fines and forfeitures	239,211	-	-	-	239,211
Contributions	-	-	-	435,663	435,663
Other	<u>410,840</u>	<u>-</u>	<u>-</u>	<u>64,793</u>	<u>475,633</u>
Total Revenues	189,785,829	3,315,248	-	15,345,836	208,446,913
<b>Expenditures:</b>					
Current:					
General government	6,666,599	1,975,790	-	149,746	8,792,135
Public safety	21,078,179	-	-	466,217	21,544,396
Education	103,940,650	-	-	9,522,074	113,462,724
Public works	21,428,807	-	-	38,624	21,467,431
Building design and construction	800,273	-	-	-	800,273
Health and human services	2,590,784	-	-	835,965	3,426,749
Culture and recreation	3,237,918	-	-	538,078	3,775,996
Employee benefits	790,253	-	-	-	790,253
Other	608,251	-	-	-	608,251
Capital outlay	-	372,853	24,390,818	18,246,084	43,009,755
Debt service:					
Principal	9,542,526	-	-	-	9,542,526
Interest and fiscal charges	3,896,575	-	-	-	3,896,575
Intergovernmental	<u>1,445,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445,490</u>
Total Expenditures	<u>176,026,305</u>	<u>2,348,643</u>	<u>24,390,818</u>	<u>29,796,788</u>	<u>232,562,554</u>
Excess (deficiency) of revenues over expenditures	13,759,524	966,605	(24,390,818)	(14,450,952)	(24,115,641)
<b>Other Financing Sources (Uses):</b>					
Issuance of bonds	-	-	30,105,000	17,508,000	47,613,000
Issuance of refunding bonds	4,990,000	-	-	-	4,990,000
Premium on bonds	-	-	1,895,000	2,907,408	4,802,408
Premium on refunding bonds	874,887	-	-	-	874,887
Deposit to refunding escrow	(5,908,925)	-	-	-	(5,908,925)
Transfers in	3,010,210	50,000	-	15,728,195	18,788,405
Transfers out	<u>(15,771,425)</u>	<u>(1,185,317)</u>	<u>-</u>	<u>(1,320,336)</u>	<u>(18,277,078)</u>
Total Other Financing Sources (Uses)	<u>(12,805,253)</u>	<u>(1,135,317)</u>	<u>32,000,000</u>	<u>34,823,267</u>	<u>52,882,697</u>
Net change in fund balances	954,271	(168,712)	7,609,182	20,372,315	28,767,056
Fund Balances, at beginning of year, as reclassified	47,715,208	7,578,602	(5,879,752)	(5,357,791)	44,056,267
Fund Balances, at end of year	<u>\$ 48,669,479</u>	<u>\$ 7,409,890</u>	<u>\$ 1,729,430</u>	<u>\$ 15,014,524</u>	<u>\$ 72,823,323</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2020

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 28,767,056</b>
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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:

Capital outlay purchases, net of loss on disposal	42,945,185
Depreciation	(11,485,194)

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.

421,935

The issuance of long-term debt (bonds) 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:

Bond premium	(4,746,000)
Bond premium amortization	340,506
Issuance of debt	(47,613,000)
Refunded debt	5,760,000
Issuance of refunded debt	(4,990,000)
Repayments of debt	9,542,526

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

(722,257)

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.

Change in net pension liability and related deferred outflows and inflows of resources	(5,390,519)
Change in net OPEB liability and related deferred outflows and inflows of resources	(731,175)
Change in compensated absences	(1,121,233)
Change in landfill liability	56,415

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.

531,947

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 11,566,192</b>
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The accompanying notes are an integral part of these financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Total	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Assets:				
Current:				
Cash and short-term investments	\$ 4,622,312	\$ 6,516,153	\$ 11,138,465	\$ 1,191,563
User fees receivable	<u>2,858,244</u>	<u>2,078,050</u>	<u>4,936,294</u>	<u>-</u>
Total current assets	7,480,556	8,594,203	16,074,759	1,191,563
Noncurrent:				
Land and construction in progress	2,194,350	1,863,972	4,058,322	-
Other capital assets, net of accumulated depreciation	<u>23,502,896</u>	<u>31,677,443</u>	<u>55,180,339</u>	<u>-</u>
Total noncurrent assets	<u>25,697,246</u>	<u>33,541,415</u>	<u>59,238,661</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>33,177,802</b>	<b>42,135,618</b>	<b>75,313,420</b>	<b>1,191,563</b>
Deferred Outflows of Resources:				
Related to pensions	340,112	525,627	865,739	-
Related to OPEB	<u>214,396</u>	<u>202,568</u>	<u>416,964</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b><u>554,508</u></b>	<b><u>728,195</u></b>	<b><u>1,282,703</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 33,732,310</b>	<b>\$ 42,863,813</b>	<b>\$ 76,596,123</b>	<b>\$ 1,191,563</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION</b>				
Liabilities:				
Current:				
Accounts payable	\$ 22,422	\$ 198,041	\$ 220,463	\$ -
Accrued payroll	25,510	26,040	51,550	-
Accrued liabilities	-	-	-	1,219,913
Refunds payable	159,785	22,682	182,467	-
Compensated absences	195,297	152,031	347,328	-
Current portion of long-term liabilities:				
Bonds payable	<u>543,649</u>	<u>632,379</u>	<u>1,176,028</u>	<u>-</u>
Total current liabilities	946,663	1,031,173	1,977,836	1,219,913
Noncurrent:				
Bonds payable, net of current portion	4,546,187	4,880,547	9,426,734	-
Net pension liability	1,323,940	2,046,089	3,370,029	-
Net OPEB liability	<u>814,517</u>	<u>769,582</u>	<u>1,584,099</u>	<u>-</u>
Total noncurrent liabilities	<u>6,684,644</u>	<u>7,696,218</u>	<u>14,380,862</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>7,631,307</b>	<b>8,727,391</b>	<b>16,358,698</b>	<b>1,219,913</b>
Deferred Inflow of Resources:				
Related to pensions	130,352	201,453	331,805	-
Related to OPEB	<u>111,581</u>	<u>105,425</u>	<u>217,006</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b><u>241,933</u></b>	<b><u>306,878</u></b>	<b><u>548,811</u></b>	<b><u>-</u></b>
Net Position:				
Net investment in capital assets	20,607,411	28,034,367	48,641,778	-
Unrestricted	<u>5,251,659</u>	<u>5,795,177</u>	<u>11,046,836</u>	<u>(28,350)</u>
<b>TOTAL NET POSITION</b>	<b><u>25,859,070</u></b>	<b><u>33,829,544</u></b>	<b><u>59,688,614</u></b>	<b><u>(28,350)</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 33,732,310</b>	<b>\$ 42,863,813</b>	<b>\$ 76,596,123</b>	<b>\$ 1,191,563</b>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 9,201,404	\$ 6,568,810	\$ 15,770,214	\$ -
Other	<u>-</u>	<u>2,614</u>	<u>2,614</u>	<u>613,315</u>
Total Operating Revenues	9,201,404	6,571,424	15,772,828	613,315
<b>Operating Expenses:</b>				
Personnel services	1,077,910	1,218,865	2,296,775	365,074
Non-personnel services	337,603	944,772	1,282,375	-
Depreciation	962,216	1,385,014	2,347,230	-
Intergovernmental assessments	<u>6,388,680</u>	<u>1,412,327</u>	<u>7,801,007</u>	<u>-</u>
Total Operating Expenses	<u>8,766,409</u>	<u>4,960,978</u>	<u>13,727,387</u>	<u>365,074</u>
Operating Income	434,995	1,610,446	2,045,441	248,241
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	22,192	35,013	57,205	-
Interest expense	<u>(116,481)</u>	<u>(131,223)</u>	<u>(247,704)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(94,289)</u>	<u>(96,210)</u>	<u>(190,499)</u>	<u>-</u>
Income Before Contributions and Transfers	340,706	1,514,236	1,854,942	248,241
Capital contributions	360,000	-	360,000	-
Transfers in	530,467	-	530,467	283,706
Transfers out	<u>(472,345)</u>	<u>(853,155)</u>	<u>(1,325,500)</u>	<u>-</u>
Change in Net Position	758,828	661,081	1,419,909	531,947
Net Position at Beginning of Year	<u>25,100,242</u>	<u>33,168,463</u>	<u>58,268,705</u>	<u>(560,297)</u>
Net Position at End of Year	<u>\$ 25,859,070</u>	<u>\$ 33,829,544</u>	<u>\$ 59,688,614</u>	<u>\$ (28,350)</u>

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, 2020

	Business-Type Activities			Governmental Activities	
	Enterprise Funds			Internal Service Fund	
	Sewer Fund	Water Fund	Total		
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 9,104,998	\$ 6,268,408	\$ 15,373,406	\$ -	613,315
Employer contributions	-	-	-		
Payments of utility assessments	(6,388,680)	(1,412,327)	(7,801,007)		-
Payments to vendors and contractors	(332,840)	(783,006)	(1,115,846)		-
Payments of employee salaries, benefits, and related expenses	(939,252)	(1,126,984)	(2,066,236)		(641,654)
Net Cash Provided By (Used For) Operating Activities	1,444,226	2,946,091	4,390,317		(28,339)
<b>Cash Flows From Noncapital Financing Activities:</b>					
Operating grants received	-	-	-		-
Transfers from other funds	530,467	-	530,467	283,706	
Transfers to other funds	(472,345)	(853,155)	(1,325,500)		-
Net Cash Provided by (Used For) Noncapital Financing Activities	58,122	(853,155)	(795,033)	283,706	
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(1,832,105)	(730,686)	(2,562,791)		-
Proceeds from issuance of bonds	486,000	-	486,000		-
Principal payments on bonds and loans	(787,613)	(686,606)	(1,474,219)		-
Paydowns of notes	-	(360,000)	(360,000)		-
Interest expense	(116,481)	(131,223)	(247,704)		-
Net Cash (Used For) Capital and Related Financing Activities	(2,250,199)	(1,908,515)	(4,158,714)		-
<b>Cash Flows From Investing Activities:</b>					
Investment income	22,192	35,013	57,205		-
Net Cash Provided By Investing Activities	22,192	35,013	57,205		-
Net Change in Cash and Short-Term Investments	(725,659)	219,434	(506,225)	255,367	
Cash and Short-Term Investments, Beginning of Year	5,347,971	6,296,719	11,644,690	936,196	
Cash and Short-Term Investments, End of Year	\$ 4,622,312	\$ 6,516,153	\$ 11,138,465	\$ 1,191,563	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>					
Operating income (loss)	\$ 434,995	\$ 1,610,446	\$ 2,045,441	\$ 248,241	
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	962,216	1,385,014	2,347,230		-
Changes in assets, liabilities, and deferred outflows/inflows:					
User fees	(163,553)	(303,140)	(466,693)		-
Deferred outflows - related to pensions	(124,027)	45,435	(78,592)		-
Deferred outflows - related to OPEB	(6,317)	(214,396)	(220,713)		-
Accounts payable	4,765	161,766	166,531		-
Accrued liabilities	4,868	6,022	10,890	(276,580)	
Refunds payable	67,146	123	67,269		-
Compensated absences	16,549	16,267	32,816		-
Net pension liability	87,921	135,878	223,799		-
Net OPEB liability	74,503	(31,624)	42,879		-
Deferred inflows - related to pensions	(26,421)	22,719	(3,702)		-
Deferred inflows - related to OPEB	111,581	111,581	223,162		-
Net Cash Provided By (Used For) Operating Activities	\$ 1,444,226	\$ 2,946,091	\$ 4,390,317	\$ (28,339)	

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Pension Trust Fund <u>(As of December 31, 2019)</u>	Other Post- Employment Benefit Trust Fund	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,050,988	\$ 562,272	\$ -	\$ 1,002,967
Investments:				
PRIT - external investment pool	180,832,899	-	-	-
SRBT - external investment pool	-	42,178,373	-	-
Other	-	-	5,439,995	-
Receivables	-	-	-	835,919
<b>TOTAL ASSETS</b>	<b>\$ 182,883,887</b>	<b>\$ 42,740,645</b>	<b>\$ 5,439,995</b>	<b>\$ 1,838,886</b>
<b>LIABILITIES AND NET POSITION</b>				
Liabilities:				
Accounts payable	\$ 671,423	\$ -	\$ -	\$ 50,990
Unearned revenue	-	-	-	497,432
Accrued liabilities	-	-	-	60,596
Refunds payable	-	-	-	10,167
Other liabilities	-	-	-	1,219,701
<b>TOTAL LIABILITIES</b>	<b>671,423</b>	<b>-</b>	<b>-</b>	<b>1,838,886</b>
Net Position:				
Total net position restricted for pension, other post employment benefits, and other purposes	182,212,464	42,740,645	5,439,995	-
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 182,883,887</b>	<b>\$ 42,740,645</b>	<b>\$ 5,439,995</b>	<b>\$ 1,838,886</b>

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, 2020

	Pension Trust Fund <u>(For the Year Ended December 31, 2019)</u>	Other Post- Employment Benefit Trust Fund	Private Purpose Trust Fund
<b>Additions:</b>			
Contributions:			
Employers	\$ 8,688,258	\$ 8,032,252	\$ -
Plan members	4,784,394	-	-
Other	<u>399,143</u>	<u>-</u>	<u>36,749</u>
Total contributions	13,871,795	8,032,252	36,749
Investment Income:			
Earnings and change in fair value of investments	25,914,501	873,725	170,591
Less: management fees	<u>(869,837)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>25,044,664</u>	<u>873,725</u>	<u>170,591</u>
Total additions	38,916,459	8,905,977	207,340
<b>Deductions:</b>			
Benefit payments to plan members and beneficiaries	13,735,685	4,502,453	-
Refunds to plan members	307,377	-	-
Administrative expenses	308,604	-	-
Other	<u>1,081,447</u>	<u>-</u>	<u>144,295</u>
Total deductions	<u>15,433,113</u>	<u>4,502,453</u>	<u>144,295</u>
Net increase	23,483,346	4,403,524	63,045
<b>Net position restricted for pensions and other purposes:</b>			
Beginning of year	<u>158,729,118</u>	<u>38,337,121</u>	<u>5,376,950</u>
End of year	<u>\$ 182,212,464</u>	<u>\$ 42,740,645</u>	<u>\$ 5,439,995</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 Select Board. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable.

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

##### *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 *Public Safety Building Fund* was created in accordance with Article 10 of the October 2018 Annual Town Meeting for the construction and reconstruction of the building and Fire Station #2. 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 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. Deposits and Investments*

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

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

The Town's short-term investments also include their share of Massachusetts Municipal Depository Trust (MMDT) cash portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. The fund is not SEC registered. In accordance with GASB 79, the MMDT pool's portfolio securities are valued at amortized cost.

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

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

Investments in the Needham Retirement System are held in Pension Reserve Investment Trust Fund (PRIT). Investments in the OPEB Trust Fund are held in the Massachusetts State Retiree Benefits Trust Fund (SBRT). Both are maintained by the Massachusetts Pension Reserves Investment Management Board (PRIM).

*E. 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 2020 tax levy reflected an excess capacity of \$2,999,601.

*F. 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

#### *G. 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.

#### *H. 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.

#### *I. Fund Equity*

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

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

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

*J. 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. 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, 2020:

Nonmajor Governmental Funds:		
Special Revenue Funds:		
Other	\$	203,727
Capital Project Funds		
A 2 STM 10/16 Sunita L. Williams School		1,422,053
Downtown Phase 2 Great Plain		86,262
Public Works Storage Facility		67,761
Other Deficit Funds		<u>72,571</u>
Subtotal Nonmajor Governmental Funds		1,852,374
Fiduciary Funds:		
Police outside detail		80,663
Fire outside detail		72,134
Needham retirement board		<u>19,279</u>
Subtotal Fiduciary Funds		<u>172,076</u>
Total	\$	<u>2,024,450</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 Retirement System does not have a deposit policy for custodial credit risk.

As of June 30, 2020, the Town (including OPEB fund) had the following cash and short term investments:

Insured by FDIC or DIF	\$ 23,789,518
Collateralized	25,131,380
Held in state pool (MMDT), not subject to disclosure	29,566,758
Exposed to custodial credit risk	<u>7,154,216</u>
Total	\$ <u>85,641,872</u>

As of December 31, 2019, the Retirement System's bank balance of \$1,804,283 represented deposits of \$255,272 insured by FDIC, \$980,742 collateralized by the Federal Home Loan Bank of Pittsburgh, and \$568,269 invested in Pension Reserves Investment Trust (PRIT). PRIT Cash Fund III is measured at amortized cost which approximates fair value and maintains a stable net position value of \$1.00 per unit (NAV) with daily redemption frequency. Amounts invested in the state pools are not subject to custodial credit risk disclosure.

#### 4. Investments

##### Town

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury and agencies	\$ 5,817,363
Corporate bonds	4,102,268
Fixed income mutual funds	1,323,086
Corporate equities	4,600,135
Equity mutual funds	2,479,721
Certificates of deposits	<u>2,776,694</u>
Total investments	\$ <u>21,099,267</u>

##### 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).

Presented below is the actual rating as of year-end for debt related investments of the Town:

Ratings as of Year End

<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
U.S. Treasury and agencies	\$ 5,817,363	\$ 5,467,324	\$ 350,039	\$ -	\$ -	\$ -
Corporate bonds	4,102,268	276,703	270,626	2,225,046	1,329,893	-
Fixed income mutual funds	<u>1,323,086</u>	<u>538,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>784,805</u>
Total	<u>\$ 11,242,717</u>	<u>\$ 6,282,308</u>	<u>\$ 620,665</u>	<u>\$ 2,225,046</u>	<u>\$ 1,329,893</u>	<u>\$ 784,805</u>

**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.

As of June 30, 2020, the Town had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by</u>		<u>Counterparty's</u> <u>Trust or Agent</u>
		<u>Held by</u>	<u>Counterparty</u>	
U.S. Treasury and agencies	\$ 5,817,361	\$ 3,818,701	\$ 1,998,660	
Corporate bonds	4,102,268	4,102,268		-
Fixed income mutual funds	1,323,086	1,323,086		-
Corporate equities	4,600,135	4,600,135		-
Equity mutual funds	<u>2,479,721</u>	<u>2,479,721</u>		-
Total	<u>\$ 18,322,571</u>	<u>\$ 16,323,911</u>	<u>\$ 1,998,660</u>	

**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 Town 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.

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>	Average Effective Duration <u>(in years)</u>
Debt related:		
U.S. Treasury and agencies	\$ 5,817,363	2.92
Corporate bonds	4,102,268	3.10
Fixed income mutual funds	<u>1,323,086</u>	4.69
Total debt securities	\$ <u>11,242,717</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.

#### *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, 2020:

<u>Description</u>	Fair Value Measurements Using:			
	Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>	
Investments by fair value level:				
Debt securities:				
U.S Treasury and agencies	\$ 5,817,363	\$ 5,817,363	\$ -	\$ -
Corporate bonds	4,102,268	-	4,102,268	-
Fixed income mutual funds	1,323,086	-	1,323,086	-
Equity securities:				
Corporate equities	4,600,135	4,600,135	-	-
Equity mutual funds	2,479,721	2,479,721	-	-
Subtotal	\$ 18,322,573	\$ 12,897,219	\$ 5,425,354	\$ -

## OPEB Plan

### A. *Credit Risk*

At June 30, 2020, the OPEB Plan maintained its investments in State Retiree Trust Fund (SRBT) with a fair value of \$42,178,373, the same as the value of the pool share. The

SRBT fund is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. SBRT was created under Massachusetts General Law (MGL), Chapter 32A, Section 24.

*B. Custodial Credit Risk*

All OPEB Plan's investments were held in the SBRT, pooled investment fund not subject to custodial credit risk disclosure.

*C. Concentration of Credit Risk*

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

*D. Fair Value*

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

**Retirement System**

*A. Credit Risk*

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, 2019, the System maintained its investments in PRIT with a fair value of \$180,832,899, 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*

As of December 31, 2019, the System's investments of \$180,832,899 were held in the State investment pool (PRIT) and are not subject to custodial credit risk disclosure.

*C. Concentration of Credit Risk*

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.

*D. Fair Value*

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. 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, 2020 consist of the following:

<u>Receivables:</u>	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount (accrual basis)</u>
Real estate taxes	\$ 2,139,499	\$ -	\$ 2,139,499
Personal property taxes	849,617	(744,000)	105,617
Tax liens	1,229,544	-	1,229,544
Deferred taxes	546,673	-	546,673
CPA	<u>36,578</u>	<u>-</u>	<u>36,578</u>
Total property taxes	4,801,911	(744,000)	4,057,911
Excises	<u>1,149,336</u>	<u>(606,000)</u>	<u>543,336</u>
Grand total	<u>\$ 5,951,247</u>	<u>\$ (1,350,000)</u>	<u>\$ 4,601,247</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 of ambulance and waste removal receivables. Departmental receivables in the accompanying entity-wide financial statements reflect an estimated allowance for doubtful accounts of \$133,000.

*C. Intergovernmental Receivables*

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020 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 2020:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,010,210	\$ 15,771,425
Community Preservation Fund	50,000	1,185,317
<b>Nonmajor Funds:</b>		
<b>Special Revenue Funds:</b>		
Town grants	-	379,762
Receipts reserved for appropriation	-	29,537
Revolving funds	-	3,544
Other special revenue funds	3,544	-
<b>Capital Project Funds:</b>		
Sunita L. Williams School	3,222,899	-
Athletic facility improvements	2,500,000	-
Public Works Infrastructure Program	2,169,550	-
Public Safety buildings design	1,960,000	-
Other capital project funds	<u>5,872,202</u>	<u>907,493</u>
Subtotal Nonmajor Funds	15,728,195	1,320,336
Internal Service Fund	283,706	-
<b>Business-Type Funds:</b>		
Sewer Fund	530,467	472,345
Water Fund	<u>-</u>	<u>853,155</u>
Subtotal Business-Type Funds:	<u>530,467</u>	<u>1,325,500</u>
<b>Grand Total</b>	<b>\$ 19,602,578</b>	<b>\$ 19,602,578</b>

The \$1,325,500 transfers out from the sewer and water funds was transferred to the general fund to reimburse indirect costs.

The \$530,467 transfer from the general fund into the enterprise funds represents a subsidy to the sewer fund to cover storm water expenses funded by general revenues. Most of the transfers out of the general fund represent the Town's practice of using *free cash* (available unassigned fund balance as certified by the Massachusetts Department of Revenue) and overlay surplus to the various major and non-major capital project funds.

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, 2020 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 277,107	\$ 2,487	\$ -	\$ 279,594
Machinery, equipment, and furnishings	18,694	1,436	(1,017)	19,113
Vehicles	8,261	945	(565)	8,641
Infrastructure	<u>46,965</u>	<u>1,322</u>	<u>-</u>	<u>48,287</u>
Total capital assets, being depreciated	351,027	6,190	(1,582)	355,635
Less accumulated depreciation for:				
Buildings and improvements	(76,097)	(7,357)		(83,454)
Machinery, equipment, and furnishings	(13,492)	(1,674)	1,017	(14,149)
Vehicles	(6,494)	(790)	361	(6,923)
Infrastructure	<u>(23,683)</u>	<u>(1,665)</u>	<u>-</u>	<u>(25,348)</u>
Total accumulated depreciation	<u>(119,766)</u>	<u>(11,486)</u>	<u>1,378</u>	<u>(129,874)</u>
Total capital assets, being depreciated, net	231,261	(5,296)	(204)	225,761
Capital assets, not being depreciated:				
Land	37,355	-	-	37,355
Works of art	120	-	-	120
Construction in progress	<u>63,923</u>	<u>43,304</u>	<u>(6,344)</u>	<u>100,883</u>
Total capital assets, not being depreciated	<u>101,398</u>	<u>43,304</u>	<u>(6,344)</u>	<u>138,358</u>
Governmental activities capital assets, net	<u>\$ 332,659</u>	<u>\$ 38,008</u>	<u>\$ (6,548)</u>	<u>\$ 364,119</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,243	\$ 1,094	\$ (199)	\$ 21,138
Plant	6,600			6,600
Machinery, equipment, and furnishings	2,950	399	(338)	3,011
Vehicles	1,212	9	(88)	1,133
Infrastructure	<u>79,314</u>	<u>1,954</u>	<u>(107)</u>	<u>81,161</u>
Total capital assets, being depreciated	110,319	3,456	(732)	113,043
Less accumulated depreciation for:				
Buildings and improvements	(4,695)	(484)	199	(4,980)
Plant	(4,029)	(214)	-	(4,243)
Machinery, equipment, and furnishings	(2,604)	(176)	338	(2,442)
Vehicles	(1,109)	(34)	88	(1,055)
Infrastructure	<u>(43,811)</u>	<u>(1,439)</u>	<u>107</u>	<u>(45,143)</u>
Total accumulated depreciation	<u>(56,248)</u>	<u>(2,347)</u>	<u>732</u>	<u>(57,863)</u>
Total capital assets, being depreciated, net	54,071	1,109	-	55,180
Capital assets, not being depreciated:				
Land	268	-	-	268
Construction in progress	<u>4,323</u>	<u>1,968</u>	<u>(2,500)</u>	<u>3,791</u>
Total capital assets, not being depreciated	<u>4,591</u>	<u>1,968</u>	<u>(2,500)</u>	<u>4,059</u>
Business-type activities capital assets, net	<u>\$ 58,662</u>	<u>\$ 3,077</u>	<u>\$ (2,500)</u>	<u>\$ 59,239</u>

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

**Governmental Activities:**

General government	\$ 1,522,236
Public safety	520,329
Education	5,642,879
Public works	3,094,297
Building design and construction	29,470
Health and human services	231,998
Culture and recreation	<u>444,984</u>
Total depreciation expense - governmental activities	<u>\$ 11,486,193</u>

**Business-Type Activities:**

Sewer	\$ 962,216
Water	<u>1,385,014</u>
Total depreciation expense - business-type activities	<u>\$ 2,347,230</u>

## **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.

## **9. Warrants and Accounts Payable**

Warrants and accounts payable represent 2020 expenditures paid after June 30, 2020.

## **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**

At year-end, the Town had general obligation bond anticipation notes (the notes) outstanding for the Central Ave. Elementary School for \$1,200,000. The notes were issued on June 25, 2020, mature on December 18, 2020, and carry a coupon rate of 1.30%.

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Sunita L. Williams (Hillside) School	\$ 11,100,000	\$ -	\$ (11,100,000)	\$ -
Rosemary Recreation Complex	3,885,000	-	(3,885,000)	-
Needham High Expansion	3,625,000	-	(3,625,000)	-
Public Safety Building	15,500,000	-	(15,500,000)	-
Memorial Park Building	1,850,000	-	(1,850,000)	-
Water System Rehabilitation	295,000	-	(295,000)	-
Water Distribution System	65,000	-	(65,000)	-
Central Ave. Elementary School	-	1,200,000	-	1,200,000
Total	\$ 36,320,000	\$ 1,200,000	\$ (36,320,000)	\$ 1,200,000

### **13. Long-Term Debt**

#### *A. Long-Term Debt Supporting Activities*

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

**B. General Obligation Bonds and Direct Placements**

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

<u>Governmental Activities</u>		Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding as of 6/30/20
Public offering bonds:						
High School	\$ 6,842,000	2.94	06/01/09	06/01/28	\$ 1,505,000	
Municipal Purpose FY 2010	15,815,000	2.00 - 4.00	12/15/09	08/01/20	790,000	
Municipal Purpose FY 2010	4,000,000	2.00 - 3.00	06/15/10	12/01/24	375,000	
Town Hall and Newman School	11,750,000	2.00 - 5.00	05/19/11	10/01/28	4,225,000	
Town Hall, Parking and Bridge	2,460,000	2.00 - 3.125	10/05/11	08/01/26	885,000	
GOB - Refunding FY2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	2,570,000	
Municipal Purpose FY 2013	12,244,000	2.00 - 4.00	10/03/12	07/15/32	6,690,000	
Municipal Purpose FY 2013	5,945,000	2.00 - 4.00	06/18/13	11/01/32	3,700,000	
Municipal Purpose FY 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	3,660,000	
Municipal Purpose FY 2014	5,032,000	2.00 - 2.50	06/02/14	05/15/34	1,040,000	
Municipal Purpose FY 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	4,955,000	
High School, High Rock and Pollard Schools	6,645,000	2.00 - 4.00	06/16/16	08/01/27	5,565,000	
Municipal Purpose FY 2017	10,945,000	3.00 - 4.00	01/05/17	01/15/42	8,045,000	
Municipal Purpose FY 2018	31,000,000	3.00 - 4.00	07/17/18	07/15/38	28,570,000	
Municipal Purpose FY 2020	27,500,000	2.625 - 5.00	10/01/19	08/01/44	27,500,000	
Municipal Purpose FY 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/40	<u>25,103,000</u>	
Total Governmental Activities					\$ <u>125,178,000</u>	
Business-Type Activities		Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding as of 6/30/20
Public offering bonds:						
Municipal Purpose FY 2010	\$ 15,815,000	2.00 - 4.00	12/15/09	08/01/20	\$ 45,000	
Municipal Purpose FY 2010	4,000,000	2.00 - 3.00	06/15/10	12/01/24	125,000	
Municipal Purpose FY 2014	5,032,000	2.00 - 2.50	06/02/14	05/15/34	1,395,000	
Municipal Purpose FY 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	2,015,000	
Municipal Purpose FY 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/28	<u>82,000</u>	
Total public offering bonds					\$ <u>3,662,000</u>	
Direct borrowings:						
MA Water Resources Authority	765,335	2.00	06/01/12	07/15/30	477,914	
MA Water Resources Authority	9,055,822	2.00	05/22/13	01/15/33	4,210,108	
MA Water Resources Authority	2,310,813	3.00 - 4.00	05/11/17	01/15/28	1,812,740	
MA Water Resources Authority	440,000	0.00	11/26/19	11/15/24	<u>440,000</u>	
Total direct borrowings					\$ <u>6,940,762</u>	
Total Business-Type Activities					\$ <u>10,602,762</u>	

*C. Future Debt Service*

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2020 are as follows:

<u>General Obligation Bonds</u>					
<u>Governmental</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$	13,374,000	\$ 4,779,541	\$ 18,153,541	
2022		10,224,000	4,057,572	14,281,572	
2023		9,510,000	3,632,713	13,142,713	
2024		9,405,000	3,223,494	12,628,494	
2025		8,530,000	2,832,650	11,362,650	
2026 - 2030		31,565,000	9,637,691	41,202,691	
2031 - 2035		21,765,000	4,680,406	26,445,406	
2036 - 2040		14,540,000	2,083,956	16,623,956	
2041 - 2045		<u>6,265,000</u>	<u>421,125</u>	<u>6,686,125</u>	
Total	\$	<u>125,178,000</u>	<u>35,349,148</u>	<u>160,527,148</u>	

<u>General Obligation Bonds</u>					
<u>Business-Type</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$	516,000	\$ 128,257	\$ 644,257	
2022		471,000	97,206	568,206	
2023		445,000	80,363	525,363	
2024		260,000	68,338	328,338	
2025		260,000	59,512	319,512	
2026 - 2030		965,000	201,100	1,166,100	
2031-2034		<u>745,000</u>	<u>55,000</u>	<u>800,000</u>	
Total	\$	<u>3,662,000</u>	<u>689,776</u>	<u>4,351,776</u>	

<u>MWRA Direct Borrowings</u>					
<u>Business-Type</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$	660,028	\$ 93,368	\$ 753,396	
2022		666,985	86,900	753,885	
2023		674,090	80,293	754,383	
2024		645,439	73,544	718,983	
2025		652,855	66,649	719,504	
2026 - 2030		2,514,963	224,517	2,739,480	
2031-2034		<u>1,126,402</u>	<u>43,928</u>	<u>1,170,330</u>	
Total	\$	<u>6,940,762</u>	<u>669,199</u>	<u>7,609,961</u>	

#### *D. Bond Authorizations*

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2020 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2015	Water System Rehabilitation	\$ 12,000
May 2017	NHS Expansion Design	9,500
May 2017	Rosemary Recreation Complex	107,500
May 2017	Wastewater Pump Station Rehabilitation	7,550
May 2017	Water Distribution Improvements	35,735
October 2017	Sunita L. Williams School	11,300,492
October 2017	NHS Expansion Construction	84,000
October 2017	Public Safety Buildings Design	250,000
October 2018	Public Safety Building Construction	34,245,000
May 2018	RTS Property Repairs	585,000
May 2018	Memorial Park Building	128,000
May 2018	Public Works Infrastructure Program	155,000
May 2018	Public Works Storage Facility	2,478,000
May 2019	Water Distribution Improvements	<u>4,500,000</u>
	Total	\$ <u>53,897,777</u>

#### *E. Changes in General Long-term Liabilities*

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/19	Additions	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
<b>Governmental Activities</b>						
Bonds payable - public offerings	\$ 87,878	\$ 47,613	\$ (10,312)	\$ 125,179	\$ (13,374)	\$ 111,805
Unamortized bond premium	<u>4,564</u>	<u>4,746</u>	<u>(340)</u>	<u>8,970</u>	<u>(791)</u>	<u>8,179</u>
Subtotal bonds payable	92,442	52,359	(10,652)	134,149	(14,165)	119,984
Net pension liability	75,611	5,390	-	81,001	-	81,001
Net OPEB liability	65,107	4,458	-	69,565	-	69,565
Accrued employee benefits	5,530	1,149	(27)	6,652	(1,663)	4,989
Landfill closure	<u>564</u>	<u>-</u>	<u>(57)</u>	<u>507</u>	<u>(56)</u>	<u>451</u>
Totals	<u>\$ 239,254</u>	<u>\$ 63,356</u>	<u>\$ (10,736)</u>	<u>\$ 291,874</u>	<u>\$ (15,884)</u>	<u>\$ 275,990</u>
<b>Business-Type Activities</b>						
Bonds payable - public offerings	\$ 4,492	\$ 46	\$ (876)	\$ 3,662	\$ (516)	\$ 3,146
Bonds payable - direct offerings	<u>7,099</u>	<u>440</u>	<u>(598)</u>	<u>6,941</u>	<u>(660)</u>	<u>6,281</u>
Subtotal bonds payable	11,591	486	(1,474)	10,603	(1,176)	9,427
Net pension liability	3,158	212	-	3,370	-	3,370
Net OPEB liability	1,541	43	-	1,584	-	1,584
Accrued employee benefits	<u>315</u>	<u>32</u>	<u>-</u>	<u>347</u>	<u>(347)</u>	<u>-</u>
Totals	<u>\$ 16,605</u>	<u>\$ 773</u>	<u>\$ (1,474)</u>	<u>\$ 15,904</u>	<u>\$ (1,523)</u>	<u>\$ 14,381</u>

*F. Current Year Refundings*

On June 9, 2020, the Town issued general obligation bonds in the amount of \$5,026,000 with a variable interest rate ranging from 4.0 - 5.0% to refund \$6,165,000 of term bonds with an interest rate ranging from 2.0 - 4.0%. The net proceeds on this refunding were \$6,277,925. As a result of the refunding, the Town reduced its total debt service requirement by \$1,200,933 with a net present value savings of \$769,750 (economic gain).

*G. Prior Year Refundings*

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2020, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$15,630,000.

**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 \$507,738 reported as postclosure care liability at June 30, 2020 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 2020. 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, 2020 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, 2020:

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, 2020:

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Public Safety Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>					
Permanent funds	\$ -	\$ -	\$ -	\$ 188,478	\$ 188,478
<b>Total Nonspendable</b>	-	-	-	188,478	188,478
<b>Restricted</b>					
Debt service	792,826	-	-	730,798	\$ 1,523,624
Community preservation	-	7,409,890	-	-	7,409,890
Bonded projects	-	-	1,729,430	113,738	1,843,168
Special revenue funds:					
Expendable trust funds	-	-	-	2,605,483	2,605,483
Circuit Breaker	-	-	-	1,587,125	1,587,125
School lunch	-	-	-	251,907	251,907
RRFA - parking meter fund	-	-	-	379,224	379,224
Insurance loss replacement	-	-	-	209,690	209,690
Facility activity use	-	-	-	378,796	378,796
Pupil transportation	-	-	-	327,520	327,520
Parks and recreation revolving	-	-	-	275,874	275,874
Other special revenue funds	-	-	-	2,152,826	2,152,826
<b>Total Restricted</b>	792,826	7,409,890	1,729,430	9,012,981	18,945,127
<b>Committed</b>					
Continuing appropriations articles	1,601,174	-	-	-	1,601,174
Compensated absences	336,952	-	-	-	336,952
Capital improvement stabilization	1,095,016	-	-	-	1,095,016
Capital facility stabilization	1,918,088	-	-	-	1,918,088
Athletic facility stabilization	269,698	-	-	-	269,698
Debt service stabilization	2,150,051	-	-	-	2,150,051
Capital projects	-	-	-	7,665,439	7,665,439
<b>Total Committed</b>	7,370,979	-	-	7,665,439	15,036,418
<b>Assigned</b>					
Encumbrances	3,305,222	-	-	-	3,305,222
For next year's expenditures:					
Cash capital	4,666,933	-	-	-	4,666,933
Operating	3,701,753	-	-	-	3,701,753
<b>Total Assigned</b>	11,673,908	-	-	-	11,673,908
<b>Unassigned</b>					
General fund	24,466,756	-	-	-	24,466,756
Stabilization fund	4,365,010	-	-	(1,852,374)	2,512,636
<b>Total Unassigned</b>	28,831,766	-	-	(1,852,374)	26,979,392
<b>Total Fund Balance</b>	<u>\$ 48,669,479</u>	<u>\$ 7,409,890</u>	<u>\$ 1,729,430</u>	<u>\$ 15,014,524</u>	<u>\$ 72,823,323</u>

#### 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*

Employees of the Town (except teachers and administrators under contract employed by the School Department) who meet the membership eligibility requirements of Chapter 32 of the Massachusetts General Laws are members of the Needham Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee defined benefit retirement system (PERS). Eligibility includes employees working over twenty hours per week and excludes part-time and seasonal employees. Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is

disclosed in the System's annual financial reports publicly available from the System located at 1471 Highland Avenue, Needham, Massachusetts 02492.

#### Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the 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, 2020 was \$8,577,048, 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, 2020, the Town reported a liability of \$84,371,092 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 98.72% percent.

For the year ended June 30, 2020, the Town recognized pension expense of \$14,191,838. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 338,412	\$ (1,610,783)
Changes of assumptions	21,141,603	-
Changes in proportion	194,388	(18,529)
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(6,677,654)</u>
Total	<u>\$ 21,674,403</u>	<u>\$ (8,306,966)</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:	Deferred Outflows (Inflows) of Resources
2021	\$ 4,347,041
2022	3,475,292
2023	4,306,704
2024	<u>1,238,400</u>
Total	<u>\$ 13,367,437</u>

#### *D. Actuarial Assumptions*

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

Valuation date	1/1/2020
Actuarial cost methods	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases	Ranging from 6.00% decreasing to 3.75% for Group 1 Ranging from 6.00% decreasing to 4.00% for Group 2 Ranging from 7.00% decreasing to 4.25% for Group 3
Inflation rate	3.00%
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, 2020:

- Investment rate of return, previously, 7.25% decreased to 6.50%.

- The administrative expense assumption was increased from \$325,000 for calendar year 2018 to \$375,000 for calendar year 2020.
- The salary increase assumption updated from a previous scale that varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4 to a scale that varies by length of service with ultimate rates of 3.75% for Group 1, 4.00% for Group 2, and 4.25% for Group 4.
- The allowance for wage inflation was lowered from 3.50% to 3.00%.
- Based on average net 3(8)c payments of \$364,517 for the last four years and the average characteristics of retired participants and beneficiaries, a liability of approximately \$3.7 million for future net 3(8)c payments was included. Previously, no liability was included for net 3(8)c payments.

#### *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, 2020, 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	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge fund, GTAA, risk parity	11.00%	3.19%
Private equity	<u>13.00%</u>	<u>9.99%</u>
Total	<u><u>100.00%</u></u>	

*F. Discount Rate*

The discount rate used to measure the total pension liability was 6.50%. 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 6.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
\$ 115,621,906	\$ 84,371,092	\$ 58,139,060

*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, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% investment rate of return, updated from 7.35% (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- 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 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

#### *E. Target Allocation*

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	<u>4.00%</u>	<u>4.10%</u>
Total	<u><u>100.00%</u></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 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.

#### *G. Sensitivity Analysis*

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

1% Decrease to 6.25%	Current Discount Rate 7.25%	1% Increase to 8.25%
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

#### *H. 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.

#### *I. Town Proportions*

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$175,678,243 based on a proportionate share of 0.696748%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as of \$10,059,024 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$21,304,036 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, 2019.

#### *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, 2019, the following employees were covered by the benefit terms:

Retirees/Disabled	924
Active employees	<u>1,316</u>
Total	<u><u>2,240</u></u>

### *B. Actuarial Assumptions and Other Inputs*

The net OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.01%
Discount rate	7.00%
Healthcare cost trend rates	8% for 2020, decreasing by 0.5% per year, to an ultimate rate of 4.5%
Participation rate	80% of eligible employees
Retirees' share of benefit-related costs	26%-50%, depending on the retiree's plan

Mortality rates were based on:

- RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females
- RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2016 for males and females

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

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, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large Cap	14.50%	4.80%
Domestic equity - Small/Mid Cap	3.50%	5.29%
International developed markets equity	16.00%	5.45%
International emerging markets equity	6.00%	6.42%
Domestic Fixed Income	20.00%	2.05%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	<u>14.00%</u>	6.25%
Total	<u><u>100.00%</u></u>	

#### C. *Discount Rate*

The discount rate used to measure the net OPEB liability was 7.0%. 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, 2019, were as follows:

Total OPEB liability	\$ 109,486,712
Plan fiduciary net position	<u>38,337,121</u>
Net OPEB liability	\$ <u><u>71,149,591</u></u>

*E. Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 99,527,289	\$ 32,878,807	\$ 66,648,482
<b>Changes for the year:</b>			
Service cost	2,592,793	-	2,592,793
Interest	7,005,622	-	7,005,622
Contributions - employer	-	7,776,431	(7,776,431)
Net investment income	-	1,831,609	(1,831,609)
Differences between expected and actual experience	(123,044)	-	(123,044)
<b>Changes in assumptions</b>			
or other inputs	4,633,778	-	4,633,778
Benefit payments	<u>(4,149,726)</u>	<u>(4,149,726)</u>	<u>-</u>
Net Changes	<u>9,959,423</u>	<u>5,458,314</u>	<u>4,501,109</u>
Balances, end of year	<u>\$ 109,486,712</u>	<u>\$ 38,337,121</u>	<u>\$ 71,149,591</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:

	Current		
	1% <u>Decrease</u>	Discount Rate	1% <u>Increase</u>
	\$ 84,631,503	\$ 71,149,591	\$ 57,667,679

*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:

	Current		
	1% <u>Decrease</u>	Healthcare Cost Trend Rates	1% <u>Increase</u>
	\$ 58,516,752	\$ 71,149,591	\$ 86,440,725

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$8,470,169. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 6,906,706	\$ -
Difference between expected and actual experience	587,308	(6,762,101)
Change in assumptions	18,140,587	(2,357,430)
Net difference between projected and actual OPEB investment earnings	-	(627,233)
Total	<u>\$ 25,634,601</u>	<u>\$ (9,746,764)</u>

The \$6,906,706 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, 2021.

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

Year Ended June 30:

2021	\$ 1,430,790
2022	1,430,793
2023	2,584,630
2024	2,789,405
2025	<u>745,513</u>
Total	<u>\$ 8,981,131</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, 2020.

*A. Investments*

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

*Rate of return.* For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.65 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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3%
Investment rate of return	7.01%
Discount rate	6.75%, previously 7.00%
Healthcare cost trend rates	8% for 2019, decreasing by 0.5% per year, to an ultimate rate of 4.5%
Participation rate	80% of eligible employees
Retirees' share of benefit-related costs	26%-50%, depending on the retiree's plan

Mortality rates are the same as described in Note 20.

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, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large Cap	14.50%	4.80%
Domestic equity - Small/Mid Cap	3.50%	5.29%
International developed markets equity	16.00%	5.45%
International emerging markets equity	6.00%	6.42%
Domestic Fixed Income	20.00%	2.05%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	<u>14.00%</u>	<u>6.25%</u>
Total	<u><u>100.00%</u></u>	

#### C. *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.75%. 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, as of June 30, 2020, were as follows:

Total OPEB liability	\$ 119,161,758
Plan fiduciary net position	<u>42,740,645</u>
Net OPEB liability	<u><u>\$ 76,421,113</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.87%

*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:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
\$ 90,271,717	\$ 76,421,113	\$ 61,265,851

*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:

	Current	
	Healthcare	
1%	Cost Trend	1%
Decrease	Rates	Increase
\$ 61,499,023	\$ 76,421,113	\$ 92,242,029

**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, 2020, the Town's workers compensation fund had a deficit balance of \$28,350 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 \$679,253 for workers compensation line item in fiscal year 2020. 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, 2020 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, 2020 are as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 1,496,493
Claims incurred/recognized in fiscal year 2020	365,074
Claims paid in fiscal year 2020	<u>(641,654)</u>
Claims liability, end of year	<u>\$ 1,219,913</u>

### **23. Subsequent Events**

Management has evaluated subsequent events through January 7, 2021, which is the date the financial statements were available to be issued.

### **24. Commitments and Contingencies**

COVID-19 – The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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

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

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

Encumbrances - At year-end, the Town's general fund has \$3,305,222 of encumbrances that will be honored in the next fiscal year.

## 25. Beginning Fund Balance Restatement

The beginning, July 1, 2019, fund balance of the Town has been restated as follows:

	General Fund	Sunita L. Williams School	Nonmajor Governmental Funds
As previously reported, June 30, 2019	\$ 47,040,908	\$ (8,183,546)	\$ 2,078,643
To reclassify major funds	-	8,183,546	(8,183,546)
Closing of Solid Waste Fund	<u>674,300</u>	<u>-</u>	<u>747,112</u>
As restated, July 1, 2019	<u>\$ 47,715,208</u>	<u>\$ -</u>	<u>\$ (5,357,791)</u>

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities			
		Sewer Fund	Water Fund	Solid Waste Fund	Total
As previously reported, June 30, 2019	\$ 158,766,862	25,100,242	33,168,463	7,969,113	\$ 66,237,818
Closing of Solid Waste Fund	<u>7,969,113</u>	<u>-</u>	<u>-</u>	<u>(7,969,113)</u>	<u>(7,969,113)</u>
As restated, July 1, 2019	<u>\$ 166,735,975</u>	<u>\$ 25,100,242</u>	<u>\$ 33,168,463</u>	<u>\$ -</u>	<u>\$ 58,268,705</u>

## 26. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year endings June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year endings June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Property taxes	\$ 149,257,597	\$ 149,257,597	\$ 150,349,498	\$ 1,091,901
Excise taxes	5,200,000	5,200,000	5,679,213	479,213
Penalties, interest, and other taxes	1,710,000	1,710,000	2,050,592	340,592
Charges for services	2,268,540	2,268,540	2,812,847	544,307
Departmental	1,543,360	1,543,360	1,585,175	41,815
Licenses and permits	1,930,990	1,930,990	2,376,998	446,008
Intergovernmental	13,096,255	13,096,255	13,117,221	20,966
Investment income	400,000	400,000	834,163	434,163
Fines and forfeits	155,010	155,010	239,211	84,201
Other revenue	<u>1,100</u>	<u>1,100</u>	<u>410,839</u>	<u>409,739</u>
Total Revenues	175,562,852	175,562,852	179,455,757	3,892,905
<b>Expenditures</b>				
General government	4,966,498	5,012,395	4,732,800	279,595
Land use	587,795	624,031	488,262	135,769
Public safety	16,495,633	16,802,685	16,133,000	669,685
Education	77,090,548	77,090,548	76,638,410	452,138
Public works	19,662,358	19,716,616	17,664,809	2,051,807
Building design and construction	526,812	537,539	313,822	223,717
Community services	4,712,979	4,864,126	4,591,692	272,434
Debt service	19,038,470	19,038,470	19,052,139	(13,669)
Employee benefits	31,835,123	31,835,123	30,402,869	1,432,254
Other appropriated expenses	3,343,790	2,738,473	608,251	2,130,222
Intergovernmental	1,444,320	1,444,320	1,445,490	(1,170)
Other amounts provided	<u>12,500</u>	<u>12,500</u>	-	<u>12,500</u>
Total Expenditures	<u>179,716,826</u>	<u>179,716,826</u>	<u>172,071,544</u>	<u>7,645,282</u>
Excess (deficiency) of revenues over expenditures	(4,153,974)	(4,153,974)	7,384,213	11,538,187
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,510,817	2,517,104	2,980,674	463,570
Use of free cash for operating budget	6,933,834	6,933,834	-	(6,933,834)
Use of free cash for capital projects	2,774,037	2,774,037	-	(2,774,037)
Use of bond premium	105,159	105,159	-	(105,159)
Use of overlay surplus for operating budget	1,000,000	1,000,000	-	(1,000,000)
Transfers out	<u>(9,169,873)</u>	<u>(9,176,160)</u>	<u>(9,176,160)</u>	-
Total Other Financing Sources (Uses)	<u>4,153,974</u>	<u>4,153,974</u>	<u>(6,195,486)</u>	<u>(10,349,460)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,188,727</u>	<u>\$ 1,188,727</u>

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

**Notes to the Required Supplemental Information  
For General Fund Budget**

***Budgetary Basis***

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

***Budget/GAAP Reconciliation***

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 189,785,829	\$ 176,026,305
Other financing sources/uses (GAAP Basis)	<u>8,875,097</u>	<u>21,680,350</u>
Subtotal (GAAP Basis)	198,660,926	197,706,655
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,816,296)
Add end-of-year appropriation carryforwards from expenditures	-	3,300,564
To reverse gross up for refunding activity	(5,864,887)	(5,864,887)
To reverse gross up for MTRS on behalf payment	(10,059,024)	(10,059,024)
Less nonbudgeted funds	<u>(300,584)</u>	<u>(1,019,308)</u>
Budgetary Basis	<u>\$ 182,436,431</u>	<u>\$ 181,247,704</u>

**TOWN OF NEEDHAM, MASSACHUSETTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
(Uaudited)**

Needham Contributory Retirement System

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

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Liability Associated with the Town	Total Net Pension Liability	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.70%	\$ -	\$ 175,678,243	\$ 175,678,243	\$ 50,620,405	0.00%
June 30, 2019	June 30, 2018	0.69%	\$ -	\$ 163,330,397	\$ 163,330,397	\$ 44,888,988	0.00%
June 30, 2018	June 30, 2017	0.68%	\$ -	\$ 156,266,130	\$ 156,266,130	\$ 46,022,868	0.00%
June 30, 2017	June 30, 2016	0.67%	\$ -	\$ 148,771,539	\$ 148,771,539	\$ 44,621,329	0.00%
June 30, 2016	June 30, 2015	0.66%	\$ -	\$ 135,373,423	\$ 135,373,423	\$ 39,867,330	0.00%
June 30, 2015	June 30, 2014	0.63%	\$ -	\$ 100,708,775	\$ 100,708,775	N/A	0.00%

*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**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**(Unaudited)**

Needham Contributory Retirement System

Fiscal <u>Year</u>	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
	Actuarially Determined <u>Contribution</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Payroll		
June 30, 2020	\$ 8,577,048	\$ 8,577,048	\$ -	\$ 41,193,710		20.82%
June 30, 2019	\$ 7,809,911	\$ 7,809,911	\$ -	\$ 43,859,715		17.81%
June 30, 2018	\$ 7,203,059	\$ 7,203,059	\$ -	\$ 44,684,936		16.12%
June 30, 2017	\$ 6,600,162	\$ 6,600,162	\$ -	\$ 38,860,207		16.98%
June 30, 2016	\$ 6,039,115	\$ 6,039,115	\$ -	\$ 39,406,655		15.33%
June 30, 2015	\$ 5,524,150	\$ 5,524,150	\$ -	\$ 35,772,213		15.44%

Massachusetts Teachers' Retirement System

Fiscal <u>Year</u>	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
	Actuarially Determined <u>Contribution</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Payroll		
June 30, 2020	\$ 10,059,024	\$ 10,059,024	\$ -	\$ 48,375,608		20.79%
June 30, 2019	\$ 9,056,616	\$ 9,056,616	\$ -	\$ 50,620,405		17.89%
June 30, 2018	\$ 8,436,349	\$ 8,436,349	\$ -	\$ 44,888,988		18.79%
June 30, 2017	\$ 7,483,070	\$ 7,483,070	\$ -	\$ 46,022,868		16.26%
June 30, 2016	\$ 6,751,809	\$ 6,751,809	\$ -	\$ 44,621,329		15.13%
June 30, 2015	\$ 5,938,614	\$ 5,938,614	\$ -	\$ 39,867,330		14.90%

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See Independent Auditors' Report.

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

**Schedule of Changes in the Net OPEB Liability**

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>				
Service cost	\$ 2,915,612	\$ 2,797,907	\$ 2,573,887	\$ 2,486,847
Interest	7,382,923	6,347,733	6,913,177	6,544,745
Plan amendments	-	-	(4,090,587)	-
Differences between expected and actual experience	159,645	(21,193,711)	1,798,808	-
Changes of assumptions	8,438,164	31,054,380	(4,589,355)	-
Benefit payments	<u>(4,502,453)</u>	<u>(4,174,262)</u>	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Net change in total OPEB liability	14,393,891	14,832,047	(1,857,215)	5,073,197
Total OPEB liability - beginning	<u>104,767,867</u>	<u>89,935,820</u>	<u>91,793,035</u>	<u>86,719,838</u>
<b>Total OPEB liability - ending (a)</b>	<b>119,161,758</b>	<b>104,767,867</b>	*	89,935,820 *
<b>Plan fiduciary net position</b>				
Contributions - employer	8,032,252	7,800,967	7,389,578	6,317,042
Net investment income	873,725	1,831,609	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	<u>(4,502,453)</u>	<u>(4,174,262)</u>	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Other	-	-	-	257,093
Net change in plan fiduciary net position	4,403,524	5,458,314	6,043,636	5,635,970
Plan fiduciary net position - beginning	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>	<u>21,199,201</u>
<b>Plan fiduciary net position - ending (b)</b>	<b>42,740,645</b>	<b>38,337,121</b>	<b>32,878,807</b>	<b>26,835,171</b>
<b>Net OPEB liability - ending (a-b)</b>	<b>\$ 76,421,113</b>	<b>\$ 66,430,746</b>	<b>\$ 57,057,013</b>	<b>\$ 64,957,864</b>

\* Based on prior actuarial valuations. See Note 21 for updated valuation amounts.

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

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

See Independent Auditors' Report.

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

**Schedules of Net OPEB Liability, Contributions, and Investment Returns**

(Unaudited)

**Schedule of Net OPEB Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 119,161,758	\$ 104,767,867	\$ 89,935,820	\$ 91,793,035
Plan fiduciary net position	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB liability	<u>\$ 76,421,113</u>	<u>\$ 66,430,746 *</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.87%	36.59%	36.56%	29.23%
Covered employee payroll	99,665,022	93,645,807	94,042,382	94,042,382
Participating employer net OPEB liability as a percentage of covered employee payroll	76.68%	70.94%	60.67%	69.07%

**Schedule of Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 6,906,705	\$ 6,906,705	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially determined contribution	<u>6,906,705</u>	<u>6,906,705</u>	<u>6,115,455</u>	<u>5,568,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,172)</u>	<u>\$ -</u>
Covered employee payroll	99,665,022	93,645,807	94,042,382	89,329,181
Contributions as a percentage of covered employee payroll	6.93%	7.38%	6.50%	6.23%

**Schedule of Investment Returns**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Annual money weighted rate of return, net of investment expense	4.65%	4.93%	11.62%	14.25%

\* Based on prior actuarial valuation. See Note 21 for updated valuation amounts.

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

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

See Independent 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, 2020

	<u>Budget</u>	<u>Adjusted Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Current service charges	\$ 8,791,606	\$ 9,037,851	\$ 246,245
Interest income	<u>15,000</u>	<u>22,192</u>	<u>7,192</u>
Total Revenues	8,806,606	9,060,043	253,437
<b>Expenditures:</b>			
Sewer expenditures	1,565,614	1,319,393	246,221
Intergovernmental	6,399,114	6,388,680	10,434
Debt service	<u>900,000</u>	<u>904,095</u>	<u>(4,095)</u>
Total Expenditures	<u>8,864,728</u>	<u>8,612,168</u>	<u>252,560</u>
Excess of revenues over expenditures	(58,122)	447,875	505,997
<b>Other Financing Sources and Uses:</b>			
Transfers in	530,467	530,467	-
Use of retained earnings	1,631,487	-	(1,631,487)
Transfers out	<u>(2,103,832)</u>	<u>(2,103,832)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>58,122</u>	<u>(1,573,365)</u>	<u>(1,631,487)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (1,125,490)</u>	<u>\$ (1,125,490)</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, 2020

	<u>Budget</u>	<u>Adjusted Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Current service charges	\$ 6,128,985	\$ 6,265,671	\$ 136,686
Interest income	18,000	35,013	17,013
Other revenue	<u>-</u>	<u>2,615</u>	<u>2,615</u>
<b>Total Revenues</b>	<b>6,146,985</b>	<b>6,303,299</b>	<b>156,314</b>
<b>Expenditures:</b>			
Water expenditures	2,631,121	2,312,744	318,377
Intergovernmental	1,412,709	1,412,327	382
Debt service	<u>1,250,000</u>	<u>1,177,829</u>	<u>72,171</u>
<b>Total Expenditures</b>	<b><u>5,293,830</u></b>	<b><u>4,902,900</u></b>	<b><u>390,930</u></b>
Excess of revenues over expenditures	853,155	1,400,399	547,244
<b>Other Financing Sources and Uses:</b>			
Use of retained earnings	291,500	-	(291,500)
Transfers out	<u>(1,144,655)</u>	<u>(1,144,655)</u>	<u>-</u>
<b>Total Other Financing Sources and Uses</b>	<b><u>(853,155)</u></b>	<b><u>(1,144,655)</u></b>	<b><u>(291,500)</u></b>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 255,744</u>	<u>\$ 255,744</u>

See Independent Auditors' Report.