



TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report
For the Year Ended June 30, 2021

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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, 2021, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2020), 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

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

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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, 2021, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2020), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 75 to 76, and the pension and OPEB schedules appearing on pages 77 to 80 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 81 through 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022 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 stylized, handwritten signature of the word "Melanson" in a dark blue color.

Merrimack, New Hampshire
March 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town of Needham for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$176,707,185, a change of \$4,063,891, and net position in business-type activities was \$62,620,216, a change of \$3,048,969.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$82,294,948, a change of \$9,976,344 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$28,063,054 a change of \$(768,712) in comparison to the prior year.

Government-Wide Financial Analysis

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

| | <u>Net Position Summary (000s)</u> | | | | | |
|--|------------------------------------|-------------------|----------------------|------------------|-------------------|-------------------|
| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 107,304 | \$ 95,740 | \$ 18,355 | \$ 16,075 | \$ 125,659 | \$ 111,815 |
| Capital assets | <u>375,554</u> | <u>364,119</u> | <u>57,853</u> | <u>59,238</u> | <u>433,407</u> | <u>423,357</u> |
| Total assets | 482,858 | 459,859 | 76,208 | 75,313 | 559,066 | 535,172 |
| Deferred outflows of resources | <u>31,621</u> | <u>46,026</u> | <u>764</u> | <u>1,283</u> | <u>32,385</u> | <u>47,309</u> |
| Total assets and deferred outflows of resources | <u>\$ 514,479</u> | <u>\$ 505,885</u> | <u>\$ 76,972</u> | <u>\$ 76,596</u> | <u>\$ 591,451</u> | <u>\$ 582,481</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | \$ 287,512 | \$ 291,874 | \$ 13,237 | \$ 15,904 | \$ 300,749 | \$ 307,778 |
| Notes payable | - | 1,200 | - | - | - | 1,200 |
| Other liabilities | <u>19,849</u> | <u>16,793</u> | <u>395</u> | <u>454</u> | <u>20,244</u> | <u>17,247</u> |
| Total liabilities | 307,361 | 309,867 | 13,632 | 16,358 | 320,993 | 326,225 |
| Deferred inflows of resources | <u>30,411</u> | <u>17,716</u> | <u>720</u> | <u>549</u> | <u>31,131</u> | <u>18,265</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 238,173 | 230,614 | 48,527 | 48,642 | 286,700 | 279,256 |
| Restricted | 19,568 | 16,889 | - | - | 19,568 | 16,889 |
| Unrestricted | <u>(81,034)</u> | <u>(69,201)</u> | <u>14,093</u> | <u>11,047</u> | <u>(66,941)</u> | <u>(58,154)</u> |
| Total net position | <u>176,707</u> | <u>178,302</u> | <u>62,620</u> | <u>59,689</u> | <u>239,327</u> | <u>237,991</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 514,479</u> | <u>\$ 505,885</u> | <u>\$ 76,972</u> | <u>\$ 76,596</u> | <u>\$ 591,451</u> | <u>\$ 582,481</u> |

Changes in Net Position Summary (000s)

| | Governmental | | Business-Type | | Total | |
|--|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,725 | \$ 12,912 | \$ 16,899 | \$ 15,773 | \$ 28,624 | \$ 28,685 |
| Operating grants and contributions | 47,325 | 39,417 | - | - | 47,325 | 39,417 |
| Capital grants and contributions | 913 | 1,936 | - | 360 | 913 | 2,296 |
| General revenues: | | | | | | |
| Property taxes | 164,611 | 153,740 | - | - | 164,611 | 153,740 |
| Excises | 4,925 | 5,842 | - | - | 4,925 | 5,842 |
| Penalties, interest and other taxes | 1,278 | 2,115 | - | - | 1,278 | 2,115 |
| Grants and contributions not restricted to specific programs | 2,610 | 2,451 | - | - | 2,610 | 2,451 |
| Investment income | 1,161 | 1,329 | 23 | 57 | 1,184 | 1,386 |
| Other | 671 | 372 | - | - | 671 | 372 |
| Total revenues | <u>235,219</u> | <u>220,114</u> | <u>16,922</u> | <u>16,190</u> | <u>252,141</u> | <u>236,304</u> |
| Expenses: | | | | | | |
| General government | 11,978 | 10,793 | - | - | 11,978 | 10,793 |
| Public safety | 26,327 | 23,776 | - | - | 26,327 | 23,776 |
| Education | 148,580 | 134,011 | - | - | 148,580 | 134,011 |
| Public works | 30,335 | 26,059 | - | - | 30,335 | 26,059 |
| Building design and construction | 659 | 533 | - | - | 659 | 533 |
| Health and human services | 3,703 | 3,719 | - | - | 3,703 | 3,719 |
| Culture and recreation | 4,339 | 4,359 | - | - | 4,339 | 4,359 |
| Interest on long-term debt | 3,574 | 3,496 | - | - | 3,574 | 3,496 |
| Intergovernmental | 1,522 | 1,445 | - | - | 1,522 | 1,445 |
| Other unallocated costs | 1,122 | 1,152 | - | - | 1,122 | 1,152 |
| Sewer operations | - | - | 8,519 | 8,883 | 8,519 | 8,883 |
| Water operations | - | - | 4,370 | 5,092 | 4,370 | 5,092 |
| Total expenses | <u>232,139</u> | <u>209,343</u> | <u>12,889</u> | <u>13,975</u> | <u>245,028</u> | <u>223,318</u> |
| Change in net position before transfers | 3,080 | 10,771 | 4,033 | 2,215 | 7,113 | 12,986 |
| Transfers | 984 | 795 | (984) | (795) | - | - |
| Change in net position | 4,064 | 11,566 | 3,049 | 1,420 | 7,113 | 12,986 |
| Net position - beginning of year, as restated | <u>172,643</u> | <u>166,736</u> | <u>59,571</u> | <u>58,269</u> | <u>232,214</u> | <u>225,005</u> |
| Net position - end of year | <u>\$ 176,707</u> | <u>\$ 178,302</u> | <u>\$ 62,620</u> | <u>\$ 59,689</u> | <u>\$ 239,327</u> | <u>\$ 237,991</u> |

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

The largest portion of net position \$286,699,841 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, infrastructure, works of art, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

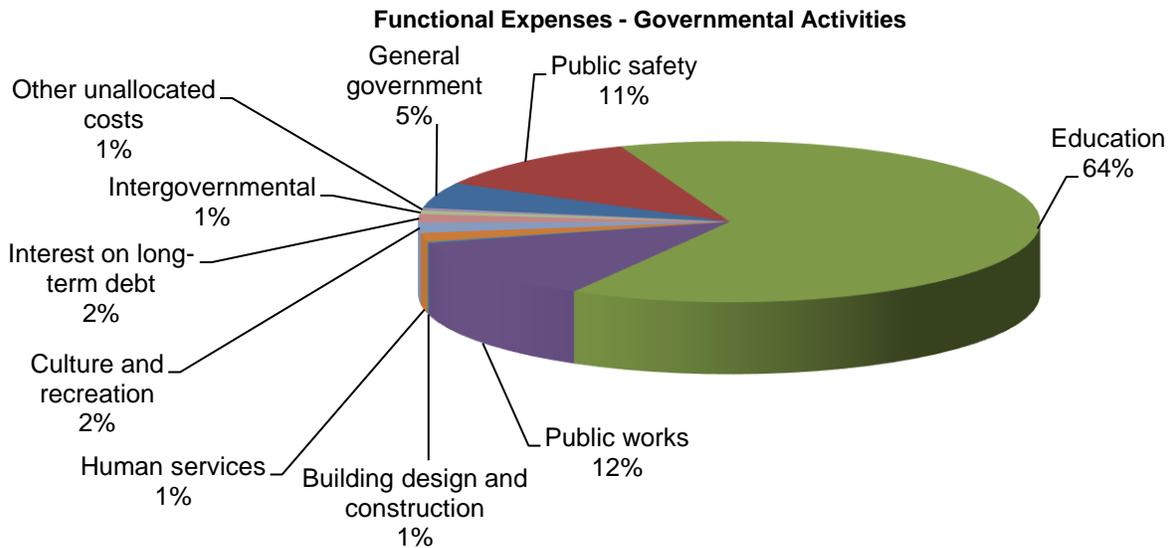
An additional portion of net position \$19,568,168 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(66,940,608) as a result of our net pension and net OPEB liabilities.

Governmental Activities

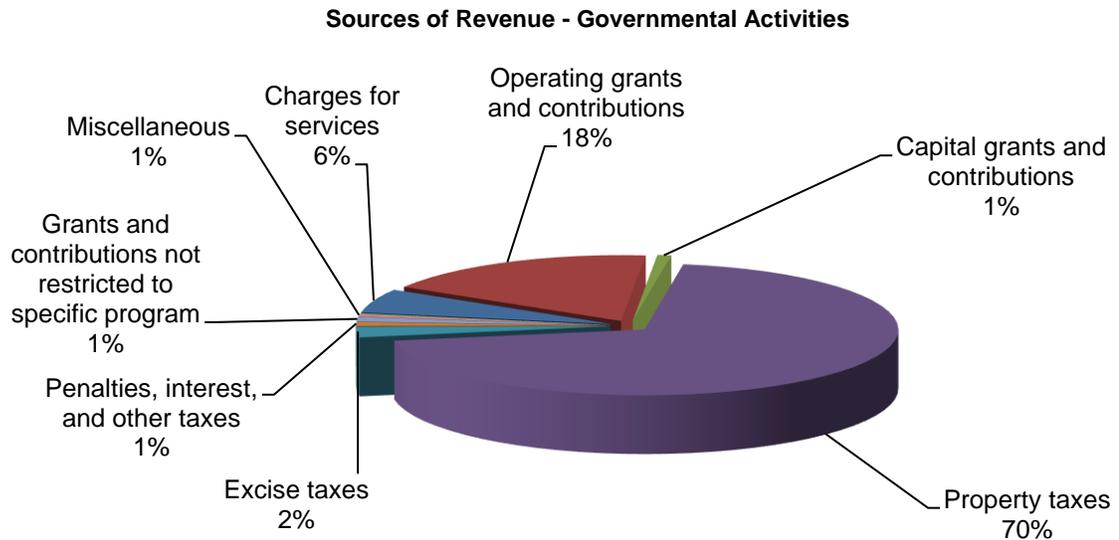
The overall net position of governmental activities increased by \$4,063,891, primarily from the Town’s practice of funding capital acquisitions with current year raised revenues. The most notable event that limited this increase resulted from GASB 75. While the adoption of the Gretzen model for projecting healthcare costs had a positive effect on OPEB expense, the following assumption changes contributed to the significant increase of the OPEB expense:

- Decrease in the discount rate from 7.0% to 6.5%
- Implementation of ASOP 6 revising the methodology of calculating expected claims

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$22.8 million over the previous year or by 10.9%.



As presented in the following graph, most of the Town’s revenue comes from property taxes. Total revenues (excluding transfers) increased by \$15.1 million over the prior year or 6.9%.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$3,048,969. 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.

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 \$82,294,948 a change of \$9,976,344 in comparison to the prior year. Key elements of this change include favorable results in the general fund, raising of the CPA fund revenues to be spent in future years, and the timing of issuance of long-term debt to finance multi-year projects.

General Fund

The general fund is the chief operating fund. The unassigned fund balance at June 30, 2021 was \$28,063,054 (which includes our general stabilization fund of \$4,492,393) decreased by \$(768,712). The decrease primarily results from favorable budgetary results of \$10,038,837 from revenues and transfers in excess of budget and unspent appropriations (page 75), less the use of free cash for fiscal year 2022 of \$10,688,723 (page 57). 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>6/30/21</u> | <u>6/30/20</u> | <u>6/30/19</u> |
|--------------------------|----------------|----------------|----------------|
| Unassigned fund balance: | \$ 28,063,054 | \$ 28,831,766 | \$ 24,011,463 |
| General Fund* | 23,570,661 | 24,466,756 | 19,823,947 |
| Stabilization Fund** | 4,492,393 | 4,365,010 | 4,187,516 |
| Total fund balance* | 52,376,805 | 48,669,479 | 47,715,208 |

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

**General stabilization fund balance was reclassified to unassigned from committed for 6/30/19.

| | <u>6/30/21</u> | <u>6/30/20</u> | <u>6/30/19</u> |
|--|----------------|----------------|----------------|
| Unassigned fund balance as of % of total general fund expenditures | 15.4% | 17.4% | 15.5% |
| Total fund balance as of % total general fund expenditures | 28.8% | 29.3% | 30.8% |

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

The total fund balance of the general fund changed by \$3,726,605 during the current fiscal year. Key factors in this change are as follows:

| | |
|--|---------------------|
| Use of free cash, overlay surplus and bond premium used for FY2021 appropriations | \$ (10,302,650) |
| Revenues and transfers in excess of budget | 4,261,216 |
| Expenditures less than budget | 6,176,021 |
| Encumbrances and articles carried into fiscal year 2022 | 3,628,612 |
| Other | <u>(36,594)</u> |
| Total | <u>\$ 3,726,605</u> |

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

| | <u>6/30/21</u> | <u>6/30/20</u> | <u>Change</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Compensated absences | \$ 337,791 | \$ 336,952 | \$ 839 |
| Continuing appropriations | 3,483,861 | 1,601,174 | 1,882,687 |
| Capital improvement stabilization | 1,097,070 | 1,095,016 | 2,054 |
| Capital facility stabilization | 1,921,686 | 1,918,088 | 3,598 |
| Athletic facility stabilization | 270,204 | 269,698 | 506 |
| Debt service stabilization | <u>2,154,083</u> | <u>2,150,051</u> | <u>4,032</u> |
| Total | <u>\$ 9,264,695</u> | <u>\$ 7,370,979</u> | <u>\$ 1,893,716</u> |

Other Major Funds

Community Preservation Fund – State legislation allows property taxes and state matching funds to finance projects such as preservation of historical buildings. No significant expenditures occurred in fiscal year 2021.

Public Safety Building – At the October 2018 Special Town Meeting, Article 10 was passed appropriating funds for the renovations of the Public Safety Building and Fire Station #2. In fiscal year 2021, \$20,577,691 was expended for renovation costs.

Nonmajor Governmental Funds – The nonmajor governmental fund balances changed by \$2,702,697, primarily from timing differences between capital costs and funding sources.

Proprietary Funds

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

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

| | <u>6/30/21</u> | <u>6/30/20</u> | <u>Change</u> |
|-------|----------------------|----------------------|---------------------|
| Sewer | \$ 5,777,174 | \$ 5,251,659 | \$ 525,515 |
| Water | <u>8,316,387</u> | <u>5,795,177</u> | <u>2,521,210</u> |
| Total | <u>\$ 14,093,561</u> | <u>\$ 11,046,836</u> | <u>\$ 3,046,725</u> |

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

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

General Fund Budgetary Highlights

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line-item amendments are made at a special town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The operating budget was approved at \$190,247,810 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$191,745,733. There were no overall appropriation amendments to the operating budget for the year.

| General Fund | | |
|---|-----------------|-----------------|
| | Original | Final |
| Town Meeting Operating Budget Appropriation | \$190,247,810 | \$190,247,810 |
| State and County Assessments | \$1,485,423 | \$1,485,423 |
| Other Amounts to be Provided | <u>\$12,500</u> | <u>\$12,500</u> |
| Total | \$191,745,733 | \$191,745,733 |

During fiscal year 2021, the Town realized revenue in excess of budget of \$3.9 million and realized budget returns of \$6.2 million. General fund revenue in excess of budget was comparable to the fiscal year 2020 results. The \$6.2 million budget return was lower than the fiscal year 2020 return of approximately \$7.6 million. The revenue surplus was attributable to adjustments made to the revenue estimates in recognition that COVID-19 restrictions and business closures would likely result in lower receipts in several key categories. Many local receipt categories for the year were lower than the prior year. The budget returns, although less than the prior year, were higher than some prior years because some larger than usual budget return was reflective of the steps the Town took to reduce spending in anticipation of declining revenue because 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.

| | Actual FY2021 | Actual FY2020 | Change \$ | Actual FY2019 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Motor Vehicle Excise | \$5,129,306 | \$5,679,213 | (\$549,907) | \$6,138,951 |
| Other Taxes and PILOT | \$782,685 | \$1,777,874 | (\$995,189) | \$2,011,190 |
| Penalties and Interest | \$499,343 | \$272,719 | \$226,624 | \$397,594 |
| Licenses & Permits Income Actual | <u>\$2,068,299</u> | <u>\$2,381,660</u> | <u>(\$313,361)</u> | <u>\$2,590,858</u> |
| Total | \$8,479,632 | \$10,111,466 | (\$1,631,834) | \$11,138,593 |

Motor vehicle excise tax revenue was down 9.7% from prior year's actual receipts (\$5,129,306 for FY2021 vs \$5,679,213 for FY2020) and was lower than the actual receipts for FY2019 (\$6,138,951) and for FY2018 (\$5,910,555). The margin between budgeted and actual revenue was at the lowest spread in many years. The actual receipts for FY2021 were \$0.13 million over budget, which compares to \$0.48 million for FY2020. The FY2019 spread was \$1.24 million and \$1.16 million for FY2018.

Revenue generated from other taxes, penalties, and payments in lieu of tax (PILOT) was approximately \$0.54 million over the budget for fiscal year 2021 which compares to \$0.34 million over the budget for fiscal year 2020. The revenue amount that came in above budget for fiscal year 2019 was \$0.77 million. The higher surplus over budget for FY2021 was not due to more income, but rather a much lower target as local receipt estimates were adjusted downward because of the retraction in the economy because of COVID-19. Comparing the actual revenue from those sources for fiscal year 2021 to fiscal year 2020 shows an overall decline in receipts of \$768,565 (\$1,282,028 for FY2021 compared to \$2,050,593 for FY2020). The total was less than FY2019 as well with total receipts of \$2,408,784.

Revenue from licenses and permits declined approximately 13.2%. The total permit income for fiscal year 2020 was \$2,068,299 compared to \$2,381,660 for fiscal year 2020 and \$2,590,858 for fiscal year 2019.

Overall total actual general fund revenue for fiscal year 2021 (\$189,851,379) was \$10,395,622 more than the total for fiscal year 2020 (\$179,455,757). The increase was due to the growth in property taxes with \$11.31 million more in fiscal year 2021. 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. The total general fund revenue surplus for fiscal year 2021 was \$3,862,816 which was slightly less (\$30,089) than the \$3,892,905 surplus for fiscal year 2020. The combination of motor vehicle excise revenue permit and license revenue, and other local tax receipts contributed approximately 24.3% of the total General Fund surplus for fiscal year 2021, down from the 32.6% that these sources comprised in fiscal year 2020, and the 39.2% in fiscal year 2019.

| | Actual FY2021 | Budget FY2021 | Variance FY2021 | Percentage of Total |
|-----------------------------------|----------------------|----------------------|--------------------|------------------------|
| Motor Vehicle Excise | \$5,129,306 | \$5,000,000 | \$129,306 | 3.35% |
| Other Taxes, Penalties, and PILOT | \$1,282,028 | \$740,000 | \$542,028 | 14.03% |
| Licenses & Permits | \$2,068,299 | \$1,800,000 | \$268,299 | 6.95% |
| All Other Revenues | <u>\$181,371,747</u> | <u>\$178,448,563</u> | <u>\$2,923,184</u> | <u>75.67%</u> |
| Total | \$189,851,379 | \$185,988,563 | \$3,862,816 | 100.00% |

The general fund appropriated operating budget, excluding county and state assessments and other amounts to be provided, accounting for most of the expenditures, returned \$6,199,880 or approximately 3.3% of the operating budget appropriation; the return for fiscal year 2020 was \$7,634,782 or approximately 4.3% of the appropriation for that year. The budgetary reserve fund (reserve fund) returned \$1,685,981 which represents 27.2% of the total general fund operating budget return for the fiscal year 2021 and was the highest dollar amount returned. The reserve fund budget amount returned was less than fiscal year 2020 reserve fund budget return (\$1,851,500), which was 24.3% of the total return in that year. The \$1,685,981 return of the reserve fund budget represents approximately 81% of the original voted reserve fund budget of \$2,077,091. There were three draws on the reserve fund during fiscal year 2021. The first was \$12,614 to contribute to the COVID-19 expenses that the Minutemen Regional School incurred. The second transfer request that was approved was \$2,389 for property and casualty insurance expenses that came in over budget for the fiscal year. The third was the transfer to cover snow and ice removal expenses above the base budget. The base budget for snow and ice removal was \$424,604 which required a \$376,107 transfer from the budgetary reserve fund to cover the total expense of \$800,711. The Town usually incurs expenses for snow and ice removal that exceed the annual budgeted amount, and the overage is covered by a transfer from the reserve fund. The snow and ice removal expense for fiscal year 2020 was \$405,172, and the expense for fiscal year 2019 was \$724,024. It was a mild winter season during FY2020 and was the first year since fiscal year 2012 that the total expense was less than budgeted and did not require a reserve fund transfer, hence why the FY2020 budget return was greater than the FY2021 budget return amount.

The second highest dollar turnback was from the Needham Public Schools in the amount of \$1,084,860, which compares to the \$455,091 return for fiscal year 2020. The appropriated school budget for fiscal year 2021 was \$80,735,089. The budget return represents just 1.3% of the budget, but accounts for 17.5% of the total general fund budget return. The School Department received several grants from the State to alleviate COVID-19 related expenses being incurred by the district as it had to conduct remote learning for many of the students during the entire school year. Those funds, in addition to some lower operating expenses because school transportation and school food services were not utilized as much because many students stayed at home, and hence did not need those services.

The Police Department had the third highest budget turnback returning \$790,732 or 10.2% of its budget which compares to \$471,630 or 6.6% of its fiscal year 2020 budget. Approximately 88% of the turn back (\$699,514) was from salary and wages. The department has been experiencing

an ongoing higher vacancy rate as positions have been turning over more often during the last few years, and a backlog in the hiring process, which was only more difficult to navigate with COVID-19 restrictions, has made it difficult to keep all the positions filled for the entire year. The operating expense line returned \$70,091 of which most was attributed to lower fuel expenses during the fiscal year as energy prices, especially gasoline, were much lower due to the slowdown in the economy and less travel in general by the public which lowered the demand for fuel. The balance (\$21,127) was from capital line. The cost for replacement vehicles was less than the estimates provided a year earlier. The department budget turnback represented approximately 12.8% of the total General Fund budget return.

The Needham Electric, Light & Gas Program expense line turnback was \$391,816 or 10% of the fiscal year 2021 budget. This compares to the \$659,653 (17.6%) turnback from the fiscal year 2020 budget. Energy use in the public buildings was higher, which was in part due to measures taken by the Building Maintenance division to increase the flow of air through the buildings, especially the school buildings, to reduce the presence of the COVID-19 virus. However, the Town realized significant energy use reduction with the streetlights because of the changeover to LED lighting the Town had initiated. This resulted in electric cost savings which represents approximately 25% of the total return. Overall, the \$391,816 budget return represents 6.3% of the total general fund budget return and was the fourth highest dollar return.

The fifth highest budget dollar return came from the library, with a return of \$214,143 or 10.6% of the fiscal year 2021 budget. The salary and wage expense line returned \$208,934 or approximately 98% of the total return. The high return was due to restrictions on use of the library that were in place for the fiscal year. Patrons were able to reserve and pickup books and materials from the library at the curb but could not enter the facility. The hours of operations were also reduced for the year. Consequently, the need for part-time and temporary employees was less so the wage expense was lower for the year.

The other 17 departmental budgets returned in total \$1,107,277 or 2.9% of their combined amended budgets for the year. The Town-wide expense budgets (excluding the budgetary reserve fund and electric, light & gas program) returned a combined \$925,072 or approximately 1.7% of their related total amended budgets, which compares to the same budgets last year returning \$1,697,307 or approximately 3.3% of their related total amended budgets.

Capital Asset and Debt Administration

Capital Assets

Total capital assets for governmental and business-type activities at year-end amounted to \$433,407,115 (net of accumulated depreciation), a change of \$10,049,487 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, vehicles, infrastructure, works of art and construction in progress.

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

Governmental Activities:

| | |
|--------------------------------------|---------------|
| Public safety building | \$ 20,201,461 |
| Sunita L. Williams elementary school | \$ 394,501 |
| Ambulance | \$ 335,545 |
| Pollard school gym updates | \$ 252,152 |
| Street sweeper | \$ 247,295 |
| RTS improvements | \$ 221,985 |

Business-Type Activities:

| | |
|--|------------|
| Sewer vehicles | \$ 428,199 |
| Water distribution system improvements | \$ 186,267 |

Debt

At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$150,310,592. The bonds are backed by the full faith and credit of the government. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standards & Poor's to the Town debt since 2000.

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

Economic Factors and Next Year's Budgets And Rates

COVID-19 negatively impacted fiscal year 2021 revenues, but the combination of proactive steps taken by the Town to reduce expenses, lowering local receipt estimates, and securing Federal and State funds to help defray many of the costs incurred due to the COVID-19 response and for the temporary changes in the method of delivering certain services resulted in a better financial picture than would have otherwise been possible. We do anticipate lingering economic effects from the COVID-19 restrictions that may still be in place through fiscal year 2022. We anticipate that the local economy will improve, as people return to work, businesses operating full-time, and students back in school, be that in person, remote or a combination thereof, and folks seemingly more comfortable being in public and in crowds, a degree of normalcy has returned. Hospitality related revenues will grow. The next few fiscal years will be influenced as COVID-19 transitions from a pandemic to an endemic. However, the cost of providing basic services will increase, as difficulties with the supply chains continue, pressures on wages grow, fear of higher inflation take hold, and turnover in staff in all sectors mount, resulting in new challenges for the foreseeable future.

The total General Fund balance for fiscal year 2021 was higher than fiscal year 2020. Fund balance was \$52.4 million for fiscal year 2021 compared to \$48.7 million for fiscal year 2020,

approximately a 7.6% change. The unassigned portion of the General Fund decreased from the prior fiscal year with a balance of \$28.1 million for fiscal year 2021 compared to \$28.8 million for fiscal year 2020. As noted previously, the unassigned portion is now inclusive of the general stabilization fund (\$4,492,393). The State certified \$16,665,406 available as Free Cash for fiscal year 2021 of which the Town appropriated \$11,526,630 of that amount. Free Cash is essentially the portion of the unassigned General Fund balance that the Massachusetts Department of Revenue will allow the Town to appropriate. The Free Cash certified for prior year was \$12,369,898.

The Town allocated \$6,246,653 of the Free Cash for capital equipment and projects for fiscal year 2022. The Free Cash appropriated for capital included \$2,639,000 for public roads and related infrastructure improvements, \$480,000 for the site improvements at the Town's Recycling and Transfer Station property, \$213,100 for improvements to the Broadmeadow School technology room, \$125,000 for preliminary work to improve the water quality at Walker Pond, and \$16,000 to fund designs to improve the heating system at the former Hillside School building. A total of \$454,000 of Free Cash was appropriated to fund a portion of three projects that were primarily funded by CPA funds, redesign of the Town Common, designs for the renovation of McCloud Field, and sediment removal from the abandoned Town reservoir water body. Free Cash was also used to fund capital equipment which included \$1,135,084 in core fleet and special equipment, \$565,914 in cash capital equipment, furnishings and technology for the Needham Public Schools, \$316,055 for fire personnel self-contained breathing apparatus and personal protective wear gear, police mobile devices, and the purchase of monitor/defibrillators. \$60,000 was appropriated for an assessment of the auditorium theatrical sound & lighting systems at some of the school buildings. \$56,000 will be used for the purchase and installation of an electronic permanent message board, and \$86,500 was directed to other general fund cash capital investments in equipment and technology 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 \$3,527,570 of Free Cash to the fiscal year 2022 operating budget. The Town's use of Free Cash for funding the subsequent fiscal year operating budget (FY2022) was in line with management's guidance of not more than two percent of the previous year's (FY2020) final budget (excluding the budgetary reserve fund) or the actual turn back, whichever is less. Two percent of the fiscal year 2020 operating budget excluding the budgetary reserve fund was 3,527,570; the related budgetary return was \$5,783,282. The amount of Free Cash appropriated for budget purposes was \$3,527,570.

The Town appropriated \$1,000,000 of Free Cash for its ongoing public facilities maintenance program and \$150,000 for Fleet refurbishment so that the Town can extend the life of vehicles and specialty equipment that otherwise would need to be replaced. The Town appropriated Free Cash to fund various studies and outside consultants which includes \$75,000 for services for the Town's network & internet control systems, \$60,000 for the Planning and Community Development Department, \$50,000 for professional consulting services for the Town's Public Health department for health-related studies, and \$30,000 to cover the technical and

professional services costs to decommission the Rosemary Dam. The Town also appropriated \$50,000 to fund a grant program for low-cost repair projects that would allow citizens to continue living in their homes. Town Meeting also approved payment of an unpaid bill from a prior fiscal year which \$407 of Free Cash was used.

Free Cash was also used to fund the Town's workers' compensation reserve pool in the amount of \$337,000. The \$5,138,775 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.

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 from COVID-19. The Town appropriated an additional \$1.4 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 is funded within the levy limit. The central Fire Station opened in November 2020, and Station #2 and Police Station will open in 2022. The Town will be issuing two more bond issues related to the projects, as well as several Notes. Notes will likely be paid off at maturity and not rolled into a bond issue. The total project is expected to be closed and final financing settled in fiscal year 2023.

The Town approved a borrowing authorization of \$1,475,000 to fund designs for the renovation and upgrade of the historic Emery Grover Building which house the Needham Public School administrative offices. The total project cost is estimated at approximately \$20 million, and the construction phase funding is planned to be presented at the 2022 Annual Town Meeting. Funding for the project is anticipated to a combination of cash and debt financing repaid by the General Fund within the tax levy and Community Preservation Act funds.

The Town is in the early stages of weighing options on how and when to address its middle school space needs and the replacement of the Mitchell Elementary School – the last of the existing elementary schools to be replaced or substantially overhauled.

The Town's water and sewer operations remained solid and the identified capital infrastructure improvements over the next several years are fundable within the current annual revenue stream and financing plan, which includes the use of ARPA funds. Commercial use of water and sewer remains low compared to five years ago, and the residential use that increased during COVID-19 as more people were working from home and staying local, has not yet abated. 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 and will not change the rates for fiscal year 2022. There will be a need to update the user rates before the end of fiscal year

2023. The Town was looking whether to establish a stormwater fee to raise funds to pay some of the known stormwater infrastructure improvements that are forthcoming. There was a public hearing scheduled for March 2020, but COVID-19 delayed the hearing. The Town will likely take up the issue again for fiscal 2023.

The outlook for the fiscal year 2022 year-end results is positive, and with the additional funds being made available by the federal government to lessen the impact that COVID-19 had on the nation's economy, fiscal year 2023 revenue will be higher than the last couple of years. We anticipate the local building construction activity will remain strong and in high demand for the next 12 to 24 months based on permitted projects. As mentioned earlier there has been upward cost pressure on personnel and contracted services because of the competitive and changing labor market, and new inflationary concerns. 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 a decline in the major local revenue sources should the COVID-19 recovery become stalled.

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, 2021

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|------------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Assets: | | | |
| Current: | | | |
| Cash and short-term investments | \$ 81,723,668 | \$ 13,469,067 | \$ 95,192,735 |
| Investments | 18,466,414 | - | 18,466,414 |
| Receivables, net: | | | |
| Property taxes | 1,989,837 | - | 1,989,837 |
| Excises | 338,661 | - | 338,661 |
| Utilities | - | 4,886,011 | 4,886,011 |
| Departmental | 1,493,351 | - | 1,493,351 |
| Intergovernmental | 1,000,535 | - | 1,000,535 |
| Other | 74,898 | - | 74,898 |
| Total current assets | <u>105,087,364</u> | <u>18,355,078</u> | <u>123,442,442</u> |
| Noncurrent: | | | |
| Receivables, net: | | | |
| Property taxes | 1,521,676 | - | 1,521,676 |
| Intergovernmental | 695,148 | - | 695,148 |
| Capital assets: | | | |
| Non-depreciable capital assets | 104,590,989 | 4,120,766 | 108,711,755 |
| Depreciable assets, net of accumulated depreciation | <u>270,962,737</u> | <u>53,732,623</u> | <u>324,695,360</u> |
| Total noncurrent assets | <u>377,770,550</u> | <u>57,853,389</u> | <u>435,623,939</u> |
| TOTAL ASSETS | 482,857,914 | 76,208,467 | 559,066,381 |
| Deferred Outflows of Resources | | | |
| Related to pensions | 14,023,195 | 542,334 | 14,565,529 |
| Related to OPEB | <u>17,598,414</u> | <u>222,006</u> | <u>17,820,420</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>31,621,609</u> | <u>764,340</u> | <u>32,385,949</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ <u>514,479,523</u> | \$ <u>76,972,807</u> | \$ <u>591,452,330</u> |

(continued)

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2021

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|-----------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities: | | | |
| Current: | | | |
| Warrants and accounts payable | \$ 6,810,729 | \$ 163,415 | \$ 6,974,144 |
| Accrued liabilities | 7,961,768 | 74,511 | 8,036,279 |
| Unearned revenue | 3,013,306 | - | 3,013,306 |
| Refunds payable | 553,199 | 156,867 | 710,066 |
| Other liabilities | 1,510,452 | - | 1,510,452 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 14,558,606 | 1,112,985 | 15,671,591 |
| Compensated absences | 1,741,621 | 307,239 | 2,048,860 |
| Landfill liability | 56,415 | - | 56,415 |
| Total current liabilities | 36,206,096 | 1,815,017 | 38,021,113 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 126,425,252 | 8,213,749 | 134,639,001 |
| Net pension liability | 70,950,538 | 2,743,944 | 73,694,482 |
| Net OPEB liability | 68,160,178 | 859,847 | 69,020,025 |
| Compensated absences, net of current portion | 5,224,864 | - | 5,224,864 |
| Landfill liability, net of current portion | 394,908 | - | 394,908 |
| Total non-current liabilities | 271,155,740 | 11,817,540 | 282,973,280 |
| TOTAL LIABILITIES | 307,361,836 | 13,632,557 | 320,994,393 |
| Deferred Inflows of Resources | | | |
| Related to pensions | 13,040,164 | 504,316 | 13,544,480 |
| Related to OPEB | 17,099,866 | 215,718 | 17,315,584 |
| Taxes paid in advance | 270,472 | - | 270,472 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 30,410,502 | 720,034 | 31,130,536 |
| Net Position: | | | |
| Net investment in capital assets | 238,173,186 | 48,526,655 | 286,699,841 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Nonexpendable | 188,478 | - | 188,478 |
| Expendable | 3,244,678 | - | 3,244,678 |
| Grants and by enabling legislation | 16,135,012 | - | 16,135,012 |
| Unrestricted | (81,034,169) | 14,093,561 | (66,940,608) |
| TOTAL NET POSITION | 176,707,185 | 62,620,216 | 239,327,401 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 514,479,523 | \$ 76,972,807 | \$ 591,452,330 |

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

| | Expenses | Program Revenues | | Net (Expenses) Revenues | |
|----------------------------------|----------------|-------------------------|--|----------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Governmental Activities: | | | | | |
| General government | \$ 11,978,037 | \$ 741,761 | \$ 1,469,767 | \$ - | \$ (9,766,509) |
| Public safety | 26,327,302 | 4,870,288 | 908,940 | - | (20,548,074) |
| Education | 148,580,068 | 2,278,547 | 44,506,433 | 731,439 | (101,063,649) |
| Public works | 30,334,530 | 3,223,430 | - | 181,092 | (26,930,008) |
| Building design and construction | 658,607 | 1,087 | - | - | (657,520) |
| Health and human services | 3,703,344 | 130,233 | 303,017 | - | (3,270,094) |
| Culture and recreation | 4,338,489 | 479,821 | 136,669 | - | (3,721,999) |
| Interest on debt service | 3,574,341 | - | - | - | (3,574,341) |
| Intergovernmental | 1,521,825 | - | - | - | (1,521,825) |
| Other unallocated costs | 1,121,924 | - | - | - | (1,121,924) |
| Total Governmental Activities | 232,138,467 | 11,725,167 | 47,324,826 | 912,531 | (172,175,943) |
| Business-Type Activities: | | | | | |
| Sewer services | 8,519,301 | 9,398,107 | 496 | - | 879,302 |
| Water services | 4,370,159 | 7,500,774 | - | - | 3,130,615 |
| Total Business-Type Activities | 12,889,460 | 16,898,881 | 496 | - | 4,009,917 |
| Total | \$ 245,027,927 | \$ 28,624,048 | \$ 47,325,322 | \$ 912,531 | (168,166,026) |

(continued)

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|-----------------------|
| Change in Net Position: | | | |
| Net (Expenses) revenue from previous page | (172,175,943) | 4,009,917 | (168,166,026) |
| General Revenues and Transfers: | | | |
| Property taxes | 164,611,360 | - | 164,611,360 |
| Excise taxes | 4,924,631 | - | 4,924,631 |
| Penalties, interest, and other taxes | 1,278,100 | - | 1,278,100 |
| Grants and contributions not restricted to specific programs | 2,610,062 | - | 2,610,062 |
| Investment income | 1,160,702 | 22,634 | 1,183,336 |
| Miscellaneous | <u>671,397</u> | <u>-</u> | <u>671,397</u> |
| Total general revenues | <u>175,256,252</u> | <u>22,634</u> | <u>175,278,886</u> |
| Excess before transfers | 3,080,309 | 4,032,551 | 7,112,860 |
| Transfers, net | <u>983,582</u> | <u>(983,582)</u> | <u>-</u> |
| Change in Net Position | 4,063,891 | 3,048,969 | 7,112,860 |
| Net Position: | | | |
| Beginning of year, as restated | <u>172,643,294</u> | <u>59,571,247</u> | <u>232,214,541</u> |
| End of year | <u>\$ 176,707,185</u> | <u>\$ 62,620,216</u> | <u>\$ 239,327,401</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2021

| | <u>General</u> | <u>Community Preservation</u> | <u>Public Safety Building</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---|-----------------------------|-----------------------------------|---------------------------------------|----------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and short-term investments | \$ 53,791,959 | \$ 744,695 | \$ 7,272,793 | \$ 18,401,729 | \$ 80,211,176 |
| Investments | 6,901,850 | 8,455,354 | - | 3,109,211 | 18,466,415 |
| Receivables: | | | | | |
| Property taxes | 4,264,234 | 19,279 | - | - | 4,283,513 |
| Excises | 605,661 | - | - | - | 605,661 |
| Departmental | 1,275,414 | - | - | 372,937 | 1,648,351 |
| Intergovernmental | 1,390,296 | - | - | 305,387 | 1,695,683 |
| Other | <u>74,899</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>74,899</u> |
| TOTAL ASSETS | <u>\$ 68,304,313</u> | <u>\$ 9,219,328</u> | <u>\$ 7,272,793</u> | <u>\$ 22,189,264</u> | <u>\$ 106,985,698</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Warrants and accounts payable | \$ 1,911,699 | \$ 8,349 | \$ 3,778,054 | \$ 1,112,625 | \$ 6,810,727 |
| Unearned revenue | - | - | - | 3,013,307 | 3,013,307 |
| Accrued liabilities | 4,927,660 | 77 | - | 142,079 | 5,069,816 |
| Refunds payable | 543,666 | - | - | - | 543,666 |
| Other liabilities | <u>1,170,159</u> | <u>-</u> | <u>-</u> | <u>349,826</u> | <u>1,519,985</u> |
| TOTAL LIABILITIES | 8,553,184 | 8,426 | 3,778,054 | 4,617,837 | 16,957,501 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues | 7,103,852 | 19,279 | - | 339,646 | 7,462,777 |
| Taxes paid in advance | <u>270,472</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>270,472</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 7,374,324 | 19,279 | - | 339,646 | 7,733,249 |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | 188,478 | 188,478 |
| Restricted | 733,044 | 9,191,623 | 3,494,739 | 10,003,111 | 23,422,517 |
| Committed | 9,264,695 | - | - | 7,947,152 | 17,211,847 |
| Assigned | 14,316,012 | - | - | - | 14,316,012 |
| Unassigned | <u>28,063,054</u> | <u>-</u> | <u>-</u> | <u>(906,960)</u> | <u>27,156,094</u> |
| TOTAL FUND BALANCES | <u>52,376,805</u> | <u>9,191,623</u> | <u>3,494,739</u> | <u>17,231,781</u> | <u>82,294,948</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 68,304,313</u> | <u>\$ 9,219,328</u> | <u>\$ 7,272,793</u> | <u>\$ 22,189,264</u> | <u>\$ 106,985,698</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

JUNE 30, 2021

| | | |
|---|-----------|---------------------------|
| Total governmental fund balances | \$ | 82,294,948 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 375,553,726 |
| Revenues are reported on the accrual basis of accounting and are not deferred until collection. | | 6,268,777 |
| Internal service funds are used by management to account for workers' compensation and property and casualty self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. | | 580,042 |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | | (1,959,505) |
| 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 | | (70,950,538) |
| Pension related deferred outflows of resources | | 14,023,195 |
| Pension related deferred inflows of resources | | (13,040,164) |
| Net OPEB liability | | (68,160,178) |
| OPEB related deferred outflows of resources | | 17,598,414 |
| OPEB related deferred inflows of resources | | (17,099,866) |
| Bonds and loans payable, net unamortized premiums | | (140,983,858) |
| Compensated absences payable | | (6,966,485) |
| Estimated liability for landfill postclosure care costs | | <u>(451,323)</u> |
| Net position of governmental activities | \$ | <u>176,707,185</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, 2021

| | <u>General</u> | <u>Community Preservation</u> | <u>Public Safety Building</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---|----------------------|-----------------------------------|---------------------------------------|----------------------------------|-------------------------------|
| Revenues: | | | | | |
| Property taxes | \$ 161,661,687 | \$ 2,827,425 | \$ - | \$ - | \$ 164,489,112 |
| Excise taxes | 5,129,306 | - | - | - | 5,129,306 |
| Penalties, interest, and other taxes | 1,282,028 | 6,203 | - | - | 1,288,231 |
| Charges for services | 4,080,388 | - | - | 4,227,594 | 8,307,982 |
| Departmental | 1,141,220 | - | - | - | 1,141,220 |
| Licenses and permits | 2,068,299 | - | - | - | 2,068,299 |
| Intergovernmental | 24,623,021 | 754,080 | - | 11,461,566 | 36,838,667 |
| Investment income | 366,542 | 111,711 | - | 682,449 | 1,160,702 |
| Fines and forfeitures | 60,974 | - | - | - | 60,974 |
| Contributions | - | - | - | 794,229 | 794,229 |
| Other | 596,281 | - | - | 44,321 | 640,602 |
| Total Revenues | 201,009,746 | 3,699,419 | - | 17,210,159 | 221,919,324 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 7,716,310 | 395,952 | - | 1,615,881 | 9,728,143 |
| Public safety | 21,652,212 | - | - | 2,447,010 | 24,099,222 |
| Education | 110,087,932 | - | - | 10,196,625 | 120,284,557 |
| Public works | 25,345,822 | - | - | 62,409 | 25,408,231 |
| Building design and construction | 576,958 | - | - | - | 576,958 |
| Health and human services | 2,919,012 | - | - | 291,031 | 3,210,043 |
| Culture and recreation | 3,198,287 | 3,000 | - | 470,730 | 3,672,017 |
| Employee benefits | 1,062,733 | - | - | - | 1,062,733 |
| Other | 667,584 | - | - | - | 667,584 |
| Capital outlay | - | - | 20,577,691 | 5,117,998 | 25,695,689 |
| Debt service: | | | | | |
| Principal | 13,374,000 | - | - | - | 13,374,000 |
| Interest and fiscal charges | 4,625,560 | - | - | - | 4,625,560 |
| Intergovernmental | 1,521,825 | - | - | - | 1,521,825 |
| Total Expenditures | 192,748,235 | 398,952 | 20,577,691 | 20,201,684 | 233,926,562 |
| Excess (deficiency) of revenues over expenditures | 8,261,511 | 3,300,467 | (20,577,691) | (2,991,525) | (12,007,238) |
| Other Financing Sources (Uses): | | | | | |
| Issuance of bonds | - | - | 19,160,000 | 247,000 | 19,407,000 |
| Issuance of refunding bonds | - | - | - | 4,668,000 | 4,668,000 |
| Premium on bonds | - | - | 1,583,000 | 10,000 | 1,593,000 |
| Premium on refunding bonds | - | - | - | 687,000 | 687,000 |
| Deposit to refunding escrow | - | - | - | (5,355,000) | (5,355,000) |
| Transfers in | 3,074,432 | - | 1,600,000 | 5,464,633 | 10,139,065 |
| Transfers out | (7,609,338) | (1,518,734) | - | (27,411) | (9,155,483) |
| Total Other Financing Sources (Uses) | (4,534,906) | (1,518,734) | 22,343,000 | 5,694,222 | 21,983,582 |
| Net change in fund balances | 3,726,605 | 1,781,733 | 1,765,309 | 2,702,697 | 9,976,344 |
| Fund Balances, at beginning of year, as reclassified | 48,650,200 | 7,409,890 | 1,729,430 | 14,529,084 | 72,318,604 |
| Fund Balances, at end of year | \$ 52,376,805 | \$ 9,191,623 | \$ 3,494,739 | \$ 17,231,781 | \$ 82,294,948 |

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, 2021

| | | |
|---|-----------|-------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ | 9,976,344 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | | |
| Capital outlay purchases, net of loss on disposal | | 25,017,143 |
| Depreciation | | (13,582,384) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for doubtful accounts.</p> | | |
| | | (692,728) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any affect on the changes in net position:</p> | | |
| Bond premium | | (2,280,000) |
| Bond premium amortization | | 790,606 |
| Issuance of debt | | (19,407,000) |
| Refunded debt | | (4,668,000) |
| Deposit to refunding escrow | | 5,355,000 |
| Repayments of debt | | 13,374,000 |
| <p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p> | | |
| | | 260,614 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</p> | | |
| Change in net pension liability and related deferred outflows and inflows of resources | | (1,799,947) |
| Change in net OPEB liability and related deferred outflows and inflows of resources | | (8,629,862) |
| Change in compensated absences | | (314,702) |
| Change in landfill liability | | 56,415 |
| <p>Internal service funds are used by management to account for self-insurance activities. The net activity of internal service funds is reported with Governmental Activities.</p> | | |
| | | <u>608,392</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>4,063,891</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2021

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|---|--|-----------------------------|-----------------------------|------------------------------|
| | Sewer Fund | Water Fund | Total | Internal Service Funds |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash and short-term investments | \$ 5,124,668 | \$ 8,344,399 | \$ 13,469,067 | \$ 1,512,491 |
| User fees receivable | <u>2,742,302</u> | <u>2,143,709</u> | <u>4,886,011</u> | <u>-</u> |
| Total current assets | 7,866,970 | 10,488,108 | 18,355,078 | 1,512,491 |
| Noncurrent: | | | | |
| Land and construction in progress | 2,569,426 | 1,551,340 | 4,120,766 | - |
| Other capital assets, net of accumulated depreciation | <u>22,963,734</u> | <u>30,768,889</u> | <u>53,732,623</u> | <u>-</u> |
| Total noncurrent assets | <u>25,533,160</u> | <u>32,320,229</u> | <u>57,853,389</u> | <u>-</u> |
| TOTAL ASSETS | 33,400,130 | 42,808,337 | 76,208,467 | 1,512,491 |
| Deferred Outflows of Resources: | | | | |
| Related to pensions | 213,060 | 329,274 | 542,334 | - |
| Related to OPEB | <u>160,920</u> | <u>61,086</u> | <u>222,006</u> | <u>-</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>373,980</u> | <u>390,360</u> | <u>764,340</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ <u>33,774,110</u> | \$ <u>43,198,697</u> | \$ <u>76,972,807</u> | \$ <u>1,512,491</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION | | | | |
| Liabilities: | | | | |
| Current: | | | | |
| Accounts payable | \$ 79,045 | \$ 84,370 | \$ 163,415 | \$ - |
| Accrued liabilities | 32,056 | 42,455 | 74,511 | 932,449 |
| Refunds payable | 135,095 | 21,772 | 156,867 | - |
| Compensated absences | 161,863 | 145,376 | 307,239 | - |
| Current portion of long-term liabilities: | | | | |
| Bonds payable | <u>509,816</u> | <u>603,169</u> | <u>1,112,985</u> | <u>-</u> |
| Total current liabilities | 917,875 | 897,142 | 1,815,017 | 932,449 |
| Noncurrent: | | | | |
| Bonds payable, net of current portion | 4,036,372 | 4,177,377 | 8,213,749 | - |
| Net pension liability | 1,077,978 | 1,665,966 | 2,743,944 | - |
| Net OPEB liability | <u>623,254</u> | <u>236,593</u> | <u>859,847</u> | <u>-</u> |
| Total noncurrent liabilities | <u>5,737,604</u> | <u>6,079,936</u> | <u>11,817,540</u> | <u>-</u> |
| TOTAL LIABILITIES | 6,655,479 | 6,977,078 | 13,632,557 | 932,449 |
| Deferred Inflows of Resources: | | | | |
| Related to pensions | 198,124 | 306,192 | 504,316 | - |
| Related to OPEB | <u>156,361</u> | <u>59,357</u> | <u>215,718</u> | <u>-</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>354,485</u> | <u>365,549</u> | <u>720,034</u> | <u>-</u> |
| Net Position: | | | | |
| Net investment in capital assets | 20,986,972 | 27,539,683 | 48,526,655 | - |
| Unrestricted | <u>5,777,174</u> | <u>8,316,387</u> | <u>14,093,561</u> | <u>580,042</u> |
| TOTAL NET POSITION | <u>26,764,146</u> | <u>35,856,070</u> | <u>62,620,216</u> | <u>580,042</u> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | \$ <u>33,774,110</u> | \$ <u>43,198,697</u> | \$ <u>76,972,807</u> | \$ <u>1,512,491</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|--|--|---------------|---------------|------------------------------|
| | Sewer Fund | Water Fund | Total | Internal Service Funds |
| Operating Revenues: | | | | |
| Charges for services | \$ 9,398,107 | \$ 7,499,669 | \$ 16,897,776 | \$ - |
| Other | - | 1,105 | 1,105 | 634,277 |
| Total Operating Revenues | 9,398,107 | 7,500,774 | 16,898,881 | 634,277 |
| Operating Expenses: | | | | |
| Personnel services | 655,530 | 606,987 | 1,262,517 | 25,885 |
| Non-personnel services | 377,335 | 1,120,274 | 1,497,609 | - |
| Depreciation | 992,362 | 1,407,286 | 2,399,648 | - |
| Intergovernmental assessments | 6,399,895 | 1,122,902 | 7,522,797 | - |
| Total Operating Expenses | 8,425,122 | 4,257,449 | 12,682,571 | 25,885 |
| Operating Income | 972,985 | 3,243,325 | 4,216,310 | 608,392 |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental revenue | 496 | - | 496 | - |
| Investment income | 7,289 | 15,345 | 22,634 | - |
| Interest expense | (94,179) | (112,710) | (206,889) | - |
| Total Nonoperating Revenues (Expenses), Net | (86,394) | (97,365) | (183,759) | - |
| Income Before Contributions and Transfers | 886,591 | 3,145,960 | 4,032,551 | 608,392 |
| Transfers in | 544,698 | - | 544,698 | - |
| Transfers out | (465,865) | (1,062,415) | (1,528,280) | - |
| Change in Net Position | 965,424 | 2,083,545 | 3,048,969 | 608,392 |
| Net Position at Beginning of Year, as restated | 25,798,722 | 33,772,525 | 59,571,247 | (28,350) |
| Net Position at End of Year | \$ 26,764,146 | \$ 35,856,070 | \$ 62,620,216 | \$ 580,042 |

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, 2021

| | Business-Type Activities | | | Governmental |
|---|--------------------------|---------------|---------------|-----------------------------|
| | Enterprise Funds | | | Activities |
| | Sewer Fund | Water Fund | Total | Internal Service Fund |
| Cash Flows From Operating Activities: | | | | |
| Receipts from customers and users | \$ 9,489,360 | \$ 7,434,207 | \$ 16,923,567 | \$ - |
| Employer contributions | - | - | - | 634,277 |
| Payments of utility assessments | (6,399,895) | (1,122,902) | (7,522,797) | - |
| Payments to vendors and contractors | (320,713) | (1,233,946) | (1,554,659) | - |
| Payments of employee salaries, benefits, and related expenses | (886,911) | (1,170,852) | (2,057,763) | (313,349) |
| Net Cash Provided By (Used For) Operating Activities | 1,881,841 | 3,906,507 | 5,788,348 | 320,928 |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Operating grants received | 496 | - | 496 | - |
| Transfers from other funds | 544,698 | - | 544,698 | - |
| Transfers to other funds | (465,865) | (1,062,415) | (1,528,280) | - |
| Net Cash Provided by (Used For) Noncapital Financing Activities | 79,329 | (1,062,415) | (983,086) | - |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (828,276) | (186,101) | (1,014,377) | - |
| Principal payments on bonds and loans | (543,648) | (732,380) | (1,276,028) | - |
| Interest expense | (94,178) | (112,710) | (206,888) | - |
| Net Cash (Used For) Capital and Related Financing Activities | (1,466,102) | (1,031,191) | (2,497,293) | - |
| Cash Flows From Investing Activities: | | | | |
| Investment income | 7,289 | 15,345 | 22,634 | - |
| Net Cash Provided By Investing Activities | 7,289 | 15,345 | 22,634 | - |
| Net Change in Cash and Short-Term Investments | 502,357 | 1,828,246 | 2,330,603 | 320,928 |
| Cash and Short-Term Investments, Beginning of Year | 4,622,311 | 6,516,153 | 11,138,464 | 1,191,563 |
| Cash and Short-Term Investments, End of Year | \$ 5,124,668 | \$ 8,344,399 | \$ 13,469,067 | \$ 1,512,491 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities: | | | | |
| Operating income (loss) | \$ 972,985 | \$ 3,243,325 | \$ 4,216,310 | \$ 608,392 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 992,362 | 1,407,286 | 2,399,648 | - |
| Changes in assets, liabilities, and deferred outflows/inflows: | | | | |
| User fees | 115,942 | (65,658) | 50,284 | - |
| Deferred outflows - related to pensions | 127,052 | 284,359 | 411,411 | - |
| Deferred outflows - related to OPEB | 53,476 | 53,476 | 106,952 | - |
| Accounts payable | 56,623 | (113,671) | (57,048) | - |
| Accrued liabilities | 6,546 | 16,415 | 22,961 | (287,464) |
| Refunds payable | (24,690) | (910) | (25,600) | - |
| Compensated absences | (33,434) | (6,655) | (40,089) | - |
| Net pension liability | (245,962) | (380,123) | (626,085) | - |
| Net OPEB liability | (251,611) | (590,008) | (841,619) | - |
| Deferred inflows - related to pensions | 67,772 | 13,891 | 81,663 | - |
| Deferred inflows - related to OPEB | 44,780 | 44,780 | 89,560 | - |
| Net Cash Provided By (Used For) Operating Activities | \$ 1,881,841 | \$ 3,906,507 | \$ 5,788,348 | \$ 320,928 |

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

| | Pension Trust Fund (As of <u>December 31, 2020</u>) | Other Post- Employment Benefit Trust Fund | Private Purpose Trust Funds | Custodial Funds |
|--|---|--|-----------------------------------|--------------------------|
| ASSETS | | | | |
| Cash and short-term investments | \$ 2,080,090 | \$ 262,002 | \$ - | \$ 448,979 |
| Investments: | | | | |
| PRIT - external investment pool | 201,497,803 | - | - | - |
| SRBT - external investment pool | - | 59,914,476 | - | - |
| Other | - | - | 6,627,866 | - |
| TOTAL ASSETS | \$ <u>203,577,893</u> | \$ <u>60,176,478</u> | \$ <u>6,627,866</u> | \$ <u>448,979</u> |
| LIABILITIES AND NET POSITION | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 272,853 | \$ - | \$ 16,500 | \$ 37,421 |
| Accrued liabilities | - | - | - | 1,243 |
| TOTAL LIABILITIES | <u>272,853</u> | <u>-</u> | <u>16,500</u> | <u>38,664</u> |
| Net Position: | | | | |
| Total net position restricted for pension, other post employment benefits, and other purposes | <u>203,305,040</u> | <u>60,176,478</u> | <u>6,611,366</u> | <u>410,315</u> |
| TOTAL LIABILITIES AND NET POSITION | \$ <u>203,577,893</u> | \$ <u>60,176,478</u> | \$ <u>6,627,866</u> | \$ <u>448,979</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

| | Pension Trust Fund (For the Year Ended December 31, 2020) | Other Post- Employment Benefit Trust Fund | Private Purpose Trust Funds | Custodial Funds |
|---|--|--|-----------------------------------|--------------------|
| Additions: | | | | |
| Contributions: | | | | |
| Employers | \$ 9,513,643 | \$ 8,650,376 | \$ - | \$ - |
| Plan members | 4,679,878 | - | - | - |
| Other | <u>344,313</u> | <u>-</u> | <u>45,566</u> | <u>591,948</u> |
| Total contributions | 14,537,834 | 8,650,376 | 45,566 | 591,948 |
| Investment income: | | | | |
| Earnings and change in fair value of investments | 22,651,460 | 13,820,192 | 1,248,135 | 199 |
| Less: management fees | <u>(878,832)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net investment income | <u>21,772,628</u> | <u>13,820,192</u> | <u>1,248,135</u> | <u>199</u> |
| Total additions | 36,310,462 | 22,470,568 | 1,293,701 | 592,147 |
| Deductions: | | | | |
| Benefit payments to plan members and beneficiaries | 14,517,225 | 5,034,735 | - | - |
| Refunds to plan members | 378,534 | - | - | - |
| Administrative expenses | 322,127 | - | - | - |
| Other | <u>-</u> | <u>-</u> | <u>122,330</u> | <u>557,587</u> |
| Total deductions | <u>15,217,886</u> | <u>5,034,735</u> | <u>122,330</u> | <u>557,587</u> |
| Net increase | 21,092,576 | 17,435,833 | 1,171,371 | 34,560 |
| Net position restricted for pensions and other purposes: | | | | |
| Beginning of year | <u>182,212,464</u> | <u>42,740,645</u> | <u>5,439,995</u> | <u>375,755</u> |
| End of year | <u>\$ 203,305,040</u> | <u>\$ 60,176,478</u> | <u>\$ 6,611,366</u> | <u>\$ 410,315</u> |

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

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The Town reports the following fiduciary funds:

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

Deposits and Investments

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

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

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

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

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

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

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 2021 tax levy reflected an excess capacity of \$1,757,767.

Capital Assets

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

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

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

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

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

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

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

Compensated Absences

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

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Deficit Fund Equity

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, 2021:

| | |
|--------------------------------------|-------------------|
| Nonmajor Governmental Funds: | |
| Special Revenue Funds: | |
| Police and fire details | \$ 491,904 |
| Capital Project Funds | |
| RTS property repairs | 285,374 |
| Downtown Phase 2 Great Plain | 65,390 |
| Other Deficit Funds | <u>64,292</u> |
| Subtotal Nonmajor Governmental Funds | <u>906,960</u> |
| Total | <u>\$ 906,960</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 Laws (MGL) Chapter 44, Section 55, limits deposits “in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town’s custodial credit risk policy allows unlimited amounts to be deposited in certificates of deposits with a maximum maturity as set by Massachusetts General Laws (MGL) and full collateralization through a third-party agreement. The policy also allows unlimited deposits in Massachusetts State pooled fund and limits the remaining unsecured deposits to 5% of any institution’s assets and no more than 25% of the Town’s assets. The Town’s policy was designed to limit exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town will be held in the Town’s name and the tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The NRS does not have a deposit policy for custodial credit risk.

As of June 30, 2021, the Town (including OPEB fund) had the following cash and short term investments:

| | |
|---|----------------------|
| Insured by FDIC or DIF | \$ 27,225,436 |
| Collateralized | 27,967,007 |
| Held in state pool (MMDT), not subject to disclosure | 31,720,902 |
| Exposed to custodial credit risk | <u>10,003,581</u> |
| Total | <u>\$ 96,916,926</u> |

As of December 31, 2020, the NRS bank balance of \$1,797,659 represented deposits of \$250,000 insured by FDIC, \$1,061,586 collateralized by the Federal Home Loan Bank of Pittsburgh, and \$486,073 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, 2021:

| <u>Investment Type</u> | <u>Amount</u> |
|----------------------------|----------------------|
| U.S. Treasury and agencies | \$ 3,574,137 |
| Corporate bonds | 7,224,817 |
| Fixed income mutual funds | 2,347,946 |
| Corporate equities | 8,712,094 |
| Equity mutual funds | 326,660 |
| Certificates of deposits | <u>2,908,626</u> |
| Total investments | <u>\$ 25,094,280</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, MGL, Chapter 44, Section 55, limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

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

| <u>Investment Type</u> | <u>Ratings as of Year End</u> | | | | | |
|---------------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Amount</u> | <u>AAA</u> | <u>AA +- AA-</u> | <u>A+ - A-</u> | <u>BBB+</u> | <u>Unrated</u> |
| Federal agencies | \$ 3,574,137 | \$ 3,309,612 | \$ 264,525 | \$ - | \$ - | \$ - |
| Corporate bonds | 7,224,817 | - | 875,615 | 2,956,194 | 3,393,008 | - |
| Fixed income mutual funds | <u>2,347,946</u> | <u>619,394</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,728,552</u> |
| Total | <u>\$ 13,146,900</u> | <u>\$ 3,929,006</u> | <u>\$ 1,140,140</u> | <u>\$ 2,956,194</u> | <u>\$ 3,393,008</u> | <u>\$ 1,728,552</u> |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. agency

obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. Investments are held in the Town's name.

Concentration of Credit Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Per Massachusetts general law, investments of operating cash or bond paydown amounts should be placed in investments with a one year or less maturity date or in shares issued by money market funds registered with the Securities and Exchange Commission. The Town addresses interest rate risk by managing duration.

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Effective Duration (in years)</u> |
|----------------------------|----------------------|--------------------------------------|
| Debt related: | | |
| U.S. Treasury and agencies | \$ 3,574,137 | 3.32 |
| Corporate bonds | 7,224,817 | 3.20 |
| Fixed income mutual funds | <u>2,347,946</u> | 5.08 |
| Total debt securities | <u>\$ 13,146,900</u> | |

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town will not invest in any investment exposed to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

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

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

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

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

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

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

The Town has the following fair value measurements as of June 30, 2021:

| <u>Description</u> | <u>Fair Value Measurements Using:</u> | | | |
|----------------------------------|---------------------------------------|---|---|---|
| | | Quoted prices in active markets for identical assets <u>(Level 1)</u> | Significant observable inputs <u>(Level 2)</u> | Significant unobservable inputs <u>(Level 3)</u> |
| Investments by fair value level: | | | | |
| Debt securities: | | | | |
| U.S Treasury and agencies | \$ 3,574,137 | \$ 3,574,137 | \$ - | \$ - |
| Corporate bonds | 7,224,817 | - | 7,224,817 | - |
| Fixed income mutual funds | 2,347,946 | - | 2,347,946 | - |
| Equity securities: | | | | |
| Corporate equities | 8,712,094 | 8,712,094 | - | - |
| Equity mutual funds | 326,660 | 326,660 | - | - |
| Total | \$ <u>22,185,654</u> | \$ <u>12,612,891</u> | \$ <u>9,572,763</u> | \$ <u>-</u> |

OPEB Plan

Credit Risk

At June 30, 2021, the OPEB Plan maintained its investments in the Massachusetts Benefits State Retiree Trust Fund (SRBT) with a fair value of \$59,914,475, 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 Laws (MGL), Chapter 32A, Section 24.

Custodial Credit Risk

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

Concentration of Credit Risk

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

Fair Value

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

Retirement System

Credit Risk

Massachusetts General Laws (MGL), Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment

of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2020, the System maintained its investments in PRIT with a fair value of \$201,497,803, the same as the value of the pool share. PRIT is an external investment pool that is not registered with the Securities Exchange Commission. This investment type is not rated. PRIT issues separately available financial statements with a year end of June 30. PRIT was created under MGL, Chapter 32, Section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board (PRIM). PRIM chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under MGL, Chapter 30B.

Custodial Credit Risk

As of December 31, 2020, the System's investments of \$201,497,803 were held in the State investment pool (PRIT) and are not subject to custodial credit risk disclosure.

Concentration of Credit Risk

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

Fair Value

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

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

5. Receivables

Property Taxes and Excises Receivable

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

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

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

Taxes receivable at June 30, 2021 consist of the following:

| <u>Receivables:</u> | <u>Gross Amount (fund basis)</u> | <u>Allowance for Doubtful Accounts</u> | <u>Net Amount (accrual basis)</u> |
|-------------------------|--|--|---|
| Real estate taxes | \$ 1,361,590 | \$ - | \$ 1,361,590 |
| Personal property taxes | 873,743 | (772,000) | 101,743 |
| Tax liens | 1,453,833 | - | 1,453,833 |
| Deferred taxes | 575,068 | - | 575,068 |
| CPA | 19,279 | - | 19,279 |
| Total property taxes | 4,283,513 | (772,000) | 3,511,513 |
| Excises | 605,661 | (267,000) | 338,661 |
| Grand total | <u>\$ 4,889,174</u> | <u>\$ (1,039,000)</u> | <u>\$ 3,850,174</u> |

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

Departmental

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

Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021 and future reimbursements from the Massachusetts School Board Authority (MSBA).

6. Interfund Transfers

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

| <u>Governmental Funds:</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| General Fund | \$ 3,074,432 | \$ 7,609,338 |
| Community Preservation Fund | - | 1,518,734 |
| Public Safety Building Fund | 1,600,000 | - |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| Receipts reserved for appropriation | - | 21,390 |
| Capital Project Funds: | | |
| Sunita L. Williams School | 1,200,000 | - |
| School Replace Equipment - Technology | 586,575 | - |
| NPDES Site Improvement | 480,500 | - |
| DPW Boiler Replacement | 460,000 | - |
| Other capital project funds | <u>2,737,558</u> | <u>6,021</u> |
| Subtotal Nonmajor Governmental Funds | 5,464,633 | 27,411 |
| <u>Business-Type Funds:</u> | | |
| Sewer Fund | 544,698 | 465,865 |
| Water Fund | <u>-</u> | <u>1,062,415</u> |
| Subtotal Business-Type Funds: | <u>544,698</u> | <u>1,528,280</u> |
| Grand Total | \$ <u><u>10,683,763</u></u> | \$ <u><u>10,683,763</u></u> |

The \$1,528,280 from the sewer and water funds were transferred to the general fund to reimburse indirect costs and special articles.

The \$544,698 transfer from the general fund into the enterprise funds represents a subsidy to the sewer fund to cover storm water expenses funded by general revenues. Most of the transfers out of the general fund represent the Town's practice of using *free cash* (available unassigned fund balance as certified by the Massachusetts Department of Revenue) and overlay surplus to the various major and non-major capital project funds.

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

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

7. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|---|-----------------------------|------------------|--------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 279,594 | \$ 53,021 | \$ - | \$ 332,615 |
| Machinery, equipment, and furnishings | 19,113 | 4,556 | (1,912) | 21,757 |
| Vehicles | 8,641 | 646 | (241) | 9,046 |
| Infrastructure | <u>48,287</u> | <u>596</u> | <u>-</u> | <u>48,883</u> |
| Total capital assets, being depreciated | 355,635 | 58,819 | (2,153) | 412,301 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (83,454) | (8,721) | - | (92,175) |
| Machinery, equipment, and furnishings | (14,149) | (2,243) | 1,878 | (14,514) |
| Vehicles | (6,923) | (914) | 241 | (7,596) |
| Infrastructure | <u>(25,348)</u> | <u>(1,705)</u> | <u>-</u> | <u>(27,053)</u> |
| Total accumulated depreciation | <u>(129,874)</u> | <u>(13,582)</u> | <u>2,119</u> | <u>(141,338)</u> |
| Capital assets, being depreciated, net | 225,761 | 45,236 | (34) | 270,963 |
| Capital assets, not being depreciated: | | | | |
| Land | 37,355 | - | - | 37,355 |
| Works of art | 120 | - | - | 120 |
| Construction in progress | <u>100,883</u> | <u>25,003</u> | <u>(58,770)</u> | <u>67,116</u> |
| Total capital assets, not being depreciated | <u>138,358</u> | <u>25,003</u> | <u>(58,770)</u> | <u>104,591</u> |
| Governmental activities capital assets, net | <u>\$ 364,119</u> | <u>\$ 70,239</u> | <u>\$ (58,805)</u> | <u>\$ 375,554</u> |

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|--|-----------------------------|------------------|------------------|--------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 21,137 | \$ - | \$ - | \$ 21,137 |
| Plant | 6,600 | - | - | 6,600 |
| Machinery, equipment, and furnishings | 3,010 | 608 | (84) | 3,534 |
| Vehicles | 1,133 | - | (153) | 980 |
| Infrastructure | <u>81,160</u> | <u>507</u> | <u>(2)</u> | <u>81,664</u> |
| Total capital assets, being depreciated | 113,040 | 1,115 | (239) | 113,915 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,980) | (480) | (73) | (5,532) |
| Plant | (4,244) | (214) | - | (4,458) |
| Machinery, equipment, and furnishings | (2,441) | (228) | 84 | (2,585) |
| Vehicles | (1,056) | (34) | 153 | (937) |
| Infrastructure | <u>(45,139)</u> | <u>(1,443)</u> | <u>(89)</u> | <u>(46,671)</u> |
| Total accumulated depreciation | <u>(57,860)</u> | <u>(2,399)</u> | <u>76</u> | <u>(60,184)</u> |
| Capital assets, being depreciated, net | 55,180 | (1,285) | (164) | 53,732 |
| Capital assets, not being depreciated: | | | | |
| Land | 268 | - | - | 268 |
| Construction in progress | <u>3,791</u> | <u>569</u> | <u>(507)</u> | <u>3,853</u> |
| Total capital assets, not being depreciated | <u>4,059</u> | <u>569</u> | <u>(507)</u> | <u>4,121</u> |
| Business-type activities capital assets, net | <u>\$ 59,239</u> | <u>\$ (715)</u> | <u>\$ (671)</u> | <u>\$ 57,853</u> |

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

| | |
|---|----------------------|
| Governmental Activities: | |
| General government | \$ 1,822,823 |
| Public safety | 668,786 |
| Education | 7,146,694 |
| Public works | 3,188,223 |
| Building design and construction | 66,732 |
| Health and human services | 233,523 |
| Culture and recreation | <u>455,603</u> |
| Total depreciation expense - governmental activities | <u>\$ 13,582,384</u> |
| Business-Type Activities: | |
| Sewer | \$ 992,362 |
| Water | <u>1,407,286</u> |
| Total depreciation expense - business-type activities | <u>\$ 2,399,648</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. Accrued Liabilities

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

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

10. Refunds Payable

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

11. Notes Payable

At year-end, the Town had no general obligation bond anticipation notes outstanding.

The following summarizes activity in notes payable during fiscal year 2021:

| <u>Purpose</u> | <u>Balance Beginning of Year</u> | <u>New Issues</u> | <u>Maturities</u> | <u>Balance End of Year</u> |
|--|--|-----------------------|-----------------------|------------------------------------|
| Central Ave. Elementary School | \$ 1,200,000 | \$ - | \$ (1,200,000) | \$ - |
| Central Ave. Elementary School | - | 1,200,000 | (1,200,000) | - |
| Public Safety Building and Fire Station #2 | - | 1,600,000 | (1,600,000) | - |
| Rosemary Recreational Complex | - | 20,000 | (20,000) | - |
| High School Expansion Design | - | 9,500 | (9,500) | - |
| High School Expansion Construction | - | 84,000 | (84,000) | - |
| Memorial Park Building Construction | - | 90,000 | (90,000) | - |
| Public Works Infrastructure Program | - | 5,000 | (5,000) | - |
| Public Works Storage Facility | - | 50,000 | (50,000) | - |
| Mitchell School Restroom Upgrades | - | 16,700 | (16,700) | - |
| Wastewater System Rehab | - | 7,550 | (7,550) | - |
| Water System Rehabilitation Program | - | 12,000 | (12,000) | - |
| Water Distribution System Improvements | - | 35,735 | (35,735) | - |
| Water Distribution System Improvements | - | 350,000 | (350,000) | - |
| RTS Property Improvements | - | 50,000 | (50,000) | - |
| Total | \$ 1,200,000 | \$ 3,530,485 | \$ (4,730,485) | \$ - |

12. Long-Term Debt

General Obligation Bonds and Direct Borrowings

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

| <u>Governmental Activities</u> | <u>Original Amount</u> | <u>Interest Rate(s) %</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Amount Outstanding as of 6/30/21</u> |
|--|----------------------------|-------------------------------|--------------------------|-----------------------------|---|
| Public offering bonds: | | | | | |
| Town Hall, Parking and Bridge | \$ 2,460,000 | 2.00 - 3.125 | 10/05/11 | 08/01/26 | \$ 705,000 |
| GOB - Refunding FY2012 | 10,995,000 | 2.00 - 4.00 | 06/06/12 | 11/01/23 | 1,915,000 |
| Municipal Purpose FY 2013 | 12,244,000 | 2.00 - 4.00 | 10/03/12 | 07/15/32 | 6,100,000 |
| Municipal Purpose FY 2013 | 5,945,000 | 2.00 - 4.00 | 06/18/13 | 11/01/32 | 3,410,000 |
| Municipal Purpose FY 2014 | 6,085,000 | 3.00 - 4.00 | 12/02/13 | 07/15/33 | 3,335,000 |
| Municipal Purpose FY 2014 | 5,032,000 | 2.00 - 2.50 | 06/02/14 | 05/15/34 | 905,000 |
| Municipal Purpose FY 2015 | 13,425,000 | 2.00 - 4.00 | 04/01/15 | 11/15/33 | 4,175,000 |
| High School, High Rock and Pollard Schools | 6,645,000 | 2.00 - 4.00 | 06/16/16 | 08/01/27 | 4,635,000 |
| Municipal Purpose FY 2017 | 10,945,000 | 3.00 - 4.00 | 01/05/17 | 01/15/42 | 7,390,000 |
| Municipal Purpose FY 2018 | 31,000,000 | 3.00 - 4.00 | 07/17/18 | 07/15/38 | 26,465,000 |
| Municipal Purpose FY 2020 | 27,500,000 | 2.625 - 5.00 | 10/01/19 | 08/01/44 | 24,275,000 |
| Municipal Purpose FY 2020 | 25,185,000 | 2.00 - 5.00 | 06/25/20 | 02/01/40 | 23,139,000 |
| Municipal Purpose FY 2021 | 4,668,000 | 2.00 - 5.00 | 04/14/21 | 06/30/41 | 4,668,000 |
| Municipal Purpose FY 2021 | 19,407,000 | 2.00 - 5.00 | 04/14/21 | 06/30/41 | 19,407,000 |
| Total Governmental Activities | | | | | <u>\$ 130,524,000</u> |
| | | | | | |
| <u>Business-Type Activities</u> | <u>Original Amount</u> | <u>Interest Rate(s) %</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Amount Outstanding as of 6/30/21</u> |
| Public offering bonds: | | | | | |
| Municipal Purpose FY 2014 | \$ 5,032,000 | 2.00 - 2.50 | 06/02/14 | 05/15/34 | \$ 1,295,000 |
| Municipal Purpose FY 2015 | 13,425,000 | 2.00 - 4.00 | 04/01/15 | 11/15/33 | 1,695,000 |
| Municipal Purpose FY 2020 | 25,185,000 | 2.00 - 5.00 | 06/25/20 | 02/01/28 | 56,000 |
| Total public offering bonds | | | | | <u>3,046,000</u> |
| Direct borrowings: | | | | | |
| MA Water Resources Authority | 765,335 | 2.00 | 06/01/12 | 07/15/30 | 438,660 |
| MA Water Resources Authority | 9,055,822 | 2.00 | 05/22/13 | 01/15/33 | 3,926,369 |
| MA Water Resources Authority | 2,310,813 | 3.00 - 4.00 | 05/11/17 | 01/15/28 | 1,563,705 |
| MA Water Resources Authority | 440,000 | 0.00 | 11/26/19 | 11/15/24 | 352,000 |
| Total direct borrowings | | | | | <u>6,280,734</u> |
| Total Business-Type Activities | | | | | <u>\$ 9,326,734</u> |

Future Debt Service

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2021 are as follows:

| <u>Governmental</u> | <u>General Obligation Bonds</u> | | |
|---------------------|---------------------------------|----------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 13,654,000 | \$ 4,609,471 | \$ 18,263,471 |
| 2023 | 10,300,000 | 4,284,950 | 14,584,950 |
| 2024 | 10,200,000 | 3,807,981 | 14,007,981 |
| 2025 | 9,260,000 | 3,351,138 | 12,611,138 |
| 2026 | 8,260,000 | 2,939,456 | 11,199,456 |
| 2027 - 2031 | 32,755,000 | 9,795,535 | 42,550,535 |
| 2032 - 2036 | 24,185,000 | 4,642,025 | 28,827,025 |
| 2037 - 2041 | 17,370,000 | 1,892,313 | 19,262,313 |
| 2042 - 2046 | 4,540,000 | 238,150 | 4,778,150 |
| Total | \$ <u>130,524,000</u> | \$ <u>35,561,018</u> | \$ <u>166,085,018</u> |

| <u>Business-Type</u> | <u>General Obligation Bonds</u> | | |
|----------------------|---------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 446,000 | \$ 94,175 | \$ 540,175 |
| 2023 | 420,000 | 78,175 | 498,175 |
| 2024 | 235,000 | 67,025 | 302,025 |
| 2025 | 235,000 | 59,075 | 294,075 |
| 2026 | 195,000 | 51,925 | 246,925 |
| 2027 - 2031 | 960,000 | 172,150 | 1,132,150 |
| 2032 - 2036 | 555,000 | 32,025 | 587,025 |
| Total | \$ <u>3,046,000</u> | \$ <u>554,550</u> | \$ <u>3,600,550</u> |

| <u>Business-Type</u> | <u>MWRA Direct Borrowings</u> | | |
|----------------------|-------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 666,985 | \$ 86,900 | \$ 753,885 |
| 2023 | 674,091 | 80,293 | 754,384 |
| 2024 | 645,439 | 73,544 | 718,983 |
| 2025 | 652,855 | 66,649 | 719,504 |
| 2026 | 572,430 | 59,606 | 632,036 |
| 2027 - 2031 | 2,342,231 | 186,960 | 2,529,191 |
| 2032 - 2036 | 726,703 | 21,879 | 748,582 |
| Total | \$ <u>6,280,734</u> | \$ <u>575,831</u> | \$ <u>6,856,565</u> |

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2021 are as follows:

| <u>Date Authorized</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------------|--|----------------------|
| October 2016 | Hillside School Construction | \$ 226,633 |
| May 2017 | Rosemary Recreation Complex | 87,500 |
| May 2018 | RTS Property Repairs | 535,000 |
| May 2018 | Memorial Park Building | 38,000 |
| May 2018 | Public Works Storage Facility | 2,353,000 |
| October 2018 | Public Safety Building & Fire Station #2 | 11,902,000 |
| May 2019 | Water Distribution Improvements | 4,150,000 |
| June 2020 | Mitchell School Restroom Upgrades | 660,000 |
| | Total | \$ 19,952,133 |

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

| | Total Balance <u>7/1/20</u> | <u>Additions</u> | <u>Reductions</u> | Total Balance <u>6/30/21</u> | Less Current Portion | Equals Long-Term Portion <u>6/30/21</u> |
|----------------------------------|-----------------------------------|------------------|-------------------|------------------------------------|----------------------------|--|
| <u>Governmental Activities</u> | | | | | | |
| Bonds payable - public offerings | \$ 125,179 | \$ 24,075 | \$ (18,729) | \$ 130,525 | \$ (13,654) | \$ 116,871 |
| Unamortized bond premium | 8,970 | 2,280 | (791) | 10,459 | (905) | 9,554 |
| Subtotal bonds payable | 134,149 | 26,355 | (19,520) | 140,984 | (14,559) | 126,425 |
| Net pension liability | 81,001 | - | (10,050) | 70,951 | - | 70,951 |
| Net OPEB liability | 74,720 | - | (6,560) | 68,160 | - | 68,160 |
| Accrued employee benefits | 6,652 | 368 | (53) | 6,967 | (1,742) | 5,225 |
| Landfill closure | 507 | - | (56) | 451 | (56) | 395 |
| Totals | \$ 297,029 | \$ 26,723 | \$ (36,239) | \$ 287,513 | \$ (16,357) | \$ 271,156 |
| <u>Business-Type Activities</u> | | | | | | |
| Bonds payable - public offerings | \$ 3,662 | \$ - | \$ (616) | \$ 3,046 | \$ (446) | \$ 2,600 |
| Bonds payable - direct offerings | 6,941 | - | (660) | 6,281 | (667) | 5,614 |
| Subtotal bonds payable | 10,603 | - | (1,276) | 9,327 | (1,113) | 8,214 |
| Net pension liability | 3,370 | - | (626) | 2,744 | - | 2,744 |
| Net OPEB liability | 1,702 | - | (842) | 860 | - | 860 |
| Accrued employee benefits | 347 | - | (40) | 307 | (307) | - |
| Totals | \$ 16,022 | \$ - | \$ (2,784) | \$ 13,238 | \$ (1,420) | \$ 11,818 |

Current Year Refundings

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

Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2021, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$12,435,000.

13. Landfill Postclosure Care Costs

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

The \$451,323 reported as postclosure care liability at June 30, 2021 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 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

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

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2021 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

15. Governmental Funds - Balances

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

The following types of fund balances are reported at June 30, 2021:

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, 2021:

| | General Fund | Community Preservation Fund | Public Safety Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------|-----------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Nonspendable | | | | | |
| Permanent funds | \$ - | \$ - | \$ - | \$ 188,478 | \$ 188,478 |
| Total Nonspendable | - | - | - | 188,478 | 188,478 |
| Restricted | | | | | |
| Debt service | 733,044 | - | - | - | \$ 733,044 |
| Community preservation | - | 9,191,623 | - | - | 9,191,623 |
| Bonded projects | - | - | 3,494,739 | 108,579 | 3,603,318 |
| Special revenue funds: | | | | | |
| Expendable trust funds | - | - | - | 3,244,678 | 3,244,678 |
| Circuit Breaker | - | - | - | 1,715,210 | 1,715,210 |
| School lunch | - | - | - | 127,648 | 127,648 |
| RRFA - parking meter fund | - | - | - | 379,224 | 379,224 |
| RRFA - bond premiums | - | - | - | 730,798 | 730,798 |
| Insurance loss replacement | - | - | - | 217,582 | 217,582 |
| Facility activity use | - | - | - | 357,394 | 357,394 |
| Pupil transportation | - | - | - | 225,612 | 225,612 |
| Parks and recreation revolving | - | - | - | 267,696 | 267,696 |
| Other special revenue funds | - | - | - | 2,628,690 | 2,628,690 |
| Total Restricted | 733,044 | 9,191,623 | 3,494,739 | 10,003,111 | 23,422,517 |
| Committed | | | | | |
| Continuing appropriations articles | 3,483,861 | - | - | - | 3,483,861 |
| Compensated absences | 337,791 | - | - | - | 337,791 |
| Capital improvement stabilization | 1,097,070 | - | - | - | 1,097,070 |
| Capital facility stabilization | 1,921,686 | - | - | - | 1,921,686 |
| Athletic facility stabilization | 270,204 | - | - | - | 270,204 |
| Debt service stabilization | 2,154,083 | - | - | - | 2,154,083 |
| Capital projects | - | - | - | 7,947,152 | 7,947,152 |
| Total Committed | 9,264,695 | - | - | 7,947,152 | 17,211,847 |
| Assigned | | | | | |
| Encumbrances | 3,627,289 | - | - | - | 3,627,289 |
| For next year's expenditures: | | | | | |
| Primarily for capital | 10,688,723 | - | - | - | 10,688,723 |
| Total Assigned | 14,316,012 | - | - | - | 14,316,012 |
| Unassigned | | | | | |
| General fund | 23,570,661 | - | - | - | 23,570,661 |
| Stabilization fund | 4,492,393 | - | - | - | 4,492,393 |
| Police and fire details | - | - | - | (491,904) | (491,904) |
| Capital projects | - | - | - | (415,056) | (415,056) |
| Total Unassigned | 28,063,054 | - | - | (906,960) | 27,156,094 |
| Total Fund Balance | \$ 52,376,805 | \$ 9,191,623 | \$ 3,494,739 | \$ 17,231,781 | \$ 82,294,948 |

Stabilization Fund Arrangements

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

- General stabilization – established around 1970, for general purposes.
- Capital improvement stabilization – established in May 2004, to reserve funds for the acquisition of new equipment, and/or the replacement of existing equipment (in both cases relating to equipment for which the Town may borrow for 5 years,

or more), and/or for building/facility improvements with a cost of less than \$250,000.

- Capital facility stabilization – established in May 2007, to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity of the capital facilities.
- Athletic facility stabilization – established in May 2012, to reserve funds for the renovation and reconstruction of the Town’s athletic facilities.
- Debt service stabilization – established in November 2015, to reserve funds to pay certain debt obligations, when necessary. The fund is intended to be part of the Town’s overall planning strategy for addressing capital facility needs.

16. General Fund Unassigned Fund Balance

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

17. Retirement System

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

Plan Description

Employees of the Town (except teachers and administrators under contract employed by the School Department) who meet the membership eligibility requirements of Chapter 32 of the Massachusetts General Laws are members of the Needham Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee defined benefit retirement system (PERS). Eligibility includes employees working over twenty hours per week and excludes part-time and seasonal employees. Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at 1471 Highland Avenue, Needham, Massachusetts 02492.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the 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, 2021 was \$9,368,084, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the Town reported a liability of \$73,694,482 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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, 2020, the Town's proportion was 98.47% percent.

For the year ended June 30, 2021, the Town recognized pension expense of \$11,037,864. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|--|--------------------------------------|---------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ 168,778 | \$ (1,070,327) |
| Changes of assumptions | 14,272,745 | - |
| Changes in proportion | 124,006 | (156,557) |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u> | <u>(12,317,596)</u> |
| Total | <u>\$ 14,565,529</u> | <u>\$ (13,544,480)</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 |
|---------------------|---|
| | <u> </u> |
| 2022 | \$ 1,472,398 |
| 2023 | 2,301,683 |
| 2024 | (758,836) |
| 2025 | <u>(1,994,196)</u> |
| Total | <u>\$ 1,021,049</u> |

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
- Healthy: RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2016
- Disabled: RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D

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, 2021, 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 | 22.00% | 6.28% |
| International developed markets equity | 12.00% | 7.00% |
| International emerging markets equity | 5.00% | 8.82% |
| Core fixed income | 15.00% | 0.38% |
| High-yield fixed income | 8.00% | 2.97% |
| Real estate | 10.00% | 3.50% |
| Timber | 4.00% | 3.45% |
| Hedge fund, GTAA, risk parity | 10.00% | 2.35% |
| Private equity | <u>14.00%</u> | 10.11% |
| Total | <u>100.00%</u> | |

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.

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:

| <u>1% Decrease (5.50%)</u> | <u>Current Discount Rate (6.50%)</u> | <u>1% Increase (7.50%)</u> |
|------------------------------------|--|------------------------------------|
| \$ 107,468,369 | \$ 73,694,482 | \$ 47,477,527 |

Pension Plan Fiduciary Net Position

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

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

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth 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.

Benefits Provided

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

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

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

Contributions

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocation

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Global equity | 39.00% | 4.80% |
| Core fixed income | 15.00% | 0.70% |
| Private equity | 13.00% | 8.20% |
| Portfolio completion strategies | 11.00% | 3.20% |
| Real estate | 10.00% | 3.50% |
| Value added fixed income | 8.00% | 4.20% |
| Timber/natural resources | 4.00% | 4.10% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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.

Sensitivity Analysis

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

| <u>1% Decrease to 6.15%</u> | <u>Current Discount Rate 7.15%</u> | <u>1% Increase to 8.15%</u> |
|-----------------------------|------------------------------------|-----------------------------|
| \$ 35,411,955 | \$ 28,544,844 | \$ 22,908,510 |

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.

Town Proportions

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$202,510,698 based on a proportionate share of 0.709448%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as of \$11,020,792 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$25,012,972 as both a revenue and expense in the governmental activities.

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

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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, 2021.

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.

Funding Policy

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

Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|-------------------|---------------------|
| Retirees/Disabled | 933 |
| Active employees | <u>1,342</u> |
| Total | <u><u>2,275</u></u> |

Investments

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

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 28.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2020, 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 | 6.41% |
| Discount rate | 6.50% |
| Healthcare cost trend rates | 4.50% for 2021, based on the SOA Getzen Model of Long-Run Medical Cost Trends |
| Participation rate | 80% of eligible employees |
| Retirees' share of benefit-related costs | 26%-50%, depending on the retiree's plan |

Mortality rates were based on:

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

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

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 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% | 4.42% |
| Domestic equity - Small/Mid Cap | 3.50% | 4.81% |
| International developed markets equity | 16.00% | 4.91% |
| International emerging markets equity | 6.00% | 5.58% |
| Domestic Fixed Income | 20.00% | 1.00% |
| International Fixed Income | 3.00% | 1.04% |
| Alternatives | 23.00% | 5.98% |
| Real Estate | 14.00% | 6.25% |
| Total | <u>100.00%</u> | |

Contributions

The Town’s policy is to contribute the ADC.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

| | |
|-----------------------------|----------------------|
| Total OPEB liability | \$ 129,196,503 |
| Plan fiduciary net position | <u>60,176,478</u> |
| Net OPEB liability | <u>\$ 69,020,025</u> |

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances, beginning of year | \$ 119,161,758 | \$ 42,740,645 | \$ 76,421,113 |
| Changes for the year: | | | |
| Service cost | 3,085,625 | - | 3,085,625 |
| Interest | 8,384,081 | - | 8,384,081 |
| Contributions - employer | - | 8,650,376 | (8,650,376) |
| Net investment income | - | 13,820,192 | (13,820,192) |
| Differences between expected and actual experience | (293,339) | - | (293,339) |
| Changes in assumptions or other inputs | 3,893,113 | - | 3,893,113 |
| Benefit payments | <u>(5,034,735)</u> | <u>(5,034,735)</u> | <u>-</u> |
| Net Changes | <u>10,034,745</u> | <u>17,435,833</u> | <u>(7,401,088)</u> |
| Balances, end of year | <u>\$ 129,196,503</u> | <u>\$ 60,176,478</u> | <u>\$ 69,020,025</u> |

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

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

| <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|------------------------|--------------------------------------|------------------------|
| \$ 86,496,704 | \$ 69,020,025 | \$ 54,679,230 |

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

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

| <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|------------------------|--|------------------------|
| \$ 52,965,338 | \$ 69,020,025 | \$ 88,836,970 |

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$8,272,920. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 293,654 | \$ (5,321,315) |
| Change in assumptions | 17,090,309 | (1,178,714) |
| Net difference between projected and actual OPEB investment earnings | <u>436,457</u> | <u>(10,815,555)</u> |
| Total | <u>\$ 17,820,420</u> | <u>\$ (17,315,584)</u> |

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

| <u>Year Ended June 30:</u> | |
|----------------------------|--------------------------|
| 2022 | \$ (547,718) |
| 2023 | 606,120 |
| 2024 | 810,895 |
| 2025 | (1,232,995) |
| 2026 | 546,248 |
| Thereafter | <u>322,286</u> |
| Total | \$ <u><u>504,836</u></u> |

20. Self-Insurance

Workers' Compensation

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

As of June 30, 2021, the Town's workers' compensation fund had a balance of \$580,042 in net position (a component of Total Net Position). This amount is generated from the remainder of the workers compensation budget voted each year by Town Meeting, less accrual for outstanding claims. The Town appropriated \$746,833 for workers' compensation line item in fiscal year 2021. These funds are used to pay workers' compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from Midwest Employers Casualty Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$450,000 per accident per employee to an aggregate limit of \$1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is \$4,000,000. The Town has no excess liability coverage for public safety employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2021 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, 2021 are as follows:

| | <u>Workers Compensation</u> |
|---|---------------------------------|
| Claims liability, beginning of year | \$ 1,219,913 |
| Claims incurred/recognized in fiscal year 2021 | 25,885 |
| Claims paid in fiscal year 2021 | <u>(313,349)</u> |
| Claims liability, end of year | <u>\$ 932,449</u> |

21. Change in Accounting Principle

During the fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded as fiduciary funds to the general fund and nonmajor governmental funds, as well as establishing new custodial funds that report additions and deductions.

22. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Abatements

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

Encumbrances

At year-end, the Town's general fund has \$3,627,289 of encumbrances that will be honored in the next fiscal year.

23. Beginning Balance Restatement

The beginning, July 1, 2020, fund balance of the Town has been restated for the new GASB statement and to align OPEB measurement date with the reporting year. The restatements are as follows:

| Governmental Funds: | General Fund | Nonmajor Governmental Funds |
|---------------------------------------|----------------------|-----------------------------------|
| | <u> </u> | <u> </u> |
| As previously reported, June 30, 2020 | \$ 48,669,479 | \$ 15,014,524 |
| Implementation of GASB 84 | <u>(19,279)</u> | <u>(485,440)</u> |
| As restated, July 1, 2020 | <u>\$ 48,650,200</u> | <u>\$ 14,529,084</u> |

Government-Wide Financial Statements:

| | Governmental Activities | <u>Business-Type Activities</u> | | |
|---------------------------------------|----------------------------|---------------------------------|----------------------|----------------------|
| | | Sewer Fund | Water Fund | Total |
| As previously reported, June 30, 2020 | \$ 178,302,167 | \$ 25,859,070 | \$ 33,829,544 | \$ 59,688,614 |
| Implementation of GASB 84 | (504,719) | - | - | - |
| OPEB restatement | <u>(5,154,154)</u> | <u>(60,348)</u> | <u>(57,019)</u> | <u>(117,367)</u> |
| As restated, July 1, 2020 | <u>\$ 172,643,294</u> | <u>\$ 25,798,722</u> | <u>\$ 33,772,525</u> | <u>\$ 59,571,247</u> |

24. Subsequent Events

Management has evaluated subsequent events through March 17, 2022, which is the date the financial statements were available to be issued.

25. New Pronouncements

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

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|---|----------------------------------|-------------------------------|---------------------------------|---|
| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 161,031,536 | \$ 161,031,536 | \$ 161,661,687 | \$ 630,151 |
| Excise taxes | 5,000,000 | 5,000,000 | 5,129,306 | 129,306 |
| Penalties, interest, and other taxes | 740,000 | 740,000 | 1,282,028 | 542,028 |
| Charges for services | 2,845,000 | 2,845,000 | 4,080,388 | 1,235,388 |
| Departmental | 610,000 | 610,000 | 1,141,220 | 531,220 |
| Licenses and permits | 1,800,000 | 1,800,000 | 2,068,299 | 268,299 |
| Intergovernmental | 13,646,717 | 13,646,717 | 13,602,229 | (44,488) |
| Investment income | 264,710 | 264,710 | 228,969 | (35,741) |
| Fines and forfeitures | 50,000 | 50,000 | 60,974 | 10,974 |
| Other revenue | 600 | 600 | 596,279 | 595,679 |
| Total Revenues | <u>185,988,563</u> | <u>185,988,563</u> | <u>189,851,379</u> | <u>3,862,816</u> |
| Expenditures | | | | |
| General government | 5,400,737 | 5,452,557 | 5,293,332 | 159,225 |
| Land use | 616,651 | 622,945 | 572,738 | 50,207 |
| Public safety | 17,048,542 | 17,563,880 | 16,438,609 | 1,125,271 |
| Education | 81,835,024 | 81,847,638 | 80,762,778 | 1,084,860 |
| Public works | 20,859,732 | 21,293,181 | 20,729,428 | 563,753 |
| Building design and construction | 544,659 | 557,616 | 472,986 | 84,630 |
| Community services | 5,246,694 | 5,301,936 | 4,781,012 | 520,924 |
| Debt service | 21,111,388 | 21,111,388 | 21,091,658 | 19,730 |
| Employee benefits | 33,586,497 | 33,586,497 | 33,237,762 | 348,735 |
| Other appropriated expenses | 3,997,886 | 2,910,172 | 667,584 | 2,242,588 |
| Intergovernmental | 1,485,423 | 1,485,423 | 1,521,825 | (36,402) |
| Other amounts provided | <u>12,500</u> | <u>12,500</u> | <u>-</u> | <u>12,500</u> |
| Total Expenditures | <u>191,745,733</u> | <u>191,745,733</u> | <u>185,569,712</u> | <u>6,176,021</u> |
| Excess (deficiency) of revenues over expenditures | (5,757,170) | (5,757,170) | 4,281,667 | 10,038,837 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 2,755,058 | 2,755,058 | 3,153,458 | 398,400 |
| Use of free cash primarily for capital | 7,856,186 | 8,856,593 | - | (8,856,593) |
| Use of bond premium | 96,057 | 96,057 | - | (96,057) |
| Use of overlay surplus for operating budget | 1,350,000 | 1,350,000 | - | (1,350,000) |
| Transfers out | <u>(6,300,131)</u> | <u>(7,300,538)</u> | <u>(7,300,546)</u> | <u>(8)</u> |
| Total Other Financing Sources (Uses) | <u>5,757,170</u> | <u>5,757,170</u> | <u>(4,147,088)</u> | <u>(9,904,258)</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 134,579</u> | <u>\$ 134,579</u> |

See Independent Auditors' Report.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

| <u>General Fund</u> | <u>Revenues and Other Financing Sources</u> | <u>Expenditures and Other Financing Uses</u> |
|--|---|--|
| Revenues/Expenditures (GAAP Basis) | \$ 201,009,746 | \$ 192,748,235 |
| Other financing sources/uses (GAAP Basis) | <u>3,074,432</u> | <u>7,609,338</u> |
| Subtotal (GAAP Basis) | 204,084,178 | 200,357,573 |
| Reverse beginning of year appropriation carryforwards from expenditures | - | (2,879,279) |
| Add end-of-year appropriation carryforwards from expenditures | - | 3,628,612 |
| To reverse gross up for refunding activity | - | (33,101) |
| To reverse gross up for MTRS on behalf payment | (11,020,792) | (11,020,792) |
| Less nonbudgeted funds | <u>(58,549)</u> | <u>2,817,245</u> |
| Budgetary Basis | <u>\$ 193,004,837</u> | <u>\$ 192,870,258</u> |

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

Needham Contributory Retirement System

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

Massachusetts Teachers' Retirement System

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

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

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

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

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

See Independent Auditors' Report.

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

Schedule of Changes in the Net OPEB Liability
(Unaudited)

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

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

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

See Independent Auditors' Report.

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

Schedules of OPEB Contributions and Investment Returns

(Unaudited)

Schedule of Contributions

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|------------------|--------------------|------------------|
| Actuarially determined contribution | \$ 7,197,713 | \$ 6,906,705 | \$ 6,906,705 | \$ 6,072,283 | \$ 5,568,923 |
| Contributions in relation to the actuarially determined contribution | <u>7,197,713</u> | <u>6,906,705</u> | <u>6,906,705</u> | <u>6,115,455</u> | <u>5,568,923</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (43,172)</u> | <u>\$ -</u> |
| Covered employee payroll | 102,654,973 | 99,665,022 | 93,645,807 | 94,042,382 | 94,042,382 |
| Contributions as a percentage of covered employee payroll | 7.01% | 6.93% | 7.38% | 6.50% | 5.92% |

Schedule of Investment Returns

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

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

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

See Independent 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, 2021

(Unaudited)

| | <u>Budget</u> | <u>Adjusted Actual</u> | <u>Variance Positive (Negative)</u> |
|--|------------------|----------------------------|---|
| Revenues: | | | |
| Current service charges | \$ 8,373,447 | \$ 9,514,050 | \$ 1,140,603 |
| Intergovernmental | - | 496 | 496 |
| Interest income | <u>15,000</u> | <u>7,289</u> | <u>(7,711)</u> |
| Total Revenues | 8,388,447 | 9,521,835 | 1,133,388 |
| Expenditures: | | | |
| Sewer expenditures | 1,562,385 | 1,345,134 | 217,251 |
| Intergovernmental | 6,399,895 | 6,399,895 | - |
| Debt service | <u>900,000</u> | <u>645,377</u> | <u>254,623</u> |
| Total Expenditures | <u>8,862,280</u> | <u>8,390,406</u> | <u>471,874</u> |
| Excess of revenues over expenditures | (473,833) | 1,131,429 | 1,605,262 |
| Other Financing Sources and Uses: | | | |
| Transfers in | 544,698 | 544,698 | - |
| Use of retained earnings | 918,088 | - | (918,088) |
| Transfers out | <u>(988,953)</u> | <u>(953,953)</u> | <u>35,000</u> |
| Total Other Financing Sources and Uses | <u>473,833</u> | <u>(409,255)</u> | <u>(883,088)</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>\$ 722,174</u> | <u>\$ 722,174</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, 2021

(Unaudited)

| | <u>Budget</u> | <u>Adjusted Actual</u> | Variance Positive <u>(Negative)</u> |
|--|--------------------|----------------------------|---|
| Revenues: | | | |
| Current service charges | \$ 6,135,530 | \$ 7,435,729 | \$ 1,300,199 |
| Interest income | 18,000 | 15,345 | (2,655) |
| Other revenue | <u>-</u> | <u>1,105</u> | <u>1,105</u> |
| Total Revenues | 6,153,530 | 7,452,179 | 1,298,649 |
| Expenditures: | | | |
| Water expenditures | 2,644,611 | 2,188,394 | 456,217 |
| Intergovernmental | 1,126,226 | 1,122,902 | 3,324 |
| Debt service | <u>1,250,000</u> | <u>1,242,824</u> | <u>7,176</u> |
| Total Expenditures | <u>5,020,837</u> | <u>4,554,120</u> | <u>466,717</u> |
| Excess of revenues over expenditures | 1,132,693 | 2,898,059 | 1,765,366 |
| Other Financing Sources and Uses: | | | |
| Use of retained earnings | 43,002 | - | (43,002) |
| Transfers out | <u>(1,175,695)</u> | <u>(1,105,424)</u> | <u>70,271</u> |
| Total Other Financing Sources and Uses | <u>(1,132,693)</u> | <u>(1,105,424)</u> | <u>27,269</u> |
| Excess of revenues over expenditures and other uses | \$ <u><u>-</u></u> | \$ <u><u>1,792,635</u></u> | \$ <u><u>1,792,635</u></u> |

See Independent Auditors' Report.