

FINAL OFFICIAL STATEMENT DATED JULY 15, 2025

TOWN OF NEEDHAM, MASSACHUSETTS

\$2,760,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated
July 30, 2025

Due
October 30, 2025

<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP</u>
1	\$ 2,760,000	4.00%	2.65%	639846 7E8

Fidelity Capital Markets

Purchaser

The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JULY 8, 2025, supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

Hilltop Securities Inc.

Municipal Advisor

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JULY 8, 2025

In the opinion of Troutman Pepper Locke LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes will not be included in computing the alternative minimum taxable income of individuals. However, interest on the Notes will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "Tax Exemption" herein. The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

TOWN OF NEEDHAM, MASSACHUSETTS \$2,760,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

The Town of Needham, Massachusetts (the "Town"), will receive telephone and electronic bids at Hilltop Securities Inc. (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 11:00 a.m. Eastern Time, Tuesday, July 15, 2025 for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$2,760,000 General Obligation Bond Anticipation Notes (renewal money). The Notes will be dated July 30, 2025 and will be payable October 30, 2025. Interest will be computed on a 30-day-month/360-day-year basis (90/360). The Notes will not be subject to redemption prior to their stated maturity date.

Bids may be submitted electronically via PARITY pursuant to this Notice of Sale until 11:00 a.m. Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact Hilltop Securities Inc. (617) 619-4400 or PARITY at (212) 404-8102.

The Notes will be issued by means of a book-entry system, evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company ("DTC") and its participants pursuant to rules and procedures adopted by DTC (see "Book-Entry Transfer System"), unless the issuance of a fully registered note certificate is requested by the successful bidder and the issuance of such certificate is approved by the Town. Principal and interest will be payable upon maturity in federal reserve funds at U.S. Bank Trust Company, National Association, Boston, Massachusetts.

Bids must be submitted for all but not less than all of the Notes at a single rate of interest in a multiple of one-hundredth (1/100) of one percent (1%). No bid of less than par and accrued interest to the date of delivery will be considered. The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid. The Notes will be awarded on the basis of lowest net interest cost to the Town after deduction of premium, if any. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from July 30, 2025 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event that two or more bidders submit a bid providing the same lowest net interest cost to the Town, after deduction of premium, if any, the Town Treasurer shall award the Notes by lot from among all of such bidders. The award of the Notes to the successful bidder will not be effective until the bid has been approved by the Treasurer and the Select Board of the Town.

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

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by e-mailing a completed, signed bid form to Hilltop Securities Inc., by not later than 12:00 noon, Eastern Time, on the date of sale.

A successful bidder for all or a portion of the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate or certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning

bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

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

Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source.

Establishment of Issue Price. The following applies to each successful bidder with respect to the portion of the Notes awarded to such successful bidder.

The successful bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town on the Closing Date an "issue price" or similar certificate, substantially in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering price to the public or the actual sale price of the Notes, together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by Hilltop Securities Inc. ("Municipal Advisor") and any notice or report to be provided to the Town may be provided to the Municipal Advisor.

Competitive Sale Requirements. If the competitive sale requirements ("competitive sale requirements") set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Municipal Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Notes to the bidder who submitted a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by telephone to the Municipal Advisor, telephone (617) 619-4400, or in its bid submitted via Parity, that it will not be an "underwriter" (as defined below) of the Notes, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an "underwriter" (as defined below) of the Notes, in submitting a bid, each bidder is deemed to acknowledge that it is an "underwriter" that intends to reoffer the Notes to the public.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Notes to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the successful bidder may, at its option, use the first price at which 10% of the Notes (the "10% test") is sold to the public as the issue price of the Notes. The successful bidder shall advise the Municipal Advisor if the 10% test is satisfied as of the date and time of the award of the Notes. The Town will not require

bidders to comply with the “hold-the-offering-price rule” set forth in the applicable Treasury Regulations and therefore does not intend to use the initial offering price to the public as of the Sale Date as the issue price of the Notes if the competitive sale requirements are not met and this option is chosen.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to the Notes or all of the Notes are sold to the public, the successful bidder agrees to promptly report to the Municipal Advisor the prices at which the unsold Notes have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The successful bidder shall be obligated to report each sale of Notes to the Municipal Advisor until notified in writing by the Town or the Municipal Advisor that it no longer needs to do so.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes or all of the Notes have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Notes or that all of the Notes have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public), and
3. a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements — Option B — The Successful Bidder Intends to Reoffer the Notes to the Public and Agrees to Hold the Price of Maturities of Notes for Which the 10% Test in Option A Is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Municipal Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. Eastern Time on the Sale Date, that it has not sold 10% of the Notes listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Municipal Advisor, the successful bidder must provide to the Town on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Notes, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Notes to the Public – Option C. If the successful bidder has purchased the Notes for its own account and will not distribute, reoffer, or resell the Notes to the public, then, whether or not the competitive sale requirements were met, the issue price certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

Other Matters

A successful bidder for all or a portion of the Notes will be furnished the opinion of Troutman Pepper Locke LLP, Boston, Massachusetts approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may be subject to the exercise of judicial discretion in appropriate cases. The Notes will be valid and binding general obligations of the Town and, except to the extent they are paid from the proceeds of the bonds in anticipation of which they are issued or from any other available moneys, the principal of and interest on the Notes are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

It is anticipated that CUSIP identification numbers will be printed on the Notes. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

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

THE NOTES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR PURPOSES OF SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Additional information concerning the Town and the Notes is contained in the Preliminary Official Statement dated July 8, 2025 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts, 02114 telephone (617-619-4400). Within seven (7) business days following the award of the Notes and receipt of necessary information from the successful bidder(s), five (5) copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the requester.

The Notes, in definitive form, will be delivered to DTC or the office of its custodial agent, or to the registered owner if a fully registered certificate or certificates is requested by the successful bidder and approved by the Town, on or about July 30, 2025 for credit to the Town in federal reserve funds.

TOWN OF NEEDHAM, MASSACHUSETTS
/s/ Ellyse Glushkov, Town Treasurer

July 8, 2025

[Issue Price Certificate for Use If the Competitive Sale Requirements Are Met]

Town of Needham, Massachusetts
\$2,760,000 General Obligation Bond Anticipation Notes dated July 30, 2025

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the Town of Needham, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by the Successful Bidder in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Notes.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is July 15, 2025.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the Public).

3. Receipt. The Successful Bidder hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 2025

SUCCESSFUL BIDDER

By: _____
 Name:
 Title:

SCHEDULE A
EXPECTED OFFERING PRICES
(To Be Attached)

SCHEDULE B
COPY OF SUCCESSFUL BIDDER'S BID
(To Be Attached)

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the 10% Test to Apply]
Town of Needham, Massachusetts
\$2,760,000 General Obligation Bond Anticipation Notes dated July 30, 2025**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____, (the “Successful Bidder”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”) of the Town of Needham, Massachusetts (the “Issuer”).

1. Sale of the Notes. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Notes have not been sold for one or more Maturities of Notes as of the Closing Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Notes, until at least 10% of each such Maturity of the Notes is sold to the Public (the “10% test”) or all of the Notes are sold to the Public, the Successful Bidder agrees to promptly report to the Issuer’s municipal advisor, Hilltop Securities Inc. (the “Municipal Advisor”) the prices at which the unsold Notes of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Notes or until all the Notes of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Notes to the Municipal Advisor until notified by email or in writing by the Issuer or the Municipal Advisor that it no longer needs to do so.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the Public).

3. Receipt. The Successful Bidder hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 2025

SUCCESSFUL BIDDER

By: _____
Name:
Title:

SCHEDULE A
SALE PRICES
(To be Attached)

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Used]**

**Town of Needham, Massachusetts
\$2,760,000 General Obligation Bond Anticipation Notes dated July 30, 2025**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the ("Successful Bidder"), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes") of the Town of Needham, Massachusetts (the "Issuer").

- 1. Sale of the Notes.** As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A (the "Unsold Maturities"), as set forth in the Notice of Sale for the Notes, the Successful Bidder and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the Public until the earlier of (i) _____, 2025 or (ii) the date on which the Successful Bidder or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the Public).

- 3. Receipt.** The Successful Bidder hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of the Notes, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 2025

SUCCESSFUL BIDDER

By: _____
Name:
Title:

SCHEDULE A
SALE PRICES
(To be Attached)

**PRELIMINARY OFFICIAL STATEMENT
TOWN OF NEEDHAM, MASSACHUSETTS
\$2,760,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the Town of Needham, Massachusetts (the "Town") in connection with the sale of \$2,760,000 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another source.

Description of the Notes

The Notes will be dated July 30, 2025 and will be payable by U.S. Bank Trust Company, National Association, Boston, Massachusetts, or its successor, as Paying Agent, on October 30, 2025. The Notes are not subject to redemption prior to their stated maturity date. The Notes will bear interest payable at maturity, calculated on a 30 day-month/360 day-year basis (90/360), at the rate determined upon their sale in accordance with the Notice of Sale dated July 8, 2025. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company ("DTC") and its participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the successful bidder and the issuance of such certificate is approved by the Town. See "Book-Entry Transfer System" herein.

Authorization of the Notes and Use of Proceeds

The following sets forth the purposes, principal amounts, total amounts authorized, bond anticipation notes outstanding, statutory references, dates of approval, and article numbers for the Notes. Note proceeds may be transferred or re-appropriated to other capital projects to the extent projects are completed or abandoned and such proceeds remain unspent, or otherwise to the extent permitted by Chapter 44 of the General Laws and applicable federal tax law.

Purpose	This Issue	Original Bond Authorization	Bond Anticipation Notes Outstanding	Statutory Reference	Date of Approval	Article
Water Distribution Improvements	\$ 1,150,000	\$ 4,500,000	\$ 1,900,000 (1)	Ch. 44, s. 8(5)	5/6/2019	41
Emery Grover Building Addition and Renovation	1,610,000	14,150,000	3,103,450 (2)	Ch. 44, s. 7(1) or 44B	5/4/2022	21
	<u>\$ 2,760,000</u>		<u>\$ 5,003,450</u>			

(1) Payable July 30, 2025. To be retired in part with \$750,000 revenue funds of the Town and the proceeds of the Notes.

(2) Payable July 30, 2025. To be retired in part with \$1,493,450 revenue funds of the Town and the proceeds of the Notes.

The Town anticipates that the Notes will be retired at maturity from proceeds from the sale of the long-term bonds in anticipation of which the Notes are issued, proceeds from the sale of renewal bond anticipation notes and other available funds of the Town, or a combination of such sources. The ability of the Town to retire the Notes from the proceeds of the sale of either renewal notes or long-term bonds will be dependent on the marketability of such notes or long-term bonds under market conditions prevailing at the time they are offered for sale, which are subject to change due to factors beyond the control of the Town.

Tax Exemption

In the opinion of Troutman Pepper Locke LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Notes will not be included in computing the alternative minimum taxable income of Noteholders who are individuals. However, interest on the Notes will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Notes. The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes.

The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

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

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

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, Noteholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or

certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of Noteholders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rate on the Notes is not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Book-Entry Transfer System

This section shall apply to Notes issued in book-entry form through the facilities of The Depository Trust Company, New York, NY ("DTC").

DTC will act as securities depository for the Notes. The Notes will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s

consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

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

Security and Remedies

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

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

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

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "DEBT LIMITS" below.) Upon certification by the city solicitor or town council that no appeal can or will be taken, or as otherwise required by a municipality's charter, ordinances, or by-laws, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made. Any such payments shall be reported to the city or town's assessors by the city or town's auditor or accountant (or other officer having similar duties). The assessors shall include amounts of such payments in the aggregate appropriations assessed in the determination of the next subsequent annual tax rate.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality

can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

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

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the "Commonwealth") or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Clean Water and Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

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

Bank Eligibility

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

Opinion of Bond Counsel

A successful bidder for all or a portion of the Notes will be furnished the legal opinion of the firm of Troutman Pepper Locke LLP, Bond Counsel to the Town. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Municipal Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts, serves as Municipal Advisor to the Town.

Disclosure of Significant Events

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

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

General

The Town is located in Norfolk County, 10 miles southwest of Boston. It is bordered on the west and northwest by the Town of Wellesley, on the north and northeast by the City of Newton, on the east by the West Roxbury section of the City of Boston, on the southeast by the Town of Dedham, and on the south by the Towns of Westwood and Dover. Needham has a population of approximately 32,091 (based on the 2020 Federal Census) and occupies a land area of 12.6 square miles. Established as a town in 1711, Needham is governed by a representative form of town meeting and by a five-member Select Board. School affairs are administered by a seven-member School Committee and a Superintendent of Schools.

PRINCIPAL TOWN OFFICIALS

Title	Name	Selection/Term	Term Expires
Select Board, Chair	Heidi R. Frail	Elected	2028
Select Board, Vice Chair	Catherine Reid Dowd	Elected	2026
Select Board, Clerk	Joshua W. Levy	Elected	2027
Select Board	Marianne B. Cooley	Elected	2026
Select Board	Kevin J. Keane	Elected	2027
Town Manager	Kathleen King	Appointed	2028
Deputy Town Manager/Director of Finance	David Davison	Appointed	Indefinite
Superintendent of Schools	Daniel E. Gutekanst	Appointed	2027
Town Accountant	Michelle Vaillancourt	Appointed	Indefinite
Town Clerk	Louise L. Miller	Elected	2028
Town Counsel	Harrington Heep LLP	Appointed	Indefinite
Treasurer/Collector	Ellyse Glushkov	Appointed	Indefinite

Corona Virus (COVID-19)

COVID-19 is a respiratory disease caused by a novel coronavirus not previously seen in humans. On March 10, 2020, the Governor of the Commonwealth declared a state of emergency to support the Commonwealth's response to the outbreak of the virus. The state of emergency in the Commonwealth expired on June 15, 2021.

The Town received notice from the Commonwealth that it was entitled to approximately \$2,755,065 through the federal Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), drew down \$2,755,064 and has incurred \$2,755,064 in CARES Act-eligible expenses.

Another action at the federal level was the American Rescue Plan Act of 2021 ("ARPA"). Among other provisions, ARPA provided \$350 billion to state and local governments to mitigate the fiscal disruptions created by the pandemic. Such funds may be used to replace revenues lost or reduced as a result of the pandemic and fund COVID-related costs, among other purposes. The Town received a total of \$9,199,185 of which \$5,913,849 was from Norfolk County and \$3,285,337 was from the Commonwealth. To date, the Town has spent \$2,927,875 in ARPA funds. The funds are being used for several public health initiatives, to assist small businesses and artists impacted by the COVID shutdown, technology improvements, and approximately \$7 million for water, sewer, and drains infrastructure.

The Town's fiscal year 2020 through 2024 results were not materially affected by the COVID-19 pandemic.

Municipal Services

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

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

Gas and electric services are provided by established private utilities.

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

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

Education

The Town operates one pre-school, five elementary schools, two middle schools (High Rock and Pollard), and a senior high school. The Town began constructing a new elementary school in the late fall of 2017 which opened in September 2019. The new building replaced one of the existing elementary schools. The debt for the new elementary school is excluded from the limits of Proposition 2 ½ and a portion of the project was paid by the Massachusetts School Building Authority.

PUBLIC SCHOOL ENROLLMENTS - OCTOBER 1,

	2020	2021	Actual 2022	2023	2024
Elementary (Pre-K and K-5)	2,518	2,568	2,616	2,592	2,553
Middle/Junior High(6-8)	1,295	1,278	1,264	1,327	1,311
Senior High(9-12)	1,670	1,669	1,645	1,622	1,648
Totals	5,483	5,515	5,525	5,541	5,512

The Town is a member of the Minuteman Regional Vocational Technical School District, which is located in Lexington, and includes 10 member towns. A new school for the District was completed and opened in September 2019.

Industry and Commerce

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

Industry	Calendar Year Average				
	2019	2020	2021	2022	2023
Construction	805	791	958	902	1,059
Manufacturing	814	788	806	791	807
Trade, Transportation and Utilities	2,702	2,681	2,918	2,897	3,031
Information	885	877	830	869	782
Financial Activities	1,505	1,410	1,371	1,395	1,286
Professional and Business Services	5,435	5,201	5,524	5,230	5,032
Education and Health Services	7,242	6,258	6,483	6,570	6,901
Leisure and Hospitality	1,331	883	995	1,087	1,189
Other Services	813	1,062	709	1,240	791
Total Employment	21,532	19,951	20,594	20,981	21,368
Number of Establishments	1,473	1,543	1,618	1,646	1,614
Average Weekly Wages	\$ 1,880	\$ 2,105	\$ 2,262	\$ 2,342	\$ 2,403
Total Wages	\$ 2,146,027,639	\$ 2,183,370,050	\$ 2,474,594,872	\$ 2,555,372,091	\$ 2,670,527,389

Source: Massachusetts Executive Office of Labor and Workforce Development. Data based upon place of employment, not place of residence.

Transportation

The principal highways serving the Town are State Routes 9, 135 and 128 (I-95). There are four exits off Interstate 95 that provide direct access to Needham. A project to widen Route 128 through Needham was completed in 2019. The Massachusetts Bay Transportation Authority ("MBTA") provides commuter rail service on a regular basis to Boston. There are four commuter rails stops physically located in Needham: Needham Heights, Needham Center, Needham Junction and Hersey. The MBTA also provides bus service between Needham and Watertown Square. Established trucking lines provide competitive service locally and to long distance points. The Town is within commuting distance of the airport facilities of Boston's Logan International Airport, the Norwood Municipal Airport, and Hanscom Field in Bedford, Massachusetts.

Climate Change

The Town has undertaken several ad hoc climate mitigation and resiliency efforts. These include the lease of land for a solar array at the capped landfill, solar installation at the Sunita Williams School, and proposed solar installation at the Jack Cogswell building. In addition, the Sunita Williams School and Library are LEED certified buildings, and the Town's Public Services Administration Building has geothermal heating. Three of the Town's buildings are fully electric, including the Center at the Heights, Rosemary Recreation Complex, and Memorial Park Field House. The Emery Grover Building, currently under renovation, will also be fully electric and designed to be net zero ready. The Town's Building Maintenance Division has been implementing energy efficiency measures for more than a decade, and in February 2020 the Massachusetts Department of Energy Resources designated the Town as a Green Community. The Town has invested in several publicly accessible electric vehicle charging stations at the Rosemary Recreation Complex, Sunita Williams School, Public Services Administration Building, and Chestnut Street, in addition to electric charging stations for Town-fleet vehicles at Dedham Street. The Town continues to grow the number of plug-in and electric vehicles in its fleet as well. The Select Board established a Climate Action Plan Committee ("CAPC") to guide the Town in developing a plan that meets or exceeds the State's climate mitigation and resilience goals. The Committee will make recommendations to the Select Board on approval of a Climate Action Plan ("CAP"). The CAPC will:

- Review the Town's climate-related data;
- Seek guidance and establish a program to create a Green House Gas ("GHG") inventory for the entire Town, including pass through traffic, residential, commercial, and municipal;
- Recommend for adoption to the Select Board long-term climate action goals that focus on reducing GHG emissions and building resilience within and across the Town's residential, commercial, and municipal sectors, including roadmaps of steps to achieve goals;
- Recommend for adoption to the Select Board target dates, benchmarks, and/or annual/interannual climate mitigation goals to achieve climate action goals;
- Plan and prioritize cross-sector efforts to reduce Town's GHG emissions and build climate resilience;
- Recommend to the Select Board programs and policies to implement GHG reduction goals and climate resilience planning; and
- Develop a CAP for the Select Board's review.

The CAP is set to go in front of the Select Board for approval this Spring. Additionally, in October 2023, the Town passed the opt-in specialized energy code to go into effect July 1, 2024. In December 2023, the Town hired its first Sustainability Manager to assist in the implementation of the CAP as well as other climate mitigation and resiliency initiatives throughout the Town.

Cybersecurity

The Town recognizes, like so many companies, governments (local, regional, state and federal), and organizations that it is exposed to a variety of operational, transactional, information and technology risks. Information Security frameworks such as ISO, NIST, GDPR, CIS, and many state, and federal requirements have come up with a set of standards surrounding best practices for information technology. These standards recommend implementation of a comprehensive written information technology program that includes administrative, technical, and physical safeguards appropriate to the size and complexity of the organization and the nature and scope of its activities. This allows a uniform set of information technology expectations to be followed throughout the different areas of the organization, and provides a consistent, repeatable set of documentation to create procedures and processes. The Town recently had an information technology program review done by outside experts whose work will help shape the Town's technology policies and procedures.

LARGEST EMPLOYERS

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

Name	Product/Function	No. of Employees Approximate
Tripadvisor	Travel Agency	640
Advisor360	Wealth Management Solutions	500
NBC Universal	Broadcasting	345
Beth Israel Deaconess Hospital	Health Care	250-499
Charles River Center	Assisted Living	250-499
Clark's Shoes	Retail Manufacturing	250-499
Coca Cola Bottling	Beverage Distribution	250-499
Dialogic Inc.	Wireless Communication	250-499
International Data Group (IDG)	Techonology	250-499
North Hill Living Center	Retirement Center	250-499
SharkNinja	Household Appliances	250-499
WCVB Channel 5	Television	250-499
Briarwood Healthcare	Health Care	100-250
Olin College of Engineering	Education	100-250
VNA Care Network	Ambulatory Health Care	100-250
Walker Home & School	Mental Health	100-250
Wellington Management	Financial Services	100-250

SOURCE: Individual Employers listed.

Needham Crossing is one of Greater Boston's premier business parks located approximately 2.5 miles northeast of downtown Needham. The business park offers proximity to Interstate 95 (MA-128), Interstate 90 (Mass Pike), US 1 and State Route 9 along with the natural resources such as Cutler Lake Park and the Charles River. The commuter rail service is less than 2 miles away and the transit bus service located throughout the park offers many transit options for both employees and residents.

Over the past 10 years substantial redevelopment of the area has given way to a diversified portfolio of companies and uses. These major improvements coincided with the widening of and additional access from Interstate 95 (MA-128). These improvements have had overall positive economic benefit for the Town and for Needham Crossing. When originally envisioned, the business park would contain primarily warehouses and offices. Now, almost 40 years later, through more dense land use, redevelopment opportunities and zoning changes, Needham Crossing has a mix of residential, office, high tech and other commercial uses that has generated interest from businesses that would like to locate there. Currently under construction is a 5-story Boston Childrens Hospital and Surgery Center allowing Needham Crossing to continually evolve land uses for the current market needs.

Currently, the Needham Crossing area boasts long-term occupants such as Coca Cola, FedEx, and a Sheraton Hotel. Newer tenants include the world headquarters for Tripadvisor (stock: TRIP), Shark Ninja (stock: SN), life science company Verastem Oncology (stock: VSTM) and the regional headquarters for NBC Universal. The Marriott Residence Inn Homewood Suites operate hotel flags and the Kendrick and Charles River Landing provide luxury housing for residents. Smaller companies such as Big Belly Solar Inc., a maker of "green" trash cans, has doubled the size of its headquarters since moving to the park. Workbar has a large facility that has been expanded to support the roles of many different tenants that need office space on a smaller permanent basis that allows for rotation of space for remote workers.

In March 2025, Advisor360°, a leading provider of integrated technology solutions for wealth management firms, announced that it had relocated its corporate headquarters to 400 First Avenue in Needham. Approximately 60% of Advisor360°'s 500-person workforce will be based in the new headquarters.

The Town has a TIF agreement with TripAdvisor, 13 years in total, currently at a 76% exemption that declined to a 1% exemption effective 2021. The Town also has a TIF agreement with NBC Universal, 10 years in total, with a 70% exemption for the first 4 years that declines to 5% in year 5, and then 1% for years 6 through 10. The exemptions apply only on the new growth value.

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2020 through 2024. Permits are filed for both private construction as well as for Town projects.

BUILDING PERMITS

Calendar Year	New Construction				Additions/Alterations				Totals	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No	Value	No.	Value	No	Value	No.	Value		
2024	85	\$ 80,314,178	-	\$ -	1,420	\$ 60,883,472	89	\$ 34,799,630	1,594	\$ 175,997,280
2023	67	61,503,195	3	199,500,000 (1)	993	51,999,732	107	45,160,602	1,170	358,163,529
2022	86	76,260,846	1	782,000	1,193	66,067,372	118	76,862,712	1,398	219,972,930
2021	106	83,481,065	-	-	1,353	59,852,432	118	26,672,668	1,577	170,006,165 (2)
2020	67	44,614,400	3	24,578,350	757	40,316,155	62	21,430,214	889	130,939,119

SOURCE: Report of the Building Inspector.

(1) Includes permit issued for the construction of a new Children's Hospital facility in Needham Crossing.

(2) Excludes 100 permits for demolitions with an aggregate value of \$1,143,250.

Labor Force, Employment and Unemployment

In April 2025, the Town had a total labor force of 16,894 of which 16,247 were employed and 647 or 3.8% were unemployed as compared with 4.6% for the Commonwealth. The following table sets forth the Town's average labor force and unemployment rates for the following calendar years.

UNEMPLOYMENT RATES

Calendar Year	Town of Needham				Massachusetts		United States	
	Labor Force	Employment	Unemployment Rate		Unemployment Rate		Unemployment Rate	
2024	16,755	16,179	3.4	%	4.0	%	4.0	%
2023	16,657	16,218	3.6		3.4		3.6	
2022	16,513	16,073	2.7		3.8		3.6	
2021	16,305	15,692	3.8		5.7		5.4	
2020	15,637	14,742	5.7		8.9		8.1	

SOURCE: Massachusetts Executive Office of Labor and Workforce Development. Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data for Town are unadjusted.

Population and Income

The table below illustrates the Town's changes in median age, median family income, and per capita income and that of the Commonwealth and the Country as a whole for the same period according to the federal census.

POPULATION AND INCOME

	<u>Needham</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2020	43.4	39.4	38.3
2010	43.0	39.1	37.2
2000	40.8	36.5	35.3
1990	38.6	33.6	32.9
Median Family Income:			
2020	182,813	81,215	62,843
2010	114,365	81,165	51,144
2000	107,570	61,664	50,046
1990	69,515	44,367	35,225
Per Capita Income:			
2020	87,067	43,761	34,103
2010	57,716	33,966	27,334
2000	44,549	25,952	21,587
1990	27,935	17,224	14,420

SOURCE: Federal Bureau of the Census.

POPULATION TRENDS

<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
32,091	28,886	28,911	27,557	27,901

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

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

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

TAX LEVY COMPUTATION

	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Total Appropriations(1)	\$ 212,871,580	\$ 225,645,370	\$ 244,168,129	\$ 252,472,676	\$ 272,647,456
Additions:					
State & County Assessments	1,485,423	1,581,893	1,588,201	1,607,096	1,658,272
Overlay Reserve	1,407,265	2,553,011	2,610,471	2,606,953	2,922,569
Other Additions	336,704	653,450	408,975	83,420	159,934
Total Additions	3,229,392	4,788,354	4,607,647	4,297,469	4,740,775
Gross Amount to be Raised	216,100,972	230,433,724	248,775,776	256,770,145	277,388,231
Deductions:					
Local Estimated Receipts: (2)	30,611,425	32,786,568	36,104,998	39,390,146	45,891,961
State Aid:					
Current Year	13,695,326	13,961,831	15,221,089	15,540,802	16,175,722
Available Funds (3)	9,355,420	12,851,426	18,556,775	17,273,274	22,895,326
Total Deductions	53,662,171	59,599,825	69,882,862	72,204,222	84,963,009
Net Amount to be Raised	\$ 162,438,801	\$ 170,833,899	\$ 178,892,914	\$ 184,565,923	\$ 192,425,222

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

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

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

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created four classes of taxable property: (1) residential real property, (2) open space land, (3) commercial and (4) industrial. Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 35 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property.

A revaluation of all real and personal property in the Town to full and fair cash value was completed for use in fiscal year 2025.

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita (1)
2025 (2)	\$ 15,676,728,700	\$ 429,826,950	\$ 16,106,555,650	\$ 192,425,222	\$ 5,996
2024	12,742,699,636	403,098,540	13,145,798,176	184,565,923	5,751
2023	11,867,419,986	380,448,340	12,247,868,326	178,892,914	5,575
2022	10,922,692,504	388,986,460	11,311,678,964	170,833,899	5,323
2021	10,742,368,779	303,361,700	11,045,730,479	162,438,801	5,062

(1) 2020 Federal Census.

(2) Revaluation year.

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

Fiscal Year	Tax Rate per \$1,000 Valuation	
	Residential Property	Commercial, Industrial & Personal Property
2025	\$10.60	\$20.91
2024	12.52	24.57
2023	13.04	25.56
2022	13.37	26.43
2021	13.03	25.74

Classification of Property

The following is a breakdown of the Town's assessed valuation in fiscal years 2023, 2024 and 2025.

Property Type	2023		2024		2025 (1)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$10,715,862,649	87.5 %	\$11,487,662,900	87.4 %	\$14,002,216,972	86.9 %
Commercial	1,026,136,613	8.4	1,122,346,066	8.5	1,499,785,024	9.3
Industrial	125,420,724	1.0	132,690,670	1.0	174,726,704	1.1
Personal	380,448,340	3.1	403,098,540	3.1	429,826,950	2.7
Total Real Estate	<u>\$12,247,868,326</u>	<u>100.0 %</u>	<u>\$13,145,798,176</u>	<u>100.0 %</u>	<u>\$16,106,555,650</u>	<u>100.0 %</u>

(1) Revaluation year.

LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal year 2025. All are current in their tax payments to the Town.

Name	Nature of Business	Total Assessed Valuation for Fiscal 2025	% of Total Assessed Value
Nstar Electric Company	Electric Utility Company	\$135,882,260	0.84 %
Needham Residential LLC	Data Storage Facility	118,510,300	0.74
Lofts At Charles River Landing LLC	Apartments	105,752,600	0.66
Babson College C/O North Hill Needham	Residential Apartment Complex	99,550,600	0.62
CHB Properties Inc C/O Boston Childrens Hospital	Travel Agency	90,635,000	0.56
Needham Travel Property LLC	Gas Utility Company	87,114,700	0.54
BP 140 Kendrick Street Property LLC	Software Design	74,998,500	0.47
Nstar Gas Company	Media & Television Production	71,148,540	0.44
Digital 128 First Avenue LLC	Lab & Office Building	71,102,890	0.44
MCPF-Needham LLC	Real Estate Developer	66,322,100	0.41
Total		<u>\$921,017,490</u>	<u>5.72 %</u>

State Equalized Valuation

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

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

January 1,	State Equalized Valuation	% Change
2024	\$ 14,275,936,100	16.0 %
2022	12,307,796,200	6.3
2020	11,580,160,100	11.9
2018	10,352,941,600	7.0
2016	9,675,551,500	16.7

Abatements and Overlay

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

The following table sets forth the amount of the overlay reserve for the last five fiscal years and the amounts of abatements and exemptions granted as of June 30, 2024.

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements and Exemptions Granted As of June 30, 2024
		Dollar Amount	As a % of Net Levy	
2024	\$ 181,958,970	\$ 2,606,953	1.43 %	\$ 718,454
2023	176,282,443	2,610,471	1.48	147,619
2022	168,280,888	2,553,011	1.52	283,294
2021	161,031,536	1,407,265	0.87	475,801
2020	149,257,597	2,292,140	1.54	276,288

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

Tax Collections

The Town has accepted a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum.

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of 6/30/2024 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2024	\$184,565,923	\$2,606,953	\$181,958,970	\$181,681,652	99.8 %	\$181,681,652	99.8 %
2023	178,892,914	2,610,471	176,282,443	175,930,183	99.8	177,508,990	100.7
2022	170,833,899	2,553,011	168,280,888	168,146,235	99.9	169,982,775	101.0
2021	162,438,801	1,407,265	161,031,536	161,696,759	100.4	162,021,541	100.6
2020	151,549,737	2,292,140	149,257,597	148,734,319	99.6	150,622,900	100.9

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

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

Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within 12 months (which may be extended in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. . The municipality must notify the former property owner of its intent to retain possession of or sell the property, as well as any "excess equity" (i.e., any remaining surplus amount above taxes, fees, and charges owed to or incurred by the municipality) the former owner may be entitled to in either case. The former owner may submit a claim for return of any excess equity within 18 months of being notified. Any excess equity not yet returned to the former owner must be held in a separate interest-bearing account.

Former owners of property foreclosed upon on or before May 24, 2021 are not eligible to submit claims for return of excess equity. At this time, it is not clear whether such owners may be able to make constitutional claims for return of excess equity outside of the statutory scheme concerning property foreclosed upon before May 24, 2021.

Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

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

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>	<u>Deferred Taxes</u>
2024	\$ 673,844	\$ 813,849
2023	813,926	736,809
2022	1,316,015	609,587
2021	1,447,559	575,068
2020	1,229,531	546,673

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

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

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take

effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town has been in full compliance with Proposition 2½ since its inception. The Town has voted to override Proposition 2½ for operating purposes and to exclude debt service on several occasions for capital projects. Most recently, the Town approved general overrides in 2003 (\$2,459,318), 2006 (\$597,370), 2007 (\$1,128,670) and 2009 (\$1,887,929). In addition, the Town voted to exclude \$15,700,000 principal and the interest thereon for library renovation and expansion, \$62,000,000 principal and the interest thereon for high school renovation and expansion, \$21,000,000 principal and the interest thereon for the High Rock and Pollard School projects, \$27,412,128 principal and the interest thereon for the Newman School renovation project, \$762,500, \$7,000,000 and \$57,542,500 principal and the interest thereon for site acquisition and construction of the Sunita L. Williams School, and \$69,995,000 for the design, construction of a new Police/Fire complex and Fire Station #2 (less any applicable grants from the Massachusetts School Building Authority).

Unused Levy Capacity (1)

	Fiscal Year				
	2025	2024	2023	2022	2021
Primary Levy Limit (2)	\$ 402,663,891	\$ 328,644,954	\$ 306,196,708	\$ 282,791,974	\$ 276,143,262
Prior Fiscal Year Levy Limit	176,147,802	166,984,404	159,034,818	150,539,475	142,426,994
2.5% Levy Growth	4,403,695	4,174,610	3,975,993	3,763,487	3,560,675
New Growth (3)	5,854,748	4,988,788	3,968,707	4,731,856	4,551,806
Amended New Growth	-	-	4,886	-	-
Overrides	-	-	-	-	-
Growth Levy Limit	186,406,245	176,147,802	166,984,404	159,034,818	150,539,475
Debt Exclusions	9,723,195	10,584,979	13,084,416	12,402,899	13,657,093
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	196,129,440	186,732,781	180,068,820	171,437,717	164,196,568
Tax Levy	192,425,222	184,565,923	178,892,914	170,833,899	162,438,801
Unused Levy Capacity (4)	3,704,218	2,166,858	1,175,906	603,818	1,757,767
Unused Primary Levy Capacity (5)	\$ 216,257,646	\$ 152,497,152	\$ 139,212,304	\$ 123,757,156	\$ 125,603,787

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Community Preservation Act

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

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

any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy and any other revenue dedicated pursuant to the CPA. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has accepted the Act and set the surcharge rate at 2%. The Town implemented the program in fiscal year 2006 and is utilizing revenues to pay for a variety of municipal projects.

Community Preservation Fund Revenues

<u>Fiscal Year</u>	<u>Property Tax (1)</u>	<u>State Contribution</u>	<u>Total</u>
2024	\$ 3,223,294	\$ 656,397	\$ 3,879,691
2023	3,107,298	1,131,787	4,239,085
2022	2,920,964	1,238,965	4,159,929
2021	2,827,425	754,080	3,581,505
2020	2,609,353	592,379	3,201,732

(1) Reflects actual collections.

The balance available for projects in the CPA Fund as of June 30, 2024 is \$14,359,099.

Pledged Taxes

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

TOWN FINANCES

Budget and Appropriation Process

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

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

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

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

Enterprises: Beginning with the fiscal 1996 budget, water and sewer operations are accounted for in separate enterprise accounts. Beginning with the fiscal 1999 budget solid waste operations are accounted for in a separate enterprise account. Effective for FY2020, the Solid Waste Disposal and Recycling Operations changed from an Enterprise Fund to General Fund appropriation.

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

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

Budget Trends

The following table sets forth the trend in operating budgets for fiscal years 2022 through 2026, as voted at the town meeting. As such, said budgets reflect neither revenues nor certain mandatory items.

BUDGET COMPARISON (1)

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026
General Government	\$5,590,044	\$5,918,317	\$6,228,432	\$4,927,678	\$5,148,022
Land Use and Development	525,642	552,799	613,707	627,296	679,009
Public Safety	17,704,018	18,634,363	20,339,032	22,474,352	23,090,970
Education(2)	84,833,684	88,645,537	93,796,434	101,245,986	106,821,104
Public Works & Facilities	21,994,439	23,617,662	26,506,526	28,134,773	28,977,758
Health & Human Services	2,355,437	2,422,342	2,550,302	2,772,979	3,075,387
Culture & Recreation	3,204,954	3,421,863	3,720,287	3,843,647	4,066,047
Employee Benefits(3)	35,134,466	38,390,141	39,056,637	40,768,065	43,984,540
Other Operating Expenses	1,616,900	2,166,728	1,920,490	1,853,560	1,461,826
Debt Service(4)	20,764,142	20,198,294	17,543,250	17,503,332	16,836,849
Reserve Fund	2,077,091	2,052,091	2,000,000	2,000,000	1,784,395
Total Expenditures	<u>\$195,800,817</u>	<u>\$206,020,137</u>	<u>\$214,275,097</u>	<u>\$226,151,668</u>	<u>\$235,925,907</u>

- (1) Budgets reflect only the amount appropriated by Town Meeting and thus do not include county and state assessments and overlay reserve.
 (2) Includes regional vocational school assessment.
 (3) Includes pension and OPEB funding.
 (4) Includes debt excluded from Proposition 2½ as well as estimated debt service on authorized and unissued debt.

Revenues

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

<u>Fiscal Year</u>	<u>Property Taxes</u>
2024	\$ 181,679,426
2023	177,689,636
2022	170,002,186
2021	161,136,736
2020	150,192,994

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

<u>Fiscal Year</u>	<u>State Aid</u>
2024	\$15,529,405
2023	15,339,195
2022	13,811,712
2021	13,599,910
2020	13,088,243

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

<u>Fiscal Year</u>	<u>Motor Vehicle Excise</u>
2024	\$ 7,316,406
2023	6,779,778
2022	5,837,070
2021	5,129,306
2020	5,679,213

Water and Sewer Rates and Services: The Town's Public Works Department provides water and sewer services, accounted for as enterprise funds, to all commercial, industrial and residential users within the Town and charges them on the basis of metered consumption. Water and sewer rates are set by the Select Board. The Town has an ascending block rate schedule ranging from \$3.30 to \$5.44 per 100 cubic feet for water and from \$9.82 to \$12.75 per 100 cubic feet for sewer. Water irrigation rates range from \$5.60 to \$8.91 per 100 cubic feet for water. The rates were effective July 1, 2024.

In fiscal year 2022, water and sewer revenues totaled \$15,017,396 which included \$526,368 in general fund receipts, and expenditures totaled \$14,898,744 including debt service, retirement costs and overhead.

In fiscal year 2023, water and sewer revenues totaled \$16,956,798 which included \$782,928 in general fund receipts, and expenditures totaled \$15,422,867 including debt service, retirement costs and overhead.

In fiscal year 2024, water and sewer revenues totaled \$14,684,061 which included \$810,358 in general fund receipts, and expenditures totaled \$18,782,514 including debt service, retirement costs and overhead.

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

<u>Fiscal Year</u>	<u>Local Option Meals Tax</u>
2024	\$ 638,249
2023	599,284
2022	501,340
2021	329,495
2020	499,167

As a result the reduction in economic activity associated with the COVID-19 pandemic, the revenues from this source declined in fiscal year 2021.

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

<u>Fiscal Year</u>	<u>Room Occupancy Tax</u>
2024	\$ 1,580,395
2023	1,368,285
2022	914,419
2021	313,986
2020	1,185,706

As a result, the reduction in economic activity associated with the COVID-19 pandemic, the revenues from this source declined in fiscal year 2021.

Interest and Dividends: The table below sets forth the amount of interest and dividends revenue for the following fiscal years:

<u>Fiscal Year</u>	<u>Interest & Dividends</u>
2024	\$ 3,014,707
2023	1,520,839
2022	194,651
2021	228,969
2020	834,163

State Distributions

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

In the fall of 1986, legislation was enacted placing limits on the growth of state tax revenues. In essence, the growth in state tax revenue is limited to the average rate of growth in wages and salaries in the Commonwealth over the previous three calendar years. The effect of this legislation could be to restrict the amount of state tax revenue available to provide state financial assistance to the Commonwealth's cities, towns and regional school districts.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

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

The range of reimbursement rates for new project grant applications submitted to the Authority is between 31% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Investment of Town Funds

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

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

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

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

Annual Audits

The Town's financial statements have been audited annually, most recently by Marcum LLP of Merrimack, New Hampshire. Copies of audit reports are available at the office of the Town Accountant of the Town. A similar audit, prepared by CBIZ for the fiscal year ended June 30, 2024, is currently underway. If said audit is finalized by the delivery date of the Notes, it will replace the fiscal 2023 audit attached hereto, in the Final Official Statement.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2024 (draft), June 30, 2023, June 30, 2022 and June 30, 2021 and the Statement of Revenues, Expenditures and Changes in Fund Balance for the fiscal years ended June 30, 2024 (draft) and June 30, 2023 through June 30, 2019. All said financial statements have been extracted from the Town's audited financial statements with the exception of the fiscal 2024 financials, which have been extracted from the Town's draft audited financial statements and are preliminary, subject to revision and change.

Estimated Fiscal 2025 Year End Results

The Town anticipates similar results to the prior year, and does not anticipate a general fund, sewer or water enterprise fund deficit.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2024

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Emery Grover Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 69,372,135	\$ 2,401,267	\$ 4,846,760	\$ -	\$ 25,110,283	\$ 101,730,445
Investments	11,495,388	11,957,833	-	-	3,290,098	26,743,319
Receivables:						
Property taxes	4,421,531	80,044	-	-	-	4,501,575
Excises	734,690	-	-	-	-	734,690
Departmental	1,364,915	-	-	-	686,208	2,051,123
Intergovernmental	-	-	36,216	-	402,630	438,846
Other	383,484	-	-	-	-	383,484
Due from other funds	912,457	-	-	-	-	912,457
Total Assets	\$ 88,684,600	\$ 14,439,144	\$ 4,882,976	\$ -	\$ 29,489,219	\$ 137,495,939
Liabilities						
Warrants and accounts payable	\$ 2,576,902	\$ -	\$ 39,202	\$ 113,316	\$ 1,898,096	\$ 4,627,516
Unearned revenue	-	-	3,687,055	-	1,832,244	5,519,299
Accrued liabilities	5,652,170	-	9,160	1,276,702	2,154,063	9,092,095
Notes payable	-	-	-	4,517,350	2,015,000	6,532,350
Refunds payable	83,334	-	-	-	-	83,334
Due to other funds	-	-	-	912,457	-	912,457
Other liabilities	994,775	-	-	-	94,455	1,089,230
Total Liabilities	9,307,181	-	3,735,417	6,819,825	7,993,858	27,856,281
Deferred Inflows of Resources:						
Unavailable revenues	6,912,195	80,044	36,216	-	1,087,042	8,115,497
Taxes paid in advance	87,497	-	-	-	-	87,497
Total Deferred Inflows of Resources	6,999,692	80,044	36,216	-	1,087,042	8,202,994
Fund Balances						
Nonspendable	-	-	-	-	262,277	262,277
Restricted	505,815	14,359,100	1,156,388	-	12,709,799	28,731,102
Committed	27,654,247	-	-	-	12,014,838	39,669,085
Assigned	10,445,461	-	-	-	-	10,445,461
Unassigned	33,772,204	-	(45,045)	(6,819,825)	(4,578,595)	22,328,739
Total Fund Balances	72,377,727	14,359,100	1,111,343	(6,819,825)	20,408,319	101,436,664
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 88,684,600	\$ 14,439,144	\$ 4,882,976	\$ -	\$ 29,489,219	\$ 137,495,939

SOURCE: Extracted from the draft audited Financial Statements of the Town, preliminary and subject to revision and change.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2023

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 60,141,601	\$ 3,847,853	\$ 3,143,158	\$ 27,978,524	\$ 95,111,136
Investments	11,619,850	8,087,620	-	3,211,479	22,918,949
Receivables:					
Property taxes	3,693,372	42,210	-	-	3,735,582
Excises	924,652	-	-	-	924,652
Departmental	1,419,548	-	-	594,212	2,013,760
Intergovernmental	-	-	83,581	138,742	222,323
Other	179,285	-	-	-	179,285
Total Assets	\$ 77,978,308	\$ 11,977,683	\$ 3,226,739	\$ 31,922,957	\$ 125,105,687
Liabilities					
Warrants and accounts payable	\$ 1,681,933	\$ -	\$ 33,954	\$ 2,535,550	\$ 4,251,437
Unearned revenue	-	-	2,179,721	1,778,239	3,957,960
Accrued liabilities	4,961,968	322	10,855	29,462	5,002,607
Notes payable	-	-	-	420,000	420,000
Refunds payable	77,916	-	-	-	77,916
Other liabilities	1,218,675	-	-	132,975	1,351,650
Total Liabilities	7,940,492	322	2,224,530	4,896,226	15,061,570
Deferred Inflows of Resources:					
Unavailable revenues	5,354,141	42,210	83,581	731,158	6,211,090
Taxes paid in advance	79,326	-	-	-	79,326
Total Deferred Inflows of Resources	5,433,467	42,210	83,581	731,158	6,290,416
Fund Balances					
Nonspendable	-	-	-	204,780	204,780
Restricted	565,811	11,935,151	1,011,043	11,942,620	25,454,625
Committed	20,984,813	-	-	15,826,630	36,811,443
Assigned	7,326,169	-	-	-	7,326,169
Unassigned	35,727,556	-	(92,415)	(1,678,457)	33,956,684
Total Fund Balances	64,604,349	11,935,151	918,628	26,295,573	103,753,701
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 77,978,308	\$ 11,977,683	\$ 3,226,739	\$ 31,922,957	\$ 125,105,687

SOURCE: Extracted from the audited Financial Statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2022

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash and short-term investments	\$ 53,173,820	\$ 2,435,413	\$ 27,464,136	\$ 83,073,369
Investments	12,359,560	8,180,898	3,125,707	23,666,165
Receivables:				
Property taxes	4,669,916	30,150	-	4,700,066
Excises	901,181	-	-	901,181
Departmental	1,412,396	-	333,851	1,746,247
Intergovernmental	695,148	-	574,157	1,269,305
Other	<u>202,543</u>	<u>-</u>	<u>-</u>	<u>202,543</u>
TOTAL ASSETS	\$ <u>73,414,564</u>	\$ <u>10,646,461</u>	\$ <u>31,497,851</u>	\$ <u>115,558,876</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Warrants and accounts payable	\$ 2,408,220	\$ 56,642	\$ 1,104,960	\$ 3,569,822
Unearned revenue	-	-	2,609,048	2,609,048
Accrued liabilities	5,328,081	667	113,398	5,442,146
Refunds payable	683,964	-	-	683,964
Other liabilities	<u>1,354,199</u>	<u>-</u>	<u>126,454</u>	<u>1,480,653</u>
TOTAL LIABILITIES	9,774,464	57,309	3,953,860	13,785,633
Deferred Inflows of Resources:				
Unavailable revenues	7,037,464	30,150	905,972	7,973,586
Taxes paid in advance	<u>254,277</u>	<u>-</u>	<u>-</u>	<u>254,277</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	7,291,741	30,150	905,972	8,227,863
Fund Balances:				
Nonspendable	-	-	113,326	113,326
Restricted	733,044	10,559,002	30,580,019	41,872,065
Committed	9,881,008	-	-	9,881,008
Assigned	16,350,767	-	-	16,350,767
Unassigned	<u>29,383,540</u>	<u>-</u>	<u>(4,055,326)</u>	<u>25,328,214</u>
TOTAL FUND BALANCES	<u>56,348,359</u>	<u>10,559,002</u>	<u>26,638,019</u>	<u>93,545,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>73,414,564</u>	\$ <u>10,646,461</u>	\$ <u>31,497,851</u>	\$ <u>115,558,876</u>

Source: Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MA
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF 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	74,899	-	-	-	74,899
TOTAL ASSETS	\$ 68,304,313	\$ 9,219,328	\$ 7,272,793	\$ 22,189,264	\$ 106,985,698
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	1,170,159	-	-	349,826	1,519,985
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	270,472	-	-	-	270,472
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	28,063,054	-	-	(906,960)	27,156,094
TOTAL FUND BALANCES	52,376,805	9,191,623	3,494,739	17,231,781	82,294,948
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 68,304,313	\$ 9,219,328	\$ 7,272,793	\$ 22,189,264	\$ 106,985,698

Source: Extracted from the audited Financial Statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Emery Grover Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 182,678,092	\$ 3,223,294	\$ -	\$ -	\$ -	\$ 185,901,386
Excises	7,316,406	-	-	-	-	7,316,406
Penalties, interest, and other taxes	2,799,072	5,693	-	-	-	2,804,765
Charges for services	5,126,648	-	-	-	8,147,406	13,274,054
Departmental	949,520	-	-	-	-	949,520
Licenses and permits	2,737,881	-	-	-	-	2,737,881
Intergovernmental	30,805,749	656,397	1,899,871	-	12,225,057	45,587,074
Investment income	3,639,716	225,041	-	-	418,529	4,283,286
Fines and forfeitures	83,831	-	-	-	-	83,831
Contributions	-	-	-	-	365,936	365,936
Other	551,288	-	-	-	226,398	777,686
Total Revenues	236,688,203	4,110,425	1,899,871	-	21,383,326	264,081,825
Expenditures						
Current:						
General government	9,381,377	607,845	778,277	-	238,528	11,006,027
Public safety	25,822,171	-	4,028	-	1,738,736	27,564,935
Education	131,490,229	-	-	-	15,578,927	147,069,156
Public works	27,098,269	-	256,760	-	89,096	27,444,125
Building design and construction	243,772	-	-	-	-	243,772
Health and human services	3,309,801	-	351,217	-	1,212,140	4,873,158
Culture and recreation	4,123,838	-	-	-	866,677	4,990,515
Employee benefits	1,076,077	-	-	-	-	1,076,077
Other	870,055	-	-	-	-	870,055
Capital outlay	-	-	-	11,147,965	14,446,976	25,594,941
Debt service:						
Principal	10,685,000	-	-	-	-	10,685,000
Interest	4,035,124	-	-	-	-	4,035,124
Intergovernmental	1,642,017	-	-	-	-	1,642,017
Total Expenditures	219,777,730	607,845	1,390,282	11,147,965	34,171,080	267,094,902
Excess (deficiency) of revenues over expenditures	16,910,473	3,502,580	509,589	(11,147,965)	(12,787,754)	(3,013,077)
Other Financing Sources (Uses)						
Transfers in	3,373,578	-	-	2,682,650	9,399,865	15,456,093
Transfers out	(12,510,673)	(1,078,631)	(316,874)	-	(853,875)	(14,760,053)
Total Other Financing Sources (Uses)	(9,137,095)	(1,078,631)	(316,874)	2,682,650	8,545,990	696,040
Change in Fund Balance	7,773,378	2,423,949	192,715	(8,465,315)	(4,241,764)	(2,317,037)
Fund Balances, at Beginning of Year as previously reported	64,604,349	11,935,151	918,628	-	26,295,573	103,753,701
Adjustment - change from nonmajor to major fund	-	-	-	1,645,490	(1,645,490)	-
Fund Balances at End of Year	\$ 72,377,727	\$ 14,359,100	\$ 1,111,343	\$ (6,819,825)	\$ 20,408,319	\$ 101,436,664

SOURCE: Extracted from the draft audited Financial Statements of the Town, preliminary and subject to revision and change.

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 179,124,962	\$ 3,107,298	\$ -	\$ -	\$ 182,232,260
Excises	6,779,778	-	-	-	6,779,778
Penalties, interest, and other taxes	2,948,504	6,187	-	-	2,954,691
Charges for services	4,742,161	-	-	6,454,263	11,196,424
Departmental	932,565	-	-	-	932,565
Licenses and permits	5,099,563	-	-	-	5,099,563
Intergovernmental	30,683,167	1,131,787	1,344,840	11,391,389	44,551,183
Investment income	1,886,145	305,643	-	402,011	2,593,799
Fines and forfeitures	101,457	-	-	-	101,457
Contributions	-	-	-	429,790	429,790
Other	822,164	-	-	32,144	854,308
Total Revenues	233,120,466	4,550,915	1,344,840	18,709,597	257,725,818
Expenditures					
Current:					
General government	8,610,711	2,205,134	588,616	279,427	11,683,888
Public safety	24,765,986	-	7,536	1,468,121	26,241,643
Education	122,778,849	-	-	13,836,069	136,614,918
Public works	27,757,727	-	30,176	161,737	27,949,640
Building design and construction	223,038	-	-	-	223,038
Health and human services	3,319,995	-	465,534	746,137	4,531,666
Culture and recreation	3,983,868	-	-	584,373	4,568,241
Employee benefits	823,474	-	-	-	823,474
Other	802,155	-	-	-	802,155
Capital outlay	-	-	-	14,197,463	14,197,463
Debt service:					
Principal	13,500,000	-	-	-	13,500,000
Interest	4,491,943	-	-	-	4,491,943
Intergovernmental	1,555,971	-	-	-	1,555,971
Total Expenditures	212,613,717	2,205,134	1,091,862	31,273,327	247,184,040
Excess (deficiency) of revenues over expenditures	20,506,749	2,345,781	252,978	(12,563,730)	10,541,778
Other Financing Sources (Uses)					
Transfers in	2,719,542	-	-	14,089,991	16,809,533
Transfers out	(14,970,301)	(969,632)	(277,260)	(925,797)	(17,142,990)
Total Other Financing Sources (Uses)	(12,250,759)	(969,632)	(277,260)	13,164,194	(333,457)
Change in Fund Balance	8,255,990	1,376,149	(24,282)	600,464	10,208,321
Fund Balances at Beginning of Year, as Reclassified	56,348,359	10,559,002	942,910	25,695,109	93,545,380
Fund Balances at End of Year	\$ 64,604,349	\$ 11,935,151	\$ 918,628	\$ 26,295,573	\$ 103,753,701

SOURCE: Extracted from the audited Financial Statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2022

	General	Community Preservation	Nonmajor Governmental	Total Governmental
Revenues:				
Property taxes	\$ 170,417,731	\$ 2,920,964	\$ -	\$ 173,338,695
Excise taxes	5,837,070	-	-	5,837,070
Penalties, interest, and other taxes	2,079,140	5,390	-	2,084,530
Charges for services	3,671,477	-	6,199,280	9,870,757
Departmental	1,236,064	-	-	1,236,064
Licenses and permits	2,771,497	-	-	2,771,497
Intergovernmental	26,804,304	1,238,965	14,068,346	42,111,615
Investment income (loss)	271,659	129,647	(295,066)	106,240
Fines and forfeitures	102,347	-	-	102,347
Contributions	-	-	348,106	348,106
Other	312,446	-	51,467	363,913
Total Revenues	213,503,735	4,294,966	20,372,133	238,170,834
Expenditures:				
Current:				
General government	7,365,968	453,571	1,011,998	8,831,537
Public safety	23,030,382	-	1,957,681	24,988,063
Education	115,733,212	-	13,246,169	128,979,381
Public works	25,986,861	-	272,425	26,259,286
Building design and construction	336,197	-	-	336,197
Health and human services	3,028,634	-	294,018	3,322,652
Culture and recreation	3,568,710	-	717,397	4,286,107
Employee benefits	897,640	-	-	897,640
Other	715,777	-	-	715,777
Capital outlay	-	1,497	19,826,172	19,827,669
Debt service:				
Principal	13,654,000	-	-	13,654,000
Interest and fiscal charges	4,498,497	-	-	4,498,497
Intergovernmental	1,572,207	-	-	1,572,207
Total Expenditures	200,388,085	455,068	37,325,860	238,169,013
Excess (deficiency) of revenues over expenditures	13,115,650	3,839,898	(16,953,727)	1,821
Other Financing Sources (Uses):				
Issuance of bonds	-	-	9,970,000	9,970,000
Premium on bonds	-	-	734,564	734,564
Transfers in	5,484,304	548,878	14,403,489	20,436,671
Transfers out	(14,628,400)	(3,021,397)	(2,242,827)	(19,892,624)
Total Other Financing Sources (Uses)	(9,144,096)	(2,472,519)	22,865,226	11,248,611
Net change in fund balances	3,971,554	1,367,379	5,911,499	11,250,432
Fund Balances, at beginning of year, as reclassified	52,376,805	9,191,623	20,726,520	82,294,948
Fund Balances, at end of year	\$ 56,348,359	\$ 10,559,002	\$ 26,638,019	\$ 93,545,380

Source: Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MA
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF 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

Source: Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MA
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF JUNE 30, 2020**

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

Source: Extracted from the audited Financial Statements of the Town.

**TOWN OF NEEDHAM, MA
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF JUNE 30, 2019**

	<u>General</u>	<u>Community Preservation</u>	<u>Sunita L. Williams School</u>	<u>Public Safety Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 141,476,623	\$ 2,468,833	\$ -	\$ -	\$ -	\$ 143,945,456
Excise taxes	6,138,951	-	-	-	-	6,138,951
Penalties, interest, and other taxes	2,408,784	3,189	-	-	-	2,411,973
Charges for services	1,684,919	-	-	-	7,475,916	9,160,835
Departmental	2,052,584	-	-	-	-	2,052,584
Licenses and permits	2,587,095	-	-	-	-	2,587,095
Intergovernmental	21,724,476	438,305	7,252,591	-	6,405,203	35,820,575
Investment income (loss)	1,223,466	384,021	-	-	174,032	1,781,519
Fines and forfeitures	209,162	-	-	-	-	209,162
Contributions	-	-	-	-	472,767	472,767
Other	356,613	-	-	-	36,589	393,202
Total Revenues	179,862,673	3,294,348	7,252,591	-	14,564,507	204,974,119
Expenditures:						
Current:						
General government	6,830,257	2,115	-	-	109,819	6,942,191
Public safety	20,033,593	-	-	-	354,416	20,388,009
Education	98,145,562	-	-	-	12,271,053	110,416,615
Public works	19,923,360	-	-	-	457,303	20,380,663
Building design and construction	645,481	-	-	-	-	645,481
Health and human services	2,461,346	-	-	-	569,605	3,030,951
Culture and recreation	2,987,961	3,480	-	-	548,663	3,540,104
Employee benefits	790,238	-	-	-	-	790,238
Other	556,798	-	-	-	-	556,798
Capital outlay	-	384,506	27,493,314	5,879,752	29,835,802	63,593,374
Debt service:						
Principal	7,722,526	-	-	-	-	7,722,526
Interest	2,282,765	-	-	-	-	2,282,765
Intergovernmental	1,389,486	-	-	-	-	1,389,486
Total Expenditures	163,769,373	390,101	27,493,314	5,879,752	44,146,661	241,679,201
Excess (deficiency) of revenues over expenditures	16,093,300	2,904,247	(20,240,723)	(5,879,752)	(29,582,154)	(36,705,082)
Other Financing Sources (Uses):						
Issuance of bonds	-	-	18,000,000	-	13,000,000	31,000,000
Bond premium	-	-	1,745,331	-	13,221	1,758,552
Transfers in	2,214,458	-	2,865,000	-	18,050,979	23,130,437
Transfers out	(19,319,938)	(941,494)	-	-	(410,585)	(20,672,017)
Total Other Financing Sources (Uses)	(17,105,480)	(941,494)	22,610,331	-	30,653,615	35,216,972
Net change in fund balances	(1,012,180)	1,962,753	2,369,608	(5,879,752)	1,071,461	(1,488,110)
Fund Balances, at beginning of year, as reclassified	48,053,088	5,615,849	(10,553,154)	-	1,007,182	44,122,965
Fund Balances, at end of year	\$ 47,040,908	\$ 7,578,602	\$ (8,183,546)	\$ (5,879,752)	\$ 2,078,643	\$ 42,634,855

Source: Extracted from the audited Financial Statements of the Town.

Free Cash and Unassigned General Fund Balances

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

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

Fiscal Year	Free Cash (July 1)	Unassigned General Fund Balance (1)
2024	\$21,756,922	\$33,772,204 (2)
2023	23,816,038	35,727,556
2022	17,356,938	29,383,540
2021	16,952,126	28,063,054
2020	16,665,406	28,831,766
2019	12,369,898	19,403,198

(1) Source: Audited financial statements, except as noted.

(2) Source: Draft audited financial statements, preliminary and subject to revision and change.

Stabilization Fund

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

Fiscal Year	Stabilization Fund Balance (June 30)
2024	\$4,791,661
2023	4,665,099
2022	4,550,110
2021	4,492,394
2020	4,365,010

Capital Improvement Fund

The Town continues to provide additional funding to its capital improvement fund, which helps ensure the replacement of capital equipment. The following table sets forth the trend in Capital Improvement Fund balance.

Fiscal Year	Capital Improvement Fund Balance (June 30)
2024	\$1,662,108
2023	1,145,249
2022	1,110,590
2021	1,097,070
2020	1,095,016

Capital Facility Fund

The Capital Facilities Fund exists primarily to fund building improvements. The following table sets forth the trend in Capital Facility Fund balance at June 30.

<u>Fiscal Year</u>	<u>Capital Facility Fund Balance</u>
2024	\$ 2,120,561
2023	2,006,242
2022	1,927,853
2021	1,921,686
2020	1,918,088

Athletic Facility Fund

In fiscal year 2013, the Town created a stabilization fund to cover the costs of the eventual replacement of the Town's artificial turf fields. The following table sets forth the trend in Athletic Facility Fund balance at June 30.

<u>Fiscal Year</u>	<u>Athletic Facility Fund Balance</u>
2024	\$ 1,202,392
2023	1,103,910
2022	978,607
2021	270,204
2020 (1)	269,698

(1) In fiscal 2020 \$2.5 million was appropriated from the Athletic facilities fund to fund synthetic field replacement and related work to various fields throughout Town (Article #38 of the 2019 Annual Town Meeting). \$75,000 was appropriated to the Athletic Facilities Fund from the General Fund (Article # 42 of the 2019 Annual Town Meeting).

Debt Service Stabilization Fund

In fiscal year 2016, the Town created a stabilization fund the purpose of which is to allow the Town by appropriation to reserve funds to pay the debt service for engineering and design, renovation, reconstruction or construction of Town facilities. The following table sets forth the trend in Debt Service Stabilization Fund balance at June 30.

<u>Fiscal Year</u>	<u>Debt Service Stabilization Fund Balance</u>
2024	\$ 2,376,992
2023	2,248,681
2022	2,160,996
2021	2,154,083
2020	2,150,062

Opioid Stabilization Fund

In May 2023, the Town created the Opioid Settlement Stabilization Fund to reserve monies that are received as a result of the legal settlements with opioid distributors, manufacturers, and pharmacies. The use of the funds must conform with the terms of the settlement agreements and require Town Meeting appropriations for the specific purposes. The following table sets forth the trend in Opioid Stabilization Fund balance at June 30.

<u>Fiscal Year</u>	<u>Opioid Stabilization Fund Balance</u>
2024	\$ 332,015

Stormwater Stabilization Fund

In May 2023, the Town created the Stormwater Stabilization Fund as a repository for funds raised to address the capital costs associated with compliance with the National Pollutant Discharge Elimination System (NPDES) program. The Board established a fee schedule that applies to parcels that have impervious coverage, including residential, commercial, non-for-profit, and tax-exempt properties. The receipts collected are deposited directly into the Stormwater Stabilization Fund to be appropriated for NPDES compliance only. The following table sets forth the trend in Stormwater Stabilization Fund balance at June 30.

<u>Fiscal Year</u>	<u>Stormwater Stabilization Fund Balance</u>
2024	\$ 72,582

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½, (see "Tax Limitations" under "PROPERTY TAXATION" above.) The Town has not established any such district.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the city council (subject to the mayor's veto where the mayor has a veto power) or a two-thirds vote of the town meeting. Provision is made in some cities and towns for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the city council, the selectmen or either the prudential committee or the commissioners of a district if there is no prudential committee. Borrowings for some purposes require State administrative approval.

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

Debt Limits

General Debt Limit. The general debt limit of the Town consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Municipal Finance Oversight Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit if such debt is authorized by a two-thirds vote of the city or town and such debt is payable within the periods so specified in Mass. Gen. Laws. c. 44, §8. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, certain sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing, bonds for water, housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems. Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

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

Types Of Obligations

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

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

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements for any purpose for which the city or town may incur debt that may be payable over a term of five years or longer. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns which are members of the New England Power Pool may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the Department of Public Utilities.

DIRECT DEBT SUMMARY As of June 30, 2025 (1)

Long-Term Debt Outstanding:		
Within the General Debt Limit:		
Schools (2)	\$ 12,759,000	
Sewers & Drains	2,813,390	
Other Inside General (3)	<u>63,941,000</u>	
Total Within the General Debt Limit		\$ 79,513,390
Outside the General Debt Limit:		
Schools (2)	13,680,000	
Water	2,607,974	
Other Outside General (3)	<u>2,530,000</u>	
Total Outside the General Debt Limit		<u>18,817,974</u>
Total Long-Term Debt Outstanding:		98,331,364
Short-Term Debt Outstanding:		
Bond Anticipation Notes Outstanding (4)	17,786,235	
Less:		
To be Retired with Revenue Funds of the Town	<u>(3,900,000)</u>	
Total Short-Term Debt Outstanding after This Issue (5):		<u>13,886,235</u>
Total Direct Debt after This Issue:		<u>\$ 112,217,599</u>

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

(2) Debt service on the principal amount of \$22,889,000 is exempt from the limitations of Proposition 2 ½.

(3) Debt service on the principal amount of \$47,080,000 is exempt from the limitations of Proposition 2 ½.

(4) Payable July 30, 2025 (\$6,660,000) and October 30, 2025 (\$11,126,235).

(5) This issue, payable October 30, 2025.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Population (2020 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation
2025	\$ 98,331,364	32,091	\$ 16,106,555,650	\$ 3,064	0.61 %
2024	108,989,219	32,091	13,145,798,176	3,396	0.83
2023	120,579,659	32,091	12,247,868,326	3,757	0.98
2022	135,198,749	32,091	11,311,678,964	4,213	1.20
2021	139,850,734	32,091	11,045,730,479	4,358	1.27

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding bonds as of June 30, 2025.

GENERAL OBLIGATION BONDS As of June 30, 2025

Year	General	School	Water	Sewer	Total (1)
2026	\$ 5,242,000	\$ 3,503,000	\$ 446,488	\$ 345,942	\$ 9,537,430
2027	5,232,000	3,048,000	447,359	352,809	9,080,168
2028	4,882,000	2,638,000	448,248	354,825	8,323,073
2029	4,872,000	2,278,000	236,029	336,993	7,723,022
2030	4,547,000	1,603,000	236,953	344,317	6,731,270
2031	4,477,000	1,603,000	237,898	351,800	6,669,698
2032	4,422,000	1,598,000	190,000	359,446	6,569,446
2033	4,422,000	1,598,000	185,000	367,258	6,572,258
2034	4,245,000	1,045,000	180,000	-	5,470,000
2035	3,875,000	1,045,000	-	-	4,920,000
2036	3,625,000	720,000	-	-	4,345,000
2037	3,625,000	720,000	-	-	4,345,000
2038	3,120,000	720,000	-	-	3,840,000
2039	2,955,000	720,000	-	-	3,675,000
2040	2,720,000	720,000	-	-	3,440,000
2041	1,830,000	720,000	-	-	2,550,000
2042	1,000,000	720,000	-	-	1,720,000
2043	460,000	720,000	-	-	1,180,000
2044	460,000	720,000	-	-	1,180,000
2045	460,000	-	-	-	460,000
TOTAL	\$ 66,471,000	\$ 26,439,000	\$ 2,607,974	\$ 2,813,390	\$ 98,331,364

(1) \$69,969,000 of principal and \$16,129,385 of interest has been voted exempt from Proposition 2½, subject to the limits imposed by Chapter 44, Section 20 of the General Laws.

Debt Service Requirements

The following table sets forth the required principal and interest payments on the outstanding general obligation bonds of the Town as of June 30, 2025.

GENERAL OBLIGATION DEBT As of June 30, 2025 (1)

Fiscal Year	Outstanding		Total Net Debt	Cumulative
	Principal	Interest	Service	% Retired
2026	\$ 9,537,430	\$ 3,233,881	\$ 12,771,311	9.7 %
2027	9,080,168	2,854,833	11,935,001	18.9
2028	8,323,073	2,486,980	10,810,053	27.4
2029	7,723,022	2,149,888	9,872,910	35.3
2030	6,731,270	1,846,103	8,577,373	42.1
2031	6,669,698	1,599,949	8,269,647	48.9
2032	6,569,446	1,371,297	7,940,743	55.6
2033	6,572,258	1,145,651	7,717,909	62.2
2034	5,470,000	955,103	6,425,103	67.8
2035	4,920,000	813,559	5,733,559	72.8
2036	4,345,000	694,019	5,039,019	77.2
2037	4,345,000	581,106	4,926,106	81.6
2038	3,840,000	472,794	4,312,794	85.6
2039	3,675,000	373,634	4,048,634	89.3
2040	3,440,000	280,753	3,720,753	92.8
2041	2,550,000	191,225	2,741,225	95.4
2042	1,720,000	125,650	1,845,650	97.1
2043	1,180,000	72,300	1,252,300	98.3
2044	1,180,000	33,300	1,213,300	99.5
2045	460,000	6,900	466,900	100.0
Total	<u>\$ 98,331,364</u>	<u>\$ 21,288,926</u>	<u>\$ 119,620,291</u>	

(1) \$69,969,000 of principal and \$16,129,385 of interest has been voted exempt from Proposition 2½, subject to Chapter 44, Section 20 of the General Laws.

Authorized Unissued Debt and Prospective Financing

The Town currently has the following authorized debt which has not been bonded:

Amount	Purpose	Original Authorization
\$ 35,000	Public Works Storage Facility Design & Construction	\$ 3,503,000
55,000	RTS Property Repairs	645,000
2,800,000	Water Distribution Improvements	4,500,000
1,340,000	Public Safety Building and Fire Station #2	1,400,000
204,500	Sewer Main Replacement	363,000
196,550	Water Service Connections	1,000,000
7,819,585	Emery Grover Building Addition and Renovation	14,150,000
1,295,000	Additional Emery Grover Building Addition and Renovation	1,295,000
6,970,000	Broadmeadow and Eliot School Rooftop Unit Replacement	9,000,000
4,000,000	South Street Water System Distribution Improvements	4,000,000
3,600,000	Claxton Field Renovation	3,600,000
13,000,000	Sewer Main Replacement	13,000,000
<u>\$ 41,315,635</u>		

Overlapping Debt

The Town is a member of the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of Norfolk County, the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District, and the Town's estimated gross share of such debt and the estimated fiscal year 2026 (preliminary) dollar assessment for each.

Overlapping Entity	Outstanding Debt as of 6/30/2025	Needham's Estimated Share (1)	Fiscal 2026 Dollar Assessment (2)
Norfolk County (3)	\$ 13,855,000	7.000 %	\$ 470,023
Massachusetts Water Resources Authority (4)			
Water	1,867,871,000	0.602	1,776,283
Sewer	2,640,386,000	1.316	7,763,087
Massachusetts Bay Transportation Authority (5)	5,323,905,000	0.414	800,326
Minuteman Regional Vocational Technical School District (6)	89,710,000	N/A	2,510,774

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Norfolk County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

(4) SOURCE: MWRA. Debt as of June 30, 2024. Assessment is for fiscal 2025. The MWRA provides wholesale drinking water services and wastewater collection and treatment services to certain cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.45 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(5) SOURCE: MBTA. Debt as of June 30, 2024. Assessment is for fiscal 2025. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on a weighted population formula as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAX" below.)

(6) SOURCE: Minuteman Regional Vocational Technical School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing

and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

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

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

The Town currently has a twenty-year contract with WIN Waste Innovation for transportation and disposal of solid waste expiring June 30, 2028. The tipping fee rate is \$79.92 per ton for fiscal year 2025. The Town budgeted \$766,404 for this purpose for fiscal 2025 and \$790,439 was budgeted for fiscal 2026.

RETIREMENT PLAN

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. A system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

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

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

<u>Year Ending</u>	<u>Contributory</u>	<u>Non-Contributory</u>
June 30, 2026 (budgeted)	\$ 14,369,656	\$ -
June 30, 2025	13,142,913	-
June 30, 2024	12,319,665	-
June 30, 2023	11,263,367	-
June 30, 2022	10,276,804	-
June 30, 2021	9,368,084	-

The unfunded actuarial accrued liability of the NCRS as of January 1, 2024 was approximately \$73,118,725. The System was 76.8% funded according to the January 1, 2024 actuarial study. The Town's current funding schedule amortizes the unfunded actuarial accrued liability to zero by 2032 as shown below.

<u>Fiscal Year Ended June 30</u>	<u>Employer Normal Cost</u>	<u>Amortization Payment of UAL</u>	<u>Net 3(8)(c) Transfers</u>	<u>Total Employer Cost</u>	<u>Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year</u>
2025	\$ 4,461,980	\$ 8,243,257	\$ 600,000	\$ 13,305,237	\$ 73,118,725
2026	4,506,853	9,262,803	600,000	14,369,656	69,191,689
2027	4,593,354	10,325,876	600,000	15,519,230	63,968,291
2028	4,741,518	11,419,250	600,000	16,760,768	57,322,640
2029	4,874,846	12,626,783	600,000	18,101,629	49,134,611
2030	5,035,883	13,754,640	600,000	19,390,523	39,190,134
2031	5,174,155	14,304,826	600,000	20,078,981	27,461,559
2032	5,319,301	14,877,020	600,000	20,796,321	14,432,829
2033	5,487,674	-	600,000	6,087,674	-

Notes:

- Actuarially determined contributions are assumed to be paid on July 1.
- Actuarially determined contribution for fiscal 2025 is set equal to the budgeted amount determined with prior valuation.
- Projected normal cost does not reflect the impact of pension reform for future hires.
- Amortization payments of unfunded actuarial accrued liability calculated to increase at 4.0% per year after phase-in.
- Projected unfunded actuarial accrued liability does not reflect deferred investment gains.

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

For additional information see Appendix A.

Other Post-Employment Benefits (OPEB)

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

The following table sets forth the trend in OPEB appropriations.

Fiscal Year	OPEB Contribution
June 30, 2026 (budgeted)	\$ 8,540,230
June 30, 2025	8,141,306
June 30, 2024	8,199,280
June 30, 2023	8,844,474
June 30, 2022	7,426,237
June 30, 2021	7,197,713

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

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has hired an outside firm which has completed the actuarial valuation of its post-employment benefit liability. As of June 30, 2024 the total OPEB liability for benefits was \$142,739,342 and the assets held in trust totaled \$82,170,951 resulting in a net OPEB liability of \$60,568,391. The actuarial assumptions reflect a 6.25% investment rate of return. In fiscal year 2002 the Town began funding its post-retirement health insurance liability. The Town's Actuarially Determined Contribution (ADC) for fiscal year 2024 is \$7,761,016 at an assumed 6.25% discount rate. The balance in the OPEB Trust Fund as of June 30, 2024 was \$82,170,951.

EMPLOYEE RELATIONS

The Town employs approximately 1,400 full-time equivalent employees (FTE), 1,001 FTEs employed by the School Department, 147 by the Public Works Department, 63 by the Police Department, 80 by the Fire Department, and the balance by various other Town Departments. Town employees (other than managerial and confidential employees) are entitled to join unions and bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 1,233 (full and part time) Town employees are represented by unions including public works, general government, police, fire, teachers, and school administrators.

The Building Custodian Tradesman Independent Association (Building Maintenance Division) contract expires on June 30, 2026. The Needham Independent Public Employees Association (Public Works) contract expires June 30, 2027. The contracts with the Needham Firefighters Local 1706 (all units) expire on June 30, 2026. The Needham Police Union contract expires June 30, 2025, and the Needham Police Superior Officers Association contract expires on June 30, 2025. The Needham Independent Town Workers Association (various administrative, professional, and technical positions) contract expires June 30, 2027.

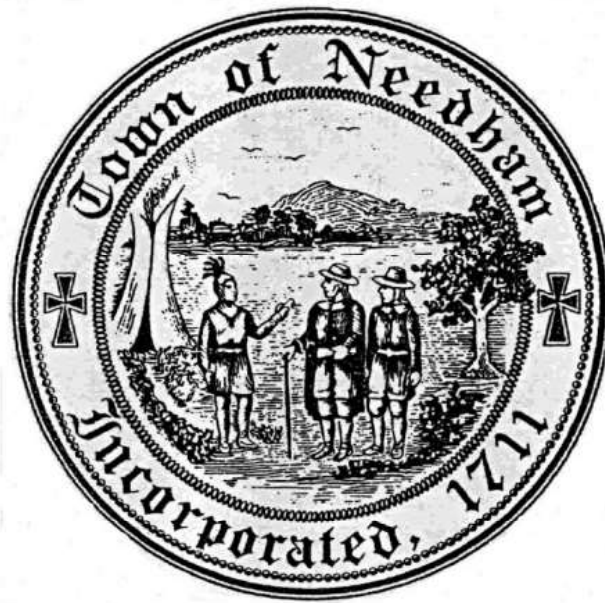
The Needham Public Schools have contracts in place with the Needham Education Association Unit A (teachers) through August 31, 2025, with the Needham Education Association Unit B (administrators) through June 30, 2025, with the Needham Education Association Unit C (Non DESE licensed staff) through June 30, 2026, and with the Needham Education Association Unit E (food service workers) through June 30, 2026. The contract with the Needham Education Association Unit D (clerical, secretarial and technical positions) expires June 30, 2026. The expired contracts are currently in negotiations.

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth in which the Town is a defendant. In the opinion of the Town, there is no litigation either pending or threatened, that is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

TOWN OF NEEDHAM, MASSACHUSETTS
/s/ Ellyse Glushkov, Town Treasurer

July 8, 2025



TOWN OF NEEDHAM, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Needham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying 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, 2023, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2022) 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 budgetary comparison schedules for proprietary funds appearing on pages 83 through 84 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2024, 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.

Marcum LLP

Andover, MA
August 7, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

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, deferred outflows of resources, liabilities, and deferred 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 Town's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town'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 and Other 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, and other supplementary information.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$228,089,680, a change of \$13,287,841, and net position in business-type activities was \$64,707,505, a change of \$1,412,240 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$103,753,701, a change of \$10,208,321 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$35,727,556 a change of \$6,344,016 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 year.

<u>Net Position Summary</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 127,777,012	\$ 116,168,029	\$ 21,893,206	\$ 20,317,191	\$ 149,670,218	\$ 136,485,220
Capital assets	<u>381,836,667</u>	<u>384,083,181</u>	<u>58,216,072</u>	<u>56,012,570</u>	<u>440,052,739</u>	<u>440,095,751</u>
Total Assets	<u>509,613,679</u>	<u>500,251,210</u>	<u>80,109,278</u>	<u>76,329,761</u>	<u>589,722,957</u>	<u>576,580,971</u>
Deferred Outflows of Resources	34,550,392	35,118,705	1,032,106	709,843	35,582,498	35,828,548
Liabilities						
Long-term liabilities	285,986,307	260,358,105	11,758,710	11,802,934	297,745,017	272,161,039
Notes payable	420,000	-	2,640,000	-	3,060,000	-
Other liabilities	<u>17,156,322</u>	<u>16,669,908</u>	<u>1,704,515</u>	<u>413,131</u>	<u>18,860,837</u>	<u>17,083,039</u>
Total Liabilities	<u>303,562,629</u>	<u>277,028,013</u>	<u>16,103,225</u>	<u>12,216,065</u>	<u>319,665,854</u>	<u>289,244,078</u>
Deferred Inflows of Resources	12,511,762	43,540,063	330,654	1,528,274	12,842,416	45,068,337
Net Position						
Net investment in capital assets	259,235,761	246,539,416	48,425,010	47,556,237	307,660,771	294,095,653
Restricted	25,908,333	23,964,123	-	-	25,908,333	23,964,123
Unrestricted	<u>(57,054,414)</u>	<u>(55,701,700)</u>	<u>16,282,495</u>	<u>15,739,028</u>	<u>(40,771,919)</u>	<u>(39,962,672)</u>
Total Net Position	<u>\$ 228,089,680</u>	<u>\$ 214,801,839</u>	<u>\$ 64,707,505</u>	<u>\$ 63,295,265</u>	<u>\$ 292,797,185</u>	<u>\$ 278,097,104</u>

Changes in Net Position Summary						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 17,621,565	\$ 14,580,256	\$ 16,172,853	\$ 16,360,428	\$ 33,794,418	\$ 30,940,684
Operating grants and contributions	40,396,897	56,624,617	-	-	40,396,897	56,624,617
Capital grants and contributions	495,511	65,390	-	-	495,511	65,390
General revenues:						
Property taxes	181,891,049	173,522,492	-	-	181,891,049	173,522,492
Excises	7,163,249	6,039,590	-	-	7,163,249	6,039,590
Penalties, interest and other taxes	3,081,612	2,085,863	-	-	3,081,612	2,085,863
Grants and contributions not restricted to specific programs	3,378,098	3,050,246	-	-	3,378,098	3,050,246
Investment income	2,593,799	106,240	9,995	22,614	2,603,794	128,854
Other	854,308	268,826	379	5,000	854,687	273,826
Total Revenues	257,476,088	256,343,520	16,183,227	16,388,042	273,659,315	272,731,562
Expenses						
General government	11,886,158	9,685,500	-	-	11,886,158	9,685,500
Public safety	32,985,312	23,663,981	-	-	32,985,312	23,663,981
Education	149,998,863	145,984,471	-	-	149,998,863	145,984,471
Public works	32,753,168	25,159,126	-	-	32,753,168	25,159,126
Building design and construction	360,042	433,239	-	-	360,042	433,239
Health and human services	4,962,963	3,146,157	-	-	4,962,963	3,146,157
Culture and recreation	5,288,710	4,376,264	-	-	5,288,710	4,376,264
Interest on long-term debt	3,109,326	3,964,679	-	-	3,109,326	3,964,679
Intergovernmental	1,555,971	1,572,207	-	-	1,555,971	1,572,207
Other unallocated costs	1,384,277	1,144,286	-	-	1,384,277	1,144,286
Sewer operations	-	-	9,256,075	8,856,703	9,256,075	8,856,703
Water operations	-	-	5,418,369	5,975,243	5,418,369	5,975,243
Total Expenses	244,284,790	219,129,910	14,674,444	14,831,946	258,959,234	233,961,856
Change in Net Position						
Before Transfers	13,191,298	37,213,610	1,508,783	1,556,096	14,700,081	38,769,706
Transfers in (Out)	96,543	881,047	(96,543)	(881,047)	-	-
Change in Net Position	13,287,841	38,094,657	1,412,240	675,049	14,700,081	38,769,706
Net Position - Beginning of Year	214,801,839	176,707,182	63,295,265	62,620,216	278,097,104	239,327,398
Net Position - End of Year	\$ 228,089,680	\$ 214,801,839	\$ 64,707,505	\$ 63,295,265	\$ 292,797,185	\$ 278,097,104

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$292,797,185, a change of \$14,700,081, in comparison to the prior year.

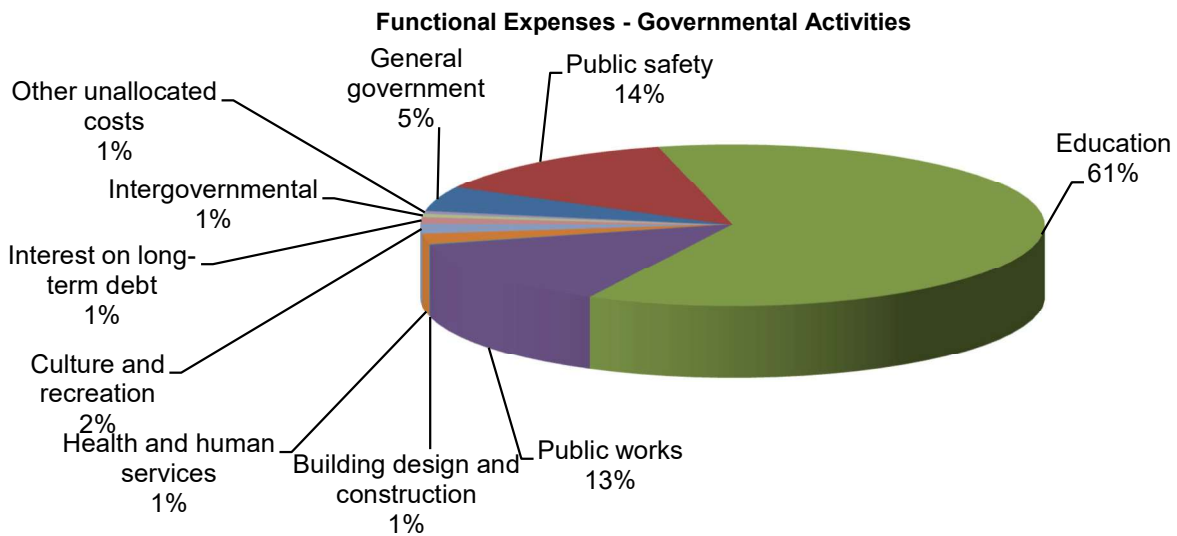
The largest portion of net position \$307,660,771 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, infrastructure, works of art, and construction in progress), less any related debt used to acquire those assets that is still outstanding. 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 \$25,908,333 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(40,771,919) primarily resulting from unfunded pension and OPEB liabilities.

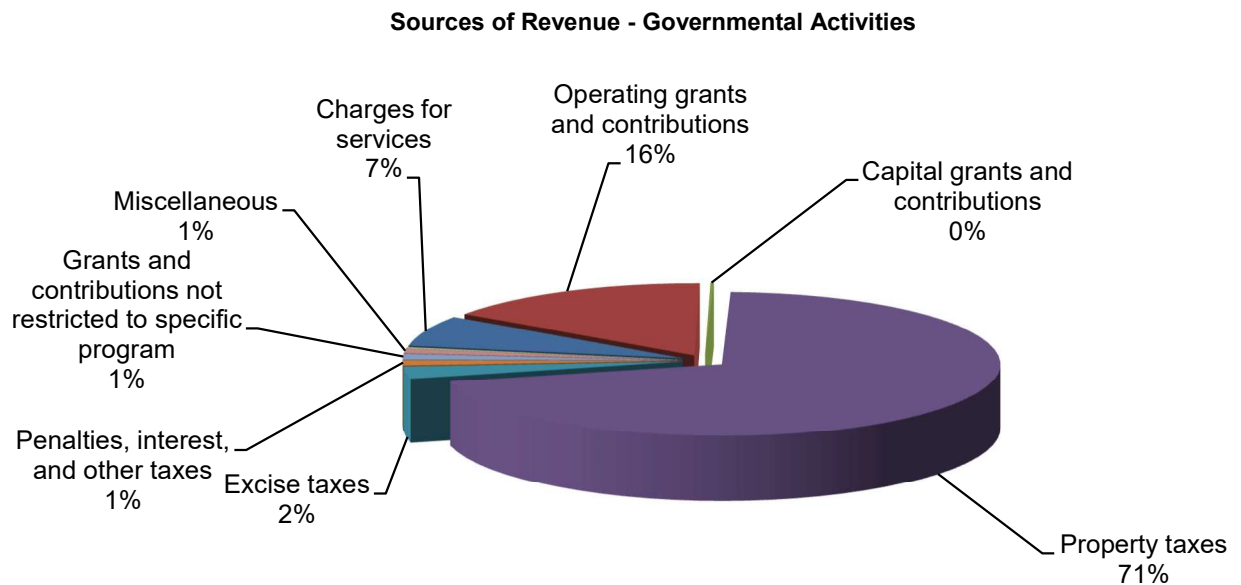
Governmental Activities

The overall net position of governmental activities increased by \$13,287,841, primarily from the Town's practice of funding capital acquisitions with current year raised revenues. The other most notable event was the increase in pension and OPEB expense.

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$25.1 million, or 11.5% over the previous year.



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by \$1.1 million, or 0.44% over the prior year.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,412,240. The increase in net position is a result the Town's continued practice of financing capital improvements with revenues.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the Town's chief operating fund. The unassigned fund balance at June 30, 2023 was \$35,727,556, while total fund balance was \$64,604,349. 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 following table:

<u>General Fund</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>
Unassigned fund balance:	\$ 35,727,556	\$ 29,383,540	\$ 28,063,054
General Fund	31,062,457	24,833,428	23,570,661
Stabilization Fund	4,665,099	4,550,112	4,492,393
Total fund balance	64,604,349	56,348,359	52,376,805
	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>
Unassigned fund balance as of % of total general fund expenditures	18.1%	15.7%	15.4%
Total fund balance as of % total general fund expenditures	32.7%	30.1%	28.8%

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 of \$15,333,541.

The total fund balance of the General Fund changed by \$8,255,990 during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus, and bond premium for FY2023 appropriations	\$ (17,118,921)
Revenues and transfers in excess of budget	15,119,923
Expenditures less than budget	8,324,509
Change in stabilization accounts	888,180
Other	<u>1,042,299</u>
Total	<u>\$ 8,255,990</u>

Included in the total General Fund balance are the Town's committed accounts with the following balances:

	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>
Compensated absences	\$ 733,109	\$ 464,270	\$ 268,839
Continuing appropriations	3,863,857	3,248,691	615,166
Capital improvement stabilization	1,582,467	1,100,591	481,876
Capital facility stabilization	2,006,084	1,927,853	78,231
Athletic facility stabilization	1,104,008	978,607	125,401
Debt service stabilization	2,248,681	2,160,996	87,685
Subsequent year appropriations	<u>9,446,607</u>	<u>8,982,455</u>	<u>464,152</u>
Total	\$ <u>20,984,813</u>	\$ <u>18,863,463</u>	\$ <u>2,121,350</u>

Community Preservation Fund

At the end of the current fiscal year, the community preservation fund had a total fund balance of \$11,935,151, a change of \$1,376,149 in comparison to the prior fiscal year. State legislation allows property taxes and state matching funds to finance projects such as preservation of historical buildings.

Town Federal Grants Fund

At the end of the current fiscal year, the town federal grants fund had a total fund balance of \$918,628, a change of \$(24,282) in comparison to the prior fiscal year primarily related to the timing differences between the receipt and disbursement of grant funds.

Nonmajor Governmental Funds

At the end of the current fiscal year, nonmajor governmental funds had a total fund balance of \$26,295,573, a change of \$600,464 in comparison to the prior fiscal year.

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>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>
Sewer	\$ 5,959,969	\$ 6,412,058	\$ (452,089)
Water	<u>10,322,526</u>	<u>9,326,970</u>	<u>995,556</u>
Total	\$ <u>16,282,495</u>	\$ <u>15,739,028</u>	\$ <u>543,467</u>

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 \$206,020,137 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$207,658,066. The final operating budget total for fiscal year 2023 was amended upward by \$168,023 from the original budget to \$206,188,160. The final state and county assessments decreased by \$37,228 from the Annual Town Meeting estimate to \$1,588,201 and there was no change for the other amounts to be provided (\$12,500). The total final General Fund budget was \$207,788,861 (Table E1).

The Town increased the appropriation for Debt Service by \$168,023. The Town opted to issue bonds related to the Public Safety Building project sooner and in a larger amount than was anticipated for fiscal year 2023 to lock in lower interest rates. Because the project was approved to be financed primarily by excluded debt, the lower interest rates benefit the taxpayers directly because the amount of debt to be paid by property taxes for the project will be less than they would have been had the Town not bonded when it did. Town Meeting also approved a line item transfer of \$90,000 from the Reserve Fund to the Classification Performance & Settlements account to fund the collective bargaining agreement between the Town and the Needham Fire Union.

Table E1
General Fund

	Original	Final
Town Meeting Operating Budget Appropriation	\$206,020,137	\$206,188,160
State and County Assessments	\$1,625,429	\$1,588,201
Other Amounts to be Provided	<u>\$12,500</u>	<u>\$12,500</u>
Total	\$207,658,066	\$207,788,861

During fiscal year 2023, the Town realized revenue in excess of budget of \$13.3 million and realized budget returns of \$8.3 million. General Fund revenue in excess of budget was \$5.4 million higher than fiscal year 2022. The \$8.3 million budget return was higher than the fiscal year 2022 return of \$7.7 million. General Fund revenue in excess of budget was higher primarily due to significant building activity in town which produced strong property tax collections, and increased motor vehicle excise.

The fiscal year 2023 budget return was also higher than the prior year by \$0.6 million primarily due to the greater percentage turnback from the operating budget. The operating budget return

for fiscal year 2023 was 4.0% of the final operating budget which compares to a return of 3.9% for fiscal year 2022.

Motor vehicle excise tax revenue was up 16.2% from prior year's actual receipts (\$6,779,778 for FY2023 vs \$5,837,070 for FY2022) and was higher than the actual receipts for fiscal year 2021 (\$5,129,306) (Table E2). Sales of new vehicles remained strong during 2022 and 2023 which contributed to the increased excise tax revenue for the fiscal year. The number of registered electric vehicles garaged in Needham continues to grow and the sticker prices for those vehicles generally are higher than comparable diesel/gas powered vehicles. The higher the sticker price the greater the excise revenue. The actual motor vehicle excise receipts for fiscal year 2023 were \$2.08 million over budget (Table E3), which compares to \$1.84 million for fiscal year 2022. The actual receipts for fiscal year 2021 were only \$0.13 million over budget, which was reflective of the impact that COVID had on the economy.

Table E2

	Actual FY2023	Actual FY2022	Change \$	Change %	Actual FY2021
Motor Vehicle Excise	\$6,779,778	\$5,837,070	\$942,708	16.2%	\$5,129,306
Other Local Excises	\$1,967,568	\$1,415,760	\$551,809	39.0%	\$643,481
Penalties and PILOT	\$980,935	\$663,304	\$317,631	47.9%	\$638,547
Licenses & Permits Income	\$5,099,527	\$2,771,497	\$2,328,030	84.0%	\$2,068,299
All Other General Revenue	<u>\$202,316,195</u>	<u>\$189,748,143</u>	<u>\$12,568,052</u>	6.6%	<u>\$181,371,747</u>
Total	\$217,144,004	\$200,435,775	\$16,708,229	8.3%	\$189,851,379

Revenue generated from other taxes, penalties, and payments in lieu of tax (PILOT) was approximately \$1.7 million over the budget for fiscal year 2023 (Table E3) which compares to \$1.2 million over the budget for fiscal year 2022. The increase in revenue resulted from a combination of a return to normalcy in the hospitality industry here in Needham and higher collections on overdue accounts. Meals excise revenue for fiscal year 2023 was \$599,284 compared to \$501,341 for the prior year; during fiscal year 2021 the Town received \$329,495. Hotel room excise revenue was \$1,368,285 for the year, up from the \$914,419 received during fiscal year 2022, and for fiscal year 2021 the amount received was \$313,986. The combination of the room and meals excise produced \$1,967,568 for the Town during fiscal year 2023 (Table E2), an increase of 39% over the prior year (\$1,415,760). Actual receipts from penalties (\$877,076) were much higher than the prior year as collections on prior year outstanding taxes improved. The amount paid during fiscal year 2022 was \$515,391. Payment in lieu of taxes (PILOT) declined by \$44,053 from \$147,913 during fiscal year 2022 to \$103,860 during fiscal year 2023. The decline was primarily a timing issue in the receipt of payments. The combined collections of penalties and PILOT for the fiscal year were \$980,935, a 47.9% increase (Table E2).

Total permit income for fiscal year 2023 was \$5,099,527 compared to \$2,771,497 for fiscal year 2022 and \$2,068,299 for fiscal year 2021 (Table E2). Residential construction permit activity continued to be solid and numerous, and the Children's Hospital new ambulatory surgery center which will be built in Needham, obtained the building permit in February 2023. The building

permit for that project was more than \$1.8 million. Licenses and permits income was 84% higher than fiscal year 2022, and 146.6% more than fiscal year 2021 (\$2,068,299).

Table E3

	Actual FY2023	Budget FY2023	Variance FY2023	Percentage of Total*
Motor Vehicle Excise	\$6,779,778	\$4,700,000	\$2,079,778	15.7%
Other Taxes, Penalties, and	\$2,948,504	\$1,280,000	\$1,668,504	12.6%
Licenses & Permits	\$5,099,527	\$1,920,000	\$3,179,527	23.9%
All Other General Revenues	<u>\$202,316,195</u>	<u>\$195,955,553</u>	<u>\$6,360,642</u>	<u>47.9%</u>
Total	\$217,144,004	\$203,855,553	\$13,288,451	100.0%

* represents the percent of the total surplus that the revenue category contributed.

Overall total actual General Fund revenue for fiscal year 2023 (\$217,144,004) was \$16,708,229 more than the total for the prior fiscal year (\$200,435,775), refer to Table E2. The increase was due to the growth in property taxes with \$8.7 million more in fiscal year 2023. The increase resulted from the high New Growth tax revenue, and collections on unpaid taxes outstanding from the prior fiscal years. The total for excluded debt, which is added to the tax levy, for projects previously approved by the voters of Needham declined for the second year in a row. This will continue because all the projects funded by debt exclusion have been completed and no additional borrowing is required. The excluded debt payments will decline each year, unless and until the Town approves a new project to be financed by excluded debt. The total General Fund revenue surplus for fiscal year 2023 (Table E3) was \$13,288,451 which was more (\$5,420,812) than the \$7,867,639 surplus for fiscal year 2022. The combination of motor vehicle excise revenue permit and license revenue, and other local tax receipts contributed approximately 52.1% of the total General Fund surplus for fiscal year 2023, down from the 52.8% that these sources comprised in fiscal year 2022, but higher than the 24.3% in fiscal year 2021.

The General Fund appropriated operating budget, excluding county and state assessments and other amounts to be provided, accounts for most of the expenditures, returned \$8,279,721 or approximately 4.0% of the operating budget appropriation; the return for fiscal year 2022 was \$7,658,330 or approximately 3.9% of the appropriation for that year.

Needham Public Schools returned \$2,427,599, which compares to \$2,045,756 returned for fiscal year 2022. The return was \$381,844 more than the return for fiscal year 2022. The budget return was higher due to employee turnover savings and unused operational reserves in the supply and service accounts. The turnover salary savings reflected the nationwide labor shortage for teaching assistants, substitutes, administrative support personnel, van/bus drivers and cafeteria staff, which made hiring and retaining those positions difficult. At various points during the year, the number of vacant positions ranged between 20 and 30, with some school department divisions experiencing continuous turnover and/or prolonged position vacancies. The budget returns in the non-salary accounts generally represented unused budgetary reserves, which had been set aside at the beginning of the fiscal year to support unanticipated enrollment and student support service needs, academic interventions, and ongoing COVID testing/PPE expenses. The

budget return represents just 2.8% of the final school budget of \$87,277,798, but accounted for 29.3% of the total General Fund budget return (Table E4).

The employee benefits budget return of \$2,298,849 was 13.3% of its final budget (\$17,255,396). The return was \$614,645 more than the prior year. The higher budget return was due to a lower increase in health insurance premiums than was anticipated, changes employees made with their health insurance selection due to the exit of one of the insurance providers, and lower unemployment costs. The number of active plans for FY2023 was slightly less than the prior year. Fiscal year 2022 there were 853 plans and fiscal year 2023 there were 850. The return represents 27.8% of the total operating budget return for the year.

Table E4

Operating Budget	Final Budget	Expended	Returned	% of Total	% of Final Budget
1) Needham Public Schools	\$87,277,798	(\$84,850,199)	\$2,427,599	29.3%	2.8%
2) Group Health Insurance, Employee Benefits & Administrative Costs	\$17,255,396	(\$14,956,547)	\$2,298,849	27.8%	13.3%
3) Reserve Fund (transfers only)	\$1,178,848	\$0	\$1,178,848	14.2%	
4) Department of Public Works	\$19,196,734	(\$18,725,101)	\$471,633	5.7%	2.5%
5) Fire Department	\$10,465,195	(\$10,158,472)	\$306,723	3.7%	2.9%
Balance of the Townwide and Department Budgets (26)	<u>\$70,814,189</u>	<u>(\$69,218,121)</u>	<u>\$1,596,068</u>	19.3%	2.3%
Totals	\$206,188,160	(\$197,908,439)	\$8,279,721	100.0%	4.0%

The budgetary reserve fund (Reserve Fund) returned \$1,178,848 which represents 14.2% of the total General Fund operating budget return for the fiscal year 2023. The reserve fund budget amount returned was less than fiscal year 2022 reserve fund budget return (\$1,304,254), which was 17.0% of the total return in that year. The \$1,178,848 return of the reserve fund budget represents approximately 57.4% of the original voted reserve fund budget of \$2,052,091. There were three draws on the reserve fund during fiscal year 2023. The first was \$105,180 to the finance department's information technology center division which saw the departure of key personnel that required the Town to procure outside professional services to service critical network and technology systems and provide afterhours support for public safety. The second transfer was for \$40,000 to supplement the legal service budget to cover anticipated additional costs in connection with of the defense of the Planning Board's decision on a building project. The third transfer was for \$638,063 to the Needham electric light and gas program budget which due to the market and regulatory price increases during the year for electric and natural gas exceeded the amount budgeted for those expenses. As previously noted, there was also a Town

Meeting line item transfer of \$90,000 from the Reserve Fund to the Classification Performance & Settlements in May 2023.

The Department of Public Works had the fourth highest budget turnback returning \$471,633 or 2.5% of its budget which compares to \$577,929 or 3.2% of its fiscal year 2022 budget. Approximately 81% of the turn back (\$384,122) was from salary and wages. This was largely due to the amount of time it took to fill vacant positions during the year. The balance of the turnback (\$87,511) was a combination of expenses and operating capital. The department was not able to complete the purchase of capital equipment items before the end of the fiscal year, so it had to return the funds (\$33,100) budgeted for that purpose. The \$54,411 in returned budgeted expenses was the residual balance appropriated for contractors, services, materials, supplies, and other expenses for the fiscal year. This was 0.7% of the \$8,167,639 budgeted. The department budget turnback represented approximately 5.7% of the total operating budget return.

The fifth highest budget dollar return came from the Fire Department, with a return of \$306,723 of its \$10,465,195 final budget for fiscal year 2023. This represents 2.9% of the final budget. Most of the turnback (94%) was related to salary and wages (\$289,036). Although there was a transfer to the budget to pay the cost for the new collective bargaining agreement approved during the year, the department had several vacancies during the year which account for most of the return. The combination of the expense and operating capital budget returned \$17,687 (6%) of the total return for the year. The Fire Department's return represents 3.7% of the total operating budget return for the year.

The other twenty-six (26) townwide-expense and departmental budgets returned in total \$1,596,068 or 2.3% of their combined amended budgets for the year. However, the General Fund debt budget was exceeded by \$5,627 because the Town paid more principal down than the supplemental appropriation covered. Excluding the deficit, these budgets would have returned \$1,601,695 or 2.3% of the related budgets. The Town added two new budget lines for fiscal year 2023. The first was for funding expenses relating to Injury on Duty benefits for public safety employees. The Town established a Special Injury Leave Indemnity Fund, which receives its funding from that appropriation's residual balance. The second budget is for the Needham Council for Arts and Culture (NCAC) to support community-based projects and activities in the performing and visual arts, humanities, and interpretive sciences. Last year the twenty-four budgets returned \$1,366,917 or 2.0% of their combined amended budgets for the year.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for governmental and business-type activities at year-end amounted to \$440,052,739 (net of accumulated depreciation), a change of \$(43,012) 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:

School building renovation	\$ 4,894,510
Public safety complex & fire station construction	2,115,044
Town common renovation	1,421,222

Business-Type Activities:

Central ave water main replacement	\$ 2,354,298
Lake drive pump station refurbishment	366,136

Long-Term Debt

At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$129,911,638. The bonds are backed by the full faith and credit of the Town. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standard & Poor's to the Town debt since 2000.

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

Economic Factors and Next Year's Budgets And Rates

The total General Fund balance for fiscal year 2023 was higher than fiscal year 2022. Fund balance was \$64.6 million for fiscal year 2023 compared to \$56.3 million for fiscal year 2022, approximately a 14.7% change. The unassigned portion of the General Fund increased from the prior fiscal year with a balance of \$35.7 million for fiscal year 2023 compared to \$29.4 million for fiscal year 2022. Starting with the fiscal year 2021 report, the unassigned portion includes the general stabilization fund. The State certified \$17,356,938 available as Free Cash for fiscal year 2023 of which the Town appropriated \$14,522,850 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 the prior year was \$16,952,126.

The Town allocated \$9,236,607.00 of the Free Cash for capital equipment and projects for fiscal year 2024. The Free Cash appropriated for capital included \$1,310,000 for renovations to McCloud Field, \$260,000 to evaluate watershed area number four including known flooding areas to advise on a phosphorous control plan, and will design improvements previously identified in watershed area number two, \$250,000 to install a permanent generator at the Center at the Heights (senior center), \$250,000 for energy efficiency upgrades in Town facilities, \$135,000 for ventilation repairs to the tipping and loading areas of the Recycling and Transfer Station building, and \$55,000 for the replacement of video projection equipment in the Rosemary Recreation Complex (RRC). The Town also appropriated \$2,050,000 of the Free Cash for public roads and related infrastructure improvements with an additional \$581,500 from Overlay

Surplus. The Town also funded a study in the amount of \$35,000 from Free Cash to explore the feasibility of an action sports park.

Free Cash was also used to fund capital equipment which included \$4,035,263 in core fleet and special equipment, which includes the replacement of the fire ladder truck. The funding for the ladder truck also relied on an additional \$700,000 from Overlay Surplus for a total estimated cost of \$2,000,000. The Town appropriated \$555,129 from Free Cash for capital equipment, furnishings, and technology for the Needham Public Schools, \$130,000 for network switches in municipal buildings, \$50,000 for a telephone system replacement, and \$40,000 for office and meeting room furniture replacements in Town Hall and other administrative offices in town. Free Cash was also appropriated \$30,185 for the purchase of defibrillator/monitor systems for the ambulances and \$51,030 for personal protective gear for fire personnel.

The Town also allocated \$3,597,105 of Free Cash to the fiscal year 2024 operating budget. The Town's use of Free Cash for funding the subsequent fiscal year operating budget (2024) was in line with management's guidance of not more than two percent of the previous year's (2022) final budget (excluding the budgetary reserve fund) or the actual turn back, whichever is less. Two percent of the fiscal year 2022 operating budget excluding the budgetary reserve fund was \$3,874,475; the related budgetary return was \$7,099,273, which was more than the prior year turnback of \$6,354,076.

The Town adopted Massachusetts General Laws chapter 44, section 53F¾ which created a special revenue fund to set aside, and reserve monies received from the cable providers in accordance with the cable franchise agreements to be spent for Public, Educational, and Governmental (PEG) programming and access. These monies will become available for those purposes after a Town Meeting appropriation. The fund became operational on July 1, 2023. However, in order to provide funds to the local Cable Channel for fiscal year 2024, the Town appropriation was from Free Cash in the amount of \$671,850.

The Town also appropriated \$300,000 toward the Town's facility maintenance program, \$250,000 for the Town's compensated absence fund, \$150,000 for the refurbishments of certain high value fleet vehicles to extend the useful life, and \$100,000 for surveying of Town-owned property.

The Town established an Opioid Settlement Stabilization Fund (OSSF) to deposit monies that will be received over a number of years as a result of a nationwide settlement with opioid distributors. These funds must be used on programming and strategies for opioid use disorder prevention, harm reduction, treatment, and recovery under the terms of the legal settlement. The OSSF allows the Town to reserve the funds for future appropriation by Town Meeting and to track the use of the monies more easily. However, \$217,288 was received prior to the creation of the OSSF so in accordance with State law the funds were credited to the General Fund. The Town appropriated \$217,288 from Free Cash to credit to the fund to offset the amount that had to be credited to the General Fund. The \$2,834,088 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 has endorsed this best practice.

Table G1

Free Cash Uses	
Capital Equipment & Improvements	\$9,236,607
Operating Budget	\$3,597,105
Other Appropriations	\$1,471,850
Reserves/Stabilization Funds	<u>\$217,288</u>
Total Appropriations	\$14,522,850
Closed to Fund Balance	\$2,834,088

Town Meeting voted to authorize the Select Board to borrow up to \$9,000,000 to replace the roof top units (RTUs) at the Broadmeadow and Eliot Schools. This project is anticipated to take two years to complete. Funds will be borrowed as needed for the work that is to be done. The Town also approved a debt authorization of \$4,000,000 plus \$2,500,000 from cash to fund improvements to the Town's water distribution system in the areas of South Street, Charles River Street, and Chestnut Street.

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 fiscal year 2020, but chose not to change the rates for fiscal year 2021 or 2022 due to COVID. The Select Board approved increases to the domestic water (primarily indoor use), irrigation water, and sewer rates effective October 2022, followed by increases to the rates effective July 1, 2023. The July 1, 2023 step rate increases for water use, ranged between 1.8 to 2.0%, and for all the sewer rate steps, the increase was 3.0%. There will be a need to update the user rates again for the fiscal year 2025.

The Select Board also established a rate schedule for stormwater infrastructure improvements which will become effective during fiscal year 2024. The fee will be billed through the Town's water and sewer billing system. Under Article 35 of the May 2023 Annual Town Meeting, the Town voted to establish a stormwater stabilization fund and to authorize 100% of the related fees be deposited directly in the fund. These monies are reserved for future appropriation for stormwater related capital improvements. The first appropriation from the fund is not anticipated until 2025 or 2026 dependent on the amount collected.

The Town has identified major water and sewer capital infrastructure improvements that are essential over the next several years. The \$6,500,000 water distribution appropriation last year is the first of several. The Town's funding plan is to use American Rescue Plan Act (APRA) funds, cash reserves, and debt. However, this will require increases to the water and sewer user rates beyond that which are necessary for ongoing operations and maintenance. Commercial use of water and sewer remained low compared to several years ago, but consumption is higher than it was during the height of the COVID restrictions. Residential use increased during COVID as more

people were working from home and staying local, but during 2022 indoor water consumption began to trend downward, but use grew again during 2023, primarily due to increased irrigation. Enterprise fund revenue may decline due to timing issues, but recoverable in the longer term. There has been a greater reliance on retained earnings for operations, which is related in part to the delay in adjusting rates due to COVID, as well as the planned increase in capital spending on the critical infrastructure.

The Town procured a new revenue and billing system which will have all the major receivables (motor vehicle excise, property taxes, water and sewer, and general billing) converting from an on premise system to a cloud based environment. Motor vehicle excise billing went live in April 2023 and property tax billing became effective with fiscal year 2024. The water and sewer billing application will be rolled out during fiscal year 2024 and will impact the timing and issuance of the bills during the implementation period and may impact collections for the year. The Town is not only changing its utility billing software, but also upgrading its meter reading applications because the current version is not compatible with the new billing software because the Town had to use an older system to work with the legacy billing system. The last implementation phase will be during late fiscal year 2024 and early fiscal year 2025 which is to expand general billing to many Town and School departments.

We anticipate that overall local resources will remain solid for the next 12 to 24 months based on permitted private activity construction, but revenue growth could be less depending on actions taken by the Commonwealth to address its forecasted lower revenue growth, or possible declines. The strength in local receipts is attributable to the continued higher per capita incomes which results in new higher cost vehicles being purchased, and investment in new and existing homes. We anticipate that the higher annual percentage increases in residential property values will abate. Earnings on Town funds from higher interest rates will produce more revenue than initially projected, which will add to the fund balance. We anticipate having a greater amount of Free Cash rolling over to the following fiscal year or otherwise reserving the funds to provide a buffer should state aid be flat. 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 years. We again caution that actions at the Federal level can have national consequences and may impact the regional economy.

Requests for Information

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and short-term investments	\$ 97,782,461	\$ 15,959,618	\$ 113,742,079
Investments	22,918,949	-	22,918,949
Receivables, net of allowance for uncollectibles:			
Property taxes	2,175,430	-	2,175,430
Excises	924,652	-	924,652
Utilities	-	5,933,588	5,933,588
Departmental	2,013,760	-	2,013,760
Intergovernmental	222,323	-	222,323
Other	179,285	-	179,285
Total Current Assets	<u>126,216,860</u>	<u>21,893,206</u>	<u>148,110,066</u>
Noncurrent Assets			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,560,152	-	1,560,152
Capital assets non-depreciable	49,505,958	8,364,293	57,870,251
Capital assets depreciable, net	332,330,709	49,851,779	382,182,488
Total Noncurrent Assets	<u>383,396,819</u>	<u>58,216,072</u>	<u>441,612,891</u>
Total Assets	<u>509,613,679</u>	<u>80,109,278</u>	<u>589,722,957</u>
Deferred Outflows of Resources			
Related to pension	22,457,050	857,842	23,314,892
Related to OPEB	12,093,342	174,264	12,267,606
Total Deferred Outflows of Resources	<u>34,550,392</u>	<u>1,032,106</u>	<u>35,582,498</u>

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Warrants and accounts payable	4,316,923	1,479,253	5,796,176
Accrued liabilities	7,451,873	225,262	7,677,135
Unearned revenue	3,957,960	-	3,957,960
Refunds payable	77,916	-	77,916
Notes payable	420,000	2,640,000	3,060,000
Other liabilities	1,351,650	-	1,351,650
Current portion of long-term liabilities:			
Bonds payable	11,638,274	905,439	12,543,713
Compensated absences	1,774,985	-	1,774,985
Landfill liability	56,415	-	56,415
Total Current Liabilities	<u>31,045,996</u>	<u>5,249,954</u>	<u>36,295,950</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	111,033,705	6,334,220	117,367,925
Net pension liability	83,968,779	3,207,538	87,176,317
Net OPEB liability	71,907,115	1,036,177	72,943,292
Compensated absences, net of current portion	5,324,956	275,336	5,600,292
Landfill liability, net of current portion	282,078	-	282,078
Total Noncurrent Liabilities	<u>272,516,633</u>	<u>10,853,271</u>	<u>283,369,904</u>
Total Liabilities	<u>303,562,629</u>	<u>16,103,225</u>	<u>319,665,854</u>
Deferred Inflows of Resources			
Related to pension	6,368,545	243,273	6,611,818
Related to OPEB	6,063,891	87,381	6,151,272
Taxes paid in advance	79,326	-	79,326
Total Deferred Inflows of Resources	<u>12,511,762</u>	<u>330,654</u>	<u>12,842,416</u>
Net Position			
Net investment in capital assets	259,235,761	48,425,010	307,660,771
Restricted for:			
Permanent funds:			
Nonexpendable	204,780	-	204,780
Expendable	3,322,843	-	3,322,843
Grants and other statutory restrictions	22,380,710	-	22,380,710
Unrestricted	(57,054,414)	16,282,495	(40,771,919)
Total Net Position	<u>\$ 228,089,680</u>	<u>\$ 64,707,505</u>	<u>\$ 292,797,185</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 11,886,158	\$ 599,944	\$ 835,806	\$ -	\$ (10,450,408)
Public safety	32,985,312	7,899,085	96,355	-	(24,989,872)
Education	149,998,863	4,211,714	37,592,400	-	(108,194,749)
Public works	32,753,168	3,262,679	-	495,511	(28,994,978)
Building design and construction	360,042	-	-	-	(360,042)
Health and human services	4,962,963	287,703	1,735,704	-	(2,939,556)
Culture and recreation	5,288,710	1,360,440	136,632	-	(3,791,638)
Interest on debt service	3,109,326	-	-	-	(3,109,326)
Intergovernmental	1,555,971	-	-	-	(1,555,971)
Other unallocated costs	<u>1,384,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,384,277)</u>
Total Governmental Activities	244,284,790	17,621,565	40,396,897	495,511	(185,770,817)
Business-Type Activities					
Sewer services	9,256,075	9,127,092	-	-	(128,983)
Water services	<u>5,418,369</u>	<u>7,045,761</u>	<u>-</u>	<u>-</u>	<u>1,627,392</u>
Total Business-Type Activities	<u>14,674,444</u>	<u>16,172,853</u>	<u>-</u>	<u>-</u>	<u>1,498,409</u>
Total	\$ <u>258,959,234</u>	\$ <u>33,794,418</u>	\$ <u>40,396,897</u>	\$ <u>495,511</u>	(184,272,408)

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Change in Net (Expenses) Revenues from Previous Page	(185,770,817)	1,498,409	(184,272,408)
General Revenues			
Property taxes	181,891,049	-	181,891,049
Excises	7,163,249	-	7,163,249
Penalties, interest, and other taxes	3,081,612	-	3,081,612
Grants and contributions not restricted to specific programs	3,378,098	-	3,378,098
Investment income	2,593,799	9,995	2,603,794
Miscellaneous	854,308	379	854,687
Transfers, net	<u>96,543</u>	<u>(96,543)</u>	<u>-</u>
Total General Revenues and Transfers	<u>199,058,658</u>	<u>(86,169)</u>	<u>198,972,489</u>
Change in Net Position	13,287,841	1,412,240	14,700,081
Net Position			
Beginning of year	<u>214,801,839</u>	<u>63,295,265</u>	<u>278,097,104</u>
End of year	<u>\$ 228,089,680</u>	<u>\$ 64,707,505</u>	<u>\$ 292,797,185</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2023

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Town Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and short-term investments	\$ 60,141,601	\$ 3,847,853	\$ 3,143,158	\$ 27,978,524	\$ 95,111,136
Investments	11,619,850	8,087,620	-	3,211,479	22,918,949
Receivables:					
Property taxes	3,693,372	42,210	-	-	3,735,582
Excises	924,652	-	-	-	924,652
Departmental	1,419,548	-	-	594,212	2,013,760
Intergovernmental	-	-	83,581	138,742	222,323
Other	<u>179,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,285</u>
Total Assets	\$ <u>77,978,308</u>	\$ <u>11,977,683</u>	\$ <u>3,226,739</u>	\$ <u>31,922,957</u>	\$ <u>125,105,687</u>
Liabilities					
Warrants and accounts payable	\$ 1,681,933	\$ -	\$ 33,954	\$ 2,535,550	\$ 4,251,437
Unearned revenue	-	-	2,179,721	1,778,239	3,957,960
Accrued liabilities	4,961,968	322	10,855	29,462	5,002,607
Notes payable	-	-	-	420,000	420,000
Refunds payable	77,916	-	-	-	77,916
Other liabilities	<u>1,218,675</u>	<u>-</u>	<u>-</u>	<u>132,975</u>	<u>1,351,650</u>
Total Liabilities	7,940,492	322	2,224,530	4,896,226	15,061,570
Deferred Inflows of Resources:					
Unavailable revenues	5,354,141	42,210	83,581	731,158	6,211,090
Taxes paid in advance	<u>79,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,326</u>
Total Deferred Inflows of Resources	5,433,467	42,210	83,581	731,158	6,290,416
Fund Balances					
Nonspendable	-	-	-	204,780	204,780
Restricted	565,811	11,935,151	1,011,043	11,942,620	25,454,625
Committed	20,984,813	-	-	15,826,630	36,811,443
Assigned	7,326,169	-	-	-	7,326,169
Unassigned	<u>35,727,556</u>	<u>-</u>	<u>(92,415)</u>	<u>(1,678,457)</u>	<u>33,956,684</u>
Total Fund Balances	<u>64,604,349</u>	<u>11,935,151</u>	<u>918,628</u>	<u>26,295,573</u>	<u>103,753,701</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>77,978,308</u>	\$ <u>11,977,683</u>	\$ <u>3,226,739</u>	\$ <u>31,922,957</u>	\$ <u>125,105,687</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, 2023

Total Governmental Fund Balances	\$ 103,753,701
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	381,836,667
Revenues are reported on the accrual basis of accounting and are not deferred until collection	6,211,090
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pension	22,457,050
Related to OPEB	12,093,342
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	2,057,523
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due	(1,900,950)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and loans payable	(122,671,979)
Net pension liability	(83,968,779)
Net OPEB liability	(71,907,115)
Compensated absences payable	(7,099,941)
Landfill	(338,493)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pension	(6,368,545)
Related to OPEB	<u>(6,063,891)</u>
Net Position of Governmental Activities	\$ <u>228,089,680</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, 2023

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Town Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property taxes	\$ 179,124,962	\$ 3,107,298	\$ -	\$ -	\$ 182,232,260
Excises	6,779,778	-	-	-	6,779,778
Penalties, interest, and other taxes	2,948,504	6,187	-	-	2,954,691
Charges for services	4,742,161	-	-	6,454,263	11,196,424
Departmental	932,565	-	-	-	932,565
Licenses and permits	5,099,563	-	-	-	5,099,563
Intergovernmental	30,683,167	1,131,787	1,344,840	11,391,389	44,551,183
Investment income	1,886,145	305,643	-	402,011	2,593,799
Fines and forfeitures	101,457	-	-	-	101,457
Contributions	-	-	-	429,790	429,790
Other	<u>822,164</u>	<u>-</u>	<u>-</u>	<u>32,144</u>	<u>854,308</u>
Total Revenues	233,120,466	4,550,915	1,344,840	18,709,597	257,725,818
Expenditures					
Current:					
General government	8,610,711	2,205,134	588,616	279,427	11,683,888
Public safety	24,765,986	-	7,536	1,468,121	26,241,643
Education	122,778,849	-	-	13,836,069	136,614,918
Public works	27,757,727	-	30,176	161,737	27,949,640
Building design and construction	223,038	-	-	-	223,038
Health and human services	3,319,995	-	465,534	746,137	4,531,666
Culture and recreation	3,983,868	-	-	584,373	4,568,241
Employee benefits	823,474	-	-	-	823,474
Other	802,155	-	-	-	802,155
Capital outlay	-	-	-	14,197,463	14,197,463
Debt service:					
Principal	13,500,000	-	-	-	13,500,000
Interest	4,491,943	-	-	-	4,491,943
Intergovernmental	<u>1,555,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,971</u>
Total Expenditures	<u>212,613,717</u>	<u>2,205,134</u>	<u>1,091,862</u>	<u>31,273,327</u>	<u>247,184,040</u>
Excess (deficiency) of revenues over expenditures	20,506,749	2,345,781	252,978	(12,563,730)	10,541,778
Other Financing Sources (Uses)					
Transfers in	2,719,542	-	-	14,089,991	16,809,533
Transfers out	<u>(14,970,301)</u>	<u>(969,632)</u>	<u>(277,260)</u>	<u>(925,797)</u>	<u>(17,142,990)</u>
Total Other Financing Sources (Uses)	<u>(12,250,759)</u>	<u>(969,632)</u>	<u>(277,260)</u>	<u>13,164,194</u>	<u>(333,457)</u>
Change in Fund Balance	8,255,990	1,376,149	(24,282)	600,464	10,208,321
Fund Balances at Beginning of Year, as Reclassified	<u>56,348,359</u>	<u>10,559,002</u>	<u>942,910</u>	<u>25,695,109</u>	<u>93,545,380</u>
Fund Balances at End of Year	\$ <u>64,604,349</u>	\$ <u>11,935,151</u>	\$ <u>918,628</u>	\$ <u>26,295,573</u>	\$ <u>103,753,701</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2023

Net Changes in Fund Balances - Total Governmental Funds \$ 10,208,321

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	14,182,266
Depreciation	(16,428,780)

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. (431,496)

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:

Repayments of general obligation bonds and loans	13,500,000
--	------------

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 429,344

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Change in pension expense from GASB 68	(1,688,513)
Change in OPEB expense from GASB 75	(7,344,550)
Change in compensated absences	(819,792)
Change in landfill liability	56,415
Bond premium amortization	953,274

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. 671,352

Change in Net Position of Governmental Activities \$ 13,287,841

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Assets				
Current Assets				
Cash and short-term investments	\$ 5,550,648	\$ 10,408,970	\$ 15,959,618	\$ 2,671,325
User fees receivable	3,104,983	2,828,605	5,933,588	-
Total Current Assets	8,655,631	13,237,575	21,893,206	2,671,325
Noncurrent Assets				
Capital assets non-depreciable	3,515,988	4,848,305	8,364,293	-
Capital assets depreciable, net	21,121,386	28,730,393	49,851,779	-
Total Noncurrent Assets	24,637,374	33,578,698	58,216,072	-
Total Assets	33,293,005	46,816,273	80,109,278	2,671,325
Deferred Outflows of Resources				
Related to pension	337,009	520,833	857,842	-
Related to OPEB	94,032	80,232	174,264	-
Total Deferred Outflows of Resources	431,041	601,065	1,032,106	-
Liabilities				
Current Liabilities				
Accounts payable	731,898	747,355	1,479,253	65,486
Accrued liabilities	185,599	39,663	225,262	548,316
Notes payable	-	2,640,000	2,640,000	-
Current portion of long-term liabilities:				
Bonds payable	420,644	484,795	905,439	-
Total Current Liabilities	1,338,141	3,911,813	5,249,954	613,802
Noncurrent Liabilities				
Bonds payable, net of current portion	3,240,612	3,093,608	6,334,220	-
Compensated absences	158,671	116,665	275,336	-
Net pension liability	1,260,104	1,947,434	3,207,538	-
Net OPEB liability	559,113	477,064	1,036,177	-
Total Noncurrent Liabilities	5,218,500	5,634,771	10,853,271	-
Total Liabilities	6,556,641	9,546,584	16,103,225	613,802
Deferred Inflows of Resources				
Related to pension	95,571	147,702	243,273	-
Related to OPEB	47,150	40,231	87,381	-
Total Deferred Inflows of Resources	142,721	187,933	330,654	-
Net Position				
Net investment in capital assets	21,064,715	27,360,295	48,425,010	-
Unrestricted	5,959,969	10,322,526	16,282,495	2,057,523
Total Net Position	\$ 27,024,684	\$ 37,682,821	\$ 64,707,505	\$ 2,057,523

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, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating Revenues				
Charges for services	\$ 9,127,092	\$ 7,042,499	\$ 16,169,591	\$ -
Other	<u>-</u>	<u>3,262</u>	<u>3,262</u>	<u>1,025,839</u>
Total Operating Revenues	<u>9,127,092</u>	<u>7,045,761</u>	<u>16,172,853</u>	<u>1,025,839</u>
Operating Expenses				
Personnel services	909,083	804,988	1,714,071	784,487
Non-personnel services	535,524	1,159,403	1,694,927	-
Depreciation	970,113	1,904,291	2,874,404	-
Intergovernmental assessments	<u>6,760,857</u>	<u>1,464,186</u>	<u>8,225,043</u>	<u>-</u>
Total Operating Expenses	<u>9,175,577</u>	<u>5,332,868</u>	<u>14,508,445</u>	<u>784,487</u>
Operating Income (Loss)	<u>(48,485)</u>	<u>1,712,893</u>	<u>1,664,408</u>	<u>241,352</u>
Nonoperating Revenues (Expenses)				
Investment income	9,995	-	9,995	-
Other revenue	379	-	379	-
Interest expense	<u>(80,498)</u>	<u>(85,501)</u>	<u>(165,999)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(70,124)</u>	<u>(85,501)</u>	<u>(155,625)</u>	<u>-</u>
Income Before Contributions and Transfers	(118,609)	1,627,392	1,508,783	241,352
Transfers in	835,251	284,721	1,119,972	430,000
Transfers out	<u>(500,948)</u>	<u>(715,567)</u>	<u>(1,216,515)</u>	<u>-</u>
Change in Net Position	215,694	1,196,546	1,412,240	671,352
Net Position at Beginning of Year	<u>26,808,990</u>	<u>36,486,275</u>	<u>63,295,265</u>	<u>1,386,171</u>
Net Position at End of Year	\$ <u>27,024,684</u>	\$ <u>37,682,821</u>	\$ <u>64,707,505</u>	\$ <u>2,057,523</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 9,295,912	\$ 7,495,697	\$ 16,791,609	\$ -
Employer contributions	-	-	-	1,025,839
Payments of utility assessments	(6,760,857)	(1,464,186)	(8,225,043)	-
Payments to vendors and contractors	(23,698)	(527,261)	(550,959)	-
Payments of employee salaries, benefits, and related expenses	(1,020,804)	(1,170,134)	(2,190,938)	(724,667)
Net Cash Provided By Operating Activities	<u>1,490,553</u>	<u>4,334,116</u>	<u>5,824,669</u>	<u>301,172</u>
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	835,251	284,721	1,119,972	430,000
Transfers to other funds	(500,948)	(715,567)	(1,216,515)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>334,303</u>	<u>(430,846)</u>	<u>(96,543)</u>	<u>430,000</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(600,560)	(4,146,308)	(4,746,868)	-
Proceeds from issuance of notes	-	2,640,000	2,640,000	-
Principal payments on bonds and loans	(520,117)	(598,974)	(1,119,091)	-
Other non-operating income	379	-	379	-
Interest expense	(80,498)	(85,501)	(165,999)	-
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,200,796)</u>	<u>(2,190,783)</u>	<u>(3,391,579)</u>	<u>-</u>
Cash Flows From Investing Activities				
Investment income	9,995	-	9,995	-
Net Cash Provided By Investing Activities	<u>9,995</u>	<u>-</u>	<u>9,995</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	634,055	1,712,487	2,346,542	731,172
Cash and Short-Term Investments, Beginning of Year	<u>4,916,593</u>	<u>8,696,483</u>	<u>13,613,076</u>	<u>1,940,153</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,550,648</u>	<u>\$ 10,408,970</u>	<u>\$ 15,959,618</u>	<u>\$ 2,671,325</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (48,485)	\$ 1,712,893	\$ 1,664,408	\$ 241,352
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	970,113	1,904,291	2,874,404	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	320,591	449,936	770,527	-
Deferred outflows - related to pension	(117,186)	(479,441)	(596,627)	-
Deferred outflows - related to OPEB	130,282	144,082	274,364	-
Warrants and accounts payable	347,705	632,142	979,847	65,486
Accrued liabilities	150,348	(18,078)	132,270	(5,666)
Refunds payable	(151,771)	-	(151,771)	-
Compensated absences	5,880	(335)	5,545	-
Net pension liability	597,134	922,844	1,519,978	-
Net OPEB liability	(234,016)	(216,640)	(450,656)	-
Deferred inflows - related to pension	(454,610)	(685,227)	(1,139,837)	-
Deferred inflows - related to OPEB	(25,432)	(32,351)	(57,783)	-
Net Cash Provided By Operating Activities	<u>\$ 1,490,553</u>	<u>\$ 4,334,116</u>	<u>\$ 5,824,669</u>	<u>\$ 301,172</u>
Schedule of Non-Cash Capital and Related Financing Activities				
Acquisition and construction of capital assets on account	\$ 331,038	\$ -	\$ -	\$ -

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Pension Trust Fund (As of <u>December 31, 2022</u>)	Other Post- Employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS				
Cash and short-term investments	\$ 6,049,136	\$ 576,743	\$ -	\$ 393,189
Investments:				
PRIT - external investment pool	207,840,994	-	-	-
SRBT - external investment pool	-	69,557,712	-	-
Other	<u>-</u>	<u>-</u>	<u>6,446,080</u>	<u>-</u>
TOTAL ASSETS	<u>213,890,130</u>	<u>70,134,455</u>	<u>6,446,080</u>	<u>393,189</u>
LIABILITIES				
Accounts payable	38,409	-	4,000	22,919
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,082</u>
TOTAL LIABILITIES	<u>38,409</u>	<u>-</u>	<u>4,000</u>	<u>25,001</u>
NET POSITION				
Total net position restricted for pension, other post employment benefits, and other purposes	\$ <u>213,851,721</u>	\$ <u>70,134,455</u>	\$ <u>6,442,080</u>	\$ <u>368,188</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, 2023

	Pension Trust Fund (For the Year Ended December 31, 2022)	Other Post- Employment Benefit Trust Fund	Private Purpose Trust Funds	Custodial Funds
Additions				
Contributions:				
Employers	\$ 11,407,096	\$ 10,909,594	\$ -	\$ -
Plan members	5,126,860	-	-	-
Other	<u>153,288</u>	<u>-</u>	<u>85,446</u>	<u>425,651</u>
Total contributions	16,687,244	10,909,594	85,446	425,651
Investment income (loss):				
Earnings and change in fair value of investments	(26,027,543)	3,576,485	747,921	960
Less: management fees	<u>(1,091,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>(27,119,527)</u>	<u>3,576,485</u>	<u>747,921</u>	<u>960</u>
Total Additions	(10,432,283)	14,486,079	833,367	426,611
Deductions				
Benefit payments to plan members and beneficiaries	15,428,617	5,735,280	-	-
Refunds to plan members	2,298,673	-	-	-
Administrative expenses	334,819	-	-	-
Other	<u>-</u>	<u>-</u>	<u>274,557</u>	<u>483,573</u>
Total Deductions	<u>18,062,109</u>	<u>5,735,280</u>	<u>274,557</u>	<u>483,573</u>
Change in Net Position	(28,494,392)	8,750,799	558,810	(56,962)
Restricted Net Position				
Beginning of year	<u>242,346,113</u>	<u>61,383,656</u>	<u>5,883,270</u>	<u>425,150</u>
End of year	<u>\$ 213,851,721</u>	<u>\$ 70,134,455</u>	<u>\$ 6,442,080</u>	<u>\$ 368,188</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.

Fiduciary Component Units

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 Town'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 *Town Federal Grants Fund* is used to account for the Town's activities related to federal grants.

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.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to a level classification.

Investments are carried at fair value, except non-negotiable certificates of deposits which are reported at cost.

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). Fair value of the investments held in PRIT and SBRT are the same as the value of the pool shares.

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.

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 has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

Nonspendable

Represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, capital projects funds, and the income portion of permanent funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. This fund balance classification includes special purpose stabilization accounts set aside by Town Meeting vote for future capital acquisitions and improvements, various capital project fund articles approved at Town Meeting, as well as reserve accounts for compensated absences. A similar action is needed to modify or rescind a commitment.

Assigned

Represents funds that 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.

Unassigned

Represents amounts that are available to be spent in future periods, the Town's general stabilization account, and deficit balances. The General Fund is the only fund that reports a positive unassigned fund balance.

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 of resources and liabilities/deferred inflows of resources. 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

Certain individual funds reflect deficit balances as of June 30, 2023. The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other funds, and issuance of long-term debt.

New Pronouncements

In fiscal year 2023, the Town implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 96, *Subscription-Based Information Technology Arrangements*. Management has determined the effect of these pronouncements to be immaterial to the users of the financial statements.

3. Deposits and Investments

Town (Excluding the Pension and OPEB Trust Fund)

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 Town does not have a deposit policy for custodial credit risk.

As of June 30, 2023, \$30,180,711, of the Town's bank balance of \$120,589,183, was exposed to custodial credit risk as uninsured and uncollateralized, and \$32,020,370, was collateralized by securities held by the pledging financial institution's trust department or agent.

Investments

The following is a summary of the Town's investments, including private-purpose trust funds, as of June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury notes	\$ 7,141,544
Federal agencies	936,443
Corporate bonds	6,887,397
Fixed income mutual funds	106,286
Corporate equities	5,888,282
Equity mutual funds	4,142,019
Market-linked certificates of deposits	<u>4,263,058</u>
Total investments	\$ <u>29,365,029</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, as rated by S&P Global Ratings:

<u>Investment Type</u>	<u>Ratings as of Year End</u>					
	<u>Amount</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Federal agencies	\$ 936,443	\$ 372,181	\$ 564,262	\$ -	\$ -	\$ -
Corporate bonds	6,887,397	620,689	460,763	3,130,426	2,675,519	-
Fixed income mutual funds	106,286	-	-	-	-	106,286
Total	<u>\$ 7,930,126</u>	<u>\$ 992,870</u>	<u>\$ 1,025,025</u>	<u>\$ 3,130,426</u>	<u>\$ 2,675,519</u>	<u>\$ 106,286</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, except for \$5,776,539, which are held by counterparty.

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.

As of June 30, 2023, the Town did 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. 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>Amount</u>	<u>Less</u>		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury notes	\$ 7,141,544	\$ 3,054,433	\$ 3,856,997	\$ 230,114
Federal agencies	936,443	-	936,443	-
Corporate bonds	6,887,397	1,076,518	4,920,136	890,743
Fixed income mutual funds	106,286	106,286	-	-
Market-linked certificates of deposits	4,263,058	3,580,905	682,153	-
Total	<u>\$ 19,334,728</u>	<u>\$ 7,818,142</u>	<u>\$ 10,395,729</u>	<u>\$ 1,120,857</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.

As of June 30, 2023, the Town had the following fair value measurements:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Investments by fair value level:			
U.S Treasury notes	\$ 7,141,544	\$ 7,141,544	\$ -
Federal agencies	936,443	-	936,443
Corporate bonds	6,887,397	-	6,887,397
Fixed income mutual funds	106,286	106,286	-
Market-linked certificates of deposit	4,263,058	-	4,263,058
Equity securities:			
Corporate equities	5,888,282	5,888,282	-
Equity mutual funds	4,142,019	4,142,019	-
Total	\$ 29,365,029	\$ 17,278,131	\$ 12,086,898

4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB Trust investment policies mirror that of the Town as discussed in the previous note.

As of June 30, 2023, the OPEB Trust Fund maintained its investments of \$69,557,712 in the State Retirees Benefits Trust Fund (SRBT), an external investment pool managed by PRIM.

Custodial Credit Risk

As of June 30, 2023, the OPEB Trust Fund did not have any investments exposed to custodial credit risk as all investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk

As of June 30, 2023, all of the OPEB Trust Fund's investments were invested in external investment pools and unrated.

Concentration of Credit Risk

As of June 30, 2023, the OPEB Trust Fund did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

Interest Rate Risk

As of June 30, 2023, all OPEB Trust Fund investments had maturities of less than one year.

Foreign Currency Risk

As of June 30, 2023, none of the OPEB Trust Fund's investments were exposed to foreign currency risk exposure.

Fair Value

As of June 30, 2023, the OPEB Trust Fund's investments were valued at net asset value (NAV). There were no unfunded commitments. The redemption frequency is monthly with a 30-day redemption notice period. Investments in the SRBT are invested along with retirement funds in the PRIT fund, as discussed in the following note.

5. Investments - Retirement System

As of December 31, 2022, all of the System's investments of \$207,840,994, were invested in the State Investment Pool (PRIT)* fund.

**Fair value is the same as the value of the pool share. The Pension Reserve Investment Trust (PRIT) was created under Massachusetts General Laws, 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 shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.*

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 of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

As of December 31, 2022, all of the System's investments were unrated by nationally recognized statistical rating organizations.

Custodial Credit Risk

The System does not have formal investment policies related to custodial credit risk.

As of December 31, 2022, the System did not have any investments exposed to custodial credit risk as all investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Massachusetts General Laws, Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of PRIT. The System does not have formal investment policies related to concentration of credit risk.

As of December 31, 2022, the System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

Interest Rate Risk

The System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2022, all of the System's investments had maturities of less than one year.

Foreign Currency Risk

The System does not have formal investment policies related to foreign currency risk. However, as of December 31, 2022, the System did not have any investments exposed to foreign currency risk.

Fair Value

As of December 31, 2022, the System's investments were measured using NAV, there were no unfunded commitments, and the redemption frequency was monthly with a 30-day redemption notice period. PRIT maintains a diversified portfolio of active and passive investment strategies. A significant portion of the fund is allocated to global equity investments, which typically generate higher returns, but can also experience more volatility. To offset potential volatility and diversify the fund, investments are made in alternative asset classes that demonstrate little correlation to equities, serving to generate more consistent returns while reducing portfolio volatility.

6. 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. The actual fiscal year 2023 tax levy reflected an excess capacity of \$1,175,906.

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.

Property tax and excises receivable at June 30, 2023 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Current:			
Real estate taxes	\$ 2,026,185	\$ -	\$ 2,026,185
Personal property taxes	936,035	(829,000)	107,035
CPA	42,210	-	42,210
Total Current	<u>3,004,430</u>	<u>(829,000)</u>	<u>2,175,430</u>
Noncurrent:			
Tax liens	820,505	-	820,505
Deferred taxes	739,647	-	739,647
Total Noncurrent	<u>1,560,152</u>	<u>-</u>	<u>1,560,152</u>
Total property taxes	<u>\$ 4,564,582</u>	<u>\$ (829,000)</u>	<u>\$ 3,735,582</u>
Motor Vehicle Excise	\$ 1,354,652	\$ (430,000)	\$ 924,652

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

Departmental Receivables

Departmental receivables are primarily comprised of ambulance and waste removal receivables. Departmental receivables in the accompanying financial statements reflect an estimated allowance for doubtful accounts of \$207,000.

7. Interfund Transfers

The Town reports interfund transfers various funds. The sum of all transfers presented in the following table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Governmental Funds	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,719,542	\$ 14,970,301
Community Preservation Fund	-	969,632
Town Federal Grants	-	277,260
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Town state grants	-	26,072
Receipts reserved for appropriation	-	449,992
Affordable housing trust fund	-	24,177
Capital Project Funds:		
Emery grover building	3,710,000	-
Pollard locker room	1,068,500	-
Public works infrastructure	3,951,000	-
Fire ladder truck	2,000,000	-
Other capital project funds	3,336,314	425,556
Affordable housing trust fund	<u>24,177</u>	<u>-</u>
Subtotal Nonmajor Governmental Funds	14,089,991	925,797
Internal Service Fund	430,000	-
Enterprise Funds		
Sewer Fund	835,251	500,948
Water Fund	<u>284,721</u>	<u>715,567</u>
Subtotal Enterprise Funds	<u>1,119,972</u>	<u>1,216,515</u>
Total	<u>\$ 18,359,505</u>	<u>\$ 18,359,505</u>

The \$1,216,515 from the sewer and water funds were transferred to the General Fund primarily for the operating budget and special articles.

The \$1,119,972 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 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.

8. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, depreciable				
Buildings and improvements	\$ 335,171,024	\$ 77,041,972	\$ -	\$ 412,212,996
Machinery, equipment, and furnishings	21,799,298	3,667,620	(188,312)	25,278,606
Vehicles	8,359,864	317,281	(597,225)	8,079,920
Infrastructure	<u>50,596,889</u>	<u>4,560,375</u>	<u>-</u>	<u>55,157,264</u>
Total capital assets, depreciable	415,927,075	85,587,248	(785,537)	500,728,786
Less accumulated depreciation for:				
Buildings and improvements	(100,964,909)	(10,915,885)	-	(111,880,794)
Machinery, equipment, and furnishings	(15,505,508)	(3,003,352)	188,312	(18,320,548)
Vehicles	(7,453,344)	(475,360)	597,225	(7,331,479)
Infrastructure	<u>(28,831,073)</u>	<u>(2,034,183)</u>	<u>-</u>	<u>(30,865,256)</u>
Total accumulated depreciation	<u>(152,754,834)</u>	<u>(16,428,780)</u>	<u>785,537</u>	<u>(168,398,077)</u>
Capital assets, depreciable, net	263,172,241	69,158,468	-	332,330,709
Capital assets, non-depreciable				
Land	37,355,248	-	-	37,355,248
Works of art	119,773	-	-	119,773
Construction in progress	<u>83,435,919</u>	<u>9,013,775</u>	<u>(80,418,757)</u>	<u>12,030,937</u>
Total capital assets, non-depreciable	<u>120,910,940</u>	<u>9,013,775</u>	<u>(80,418,757)</u>	<u>49,505,958</u>
Governmental activities capital assets, net	<u>\$ 384,083,181</u>	<u>\$ 78,172,243</u>	<u>\$ (80,418,757)</u>	<u>\$ 381,836,667</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, depreciable				
Buildings and improvements	\$ 21,137,038	\$ -	\$ (562,349)	\$ 20,574,689
Plant	6,600,000	-	-	6,600,000
Machinery, equipment, and furnishings	3,458,119	92,981	(29,600)	3,521,500
Vehicles	977,963	39,985	(31,495)	986,453
Infrastructure	<u>82,802,396</u>	<u>-</u>	<u>-</u>	<u>82,802,396</u>
Total capital assets, depreciable	114,975,516	132,966	(623,444)	114,485,038
Less accumulated depreciation for:				
Buildings and improvements	(6,012,563)	(944,065)	562,349	(6,394,279)
Plant	(4,672,360)	(214,183)	-	(4,886,543)
Machinery, equipment, and furnishings	(2,627,134)	(214,565)	29,600	(2,812,099)
Vehicles	(934,873)	(35,694)	31,495	(939,072)
Infrastructure	<u>(48,135,369)</u>	<u>(1,465,897)</u>	<u>-</u>	<u>(49,601,266)</u>
Total accumulated depreciation	<u>(62,382,299)</u>	<u>(2,874,404)</u>	<u>623,444</u>	<u>(64,633,259)</u>
Capital assets, depreciable, net	52,593,217	(2,741,438)	-	49,851,779
Capital assets, non-depreciable				
Land	267,609	-	-	267,609
Construction in progress	<u>3,151,744</u>	<u>4,944,940</u>	<u>-</u>	<u>8,096,684</u>
Total capital assets, non-depreciable	<u>3,419,353</u>	<u>4,944,940</u>	<u>-</u>	<u>8,364,293</u>
Business-type activities capital assets, net	<u>\$ 56,012,570</u>	<u>\$ 2,203,502</u>	<u>\$ -</u>	<u>\$ 58,216,072</u>

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

Governmental Activities:

General government	\$ 1,782,281
Public safety	3,108,986
Education	7,260,628
Public works	3,459,962
Building design and construction	129,717
Health and human services	236,729
Culture and recreation	<u>450,477</u>
Total	<u>\$ 16,428,780</u>

Business-Type Activities:

Sewer	\$ 970,113
Water	<u>1,904,291</u>
Total	<u>\$ 2,874,404</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply 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.

10. 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.

11. Refunds Payable

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

12. Notes Payable

The following summarizes activity in notes payable during fiscal year 2023:

<u>Governmental Activities</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/23</u>
Emery grover building addition and renovation	4.50	05/26/23	10/16/23	\$ <u>420,000</u>
Total Governmental Activities				\$ <u>420,000</u>
<u>Business Type Activities</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/23</u>
Water distribution improvements	4.50	05/26/23	10/16/23	2,440,000
Water service connections	4.50	05/26/23	10/16/23	<u>200,000</u>
Total Business Type Activities				\$ <u>2,640,000</u>

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
Public works storage facility design & construction	\$ -	\$ 35,000	\$ (35,000)	\$ -
Emery grover building design	-	990,000	(990,000)	-
Emery grover building addition and renovation	-	1,290,000	(1,290,000)	-
Emery grover building addition and renovation	-	420,000	-	420,000
Total Governmental Activities	\$ -	\$ 2,735,000	\$ (2,315,000)	\$ 420,000
<u>Business Type Activities</u>				
Water distribution improvements	\$ -	\$ 260,000	\$ (260,000)	\$ -
Water service connections	-	300,000	(300,000)	-
RTS property repairs	-	65,000	(65,000)	-
Water distribution improvements	-	2,440,000	-	2,440,000
Water service connections	-	200,000	-	200,000
Total Business Type Activities	\$ -	\$ 3,265,000	\$ (625,000)	\$ 2,640,000

13. Long-Term Debt

General Obligation Bonds and Loans

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

	Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding
<u>Governmental Activities</u>					
General Obligation Bonds					
Public Offerings:					
Town Hall, Parking and Bridge	\$ 2,460,000	2.00 - 3.125	10/05/11	08/01/26	\$ 420,000
GOB - Refunding 2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	630,000
Municipal Purpose 2013	12,244,000	2.00 - 4.00	10/03/12	07/15/32	4,920,000
Municipal Purpose 2013	5,945,000	2.00 - 4.00	06/18/13	11/01/32	2,830,000
Municipal Purpose 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	2,755,000
Municipal Purpose 2014	5,032,000	2.00 - 2.50	06/02/14	05/15/34	635,000
Municipal Purpose 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	2,620,000
GOB - Refunding 2016	6,645,000	2.00 - 4.00	06/16/16	08/01/27	2,810,000
Municipal Purpose 2017	10,945,000	3.00 - 4.00	01/05/17	01/15/42	6,380,000
Municipal Purpose 2018	31,000,000	3.00 - 4.00	07/17/18	07/15/38	23,120,000
Municipal Purpose 2020	27,500,000	2.625 - 5.00	10/01/19	08/01/44	21,725,000
Municipal Purpose 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/40	19,370,000
Municipal Purpose 2021	4,668,000	2.00 - 5.00	04/14/21	06/30/41	3,355,000
Municipal Purpose 2021	19,407,000	2.00 - 5.00	04/14/21	06/30/41	15,000,000
Municipal Purpose 2022	9,970,000	2.00 - 5.00	04/14/22	08/15/36	6,770,000
Total Governmental Activities					\$ 113,340,000

<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</u>
General Obligation Bonds					
Public Offerings:					
Municipal Purpose 2014	\$ 5,032,000	2.00 - 2.50	06/02/14	05/15/34	\$ 1,095,000
Municipal Purpose 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	1,060,000
Municipal Purpose 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/28	25,000
Municipal Purpose 2022	145,000	2.00 - 5.00	04/14/22	08/15/27	120,000
Total Public Offerings					<u>2,300,000</u>
Loans - Direct Borrowings					
Massachusetts Water Resources Authority:					
MA Water Resources Authority	765,335	2.00	06/01/12	07/15/30	357,770
MA Water Resources Authority	9,055,822	2.00	05/22/13	01/15/33	3,340,256
MA Water Resources Authority	2,310,813	3.00 - 4.00	05/11/17	01/15/28	1,065,633
MA Water Resources Authority	440,000	0.00	11/26/19	11/15/24	176,000
Total Loans - Direct Borrowings					<u>4,939,659</u>
Total Business-Type Activities					<u>\$ 7,239,659</u>

Future Debt Service

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2023 are as follows:

<u>General Obligation Bonds</u>			
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,685,000	\$ 4,001,025	\$ 14,686,025
2025	9,745,000	3,534,775	13,279,775
2026	8,745,000	3,119,725	11,864,725
2027	8,280,000	2,755,172	11,035,172
2028	7,520,000	2,401,569	9,921,569
2029 - 2033	31,420,000	7,887,422	39,307,422
2034 - 2038	22,740,000	3,511,981	26,251,981
2039 - 2043	12,565,000	1,043,563	13,608,563
2044 - 2045	<u>1,640,000</u>	<u>40,200</u>	<u>1,680,200</u>
Total	<u>\$ 113,340,000</u>	<u>\$ 28,295,432</u>	<u>\$ 141,635,432</u>

<u>General Obligation Bonds</u>			
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 260,000	\$ 71,900	\$ 331,900
2025	260,000	62,700	322,700
2026	220,000	54,550	274,550
2027	220,000	47,250	267,250
2028	215,000	40,350	255,350
2029 - 2033	945,000	114,100	1,059,100
2034	180,000	4,600	184,600
Total	<u>\$ 2,300,000</u>	<u>\$ 395,450</u>	<u>\$ 2,695,450</u>

<u>MWRA Direct Borrowings</u>			
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 645,439	\$ 73,544	\$ 718,983
2025	652,855	66,649	719,504
2026	572,430	59,606	632,036
2027	580,168	52,411	632,579
2028	588,073	45,062	633,135
2029 - 2033	1,900,694	111,366	2,012,060
Total	<u>\$ 4,939,659</u>	<u>\$ 408,638</u>	<u>\$ 5,348,297</u>

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2023, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
5/7/2018	Public Works Storage Facility Design & Consturction	\$ 35,000
5/7/2018	RTS Property Repairs	120,000
5/6/2019	Water Distribution Improvements	1,300,000
5/1/2021	Public Safety Building and Fire Station #2	1,400,000
5/1/2021	Sewer Main Replacement	204,500
5/1/2021	Water Service Connections	500,000
10/5/2021	Emery Grover Building Design	15,000
5/4/2022	Emery Grover Building Addition and Renovation	12,440,000
10/24/2022	Additional Emery Grover Building Addition	1,295,000
10/24/2022	Charles River Street Land Acquisition	2,500,000
5/1/2023	Broadmeadow and Eliot School Rooftop Unit	9,000,000
5/1/2023	South Street Water System Distribution Improvements	4,000,000
Total		<u>\$ 32,809,500</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/22</u>	Additions	Reductions	Total Balance <u>6/30/23</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/23</u>
Governmental Activities						
Bonds payable - public offerings	\$ 126,840,000	\$ -	\$ (13,500,000)	\$ 113,340,000	\$ (10,685,000)	\$ 102,655,000
Unamortized bond premium	<u>10,285,253</u>	<u>-</u>	<u>(953,274)</u>	<u>9,331,979</u>	<u>(953,274)</u>	<u>8,378,705</u>
Subtotal bonds and loans payable	137,125,253	-	(14,453,274)	122,671,979	(11,638,274)	111,033,705
Net pension liability	44,177,894	39,790,885	-	83,968,779	-	83,968,779
Net OPEB liability	72,379,901	-	(472,786)	71,907,115	-	71,907,115
Compensated absences	6,280,149	819,792	-	7,099,941	(1,774,985)	5,324,956
Landfill closure	<u>394,908</u>	<u>-</u>	<u>(56,415)</u>	<u>338,493</u>	<u>(56,415)</u>	<u>282,078</u>
Total Long-Term Liabilities	<u>\$ 260,358,105</u>	<u>\$ 40,610,677</u>	<u>\$ (14,982,475)</u>	<u>\$ 285,986,307</u>	<u>\$ (13,469,674)</u>	<u>\$ 272,516,633</u>
Business-Type Activities						
Bonds payable - public offerings	\$ 2,745,000	\$ -	\$ (445,000)	\$ 2,300,000	\$ (260,000)	\$ 2,040,000
Loans - direct borrowings	<u>5,613,750</u>	<u>-</u>	<u>(674,091)</u>	<u>4,939,659</u>	<u>(645,439)</u>	<u>4,294,220</u>
Subtotal bonds and loans payable	8,358,750	-	(1,119,091)	7,239,659	(905,439)	6,334,220
Net pension liability	1,687,560	1,519,978	-	3,207,538	-	3,207,538
Net OPEB liability	1,486,833	-	(450,656)	1,036,177	-	1,036,177
Compensated absences	<u>269,791</u>	<u>5,545</u>	<u>-</u>	<u>275,336</u>	<u>-</u>	<u>275,336</u>
Total Long-Term Liabilities	<u>\$ 11,802,934</u>	<u>\$ 1,525,523</u>	<u>\$ (1,569,747)</u>	<u>\$ 11,758,710</u>	<u>\$ (905,439)</u>	<u>\$ 10,853,271</u>

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. 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, 2023, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$5,290,000.

14. Landfill Postclosure Care Costs

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

The \$338,493 reported as postclosure care liability at June 30, 2023, 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 fiscal year 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

Deferred inflows of resources represent 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. Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. Governmental Funds - Balances

The Town's fund balances at June 30, 2023 were comprised of the following:

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent funds	\$ -	\$ -	\$ -	\$ 204,780	\$ 204,780
Total Nonspendable	-	-	-	204,780	204,780
Restricted:					
Debt service	565,811	-	-	-	565,811
Community preservation	-	11,935,151	-	-	11,935,151
Town federal grants	-	-	1,011,043	-	1,011,043
Permanent funds	-	-	-	3,322,843	3,322,843
Capital projects	-	-	-	101,840	101,840
Special revenue funds:					
Circuit Breaker	-	-	-	1,410,000	1,410,000
School lunch	-	-	-	1,314,747	1,314,747
Parks and recreation revolving	-	-	-	781,899	781,899
RRFA - bond premiums	-	-	-	432,999	432,999
BOH immunization/education	-	-	-	343,540	343,540
Facility activity use	-	-	-	321,255	321,255
Insurance loss replacement	-	-	-	271,106	271,106
RRFA - parking meter fund	-	-	-	244,224	244,224
Other special revenue funds	-	-	-	3,398,167	3,398,167
Total Restricted	565,811	11,935,151	1,011,043	11,942,620	25,454,625
Committed:					
Continuing appropriations articles	3,863,857	-	-	-	3,863,857
Compensated absences	733,109	-	-	-	733,109
Capital improvement stabilization	1,582,467	-	-	-	1,582,467
Capital facility stabilization	2,006,084	-	-	-	2,006,084
Athletic facility stabilization	1,104,008	-	-	-	1,104,008
Debt service stabilization	2,248,681	-	-	-	2,248,681
Next year's appropriations	9,446,607	-	-	-	9,446,607
Capital projects	-	-	-	15,826,630	15,826,630
Total Committed	20,984,813	-	-	15,826,630	36,811,443
Assigned:					
Encumbrances	3,216,564	-	-	-	3,216,564
Next year's operating budget	4,097,105	-	-	-	4,097,105
Other	12,500	-	-	-	12,500
Total Assigned	7,326,169	-	-	-	7,326,169
Unassigned:					
Operating fund	31,062,457	-	-	-	31,062,457
General stabilization fund	4,665,099	-	-	-	4,665,099
Deficit funds	-	-	(92,415)	(1,678,457)	(1,770,872)
Total Unassigned	35,727,556	-	(92,415)	(1,678,457)	33,956,684
Total Fund Balances	\$ 64,604,349	\$ 11,935,151	\$ 918,628	\$ 26,295,573	\$ 103,753,701

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.

17. Restricted Net Position

The Town’s restricted net position at June 30, 2023 were comprised of the following:

Purpose	Governmental Activities
Community preservation	\$ 11,935,151
Permanent funds	3,322,843
Circuit breaker	1,410,000
School lunch	1,314,747
Park & recreation 53D	781,899
Debt service	565,811
FEMA safer	514,056
RRFA - bond premiums	432,999
Facility activity use	410,647
Insurance loss replacement	271,106
RRFA - parking meter fund	244,224
Other	<u>4,704,850</u>
Total	<u>\$ 25,908,333</u>

18. Needham Contributory 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 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 five 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	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%
1979- present	An additional 2% of salary in excess of \$30,000.

For those members entering a 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, 2023, was \$11,263,367, 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 pension, 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, 2023, the Town reported a liability of \$87,176,317 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023. 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, 2022, the Town's proportion was 98.74%, previously 98.65%.

For the year ended June 30, 2023, the Town recognized pension expense of \$13,016,376. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 2,911,389	\$ (6,539,716)
Changes of assumptions	9,189,339	-
Changes in proportion	169,388	(72,102)
Net difference between projected and actual earnings on pension plan investments	11,044,776	-
Total	<u>\$ 23,314,892</u>	<u>\$ (6,611,818)</u>

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

Year ended June 30:	Deferred Outflows (Inflows) of Resources
2024	\$ 2,695,394
2025	1,456,748
2026	3,456,315
2027	9,029,440
2027	<u>65,177</u>
Total	<u>\$ 16,703,074</u>

Actuarial Assumptions

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

Valuation date	1/1/2023
Actuarial cost methods	Individual Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.25%
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 4
Inflation rate	2.4% per year
Payroll growth	3.5% per year
Post-retirement cost-of-living adjustment	3% of the first \$16,000

Actuarial valuation of the System 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 RP-2014 Blue Collar Employee Mortality Table with full generational mortality improvement using Scale MP-2016. For disabled members, RP-

2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2016.

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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	38.00%	4.74%
Core fixed income	15.00%	2.10%
Private equity	15.00%	7.60%
Real estate	10.00%	3.10%
Portfolio Completion (PCS)	10.00%	3.90%
Value-Added fixed income	8.00%	5.20%
Timberland	<u>4.00%</u>	4.40%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
\$ 123,651,052	\$ 87,176,317	\$ 56,610,691

Pension Plan Fiduciary Net Position

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

19. 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 of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' 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

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

- (a) 7.00% 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 from 2012-2020.

Mortality rates were as follows:

- Pre-retirement – reflects RP-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement – reflects RP-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (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, 2022 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	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	4.00%	3.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' 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):

1% Decrease to 6.00%	Current Discount Rate 7.00%	1% Increase to 8.00%
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

Special Funding Situation

The Commonwealth of Massachusetts 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 No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts 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 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$188,613,549 based on a proportionate share of 0.728571%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as of \$15,333,541 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$15,515,305 as both a revenue and expense on the Statement of Activities.

20. 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*. This 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, 2023.

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 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, 2023, the following employees were covered by the benefit terms:

Retirees/Disabled	971
Active employees	<u>1,385</u>
Total	<u><u>2,356</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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.28%. 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 total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%, as of June 2023 and future periods
Salary increases	3.0% annually as of June 2023 and future periods
Investment rate of return	6.30%, net of investment expenses, including inflation
Discount rate	6.25%, net of investment expenses, including inflation
Healthcare cost trend rates	4.50% for 2023, 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Alternatives	23.00%	5.95%
Domestic Fixed Income	20.00%	1.05%
International developed markets equity	16.00%	4.64%
Domestic equity - Large Cap	14.50%	4.10%
Real Estate	14.00%	6.25%
International emerging markets equity	6.00%	5.45%
Domestic equity - Small/Mid Cap	3.50%	4.55%
International Fixed Income	3.00%	0.96%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town's policy is to contribute the actuarially determined contribution.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$ 143,077,747
Plan fiduciary net position	<u>(70,134,455)</u>
Net OPEB liability	<u>\$ 72,943,292</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

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 135,250,391	\$ 61,383,656	\$ 73,866,735
Changes for the year:			
Service cost	3,562,953	-	3,562,953
Interest	8,499,323	-	8,499,323
Contributions - employer	-	10,909,594	(10,909,594)
Net investment income	-	3,576,485	(3,576,485)
Differences between expected and actual experience	(1,166,068)	-	(1,166,068)
Changes in assumptions or other inputs	2,666,428	-	2,666,428
Benefit payments	<u>(5,735,280)</u>	<u>(5,735,280)</u>	<u>-</u>
Net Changes	<u>7,827,356</u>	<u>8,750,799</u>	<u>(923,443)</u>
Balances, end of year	\$ <u>143,077,747</u>	\$ <u>70,134,455</u>	\$ <u>72,943,292</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:

1% Decrease	Current Discount Rate	1% Increase
\$ 92,633,072	\$ 72,943,292	\$ 56,870,715

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:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 55,044,418	\$ 72,943,292	\$ 95,102,489

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

For the year ended June 30, 2023, the Town recognized an OPEB expense of \$10,202,898. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (5,474,831)
Change in assumptions	12,267,606	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(676,441)</u>
Total	<u>\$ 12,267,606</u>	<u>\$ (6,151,272)</u>

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

Year Ended June 30:

2024	\$ 2,444,213
2025	400,323
2026	2,179,567
2027	685,698
2028	253,797
Thereafter	<u>152,736</u>
Total	<u>\$ 6,116,334</u>

21. 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, 2023, the Town's workers' compensation fund had a balance of \$2,057,523 in unrestricted 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 \$733,900 for workers' compensation line item in fiscal year 2023. 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, 2023 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, 2023 and June 30, 2022 were as follows:

	<u>6/30/2023</u>	<u>6/30/2022</u>
Claims liability, beginning of year	\$ 553,982	\$ 932,449
Claims incurred/recognized	784,487	542,783
Claims paid	<u>(790,153)</u>	<u>(921,250)</u>
Claims liability, end of year	<u>\$ 548,316</u>	<u>\$ 553,982</u>

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.

Abatelements

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 had \$3,216,564 of encumbrances that will be honored in the next fiscal year.

23. Beginning Fund Balance Reclassification

The beginning fund balance of the Town's nonmajor governmental funds and Town federal grants fund have been reclassified as follows:

	Nonmajor Governmental Funds	Town Federal Grants Fund
As previously reported	\$ 26,638,019	\$ -
Reclassify Town Federal Grants as major	(942,910)	942,910
As reclassified	<u>\$ 25,695,109</u>	<u>\$ 942,910</u>

24. Subsequent Events**Short-Term Debt**

The Town issued the following general obligation bond anticipation notes (BAN) after June 30, 2023:

<u>Purpose</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Emery grover building addition and renovation	3.60	10/16/23	7/30/24	\$ 287,350
Water distribution improvements	3.60	10/16/23	7/30/24	1,994,650
RTS property repairs	3.00	3/15/24	6/14/24	65,000
Public safety building and fire station #2	3.00	3/15/24	6/14/24	60,000
Emery grover building addition and renovation	3.00	3/15/24	6/14/24	2,550,000
Broadmeadow and eliot school rooftop unit replacement	3.00	3/15/24	6/14/24	30,000
Water distribution improvements	3.40	6/27/24	12/19/24	1,900,000
Water service connections	3.40	6/27/24	12/19/24	500,000
Emery grover building design	3.40	6/27/24	12/19/24	15,000
Emery grover building addition and renovation	3.40	6/27/24	12/19/24	4,230,000
Broadmeadow and eliot school rooftop unit replacement	3.40	6/27/24	12/19/24	2,000,000

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2023

(UNAUDITED)

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	\$ 175,707,758	\$ 176,282,443	\$ 179,124,962	\$ 2,842,519
Excises	4,700,000	4,700,000	6,779,778	2,079,778
Penalties, interest, and other taxes	1,280,000	1,280,000	2,948,504	1,668,504
Charges for services	3,144,750	3,144,750	4,742,161	1,597,411
Departmental	765,250	765,250	932,565	167,315
Licenses and permits	1,920,000	1,920,000	5,099,563	3,179,563
Intergovernmental	15,161,448	15,161,448	15,349,626	188,178
Investment income	250,000	250,000	1,243,224	993,224
Fines and forfeitures	-	-	101,457	101,457
Other revenue	351,662	351,662	822,164	470,502
Total Revenues	203,280,868	203,855,553	217,144,004	13,288,451
Expenditures				
General government	8,911,055	8,239,729	6,544,598	1,695,131
Land use	552,799	559,738	507,342	52,396
Public safety	18,817,952	19,828,422	19,331,823	496,599
Education	88,645,537	88,645,537	86,217,970	2,427,567
Public works	22,280,911	23,087,992	22,497,817	590,175
Building design and construction	354,264	354,264	223,042	131,222
Health and human services	2,422,342	2,460,128	2,382,725	77,403
Culture and recreation	3,431,219	3,552,266	3,237,008	315,258
Employee benefits	38,230,899	38,230,899	35,791,958	2,438,941
Debt service	20,198,294	20,366,317	20,371,943	(5,626)
Other appropriated expenses	2,187,365	875,368	802,155	73,213
Intergovernmental	1,588,201	1,588,201	1,555,971	32,230
Total Expenditures	207,620,838	207,788,861	199,464,352	8,324,509
Excess (deficiency) of revenues over expenditures	(4,339,970)	(3,933,308)	17,679,652	21,612,960
Other Financing Sources (Uses)				
Transfers in	2,186,147	2,186,147	4,017,619	1,831,472
Transfers out	(10,985,960)	(15,371,760)	(15,371,760)	-
Use of free cash:				
For capital projects and special articles	8,482,455	10,671,593	-	(10,671,593)
For operating budget	3,625,000	3,625,000	-	(3,625,000)
Use of bond premium	32,328	32,328	-	(32,328)
Use of overlay surplus:				
For capital projects and special articles	500,000	2,290,000	-	(2,290,000)
For operating budget	500,000	500,000	-	(500,000)
Total Other Financing Sources (Uses)	4,339,970	3,933,308	(11,354,141)	(15,287,449)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 6,325,511	\$ 6,325,511

See Independent Auditors' Report and Notes to Required Supplementary Information.

Notes to Required Supplementary Information for General Fund Budget

Budgetary Basis and Information

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations. At the annual town meeting, the Finance Committee presents an operating budget for the General Fund. 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.

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, expenditures, and other financing sources (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)	\$ 233,120,466	\$ 212,613,717
Other financing sources/uses (GAAP Basis)	<u>2,719,542</u>	<u>14,970,301</u>
Subtotal (GAAP Basis)	235,840,008	227,584,018
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,412,388)
Add end-of-year appropriation carryforwards to expenditures	-	3,216,564
To reverse gross up for MTRS on behalf payment	(15,333,541)	(15,333,541)
To reflect other budgetary basis activity, net	<u>655,156</u>	<u>2,781,459</u>
Budgetary Basis	\$ <u><u>221,161,623</u></u>	\$ <u><u>214,836,112</u></u>

See Independent Auditors' Report.

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, 2023	December 31, 2022	98.74%	\$ 87,176,317	\$ 43,326,494	201.21%	70.80%
June 30, 2022	December 31, 2021	98.65%	45,865,454	40,549,126	113.11%	83.90%
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, 2023	June 30, 2022	0.73%	\$ -	\$ 188,613,549	\$ 188,613,549	\$ 61,020,236	0.00%	57.75%
June 30, 2022	June 30, 2021	0.75%	-	168,708,472	168,708,472	55,875,071	0.00%	62.03%
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 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
SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

Needham Contributory Retirement System					
Fiscal Year	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	\$ 11,263,367	\$ 11,263,367	\$ -	\$ 43,326,494	26.00%
June 30, 2022	10,417,439	10,417,439	-	40,549,126	25.69%
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	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	\$ 15,333,541	\$ 15,333,541	\$ -	\$ 59,968,766	25.57%
June 30, 2022	12,990,950	12,990,950	-	61,020,236	21.29%
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 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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 3,562,953	\$ 3,030,646	\$ 3,085,625	\$ 2,915,612	\$ 2,797,907	\$ 2,573,887	\$ 2,486,847
Interest	8,499,323	8,414,773	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	(1,166,068)	(3,714,901)	(293,339)	159,645	(21,193,711)	1,798,808	-
Changes of assumptions	2,666,428	3,950,140	3,893,113	8,438,164	31,054,380	(4,589,355)	-
Benefit payments	<u>(5,735,280)</u>	<u>(5,626,770)</u>	<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	7,827,356	6,053,888	10,034,745	14,393,891	14,832,047	(1,857,215)	5,073,197
Total OPEB Liability - Beginning	<u>135,250,391</u>	<u>129,196,503</u>	<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)	143,077,747	135,250,391	129,196,503	119,161,758	104,767,867	89,935,820	91,793,035
Plan Fiduciary Net Position							
Contributions - employer	10,909,594	9,213,019	8,650,376	8,032,252	7,800,967	7,389,578	6,317,042
Net investment income	3,576,485	(2,379,071)	13,820,192	873,725	1,831,609	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	(5,735,280)	(5,626,770)	(5,034,735)	(4,502,453)	(4,174,262)	(4,463,145)	(3,958,395)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,093</u>
Net Change in Plan Fiduciary Net Position	8,750,799	1,207,178	17,435,833	4,403,524	5,458,314	6,043,636	5,635,970
Plan Fiduciary Net Position - Beginning	<u>61,383,656</u>	<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>	<u>21,199,201</u>
Plan Fiduciary Net Position - Ending (b)	<u>70,134,455</u>	<u>61,383,656</u>	<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>\$ 72,943,292</u>	<u>\$ 73,866,735</u>	<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>

*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

SCHEDULES OF THE NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENTS RETURNS

(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability							
Total OPEB liability	\$ 143,077,747	\$ 135,250,391	\$ 129,196,503	\$ 119,161,758	\$ 104,767,867	\$ 89,935,820	\$ 91,793,035
Plan fiduciary net position	<u>(70,134,455)</u>	<u>(61,383,656)</u>	<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	<u>\$ 72,943,292</u>	<u>\$ 73,866,735</u>	<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	49.02%	45.39%	46.58%	35.87%	36.59%	36.56%	29.23%
Covered Employee Payroll	\$ 118,576,875	\$ 105,734,622	\$ 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	61.52%	69.86%	67.23%	76.68%	70.94%	60.67%	69.07%
Schedule of Contributions							
Actuarially determined contribution	\$ 8,844,474	\$ 7,426,237	\$ 7,197,713	\$ 6,906,705	\$ 6,906,705	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially							
determined contribution	<u>8,844,474</u>	<u>7,426,237</u>	<u>7,426,237</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>\$ (228,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,172)</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 118,576,875	\$ 105,734,622	\$ 102,654,973	\$ 99,665,022	\$ 93,645,807	\$ 94,042,382	\$ 94,042,382
Contributions as a Percentage of Covered							
Employee Payroll	7.46%	7.02%	7.23%	6.93%	7.38%	6.50%	5.92%
Schedule of Investment Returns							
Annual money weighted rate of return, net of							
investment expenses	5.28%	-6.25%	28.97%	4.65%	4.93%	11.62%	14.25%

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TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES AND OTHER SOURCES, AND
EXPENDITURES AND OTHER USES -
SEWER ENTERPRISE FUND BUDGET VS. ACTUAL COMPARISON (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Budgetary Basis</u>	Variance Positive (Negative)
Revenues			
Current service charges	\$ 8,373,670	\$ 9,417,802	\$ 1,044,132
Interest income	8,442	9,990	1,548
Other revenue	<u>22,380</u>	<u>30,260</u>	<u>7,880</u>
Total Revenues	8,404,492	9,458,052	1,053,560
Expenditures			
Sewer expenditures	1,936,938	1,775,316	161,622
Intergovernmental	6,760,857	6,760,857	-
Debt service	<u>610,000</u>	<u>600,615</u>	<u>9,385</u>
Total Expenditures	<u>9,307,795</u>	<u>9,136,788</u>	<u>171,007</u>
Excess of revenues over expenditures	(903,303)	321,264	1,224,567
Other Financing Sources and (Uses)			
Transfers in	835,251	868,034	32,783
Use of retained earnings	1,470,255	-	(1,470,255)
Transfers out	<u>(1,402,203)</u>	<u>(1,402,203)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>903,303</u>	<u>(534,169)</u>	<u>(1,437,472)</u>
(Deficiency) of revenues and other sources (under) expenditures and other uses	\$ <u>-</u>	\$ <u>(212,905)</u>	\$ <u>(212,905)</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES AND OTHER SOURCES, AND
EXPENDITURES AND OTHER USES -
WATER ENTERPRISE FUND BUDGET VS. ACTUAL COMPARISON (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Budgetary Basis</u>	Variance Positive (Negative)
Revenues			
Current service charges	\$ 6,008,087	\$ 7,429,898	\$ 1,421,811
Interest income	14,000	20,834	6,834
Other revenue	<u>62,600</u>	<u>44,961</u>	<u>(17,639)</u>
Total Revenues	6,084,687	7,495,693	1,411,006
Expenditures			
Water expenditures	2,939,655	2,496,740	442,915
Intergovernmental	1,464,186	1,464,186	-
Debt service	<u>1,250,000</u>	<u>1,244,475</u>	<u>5,525</u>
Total Expenditures	<u>5,653,841</u>	<u>5,205,401</u>	<u>448,440</u>
Excess of revenues over expenditures	430,846	2,290,292	1,859,446
Other Financing Sources and (Uses)			
Transfers in	284,721	325,571	40,850
Transfers out	<u>(715,567)</u>	<u>(837,620)</u>	<u>(122,053)</u>
Total Other Financing Sources and (Uses)	<u>(430,846)</u>	<u>(512,049)</u>	<u>(81,203)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u><u>-</u></u>	\$ <u><u>1,778,243</u></u>	\$ <u><u>1,778,243</u></u>

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