

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Needham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the Town), as of and for the year ended June 30, 2013, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts, as of June 30, 2013, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis appearing on the following pages, and Employee's Retirement System and Other Post-employment Benefit Plan Schedules of Funding Progress appearing on page 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures

do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budget and actual comparisons for Sewer, Water, and Solid Waste funds appearing on pages 64 through 66 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Andover, Massachusetts
December 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, we offer readers this narrative overview and analysis of the financial activities of the Town of Needham for the fiscal year ended June 30, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water and solid waste operations.

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water and solid waste operations, all of which are considered to be major funds.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$255,513,825 (net position), a change of \$11,906,337 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$39,113,774, a change of \$13,949,986 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,150,157, a change of \$4,303,315 in comparison to the prior year.
- Total long-term bonds and loans payable, including unamortized bond premium, at the close of the current fiscal year was \$101,086,229, a change of \$15,984,790 in comparison to the prior year.
- Total short-term notes payable at the close of the current fiscal year was \$10,517,125, a change of \$652,479 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position Summary (000s)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 70,341	\$ 55,317	\$ 18,482	\$ 16,819	\$ 88,823	\$ 72,136
Capital assets	<u>233,377</u>	<u>225,274</u>	<u>58,832</u>	<u>55,701</u>	<u>292,209</u>	<u>280,975</u>
Total assets	303,718	280,591	77,314	72,520	381,032	353,111
Long-term liabilities outstanding	89,175	77,514	16,530	12,183	105,705	89,697
Notes payable	10,517	8,315	-	1,550	10,517	9,865
Other liabilities	<u>8,305</u>	<u>9,254</u>	<u>990</u>	<u>687</u>	<u>9,295</u>	<u>9,941</u>
Total liabilities	107,997	95,083	17,520	14,420	125,517	109,503
Net position:						
Net investment in capital assets	138,428	144,126	44,369	43,454	182,797	187,580
Restricted ⁽¹⁾	13,162	10,962	-	-	13,162	10,962
Unrestricted ⁽¹⁾	<u>44,130</u>	<u>30,420</u>	<u>15,424</u>	<u>14,646</u>	<u>59,554</u>	<u>45,066</u>
Total net position	<u>\$ 195,720</u>	<u>\$ 185,508</u>	<u>\$ 59,793</u>	<u>\$ 58,100</u>	<u>\$ 255,513</u>	<u>\$ 243,608</u>

⁽¹⁾ The June 30, 2012 Net Position reflects the reclassification of the Community Preservation Act to the Restricted Classification from Unrestricted.

Changes in Net Position Summary (000s)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 9,418	\$ 9,616	\$ 16,269	\$ 14,862	\$ 25,687	\$ 24,478
Operating grants and contributions	25,819	24,653	-	225	25,819	24,878
Capital grants and contributions	670	7,030	-	-	670	7,030
General revenues:						
Property taxes	101,761	97,032	-	-	101,761	97,032
Excises	4,736	4,301	-	-	4,736	4,301
Penalties and interest on taxes	1,333	1,207	-	-	1,333	1,207
Grants and contributions not restricted to specific programs	1,935	2,006	-	-	1,935	2,006
Investment income	470	322	15	15	485	337
Other	<u>559</u>	<u>925</u>	<u>-</u>	<u>-</u>	<u>559</u>	<u>925</u>
Total revenues	146,701	147,092	16,284	15,102	162,985	162,194

(continued)

(continued)

Changes in Net Position Summary (000s)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Expenses:						
General government	5,554	4,919	-	-	5,554	4,919
Public safety	14,158	13,673	-	-	14,158	13,673
Education	82,705	81,241	-	-	82,705	81,241
Public works	7,031	6,184	-	-	7,031	6,184
Maintenance	10,563	9,384	-	-	10,563	9,384
Human services	1,518	1,540	-	-	1,518	1,540
Culture and recreation	3,183	3,463	-	-	3,183	3,463
Interest on long-term debt	2,459	2,656	-	-	2,459	2,656
Intergovernmental	1,181	1,165	-	-	1,181	1,165
Other unallocated costs	8,675	7,723	-	-	8,675	7,723
Sewer operations	-	-	7,798	7,477	7,798	7,477
Water operations	-	-	4,354	4,115	4,354	4,115
Solid waste operations	-	-	1,901	1,956	1,901	1,956
Total expenses	<u>137,027</u>	<u>131,948</u>	<u>14,053</u>	<u>13,548</u>	<u>151,080</u>	<u>145,496</u>
Change in net position before transfers	9,674	15,144	2,231	1,554	11,905	16,698
Transfers	<u>538</u>	<u>581</u>	<u>(538)</u>	<u>(581)</u>	<u>-</u>	<u>-</u>
Change in net position	10,212	15,725	1,693	973	11,905	16,698
Net position - beginning of year	<u>185,508</u>	<u>169,783</u>	<u>58,100</u>	<u>57,127</u>	<u>243,608</u>	<u>226,910</u>
Net position - end of year	<u>\$ 195,720</u>	<u>\$ 185,508</u>	<u>\$ 59,793</u>	<u>\$ 58,100</u>	<u>\$ 255,513</u>	<u>\$ 243,608</u>

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

The largest portion of net position \$182,796,526 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$13,162,415 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$59,554,884 may be used to meet the government's ongoing obligations to citizens and creditors.

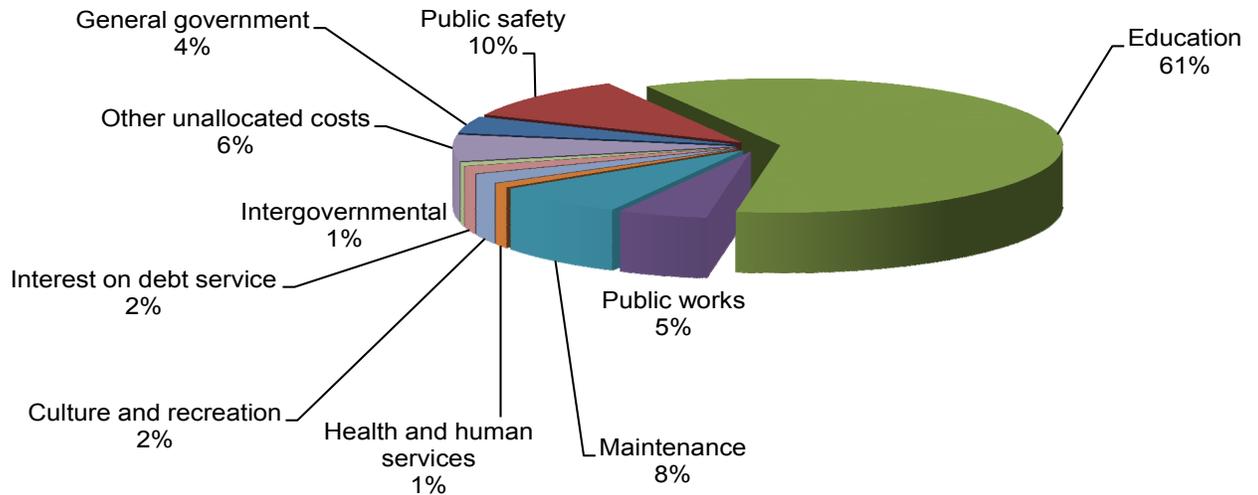
Governmental Activities

Governmental activities for the year resulted in a change in net position of \$10,212,392. Key elements of this change are as follows (in thousands):

General fund excess of revenues over expenditures - fund basis	\$ 7,167
CPA fund excess of revenues over non capitalized expenses	2,091
Increase in OPEB asset	400
Capital grants and contributions used to acquire capital assets	670
Other	<u>(116)</u>
Total	<u><u>\$ 10,212</u></u>

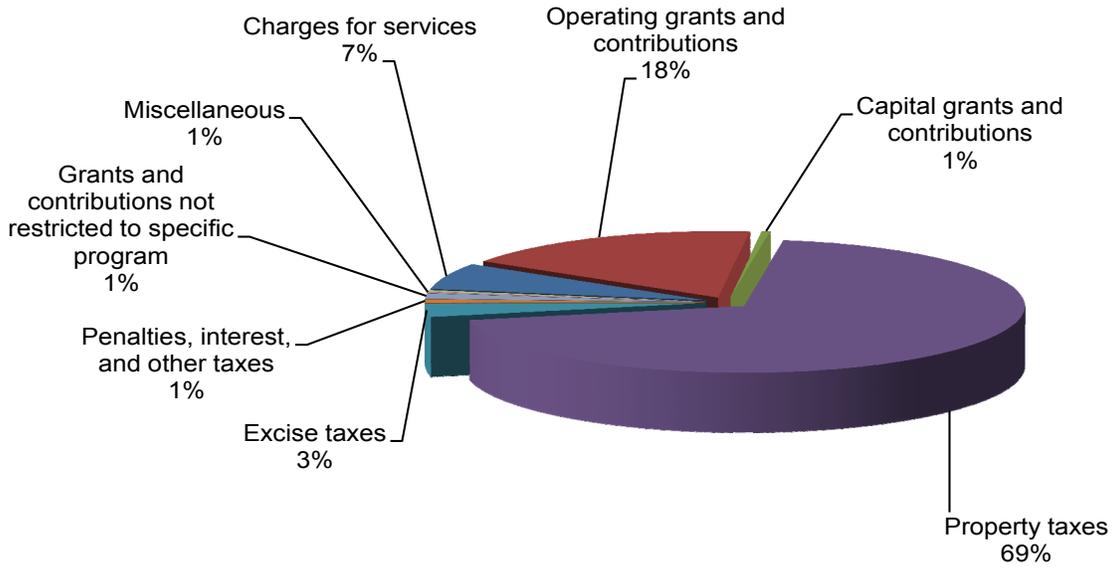
The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by \$4.8M over the previous year or by 3.6%.

Functional Expenses - Governmental Activities



As presented in the following graph, most of the Town’s revenue comes from property taxes. Total revenues (excluding transfers) decreased by \$0.4M over the prior year or 0.3%.

Sources of Revenue - Governmental Activities



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,693,945. Positive results are due to strong budgetary performance (softened by the use of fund balance) and the Town's continued practice of financing capital improvements with revenues.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$39,113,774, a change of \$13,949,981 in comparison to the prior year. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 7,167
General fund transfers in from Enterprise Funds for indirect costs, net of Sewer and Solid Waste subsidies	538
CPA fund excess of revenues over expenditures	1,969
Senior Center fund expenditures over issuance of bonds	(4,474)
Capital project funds revenues and bond proceeds in excess of expenditures	7,232
Special revenue funds revenues in excess of expenditures	831
Other	<u>687</u>
Total	<u>\$ 13,950</u>

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,150,157, while total fund balance was \$29,595,859. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
Unassigned fund balance	\$ 15,150,157	\$ 10,846,842	\$ 4,303,315
Total fund balance	29,595,859	25,624,410	3,971,449

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
Unassigned fund balance as of % of total General Fund expenditures	12.1%	9.0%	3.1%
Total fund balance as of % total General Fund expenditures	23.6%	21.3%	2.3%

The total fund balance of the general fund changed by \$3,971,449 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash, overlay surplus and other reserves	\$ (5,919)
Increase in stabilization accounts	551
Revenues in excess of budget	3,674
Expenditures less than budget	2,653
Unused overlay allowance	1,605
Excess of current year carryforwards over expenditures of prior year carryforwards	1,534
Other	<u>(127)</u>
Total	<u>\$ 3,971</u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 3,729,614	\$ 3,656,504	\$ 73,110
Capital stabilization	2,225,419	1,747,801	477,618
Compensated absences	219,388	-	219,388
Continuing appropriations	<u>464,527</u>	<u>339,915</u>	<u>124,612</u>
Total	<u>\$ 6,638,948</u>	<u>\$ 5,744,220</u>	<u>\$ 894,728</u>

Other Major Funds

Community Preservation Act fund property taxes and other revenues are collected per state legislation that allows those revenues to fund projects such as preservation of historical buildings. The Town did not have considerable expenditures in the current year in the fund, other than the \$112,355 to purchase land and the transfer of \$550,000 to the general fund for eligible debt service.

The Town began construction of a new Senior Center in fiscal year 2012 with a budget of \$8,075,000 per Article 14 of the Special Town Meeting of November 2011. The Town issued \$1,000,000 in long-term bonds and \$6,500,000 in short-term notes in fiscal year 2013 to finance the costs. The Town spent \$5,473,672 on construction costs in fiscal year 2013. The Senior Center project met the definition of a major fund in fiscal year 2013.

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$15,424,628, a change of \$778,861 in comparison to the prior year, primarily due to revenues from user charges exceeding expectations and savings in costs.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2013, the Town realized revenues and other financing sources in excess of budget of \$3.6 million, and realized budget savings of \$2.7 million relative to expenditures. Amounts used from other financing sources were \$6 million. The results are due to the consistent conservative budgeting practices.

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 final budget total for fiscal year 2013 remained unchanged from the original budget of \$124,482,766.

During fiscal year 2013, the Town realized revenue in excess of budget of \$2.8 million, and realized budget savings of \$2.7 million relative to expenditures. Revenues in excess of budget are lower than fiscal year 2012 results of approximately \$3.1 million, but the budget return was higher than fiscal year 2012 return of approximately \$2.4 million. The results are due to the conservative budgeting practices.

Motor vehicle excise tax revenue remains stable and was \$0.95 million in excess of budget. Revenue from licenses and permits remained strong and was approximately \$0.75 million in excess of budget, but was approximately \$80,000 less than fiscal year 2012. Revenue from other revenue sources was \$0.44 million in excess of budget. The combination of motor vehicle excise, permit and license revenue, and other miscellaneous local revenue receipts contributed approximately 75% of the total General Fund surplus.

The General Fund operating budget savings returned \$2,672,092 or approximately 2.3% of the total appropriation. Town again realized savings in the group health insurance programs with a budget surplus of more than \$822,000 or 8.3% of budget. The Town transferred \$400,000 of this savings to the Town's Other Post-Employment Benefits (OPEB) fund as advance payment on the unfunded liability. The Budgetary Reserve Fund returned \$551,316 a greater return than in recent past years as demands on the reserve were lower than expected. The Town also realized a budgetary return of \$120,071 in unemployment costs as the amount of claims has decreased as the economy showed signs of improvement. Return of \$535,509 from the public safety departments was due in part to vacancies as staff retired, and new staff was hired and sent to training. Needham Public Schools also had a higher dollar return in the amount of \$326,896, although as a percent (0.64%) of the original school budget of \$51,112,681 appears low, it was one of the higher dollar turn backs in several years.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year-end amounted to \$292,208,913 (net of accumulated depreciation), a change of \$11,234,635 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following (in thousands):

Governmental Activities:

Senior Center design, feasibility study, construction	\$	5,474
Newman school repair		3,077
Lincoln Street property		2,597
Town Hall design and renovation		421
Department of public works administration building		174
Parks and recreation facility maintenance		331
Salt shed		156
R/B/S/I/D/B/C improvements		229
Webster Street Chapter 90 project		314

Business-Type Activities:

Pump station	\$	3,414
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Debt. At the end of the current fiscal year, total long-term bonds and loans outstanding were \$100,315,626. The bonds are backed by the full faith and credit of the government. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standards & Poor's to the Town debt since 2000.

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The General Fund balances for fiscal year 2013 were higher as expected due to the lower Free Cash figure certified by the Department of Revenue. Free Cash is essentially the portion of unassigned General Fund balance that the Massachusetts Department of Revenue will allow to be appropriated by the Town. The lower certification of the fiscal year 2012 activity was expected to generate a higher fund balance at the end of fiscal year 2013 and a much higher than usual Free Cash amount would be certified after fiscal year 2013. The Free Cash certified after fiscal 2012 was \$2,153,808; the amount certified after fiscal 2013 was \$10,133,912. In comparison, the immediate preceding five years, the average Free Cash amount certified was \$4.2 million and the ten-year average was \$3.8 million. The Town made contingency plans for this delay in the certification of monies that were effectively generated in fiscal 2012 so that when the funds were certified the following year that they would not be used to fund recurring costs, as the amount would not be expected to reoccur after fiscal 2014. The Town planned to use a significant amount of the Free Cash, after it was certified in fiscal 2014 for capital investment and additional reserves. The Town does not intend to use any more of the Free Cash than in past years for funding the subsequent fiscal year operating budget. In the fall of 2013 (FY2014), the Town appropriated \$5,981,564 of the \$10,133,912 that was certified by the Department of Revenue. \$5,032,357 was appropriated for various capital

projects, including \$2,729,276 for modular classrooms at the Mitchell School and \$650,000 for a study in partnership with the Massachusetts School Building Authority (MSBA) looking to the replacement of the Hillside School. The Town also appropriated \$566,530 to its Athletic Facility Improvement Stabilization Fund, an additional \$307,677 towards its OPEB liabilities, and \$75,000 to its fiscal 2014 Budgetary Reserve Fund. The balance of the Free Cash will be a funding source for fiscal 2015 appropriations. Management will continue to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that only a limited amount be used for the operating budget.

The Town expects a better than average increase in New Growth property tax revenue for 2014 and 2015, as build out of the Needham Crossing commercial park continues. Needham Crossing is located off Highland Avenue and abuts Interstate 95 (Rte. 128). The greater construction activity is due in part to TripAdvisor, Inc. moving its world headquarters to Needham. The Town entered into a tax incremental financing (TIF) agreement with TripAdvisor, Inc. in 2012, in exchange for a portion of the New Growth property tax revenue that its development will generate will be exempted over thirteen years. Most of the exemption occurs during the first five years. Construction of the facility has been approved and permits have been issued.

As was expected, the fiscal year 2013 year-end results showed an increase of \$4.3 million dollars in unassigned fund balance, and we anticipate that fiscal year 2014 year-end results will show a decline, but that fund balance overall will be in the normal range that it has been for Needham during the past decade. The Town's General Fund unassigned balance showed an increase of \$4,303,315 (compared to an increase of \$1,982,894 last year) from \$10,846,842 in fiscal year 2012 to \$15,150,157 in fiscal year 2013 for the aforementioned reasons. Fiscal year 2013 is the third year of the reporting transition under GSAB Statement 54 which reclassified how certain funds are reported. The new classification now includes the general and capital stabilization fund balances as part of the General Fund rather than other Governmental Funds. One effect of this reporting change was the total fund balance ratio to General Fund revenue increased markedly when compared to fiscal year 2010 and earlier. Fiscal year 2011 ratio was 17%; fiscal year 2012 was 20%; the ratio for fiscal year 2013 was 22%. The ratio for fiscal year 2013 without the stabilization funds included in the total would be 17%, an improvement over the previous three years (15.7%, 12.8%, and 12.3%). The year end results are in keeping with management's underlying long-term planning goals of sustainability. As noted, the General Fund balance now includes the stabilizations funds; however, the legal purposes and governance of the stabilization funds do not change and appropriations to and from the Funds still requires a vote of Town Meeting (the Town's legislative body).

As noted previously, the Town is moving forward with a condition assessment of the Hillside and Mitchell elementary schools, and possibly expanding the Pollard Middle School. The Town has statements of interest with the MSBA. Our assumption continues to be that at least one of the two elementary school

projects will be eligible for financial assistance from the MSBA. The current estimated cost for the two buildings is approximately \$100 million. The Town will be exploring its options during the next year.

The Town also approved \$5,565,100 to improve its St. Mary Street water pump station. This station connects the Massachusetts Water Resources Authority water supply to the Town's water distribution system, and serves as a backup to the Town's own wells. The project will be financed by the issuance of debt.

The Town made no draws against any of its appropriated stabilization accounts: Athletic Facility Improvement Fund, Capital Improvement Fund, Capital Facility Fund, and General Stabilization Fund, and it appropriated \$616,980 to these funds between the May 2013 and November 2013 Town Meetings. \$566,980 of this amount was a transfer from the Unassigned Fund Balance to the Committed Fund Balance.

The outlook for the fiscal year 2014 year-end results are expected to be stable and on par with fiscal year 2013. As mentioned previously, fiscal year 2013 actual General Fund local receipts (\$11,371,582) were higher than fiscal year 2012 local receipts (\$10,679,567), but a greater percentage of the receipts came from sources classified as non-recurring. In fiscal year 2013, 11.3% came from nonrecurring sources, whereas in fiscal year 2012 it was 9.7%. However, the recurring portion of local receipts was 4.6% more than fiscal year 2012, and within the range expected. State "Cherry Sheet" Aid increased in fiscal year 2013 over fiscal year 2012 by \$672,450, or 7.3%. However, the Town is scheduled to receive \$9,601,356 million in fiscal year 2014, a three percent increase over fiscal year 2013. Property tax revenues remain strong and collection rates, net of property tax refunds and overlay reserves, are consistently in the 98 to 99 percent range.

We anticipate that local resources will grow at a four to five percent rate during the next 12 to 24 months. 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 still caution that actions at the Federal level will have national consequences and may impact the regional economy, which likely will filter down to Needham.

The Town has held the sewer and water rates stable with no increase for more than eight fiscal years since a rate restructure was approved by the Board of Selectmen in April, 2005. Our outlook last year stated that the rates may need to be modified. This is now expected to occur in fiscal year 2014 or fiscal year 2015. As the Town takes steps to encourage residential water conservation in compliance with its permit with the Massachusetts Department of Environmental Protection, success in this endeavor may reduce billable water use, on which sewer use billing is based, and would require the rates to be adjusted to compensate for the lower volume that may be billed, as expenses would not have a commensurable decline.

REQUESTS FOR INFORMATION

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 32,448,776	\$ 12,608,520	\$ 45,057,296
Investments	24,962,248	-	24,962,248
Receivables, net:			
Property taxes	1,539,761	-	1,539,761
Excises	451,316	-	451,316
Utilities	-	4,363,579	4,363,579
Departmental	283,531	-	283,531
Intergovernmental	1,753,006	1,509,806	3,262,812
Other	66,900	-	66,900
Noncurrent:			
Receivables, net:			
Property taxes	1,227,104	-	1,227,104
Intergovernmental	6,708,437	-	6,708,437
OPEB asset	900,000	-	900,000
Capital assets:			
Non-depreciable capital assets	58,514,556	14,413,426	72,927,982
Depreciable assets, net of accumulated depreciation	<u>174,862,654</u>	<u>44,418,277</u>	<u>219,280,931</u>
TOTAL ASSETS	303,718,289	77,313,608	381,031,897
LIABILITIES			
Current:			
Warrants and accounts payable	3,611,711	785,554	4,397,265
Accrued liabilities	4,132,840	54,437	4,187,277
Refunds payable	344,885	149,710	494,595
Notes payable	10,517,125	-	10,517,125
Other liabilities	215,899	-	215,899
Current portion of long-term liabilities:			
Bonds payable	7,827,537	2,009,074	9,836,611
Compensated absences	896,917	212,050	1,108,967
Noncurrent:			
Bonds payable, net of current portion	76,940,288	14,309,330	91,249,618
Compensated absences, net of current portion	2,690,751	-	2,690,751
Landfill liability, net of current portion	<u>819,964</u>	<u>-</u>	<u>819,964</u>
TOTAL LIABILITIES	107,997,917	17,520,155	125,518,072
NET POSITION			
Net investment in capital assets	138,427,701	44,368,825	182,796,526
Restricted for:			
Permanent funds:			
Nonexpendable	188,478	-	188,478
Expendable	1,953,530	-	1,953,530
Grants and other statutory restrictions	11,020,407	-	11,020,407
Unrestricted	<u>44,130,256</u>	<u>15,424,628</u>	<u>59,554,884</u>
TOTAL NET POSITION	\$ <u>195,720,372</u>	\$ <u>59,793,453</u>	\$ <u>255,513,825</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, 2013

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 5,553,884	\$ 645,087	\$ 104,961	\$ -	\$ (4,803,836)	\$ -	\$ (4,803,836)
Public safety	14,158,053	2,447,298	95,646	-	(11,615,109)	-	(11,615,109)
Education	82,704,574	5,334,366	24,806,862	-	(52,563,346)	-	(52,563,346)
Public works	7,031,223	264,971	85,711	-	(6,680,541)	-	(6,680,541)
Maintenance	10,563,110	-	-	670,161	(9,892,949)	-	(9,892,949)
Health and human services	1,518,043	98,381	350,846	-	(1,068,816)	-	(1,068,816)
Culture and recreation	3,183,522	627,962	369,813	-	(2,185,747)	-	(2,185,747)
Interest on debt service	2,459,058	-	-	-	(2,459,058)	-	(2,459,058)
Intergovernmental	1,181,083	-	-	-	(1,181,083)	-	(1,181,083)
Other unallocated costs	8,675,434	-	5,585	-	(8,669,849)	-	(8,669,849)
Total Governmental Activities	137,027,984	9,418,065	25,819,424	670,161	(101,120,334)	-	(101,120,334)
Business-Type Activities:							
Sewer services	7,798,158	8,160,348	-	-	-	362,190	362,190
Water services	4,353,357	6,318,598	-	-	-	1,965,241	1,965,241
Solid waste services	1,901,059	1,790,276	-	-	-	(110,783)	(110,783)
Total Business-Type Activities	14,052,574	16,269,222	-	-	-	2,216,648	2,216,648
Total	\$ 151,080,558	\$ 25,687,287	\$ 25,819,424	\$ 670,161	(101,120,334)	2,216,648	(98,903,686)
General Revenues and Transfers:							
Property taxes					101,760,569	-	101,760,569
Excise taxes					4,736,317	-	4,736,317
Penalties, interest, and other taxes					1,333,063	-	1,333,063
Grants and contributions not restricted to specific programs					1,935,273	-	1,935,273
Investment income					469,802	15,506	485,308
Miscellaneous					559,493	-	559,493
Total general revenues					110,794,517	15,506	110,810,023
Excess before transfers					9,674,183	2,232,154	11,906,337
Transfers, net					538,209	(538,209)	-
Change in Net Position					10,212,392	1,693,945	11,906,337
Net Position:							
Beginning of year					185,507,980	58,099,508	243,607,488
End of year					\$ 195,720,372	\$ 59,793,453	\$ 255,513,825

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Senior Center Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 18,265,436	\$ -	\$ 2,150,773	\$ 10,514,923	\$ 30,931,132
Investments	17,064,150	5,756,285	-	2,141,813	24,962,248
Receivables:					
Property taxes	3,262,683	10,891	-	-	3,273,574
Excises	737,908	-	-	-	737,908
Departmental	978,294	-	-	7,015	985,309
Intergovernmental	7,453,818	-	-	1,007,626	8,461,444
Other	66,900	-	-	-	66,900
TOTAL ASSETS	<u>\$ 47,829,189</u>	<u>\$ 5,767,176</u>	<u>\$ 2,150,773</u>	<u>\$ 13,671,377</u>	<u>\$ 69,418,515</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Warrants and accounts payable	\$ 2,200,633	\$ -	\$ 745,361	\$ 665,717	\$ 3,611,711
Accrued liabilities	3,130,387	138	-	125,164	3,255,689
Refunds payable	344,885	-	-	-	344,885
Notes payable	-	-	6,500,000	4,017,125	10,517,125
Other liabilities	199,824	-	-	-	199,824
TOTAL LIABILITIES	5,875,729	138	7,245,361	4,808,006	17,929,234
Deferred Inflows of Resources	12,357,601	10,891	-	7,015	12,375,507
Fund Balances:					
Nonspendable	-	-	-	188,478	188,478
Restricted	1,076,293	5,756,147	-	7,553,134	14,385,574
Committed	6,638,948	-	-	2,312,078	8,951,026
Assigned	6,730,461	-	-	-	6,730,461
Unassigned (see note 19)	15,150,157	-	(5,094,588)	(1,197,334)	8,858,235
TOTAL FUND BALANCES	<u>29,595,859</u>	<u>5,756,147</u>	<u>(5,094,588)</u>	<u>8,856,356</u>	<u>39,113,774</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 47,829,189</u>	<u>\$ 5,767,176</u>	<u>\$ 2,150,773</u>	<u>\$ 13,671,377</u>	<u>\$ 69,418,515</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, 2013

Total governmental fund balances	\$ 39,113,774
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	233,377,210
• Net other post employment benefits asset is reported on the Statement of Net Position, and not reported in the funds.	900,000
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	10,864,352
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,327,412
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(686,919)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(89,175,457)</u>
Net position of governmental activities	<u>\$ 195,720,372</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, 2013

	General	Community Preservation Fund	Senior Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 99,970,554	\$ 1,697,565	\$ -	\$ -	\$ 101,668,119
Excise taxes	4,620,449	-	-	-	4,620,449
Penalties, interest, and other taxes	1,330,634	2,429	-	-	1,333,063
Charges for services	887,648	-	-	5,762,393	6,650,041
Departmental	851,889	-	-	-	851,889
Licenses and permits	1,869,446	-	-	-	1,869,446
Intergovernmental	22,193,047	437,167	-	5,619,279	28,249,493
Investment income	161,042	40,751	-	268,009	469,802
Fines and forfeitures	220,952	-	-	-	220,952
Contributions	-	-	-	917,571	917,571
Other	479,326	-	-	64,425	543,751
Total Revenues	<u>132,584,987</u>	<u>2,177,912</u>	<u>-</u>	<u>12,631,677</u>	<u>147,394,576</u>
Expenditures:					
Current:					
General government	4,718,884	208,600	-	56,941	4,984,425
Public safety	13,445,757	-	-	209,889	13,655,646
Education	69,546,442	-	-	9,927,443	79,473,885
Public works	6,498,065	-	-	22,451	6,520,516
Maintenance	8,043,322	-	5,473,672	10,396,722	23,913,716
Health and human services	1,191,925	-	-	325,825	1,517,750
Culture and recreation	2,112,052	-	-	588,124	2,700,176
Employee benefits	8,742,496	-	-	-	8,742,496
Other	480,929	-	-	-	480,929
Debt service:					
Principal	7,117,979	-	-	-	7,117,979
Interest	2,339,358	-	-	-	2,339,358
Intergovernmental	1,181,083	-	-	-	1,181,083
Total Expenditures	<u>125,418,292</u>	<u>208,600</u>	<u>5,473,672</u>	<u>21,527,395</u>	<u>152,627,959</u>
Excess (deficiency) of revenues over expenditures	7,166,695	1,969,312	(5,473,672)	(8,895,718)	(5,233,383)
Other Financing Sources (Uses):					
Issuance of bonds	-	-	1,000,000	16,959,000	17,959,000
Bond premium	811,162	-	-	-	811,162
Transfers in	2,402,361	-	267,500	5,403,459	8,073,320
Transfers out	(6,408,769)	(550,000)	-	(701,344)	(7,660,113)
Total Other Financing Sources (Uses)	<u>(3,195,246)</u>	<u>(550,000)</u>	<u>1,267,500</u>	<u>21,661,115</u>	<u>19,183,369</u>
Net change in fund balances	3,971,449	1,419,312	(4,206,172)	12,765,397	13,949,986
Fund Balances, at beginning of year	<u>25,624,410</u>	<u>4,336,835</u>	<u>(888,416)</u>	<u>(3,909,041)</u>	<u>25,163,788</u>
Fund Balances, at end of year	<u>\$ 29,595,859</u>	<u>\$ 5,756,147</u>	<u>\$ (5,094,588)</u>	<u>\$ 8,856,356</u>	<u>\$ 39,113,774</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, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 13,949,986																						
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">15,385,026</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(7,281,448)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(736,298)</td> </tr> </table> • Change in net OPEB asset <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">400,000</td> </tr> </table> • The issuance of long-term debt (bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any affect net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt, net</td> <td style="text-align: right;">(17,959,000)</td> </tr> <tr> <td>Bond premium</td> <td style="text-align: right;">(811,162)</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">40,558</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">7,117,979</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(119,700)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(49,873)</td> </tr> </table> • Internal service funds are used by management to account for self-insurance activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>276,324</u></td> </tr> </table> 		Capital outlay purchases	15,385,026	Depreciation	(7,281,448)		(736,298)		400,000	Issuance of debt, net	(17,959,000)	Bond premium	(811,162)	Bond premium amortization	40,558	Repayments of debt	7,117,979		(119,700)		(49,873)		<u>276,324</u>
Capital outlay purchases	15,385,026																						
Depreciation	(7,281,448)																						
	(736,298)																						
	400,000																						
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Bond premium	(811,162)																						
Bond premium amortization	40,558																						
Repayments of debt	7,117,979																						
	(119,700)																						
	(49,873)																						
	<u>276,324</u>																						
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>10,212,392</u>																						

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

TOWN OF NEEDHAM, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 98,565,366	\$ 98,565,366	\$ 98,565,366	\$ -
Excise taxes	3,670,000	3,670,000	4,620,449	950,449
Penalties, interest, and other taxes	1,030,025	1,030,025	1,330,634	300,609
Charges for services	833,450	833,450	887,648	54,198
Departmental	515,525	515,525	851,889	336,364
Licenses and permits	1,115,000	1,115,000	1,869,446	754,446
Intergovernmental	10,118,509	10,118,509	10,114,999	(3,510)
Investment income	80,000	80,000	84,803	4,803
Fines and forfeits	206,000	206,000	219,561	13,561
Other revenue	37,408	37,408	479,319	441,911
Total Revenues	116,171,283	116,171,283	119,024,114	2,852,831
Expenditures				
General government	3,953,093	4,084,135	3,793,092	291,043
Land use	391,793	391,793	383,708	8,085
Public safety	12,289,651	12,511,942	11,976,433	535,509
Education	51,892,719	51,892,719	51,562,837	329,882
Public works	5,829,969	5,829,969	5,677,554	152,415
Public facilities	7,728,053	7,772,462	7,711,527	60,935
Community services	3,023,195	3,068,195	3,003,810	64,385
Debt service	11,288,276	11,288,276	11,271,758	16,518
Employee benefits	20,163,483	20,163,483	19,529,113	634,370
Other appropriated expenses	1,538,191	1,095,449	516,500	578,949
Intergovernmental	1,238,429	1,238,429	1,181,083	57,346
Other amounts provided	12,500	12,500	2,238	10,262
Total Expenditures	119,349,352	119,349,352	116,609,653	2,739,699
Excess of revenues over expenditures	(3,178,069)	(3,178,069)	2,414,461	5,592,530
Other Financing Sources (Uses)				
Bond premium	46,224	46,224	811,162	764,938
Transfers in	2,346,557	2,346,557	2,402,361	55,804
Use of free cash	5,366,720	5,366,720	-	(5,366,720)
Use of bond premium	56,328	56,328	-	(56,328)
Use of overlay surplus	495,654	495,654	-	(495,654)
Transfers out	(5,133,414)	(5,133,414)	(5,220,010)	(86,596)
Total Other Financing Sources (Uses)	3,178,069	3,178,069	(2,006,487)	(5,184,556)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 407,974	\$ 407,974

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds				Governmental
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Activities Internal Service Funds
ASSETS					
Current:					
Cash and short-term investments	\$ 4,582,645	\$ 6,297,349	\$ 1,728,526	\$ 12,608,520	\$ 1,517,644
User fees receivable	2,209,444	1,889,827	264,308	4,363,579	-
Intergovernmental receivable	1,509,806	-	-	1,509,806	-
Total current assets	8,301,895	8,187,176	1,992,834	18,481,905	1,517,644
Noncurrent:					
Land and construction in progress	6,787,640	2,618,343	5,007,443	14,413,426	-
Other capital assets, net of accumulated depreciation	16,734,190	25,925,915	1,758,172	44,418,277	-
Total noncurrent assets	23,521,830	28,544,258	6,765,615	58,831,703	-
TOTAL ASSETS	31,823,725	36,731,434	8,758,449	77,313,608	1,517,644
LIABILITIES					
Current:					
Accounts payable	522,038	219,647	43,869	785,554	-
Accrued payroll	23,459	17,745	13,233	54,437	-
Accrued liabilities	-	-	-	-	190,232
Refunds payable	51,075	8,149	90,486	149,710	-
Current portion of long-term liabilities:					
Bonds payable	1,194,926	744,148	70,000	2,009,074	-
Compensated absences	96,500	77,999	37,551	212,050	-
Total current liabilities	1,887,998	1,067,688	255,139	3,210,825	190,232
Noncurrent:					
Bonds payable, net of current portion	9,606,618	4,592,712	110,000	14,309,330	-
Total noncurrent liabilities	9,606,618	4,592,712	110,000	14,309,330	-
TOTAL LIABILITIES	11,494,616	5,660,400	365,139	17,520,155	190,232
NET POSITION					
Net investment in capital assets	14,105,448	23,404,425	6,858,952	44,368,825	-
Unrestricted	6,223,661	7,666,609	1,534,358	15,424,628	1,327,412
TOTAL NET POSITION	\$ 20,329,109	\$ 31,071,034	\$ 8,393,310	\$ 59,793,453	\$ 1,327,412

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, 2013

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 8,160,348	\$ 6,316,625	\$ 1,790,276	\$ 16,267,249	\$ -
Other	<u>-</u>	<u>1,973</u>	<u>-</u>	<u>1,973</u>	<u>356,052</u>
Total Operating Revenues	8,160,348	6,318,598	1,790,276	16,269,222	356,052
Operating Expenses:					
Personnel services	869,333	930,560	594,241	2,394,134	204,728
Non-personnel services	551,760	1,100,940	1,061,900	2,714,600	-
Depreciation	834,567	1,169,444	242,355	2,246,366	-
Intergovernmental assessments	<u>5,381,187</u>	<u>964,345</u>	<u>-</u>	<u>6,345,532</u>	<u>-</u>
Total Operating Expenses	<u>7,636,847</u>	<u>4,165,289</u>	<u>1,898,496</u>	<u>13,700,632</u>	<u>204,728</u>
Operating Income (Loss)	523,501	2,153,309	(108,220)	2,568,590	151,324
Nonoperating Revenues (Expenses):					
Investment income	5,929	7,837	1,740	15,506	-
Interest expense	<u>(161,311)</u>	<u>(188,068)</u>	<u>(2,563)</u>	<u>(351,942)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(155,382)</u>	<u>(180,231)</u>	<u>(823)</u>	<u>(336,436)</u>	<u>-</u>
Income (Loss) Before Transfers	368,119	1,973,078	(109,043)	2,232,154	151,324
Transfers in	493,392	-	576,938	1,070,330	125,000
Transfers out	<u>(389,453)</u>	<u>(951,958)</u>	<u>(267,128)</u>	<u>(1,608,539)</u>	<u>-</u>
Change in Net Position	472,058	1,021,120	200,767	1,693,945	276,324
Net Position at Beginning of Year	<u>19,857,051</u>	<u>30,049,914</u>	<u>8,192,543</u>	<u>58,099,508</u>	<u>1,051,088</u>
Net Position at End of Year	<u>\$ 20,329,109</u>	<u>\$ 31,071,034</u>	<u>\$ 8,393,310</u>	<u>\$ 59,793,453</u>	<u>\$ 1,327,412</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, 2013

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Fund
<u>Cash Flows From Operating Activities :</u>					
Receipts from customers and users	\$ 8,186,389	\$ 6,183,484	\$ 1,742,503	\$ 16,112,376	\$ -
Employer contributions	-	-	-	-	356,052
Payments of utility assessments	(5,381,187)	(964,345)	-	(6,345,532)	-
Payments to vendors and contractors	(343,951)	(983,983)	(1,021,943)	(2,349,877)	-
Payments of employee salaries, benefits, and related expenses	(886,696)	(933,959)	(591,166)	(2,411,821)	(258,019)
Net Cash Provided By (Used For) Operating Activities	1,574,555	3,301,197	129,394	5,005,146	98,033
<u>Cash Flows From Noncapital Financing Activities :</u>					
Transfers from other funds	493,392	-	576,938	1,070,330	125,000
Transfers to other funds	(389,453)	(951,958)	(267,128)	(1,608,539)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	103,939	(951,958)	309,810	(538,209)	125,000
<u>Cash Flows From Capital and Related Financing Activities :</u>					
Acquisition and construction of capital assets	(3,936,736)	(1,136,633)	(304,063)	(5,377,432)	-
Issuance of bonds and loans	4,279,484	-	140,000	4,419,484	-
Principal payments on bonds and loans	(922,651)	(883,475)	(85,000)	(1,891,126)	-
Interest expense	(184,637)	(214,306)	(2,563)	(401,506)	-
Net Cash (Used For) Capital and Related Financing Activities	(764,540)	(2,234,414)	(251,626)	(3,250,580)	-
<u>Cash Flows From Investing Activities :</u>					
Investment income	5,929	7,837	1,740	15,506	-
Net Cash Provided By Investing Activities	5,929	7,837	1,740	15,506	-
Net Change in Cash and Short-Term Investments	919,883	122,662	189,318	1,231,863	223,033
Cash and Short-Term Investments, Beginning of Year	3,662,762	6,174,687	1,539,208	11,376,657	1,294,611
Cash and Short-Term Investments, End of Year	\$ 4,582,645	\$ 6,297,349	\$ 1,728,526	\$ 12,608,520	\$ 1,517,644
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities :</u>					
Operating income (loss)	\$ 523,501	\$ 2,153,309	\$ (108,220)	\$ 2,568,590	\$ 151,324
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	834,567	1,169,444	242,355	2,246,366	-
Changes in assets and liabilities:					
User fees	75,306	(138,219)	(73,167)	(136,080)	-
Accounts payable	207,809	116,958	39,957	364,724	(10,839)
Accrued liabilities	5,936	1,308	1,249	8,493	(42,452)
Refunds payable	(49,265)	3,104	25,394	(20,767)	-
Compensated absences	(23,299)	(4,707)	1,826	(26,180)	-
Net Cash Provided By (Used For) Operating Activities	\$ 1,574,555	\$ 3,301,197	\$ 129,394	\$ 5,005,146	\$ 98,033

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

TOWN OF NEEDHAM, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	Pension Trust Fund (As of <u>December 31, 2012</u>)	Private Purpose Trust <u>Fund</u>	Other Post- Employment Benefit <u>Trust Fund</u>	Other Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 1,157,891	\$ -	\$ 3,713,892	\$ 345,091
Investments	113,035,541	3,404,143	6,381,366	-
Receivables	<u>126,672</u>	<u>-</u>	<u>-</u>	<u>282,244</u>
Total Assets	114,320,104	3,404,143	10,095,258	627,335
<u>LIABILITIES AND NET POSITION</u>				
Accounts payable	-	-	-	45,362
Accrued liabilities	-	-	-	15,208
Refunds payable	-	-	-	5,736
Other liabilities	<u>35,252</u>	<u>-</u>	<u>-</u>	<u>561,029</u>
Total Liabilities	<u>35,252</u>	<u>-</u>	<u>-</u>	<u>627,335</u>
<u>NET POSITION</u>				
Total net position held in trust for pension benefits and other purposes	<u>\$ 114,284,852</u>	<u>\$ 3,404,143</u>	<u>\$ 10,095,258</u>	<u>\$ -</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (For the Year Ended December 31, 2012)	Private Purpose Trust Fund	Other Post- Employment Benefit Trust Fund
Additions:			
Contributions:			
Employers	\$ 4,997,421	\$ -	\$ 4,923,887
Plan members	3,136,848	-	-
Other	<u>375,655</u>	<u>18,978</u>	<u>-</u>
Total contributions	8,509,924	18,978	4,923,887
Investment Income:			
Increase (decrease) in fair value of investments	14,078,513	436,000	586,261
Less: management fees	<u>(571,439)</u>	<u>-</u>	<u>-</u>
Net investment income	13,507,074	436,000	586,261
Total additions	22,016,998	454,978	5,510,148
Deductions:			
Benefit payments to plan members and beneficiaries	10,315,790	-	3,037,410
Refunds to plan members	477,870	-	-
Administrative expenses	372,787	-	-
Other	<u>198,470</u>	<u>291,543</u>	<u>-</u>
Total deductions	11,364,917	291,543	3,037,410
Net increase	10,652,081	163,435	2,472,738
Net position:			
Beginning of year	<u>103,632,771</u>	<u>3,240,708</u>	<u>7,622,520</u>
End of year	<u>\$ 114,284,852</u>	<u>\$ 3,404,143</u>	<u>\$ 10,095,258</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* was adopted on November 2, 2004 by a state-wide act enabling legislation to allow Cities and Towns to choose to create a new funding source that can be used to address three core community concerns:
 - Acquisition and preservation of open space
 - Creation and support of affordable housing
 - Acquisition and preservation of historic buildings and landscapes
- The *Senior Center Fund* was established to account for the design, feasibility study and construction costs of the new Senior Center and relating financing through issuance of bonds and notes and transfers from General Fund.

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

The government reports the following major proprietary funds:

- The *Sewer Fund* is used to report the Town's sewer enterprise fund operations.
- The *Water Fund* is used to report the Town's water enterprise fund operations.
- The *Solid Waste Fund* is used to report the Town's transfer station enterprise fund operations.

The self-insured employee workers compensation is reported as an *Internal Service Fund* in the accompanying financial statements.

The *Pension Trust Fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.

The *Agency Funds* include *Student Activity Funds, Police, Fire and Maintenance Detail Funds* and *Needham Retirement Board Fund*.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is

used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of approximately \$16,000.

G. Capital Assets

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

H. Compensated Absences

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

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 132,584,987	\$ 125,418,292
Other financing sources/uses (GAAP Basis)	<u>3,213,523</u>	<u>6,408,769</u>
Subtotal (GAAP Basis)	135,798,510	131,827,061
To adjust property tax revenue to the budgetary basis	(1,405,195)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,953,202)
Add end-of-year appropriation carryforwards from expenditures	-	3,487,402
Reverse GASB 24 MTRS	(12,070,665)	(12,070,665)
Less nonbudgeted funds	(77,630)	546,450
Less MWPAT subsidy	<u>(7,383)</u>	<u>(7,383)</u>
Budgetary Basis	<u>\$ 122,237,637</u>	<u>\$ 121,829,663</u>

D. Deficit Fund Equity

The Town reflects several special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements and the use of bond anticipation notes to finance construction activities.

The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other funds and issuance of long-term debt.

The following funds had deficits as of June 30, 2013:

Major Governmental Funds:	
Senior Center design and feasibility	\$ 5,094,588
Nonmajor Governmental Funds:	
Special Revenue Funds:	
2013 911 Dep. Support and Incentive	57,612
2013 911 Training and EMD Grant	13,975
Metrowest Bullying	3,352
2012 911 PSAP and RECC Support	1,475
Capital Project Funds	
Newman School repair	688,308
RBS/DBC Improvement	239,433
Town Hall Renovation	72,721
Pollard Roof Replacement	60,997
Booth Street reconstruction	56,803
DPW Administrative Building	1,478
Pollard School renovation	1,180
Subtotal Nonmajor Governmental Funds	<u>1,197,334</u>
Fiduciary Funds:	
Police outside detail	224,188
Fire outside detail	97,034
Needham retirement board	19,279
Subtotal Fiduciary Funds	<u>340,501</u>
Total	<u>\$ 6,632,423</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law (MGL) Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's custodial credit risk policy allows unlimited amounts to be deposited in certificates of deposits with a maximum maturity as set by Massachusetts General Laws (MGL) and full collateralization through a third-party agreement. The policy also allows unlimited deposits in Massachusetts State pooled fund and limits the remaining unsecured deposits to 5% of any institution's assets and no more than 25% of the Town's assets. The Town's policy was designed to limit exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and the tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The Contributory Retirement System (the System) does not have a deposit policy for custodial credit risk.

As of June 30, 2013, \$22,114,754 of the Town's bank balance of \$50,476,540 was exposed to custodial credit risk as uninsured or uncollateralized. Of the Town's exposed risk, \$6,211,868 was mitigated by SIPC and \$15,902,885 was invested in MMDT.

As of December 31, 2012, \$900,293 of the Contributory Retirement System's bank balance of \$1,040,956 was exposed to custodial credit risk as uninsured or uncollateralized. Of the System's exposed risk, \$645,278 was invested in MMDT and \$255,015 was invested in PRIT.

4. Investments

A. Credit Risk

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

Presented below is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating as of Year-end</u>
Certificates of deposits	\$ 14,133,715	N/A
Corporate equities	2,708,660	N/A
Mutual funds	11,669,021	N/A
Federal agency securities	2,062,096	AAA
US Treasury notes	1,604,241	AAA
Corporate bonds	1,655,885	A2
US Government bonds	134,978	AAA
Municipal bonds	<u>779,161</u>	A2
Total investments	\$ <u><u>34,747,757</u></u>	

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2012, the System maintained its investments in the State Investment Pool* with a fair value of \$113,035,541. This investment type is not rated.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. Agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. The Retirement System does not have policies for custodial credit risk.

As of June 30, 2013, \$20,614,042 out of the Town's investments of \$34,747,757 was exposed to custodial credit risk as uninsured and uncollateralized. The Town manages this risk with Securities Investor Protection Corporation (SIPC) and excess SIPC coverage.

As of December 31, 2012, the System's investments of \$113,035,541 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State investment pool (PRIT).

C. Concentration of Credit Risk

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

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Per Massachusetts general law, investments of operating cash or bond paydown amounts should be placed in investments with a one year or less maturity date or in shares issued by money market funds registered with the Securities and Exchange Commission. The Town addresses interest rate risk by managing duration. The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
Debt-related Securities:					
Federal agency securities	\$ 2,062,096	\$ 610,432	\$ 1,160,217	\$ 291,447	\$ -
Corporate bonds	1,655,885	315,316	1,285,050	55,519	-
US Government bonds	134,978	115,016	-	-	19,962
US Treasury notes	1,604,241	-	1,604,241	-	-
Municipal bonds	<u>779,161</u>	<u>657,956</u>	<u>-</u>	<u>-</u>	<u>121,205</u>
Total	<u>\$ 6,236,361</u>	<u>\$ 1,698,720</u>	<u>\$ 4,049,508</u>	<u>\$ 346,966</u>	<u>\$ 141,167</u>

E. Foreign Currency Risk

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

5. Accounts Receivable

A. Property Taxes

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

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days

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

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate			
	2013	\$ 443	
	2012	11	
	Subtotal		454
Personal Property			
	2013	211	
	2012	182	
	2011	217	
	2010	254	
	2009	46	
	Prior	251	
	Subtotal		1,161
	Tax Liens		1,022
	Deferred Taxes		620
	Tax Roll Backs		6
	CPA		11
	Total		<u>\$ 3,274</u>

B. Allowance for Uncollectibles

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 507
Excises	287
Ambulance	702

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

C. Departmental

Departmental receivables are primarily comprised of ambulance receivables.

D. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013 and future reimbursements from the MSBA.

6. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,402,361	\$ 6,408,769
Community Preservation Fund	-	550,000
Senior Center Fund	267,500	-
Nonmajor Funds:		
Special Revenue Funds:		
Town grants	-	1,700
Receipts reserved for appropriation	-	68,018
Revolving funds	30,000	16,112
Trust funds	-	40,000
Other special revenue funds	10,000	-
Capital Project Funds:		
FY12 projects	3,786,633	4,129
FY11 projects	100,800	6,774
FY10 projects	33,000	375,578
FY09 projects	1,415,505	4,782
FY08 projects	5,000	120,000
FY06 projects	-	17,251
FY05 projects	22,521	-
FY03 projects	-	46,998
Subtotal Nonmajor Funds	5,403,459	701,342
<u>Business-Type Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Sewer Fund	493,392	389,453
Water Fund	-	951,958
Solid Waste Fund	576,938	267,128
Subtotal Business-Type Funds:	1,070,330	1,608,539
Internal Service Funds	125,000	-
Grand Total	\$ <u>9,268,650</u>	\$ <u>9,268,650</u>

The transfers from the sewer, water, and solid waste funds to the general fund are made to cover indirect costs incurred by general fund. The

\$4,868,329 transfer from the General fund to the various Capital Project funds represents the Town's practice of funding certain capital activity from General fund revenues. The \$1,070,330 transfer (from General Fund) into the Enterprise Funds represents a subsidy to the RTS fund and a Sewer Fund reimbursement to General Fund for the drainage program related work performed by the Department of Public Works. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

7. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 178,352	\$ 13,672	\$ -	\$ 192,024
Machinery, equipment, and furnishings	9,732	1,724	(82)	11,374
Vehicles	4,233	271	(91)	4,413
Infrastructure	<u>31,885</u>	<u>525</u>	<u>-</u>	<u>32,410</u>
Total capital assets, being depreciated	224,202	16,192	(173)	240,221
Less accumulated depreciation for:				
Buildings and improvements	(33,375)	(4,411)	-	(37,786)
Machinery, equipment, and furnishings	(7,351)	(1,052)	82	(8,321)
Vehicles	(3,262)	(609)	91	(3,780)
Infrastructure	<u>(14,262)</u>	<u>(1,209)</u>	<u>-</u>	<u>(15,471)</u>
Total accumulated depreciation	<u>(58,250)</u>	<u>(7,281)</u>	<u>173</u>	<u>(65,358)</u>
Total capital assets, being depreciated, net	165,952	8,911	-	174,863
Capital assets, not being depreciated:				
Land	19,072	2,596	-	21,668
Works of Art	120	-	-	120
Construction in progress	<u>40,130</u>	<u>8,569</u>	<u>(11,973)</u>	<u>36,726</u>
Total capital assets, not being depreciated	<u>59,322</u>	<u>11,165</u>	<u>(11,973)</u>	<u>58,514</u>
Governmental activities capital assets, net	<u>\$ 225,274</u>	<u>\$ 20,076</u>	<u>\$ (11,973)</u>	<u>\$ 233,377</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,904	\$ -	\$ -	\$ 8,904
Plant	6,600	-	-	6,600
Machinery, equipment, and furnishings	4,161	435	-	4,596
Vehicles	1,481	147	(76)	1,552
Infrastructure	<u>69,424</u>	<u>473</u>	<u>-</u>	<u>69,897</u>
Total capital assets, being depreciated	90,570	1,055	(76)	91,549
Less accumulated depreciation for:				
Buildings and improvements	(3,840)	(250)	-	(4,090)
Plant	(2,488)	(229)	-	(2,717)
Machinery, equipment, and furnishings	(3,035)	(271)	-	(3,306)
Vehicles	(905)	(287)	76	(1,116)
Infrastructure	<u>(34,692)</u>	<u>(1,209)</u>	<u>-</u>	<u>(35,901)</u>
Total accumulated depreciation	<u>(44,960)</u>	<u>(2,246)</u>	<u>76</u>	<u>(47,130)</u>
Total capital assets, being depreciated, net	45,610	(1,191)	-	44,419
Capital assets, not being depreciated:				
Land	5,275	-	-	5,275
Construction in progress	<u>4,816</u>	<u>4,322</u>	<u>-</u>	<u>9,138</u>
Total capital assets, not being depreciated	<u>10,091</u>	<u>4,322</u>	<u>-</u>	<u>14,413</u>
Business-type activities capital assets, net	<u>\$ 55,701</u>	<u>\$ 3,131</u>	<u>\$ -</u>	<u>\$ 58,832</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 650
Public safety	422
Education	3,708
Maintenance	1,209
Public works	738
Culture and recreation	<u>554</u>
Total depreciation expense - governmental activities	<u>\$ 7,281</u>
Business-Type Activities:	
Sewer	\$ 835
Water	1,169
Solid waste	<u>242</u>
Total depreciation expense - business-type activities	<u>\$ 2,246</u>

8. Warrants and Accounts Payable

Warrants and accounts payable represent 2013 expenditures paid after June 30, 2013.

9. Accrued Liabilities

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

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

10. Refunds Payable

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

11. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
MWPAT Loan	\$ 1,214,646	\$ 4,819,644	\$ (6,034,290)	\$ -
Bond anticipation	8,650,000	-	(8,650,000)	-
Bond anticipation	-	5,008,000	-	5,008,000
Bond anticipation	-	3,299,125	-	3,299,125
Bond anticipation	-	2,210,000	-	2,210,000
Total	<u>\$ 9,864,646</u>	<u>\$ 15,336,769</u>	<u>\$ (14,684,290)</u>	<u>\$ 10,517,125</u>

The following are notes payable outstanding at year-end:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
Senior Center Construction	1.50%	10/15/12	07/02/13	\$ 5,000,000
Booth Street Reconstruction	1.50%	10/15/12	07/02/13	8,000
Newman School Repairs	0.75%	12/20/12	07/02/13	2,500,000
Town Hall (CPA Portion)	0.75%	12/20/12	07/02/13	69,125
Pollard School Roof Repairs	0.75%	12/20/12	07/02/13	65,000
Streets-Booth	0.75%	12/20/12	07/02/13	45,000
Land Acquisition	0.75%	12/20/12	07/02/13	605,000
Public Services Administration Building	0.75%	12/20/12	07/02/13	15,000
Senior Center Construction	0.50%	06/28/13	12/02/13	1,500,000
High Rock and Pollard School Remodeling	0.50%	06/28/13	12/02/13	5,000
Town Hall Renovations (CPA portion)	0.50%	06/28/13	12/02/13	100,000
Newman School Repairs	0.50%	06/28/13	12/02/13	400,000
Booth Street Reconstruction	0.50%	06/28/13	12/02/13	5,000
Public Works Infrastructure Program	0.50%	06/28/13	12/02/13	<u>200,000</u>
Total				<u>\$ 10,517,125</u>

12. Long-Term Debt

A. Long-Term Debt Supporting Activities

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

B. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity	Amount Outstanding as of 6/30/13
MA Water Pollution Abatement Trust	\$ 393,951	Various	06/01/95	02/01/15	\$ 60,288
MA Water Pollution Abatement Trust	85,894	Various	12/09/98	08/01/18	33,240
MA Water Pollution Abatement Trust	91,400	Various	12/09/98	08/01/18	33,300
MA Water Pollution Abatement Trust	243,300	Various	12/09/98	08/01/18	88,400
MA Water Pollution Abatement Trust	1,261,272	Various	12/09/98	08/01/18	500,400
MA Water Pollution Abatement Trust	496,276	Various	12/09/98	08/01/18	189,982
MA Water Pollution Abatement Trust	175,500	Various	12/09/98	08/01/18	63,900
Elementary School	14,000,000	3.00 - 4.70	11/01/03	11/01/23	700,000
Library	12,649,000	3.00 - 4.75	12/01/04	12/01/19	1,630,000
Municipal Purpose FY 2005	6,827,000	3.25 - 4.20	06/01/05	06/01/25	3,425,000
Municipal Purpose FY 2006	3,097,000	3.24 - 3.66	12/15/05	02/15/15	400,000
High School	10,000,000	3.75 - 4.50	11/01/06	11/01/26	6,800,000
Municipal Purpose FY 2007	5,525,000	3.75 - 4.50	11/01/06	11/11/19	3,460,000
Municipal Purpose FY 2008	4,470,000	4.05 - 5.00	06/15/07	06/15/12	2,000,000
Municipal Purpose FY 2009	12,600,000	3.25 - 5.00	06/03/08	12/01/26	8,990,000
Municipal Purpose FY 2009	5,600,000	4.61	11/01/08	08/01/27	3,940,000
Municipal Purpose FY 2010	6,842,000	2.94	06/01/09	06/01/28	3,860,000
Municipal Purpose FY 2010	15,815,000	2.00 - 4.00	12/15/09	08/01/28	12,995,000
Municipal Purpose FY 2010	4,000,000	2.00 - 3.00	06/15/10	12/01/24	2,420,000
MA Water Resources Authority	215,710	0.00	02/22/10	02/15/10	86,284
MA Water Resources Authority	283,305	0.00	05/17/10	05/15/15	113,322
MA Water Resources Authority	57,613	0.00	11/15/10	11/15/15	34,568
Municipal Purpose FY 2011	4,635,000	1.00 - 3.00	10/15/10	04/01/17	1,385,000
Municipal Purpose FY 2011	11,750,000	2.00 - 5.00	05/19/11	10/01/28	8,850,000
GOB - Municipal Purpose FY2012	2,460,000	2.00 - 3.125	10/05/11	08/01/26	2,225,000
GOB - Refunding FY2012	10,995,000	2.00 - 4.00	06/06/12	11/01/23	10,900,000
MA Water Pollution Abatement Trust	1,064,706	2.08	07/08/10	07/15/30	731,860
MA Water Resources Authority	220,990	0.00	02/27/12	02/15/17	176,792
Municipal Purpose FY 2013	12,244,000	2.00 - 4.00	10/03/12	07/15/32	12,244,000
MA Water Pollution Abatement Trust	6,034,290	2.00	05/22/13	01/15/33	6,034,290
Municipal Purpose FY 2013	5,945,000	2.00 - 4.00	06/18/13	11/01/32	5,945,000
					<u>\$ 100,315,626</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,786,979	\$ 2,711,069	\$ 10,498,048
2015	7,482,612	2,429,346	9,911,958
2016	6,952,526	2,229,911	9,182,437
2017	6,717,526	2,041,132	8,758,658
2018	6,197,527	1,845,889	8,043,416
2019 - 2023	26,880,052	6,219,486	33,099,538
2024 - 2028	17,205,000	2,028,544	19,233,544
2029 - 2033	4,775,000	303,584	5,078,584
Total	\$ <u>83,997,222</u>	\$ <u>19,808,961</u>	\$ <u>103,806,183</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,009,074	\$ 430,413	\$ 2,439,487
2015	1,810,035	415,125	2,225,160
2016	1,518,674	359,492	1,878,166
2017	1,511,704	308,424	1,820,128
2018	1,502,393	252,889	1,755,282
2019 - 2023	3,903,498	703,215	4,606,713
2024 - 2028	2,097,332	338,072	2,435,404
2029 - 2031	1,965,694	111,386	2,077,080
Total	\$ <u>16,318,404</u>	\$ <u>2,919,016</u>	\$ <u>19,237,420</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2013 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2000	Rosemary Pool Complex Design	\$ 42,500
March 2010	Roads, Bridges, Sidewalks and Intersection Improvement Program	249,800
November 2010	Pollard School Roof Repair	475,369
May 2011	Roads, Bridges, Sidewalks and Intersection Improvement Program	500,000
May 2011	Booth Street	80,000
November 2011	Senior Center Construction	6,934,308
May 2012	Property Acquisition 59 Lincoln and 89 School Street	117,500
May 2012	Property Acquisition 37-39 Lincoln Street	25,000
May 2012	Roads, Bridges, Sidewalks and Intersection Improvement Program	600,000
October 2012	Property Acquisition 51 Lincoln Street	150,000
May 2005	Ridge Hill Rehabilitation	104,600
May 2007	High Rock & Pollard School Project	5,000
October 2005	Public Service Administration Building	64,000
May 2009	Town Hall (GF Portion) 22%	465,000
May 2009	Town Hall (CPA Portion) 78%	1,379,125
May 2009	Stormwater Master Plan Drainage Improvements (Latern & Gayland)	157,000
November 2009	Newman School Extraordinary Repairs	881,709

(continued)

(continued)

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2007	Sewer System Rehabilitation I/I Work	338,093
May 2008	Wastewater Pump Station at GPA (2nd)	18,000
May 2009	Sewer Pump Station Design (Reservoir B)	50,497
November 2011	Sewer Pump Station Construction (Reservoir B)	6,300,000
May 2005	Water System Rehabilitation (Warren Street)	30,000
May 2008	Water Main Improvements	600,294
May 2011	RTS Construction Equipment - Forklift	12,000
May 2011	RTS Semi-Tractor Equipment	152,000
October 2012	RTS Soil Remediation	218,000
	Total	<u>\$ 19,949,795</u>

E. Changes in General Long-term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 73,156	\$ 17,959	\$ (7,118)	\$ 83,997	\$ (7,787)	\$ 76,210
Unamortized bond premium	-	811	(40)	771	(40)	731
Subtotal bonds payable	73,156	18,770	(7,158)	84,768	(7,827)	76,941
Other:						
Accrued employee benefits	3,538	50	-	3,588	(897)	2,691
Landfill closure	819	-	-	819	-	819
Totals	<u>\$ 77,513</u>	<u>\$ 18,820</u>	<u>\$ (7,158)</u>	<u>\$ 89,175</u>	<u>\$ (8,724)</u>	<u>\$ 80,451</u>

	Total Balance <u>6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 11,945	\$ 6,264	\$ (1,891)	\$ 16,318	\$ (2,009)	\$ 14,309
Other:						
Accrued employee benefits	238	-	(26)	212	(212)	-
Totals	<u>\$ 12,183</u>	<u>\$ 6,264</u>	<u>\$ (1,917)</u>	<u>\$ 16,530</u>	<u>\$ (2,221)</u>	<u>\$ 14,309</u>

F. Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered

deceased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2013, the amount of deceased debt outstanding but removed from the governmental activities and business-type activities was \$5,775,000.

13. Landfill Postclosure Care Costs

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

The \$819,964 reported as postclosure care liability at June 30, 2013 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 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

The Town has implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2013 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

15. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

16. Governmental Funds - Balances

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

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and 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 general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust 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 general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Community Preservation Fund	Senior Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 188,478	\$ 188,478
Total Nonspendable	-	-	-	188,478	188,478
Restricted					
Debt service	1,076,293	-	-	-	\$ 1,076,293
Bonded projects	-	-	-	335,344	335,344
Special revenue funds:					
Community preservation	-	5,756,147	-	-	5,756,147
Expendable trust funds	-	-	-	1,953,530	1,953,530
Kindergarten after school enrichment program	-	-	-	671,462	671,462
Pupil transportation	-	-	-	507,825	507,825
Summer School	-	-	-	346,083	346,083
RRFA - parking meter fund	-	-	-	191,350	191,350
Greene's field project	-	-	-	181,612	181,612
Library equalization	-	-	-	150,605	150,605
Integrated preschool	-	-	-	126,299	126,299
FY13 NEF super grant	-	-	-	111,500	111,500
School lunch	-	-	-	1,010,481	1,010,481
Other special revenue funds	-	-	-	1,967,043	1,967,043
Total Restricted	1,076,293	5,756,147	-	7,553,134	14,385,574

(continued)

(continued)

Committed					
Continuing appropriations articles	464,527	-	-	-	464,527
Compensated absences	219,388	-	-	-	219,388
General and capital stabilization	5,955,033	-	-	-	5,955,033
Capital project funds	-	-	-	2,312,078	2,312,078
Total Committed	6,638,948	-	-	2,312,078	8,951,026
Assigned					
Encumbrances	3,554,989	-	-	-	3,554,989
For next year's expenditures	3,175,472	-	-	-	3,175,472
Total Assigned	6,730,461	-	-	-	6,730,461
Unassigned	15,150,157	-	(5,094,588)	(1,197,334)	8,858,235
Total Fund Balance	\$ 29,595,859	\$ 5,756,147	\$ (5,094,588)	\$ 8,856,356	\$ 39,113,774

17. General Fund Unassigned Fund Balance

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

18. Commitments and Contingencies

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

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

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

19. Subsequent Events

In the fall of 2013 (fiscal year 2014), the Town voted to appropriate \$5,981,564 of free cash to use in the fiscal year 2014 budget.

20. **Post-Employment Healthcare and Life Insurance Benefits (Other Post-Employment Benefits)**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2011, the actuarial valuation date, approximately 724 retirees and 1,016 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria may receive these benefits.

C. Funding Policy

Retirees contribute 32 - 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pre-funded basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB asset (obligation) based on an actuarial valuation as of July 1, 2011.

Annual Required Contribution (ARC)	\$ 4,523,887
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	4,523,887
Contributions made	4,923,887
Increase in net OPEB asset	400,000 *
Net OPEB asset - beginning of year	500,000
Net OPEB asset - end of year	\$ 900,000

* represents funding in excess of ARC

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset
2013	\$ 4,523,887	109%	\$ 900,000
2012	\$ 3,906,275	113%	\$ 500,000
2011	\$ 3,626,375	100%	\$ -
2010	\$ 3,446,556	100%	\$ -
2009	\$ 3,102,311	100%	\$ -

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 59,122,322
Actuarial value of plan assets	6,423,760
Unfunded actuarial accrued liability (UAAL)	\$ 52,698,562
Funded ratio (actuarial value of plan assets/AAL)	10.9%
Covered payroll (active plan members)	\$ 60,859,276
UAAL as a percentage of covered payroll	86.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 28 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

21. Contributory Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Needham Contributory Retirement System (NCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the NCRS. 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 NCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The NCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission. The System also issues a stand-alone financial report, which can be obtained

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

Membership of each plan consisted of the following at December 31, 2012:

Retirees and beneficiaries receiving benefits	435
Terminated plan members entitled to but not yet receiving benefits	165
Active plan members	<u>644</u>
Total	<u><u>1,244</u></u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year. The percentages are as follows:

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2013	\$ 3,696,000	100%
2012	\$ 4,722,775	100%
2011	\$ 4,552,978	100%
2010	\$ 4,271,094	100%
2009	\$ 4,121,326	100%
2008	\$ 3,979,000	100%
2007	\$ 3,835,000	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Needham contributory Retirement System's most recent valuation (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/12	\$ 114,445	\$ 156,915	\$ 42,470	72.9%	\$ 28,963	146.6%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00 % investment rate of return and (b) a projected salary increase of 5.25 to 5.50% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3 %, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.00 %) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2012, the unfunded actuarially accrued liability is being amortized over 18 years using 4.0 % increasing payment method.

E. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

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

* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$12,070,665 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

F. Other Employees

Certain retired employees of the Town were exempted from membership or elected not to participate in the System. The Town pays retirement benefits to these employees from the General Fund appropriations. These employees are not included in the Town's actuarial liability. The Town's fiscal 2013 pension expense relating to these employees was approximately \$33,340.

22. Self-Insurance

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

As of June 30, 2013, the Town's workers compensation fund had a balance of \$1,327,412 in net position (a component of Total Net Position). This amount is generated from the remainder of the workers compensation budget

voted each year by the Town Meeting. The Town appropriated \$400,000 for workers compensation line item in fiscal year 2011. 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 New York Marine and General Insurance Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$350,000 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, 2013 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, 2013 are as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 232,684
Claims incurred/recognized in fiscal year 2013	204,728
Claims paid in fiscal year 2013	<u>(247,180)</u>
Claims liability, end of year	<u>\$ 190,232</u>

23. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

24. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have changed from the previous fiscal year. Also, GASB Statement 54 has redefined fund types. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/12 (as previously reported)	Reclassification	Fund Equity 6/30/12 (as restated)
Senior Center	\$ -	\$ (888,416)	\$ (888,416)
Newman School Repair	(9,629,645)	9,629,645	-
Nonmajor Governmental Funds	<u>4,832,188</u>	<u>(8,741,229)</u>	<u>(3,909,041)</u>
Total	<u>\$ (4,797,457)</u>	<u>\$ -</u>	<u>\$ (4,797,457)</u>

25. Implementation of New GASB Standard

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Retirement System's actuarially accrued liability.

**TOWN OF NEEDHAM, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2013
(Unaudited)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 114,445,376	\$ 156,914,866	\$ 42,469,490	72.93%	\$ 28,963,004	146.6%
01/01/11	\$ 116,465,717	\$ 149,577,973	\$ 33,112,256	77.86%	\$ 28,057,204	118.0%
01/01/10	\$ 115,771,921	\$ 148,011,244	\$ 32,239,323	78.22%	\$ 30,285,518	106.5%
01/01/09	\$ 102,420,630	\$ 139,054,020	\$ 36,633,390	73.66%	\$ 28,012,825	130.8%
01/01/07	\$ 102,235,876	\$ 128,668,586	\$ 26,432,710	79.50%	\$ 26,120,560	101.2%
01/01/05	\$ 89,965,920	\$ 119,994,011	\$ 30,028,091	75.00%	\$ 23,585,296	127.3%
01/01/04	\$ 82,910,726	\$ 113,426,667	\$ 30,515,941	73.10%	\$ 21,633,442	141.1%
01/01/03	\$ 76,356,568	\$ 108,537,756	\$ 32,181,188	70.40%	\$ 21,380,463	150.5%
01/01/00	\$ 80,624,013	\$ 88,236,491	\$ 7,612,478	91.40%	\$ 18,313,876	41.6%
01/01/97	\$ 50,591,567	\$ 69,604,902	\$ 19,013,335	72.70%	\$ 16,120,405	117.9%
01/01/95	\$ 41,448,079	\$ 66,617,237	\$ 25,169,158	62.20%	\$ 12,547,993	200.6%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/11	\$ 6,423,760	\$ 59,122,322	\$ 52,698,562	10.9%	\$ 60,859,276	86.6%
07/01/09	\$ 5,008,484	\$ 48,888,127	\$ 43,879,643	10.2%	\$ 61,582,295	71.3%
07/01/07	\$ 3,075,317	\$ 46,672,308	\$ 43,596,991	6.6%	\$ 59,616,565	73.1%
07/01/05	\$ 2,131,044	\$ 43,172,705	\$ 41,041,661	4.9%	\$ 51,915,780	79.1%

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Revenues and Other Sources, and
Expenditures and Other Uses -
Sewer Enterprise Fund Budget vs. Actual Comparison

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 7,601,727	\$ 8,235,654	\$ 633,927
Interest income	<u>4,000</u>	<u>5,929</u>	<u>1,929</u>
Total Revenues	7,605,727	8,241,583	635,856
Expenditures:			
Sewer expenditures	1,437,994	1,352,650	85,344
Intergovernmental	5,440,127	5,381,187	58,940
Debt service	<u>1,400,000</u>	<u>1,377,289</u>	<u>22,711</u>
Total Expenditures	<u>8,278,121</u>	<u>8,111,126</u>	<u>166,995</u>
Excess of revenues over expenditures	(672,394)	130,457	802,851
Other Financing Sources and Uses:			
Transfers in	493,392	493,392	-
Use of retained earnings	1,218,555	-	(1,218,555)
Transfers out	<u>(1,039,553)</u>	<u>(1,039,553)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>672,394</u>	<u>(546,161)</u>	<u>(1,218,555)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (415,704)</u>	<u>\$ (415,704)</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
 Schedule of Revenues and Other Sources, and
 Expenditures and Other Uses -
 Water Enterprise Fund Budget vs. Actual Comparison

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 5,256,980	\$ 6,178,405	\$ 921,425
Interest income	5,000	7,837	2,837
Other revenue	<u>-</u>	<u>1,973</u>	<u>1,973</u>
Total Revenues	5,261,980	6,188,215	926,235
Expenditures:			
Water expenditures	2,149,994	2,009,890	140,104
Intergovernmental	965,737	964,345	1,392
Debt service	<u>1,550,000</u>	<u>1,255,780</u>	<u>294,220</u>
Total Expenditures	<u>4,665,731</u>	<u>4,230,015</u>	<u>435,716</u>
Excess of revenues over expenditures	596,249	1,958,200	1,361,951
Other Financing Sources and Uses:			
Use of retained earnings	772,009	-	(772,009)
Transfers out	<u>(1,368,258)</u>	<u>(1,368,258)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(596,249)</u>	<u>(1,368,258)</u>	<u>(772,009)</u>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 589,942</u>	<u>\$ 589,942</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Revenues and Other Sources, and
Expenditures and Other Uses -
Solid Waste Enterprise Fund Budget vs. Actual Comparison

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 1,501,540	\$ 1,717,110	\$ 215,570
Interest income	<u>750</u>	<u>1,740</u>	<u>990</u>
Total Revenues	1,502,290	1,718,850	216,560
Expenditures:			
Transfers station expenditures	1,935,583	1,738,350	197,233
Debt service	<u>150,000</u>	<u>149,563</u>	<u>437</u>
Total Expenditures	<u>2,085,583</u>	<u>1,887,913</u>	<u>197,670</u>
Excess of revenues over expenditures	(583,293)	(169,063)	414,230
Other Financing Sources and Uses:			
Transfers in	576,938	576,938	-
Use of retained earnings	448,683	-	(448,683)
Transfers out	<u>(442,328)</u>	<u>(442,328)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>583,293</u>	<u>134,610</u>	<u>(448,683)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (34,453)</u>	<u>\$ (34,453)</u>

See Independent Auditors' Report.