



TOWN OF NEEDHAM, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Needham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the Town), as of and for the year ended June 30, 2023, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts, as of June 30, 2023, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2022) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Marcum LLP

Andover, MA
August 7, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required and Other Supplementary Information

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

Financial Highlights

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

Government-Wide Financial Analysis

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

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

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

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

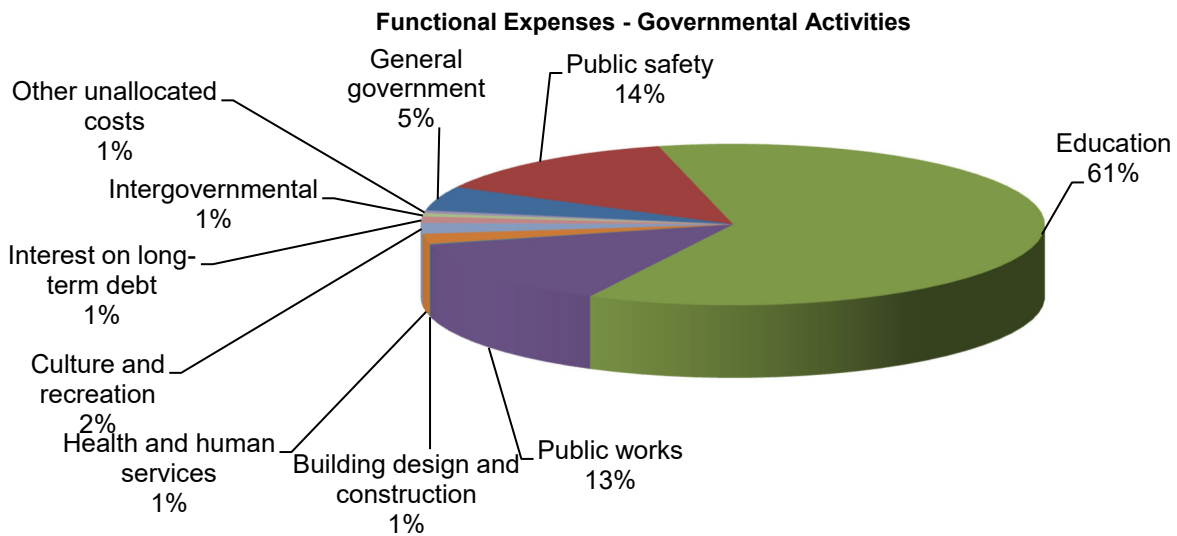
The largest portion of net position \$307,660,771 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, infrastructure, works of art, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$25,908,333 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(40,771,919) primarily resulting from unfunded pension and OPEB liabilities.

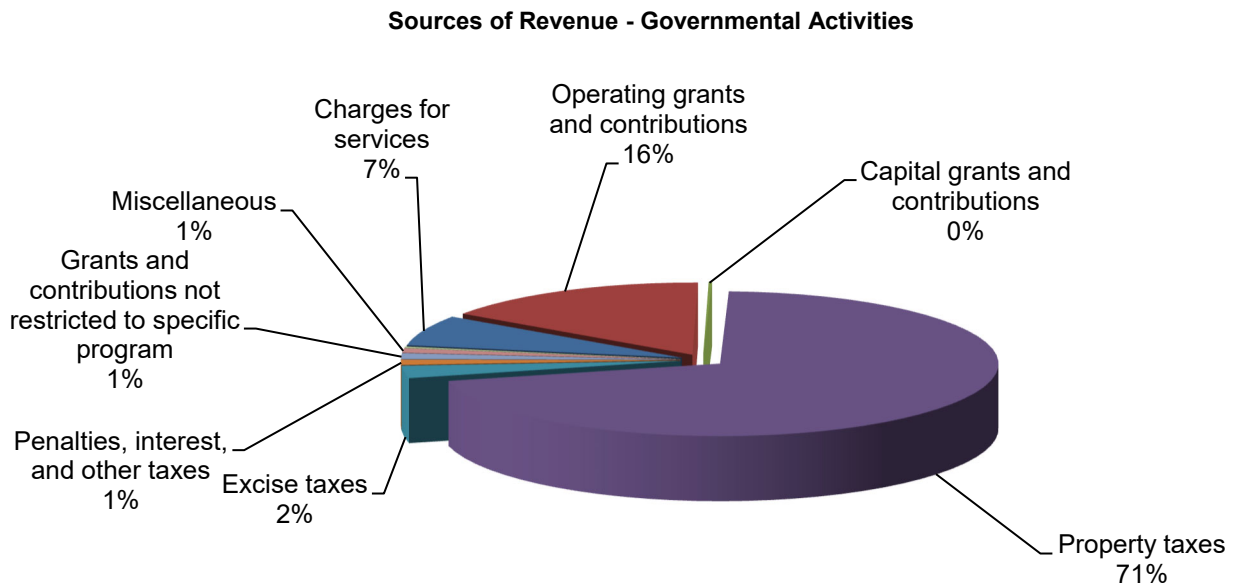
Governmental Activities

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

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



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



Business-Type Activities

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

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the Town's chief operating fund. The unassigned fund balance at June 30, 2023 was \$35,727,556, while total fund balance was \$64,604,349. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the following table:

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

Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$15,333,541.

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

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

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

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

Community Preservation Fund

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

Town Federal Grants Fund

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

Nonmajor Governmental Funds

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

Proprietary Funds

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

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

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

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

General Fund Budgetary Highlights

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line-item amendments are made at a special town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The operating budget was approved at \$206,020,137 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$207,658,066. The final operating budget total for fiscal year 2023 was amended upward by \$168,023 from the original budget to \$206,188,160. The final state and county assessments decreased by \$37,228 from the Annual Town Meeting estimate to \$1,588,201 and there was no change for the other amounts to be provided (\$12,500). The total final General Fund budget was \$207,788,861 (Table E1).

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

Table E1
General Fund

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

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

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

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

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

Table E2

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

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

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

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

Table E3

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

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

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

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

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

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

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

Table E4

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

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

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

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

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

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

Capital Assets and Debt Administration

Capital Assets

Total capital assets for governmental and business-type activities at year-end amounted to \$440,052,739 (net of accumulated depreciation), a change of \$(43,012) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, vehicles, infrastructure, works of art and construction in progress.

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

Governmental Activities:

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

Business-Type Activities:

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

Long-Term Debt

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

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

Economic Factors and Next Year's Budgets And Rates

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

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

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

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

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

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

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

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

directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for ongoing operating budget expenses. The Select Board has endorsed this best practice.

Table G1

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

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

The Town had planned a multi-year phase in of rate changes to mitigate the revenue loss from the closure of the Coca Cola bottling production in Needham, and did make minor changes for fiscal year 2020, but chose not to change the rates for fiscal year 2021 or 2022 due to COVID. The Select Board approved increases to the domestic water (primarily indoor use), irrigation water, and sewer rates effective October 2022, followed by increases to the rates effective July 1, 2023. The July 1, 2023 step rate increases for water use, ranged between 1.8 to 2.0%, and for all the sewer rate steps, the increase was 3.0%. There will be a need to update the user rates again for the fiscal year 2025.

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

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

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

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

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

Requests for Information

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

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

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

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

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2023

Net Changes in Fund Balances - Total Governmental Funds	\$ 10,208,321
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

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

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for doubtful accounts.

	(431,496)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any affect on the changes in net position:

Repayments of general obligation bonds and loans	13,500,000
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In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

	429,344
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

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

Internal service funds are used by management to account for self-insurance activities. The net activity of internal service funds is reported with Governmental Activities.

	<u>671,352</u>
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Change in Net Position of Governmental Activities	\$ <u>13,287,841</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

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

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Fiduciary Component Units

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Community Preservation Fund* was adopted on November 2, 2004 by a state-wide act enabling legislation to allow Cities and Towns to choose to create a new funding source that can be used to address three core community concerns:
 - Acquisition and preservation of open space
 - Creation and support of affordable housing
 - Acquisition and preservation of historic buildings and landscapes
- The *Town Federal Grants Fund* is used to account for the Town's activities related to federal grants.

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

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

The Town reports the following major proprietary funds:

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

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

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

The Town reports the following fiduciary funds:

- The *Pension Trust Fund* accounts for the activities of the Needham Retirement System (NRS), which accumulates resources for pension benefit payments to qualified employees.

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

Deposits and Investments

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

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

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

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

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

Investments in the Needham Retirement System are held in the Pension Reserve Investment Trust Fund (PRIT). Investments in the OPEB Trust Fund are held in the Massachusetts State Retiree Benefits Trust Fund (SBRT). Both are maintained by the Massachusetts Pension Reserves Investment Management Board (PRIM). Fair value of the investments held in PRIT and SBRT are the same as the value of the pool shares.

Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot

increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted.

Capital Assets

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

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

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

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

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

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

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

Compensated Absences

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

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

Nonspendable

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

Restricted

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

Committed

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

Assigned

Represents funds that are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.

Unassigned

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

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

Net Position

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

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets

and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Deficit Fund Equity

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

New Pronouncements

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

3. Deposits and Investments

Town (Excluding the Pension and OPEB Trust Fund)

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

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

Investments

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

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using

surplus revenues, MGL, Chapter 44, Section 55, limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for debt related investments of the Town, as rated by S&P Global Ratings:

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. Investments are held in the Town's name, except for \$5,776,539, which are held by counterparty.

Concentration of Credit Risk

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

As of June 30, 2023, the Town did not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town addresses interest rate risk by managing duration.

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

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

Foreign Currency Risk

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

Fair Value

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

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

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

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

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

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

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

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

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

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

4. Investments – OPEB Trust Fund

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

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

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

Fair Value

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

5. Investments - Retirement System

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

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

Credit Risk

Massachusetts General Laws (MGL), Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

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

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

Fair Value

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

6. Property Taxes and Excises Receivable

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

100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. The actual fiscal year 2023 tax levy reflected an excess capacity of \$1,175,906.

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

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

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

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

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

Departmental Receivables

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

7. Interfund Transfers

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

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

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

The \$1,119,972 transfer from the General Fund into the enterprise funds represents a subsidy to the sewer fund to cover storm water expenses funded by general revenues. Most of the transfers out of the General Fund represent the Town's practice of using *free cash* (available unassigned fund balance as certified by the Massachusetts Department of Revenue) and overlay surplus to the various non-major capital project funds.

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

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

8. Capital Assets

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

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

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

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

Governmental Activities:

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

Total \$ 16,428,780

Business-Type Activities:

Sewer	\$ 970,113
Water	<u>1,904,291</u>

Total \$ 2,874,404

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accrued Liabilities

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

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

11. Refunds Payable

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

12. Notes Payable

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

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

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

13. Long-Term Debt

General Obligation Bonds and Loans

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

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

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

Future Debt Service

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

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

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

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

Bond Authorizations

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

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

Changes in Long-Term Liabilities

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

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

Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2023, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$5,290,000.

14. Landfill Postclosure Care Costs

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

The \$338,493 reported as postclosure care liability at June 30, 2023, represents the estimated costs to maintain and monitor the site for the remainder of the thirty years. These amounts are based on what it would cost to perform all postclosure care in fiscal year 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisitions of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports three items as deferred inflows of resources: one which is attributable to changes in the net pension liability, changes in OPEB liability, and the other one which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. Governmental Funds - Balances

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

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

Stabilization Fund Arrangements

In accordance with Massachusetts General Laws, Section 5B of Chapter 40, as amended by Section 22 of Chapter 218 of the Acts of 2016, the Town maintains five stabilization

funds. Per Chapter 218, balances in the stabilization funds can be expended only upon appropriation at Town Meeting. Additionally, transfers to the stabilization funds are required to be approved at Town Meeting. The Town maintains the following stabilization funds:

- General stabilization – established around 1970, for general purposes.
- Capital improvement stabilization – established in May 2004, to reserve funds for the acquisition of new equipment, and/or the replacement of existing equipment (in both cases relating to equipment for which the Town may borrow for 5 years, or more), and/or for building/facility improvements with a cost of less than \$250,000.
- Capital facility stabilization – established in May 2007, to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity of the capital facilities.
- Athletic facility stabilization – established in May 2012, to reserve funds for the renovation and reconstruction of the Town's athletic facilities.
- Debt service stabilization – established in November 2015, to reserve funds to pay certain debt obligations, when necessary. The fund is intended to be part of the Town's overall planning strategy for addressing capital facility needs.

17. Restricted Net Position

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

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

18. Needham Contributory Retirement System

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

Plan Description

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

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the five years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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

Participant Refunds

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

Participants' Contributions

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

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

For those members entering a System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2023, was \$11,263,367, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2023, the Town reported a liability of \$87,176,317 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2022, the Town's proportion was 98.74%, previously 98.65%.

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

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

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

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

Actuarial Assumptions

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

Valuation date	1/1/2023
Actuarial cost methods	Individual Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.25%
Projected salary increases	Ranging from 6.00% decreasing to 3.75% for Group 1 Ranging from 6.00% decreasing to 4.00% for Group 2 Ranging from 7.00% decreasing to 4.25% for Group 4
Inflation rate	2.4% per year
Payroll growth	3.5% per year
Post-retirement cost-of-living adjustment	3% of the first \$16,000

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

Mortality rates were based on RP-2014 Blue Collar Employee Mortality Table with full generational mortality improvement using Scale MP-2016. For disabled members, RP-

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

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of June 30, 2023, are summarized in the following table:

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

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

Pension Plan Fiduciary Net Position

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

19. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired

after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

Contributions

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

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

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

Actuarial Assumptions

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

- (a) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012-2020.

Mortality rates were as follows:

- Pre-retirement – reflects RP-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement – reflects RP-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocation

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	4.00%	3.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially

determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

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

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$188,613,549 based on a proportionate share of 0.728571%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as of \$15,333,541 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$15,515,305 as both a revenue and expense on the Statement of Activities.

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

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

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

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

Retirees/Disabled	971
Active employees	<u>1,385</u>
Total	<u><u>2,356</u></u>

Investments

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

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%, as of June 2023 and future periods
Salary increases	3.0% annually as of June 2023 and future periods
Investment rate of return	6.30%, net of investment expenses, including inflation
Discount rate	6.25%, net of investment expenses, including inflation
Healthcare cost trend rates	4.50% for 2023, based on the SOA Getzen Model of Long-Run Medical Cost Trends
Participation rate	80% of eligible employees
Retirees' share of benefit-related costs	26%-50%, depending on the retiree's plan

Mortality rates were based on:

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

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

Target Allocations

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

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table:

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

Contributions

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

Discount Rate

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

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

Net OPEB Liability

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

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

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

Changes in the Net OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended June 30:

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

21. Self-Insurance

Workers' Compensation

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

As of June 30, 2023, the Town's workers' compensation fund had a balance of \$2,057,523 in unrestricted net position. This amount is generated from the remainder of the workers compensation budget voted each year by Town Meeting, less accrual for outstanding

claims. The Town appropriated \$733,900 for workers' compensation line item in fiscal year 2023. These funds are used to pay workers' compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from Midwest Employers Casualty Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$450,000 per accident per employee to an aggregate limit of \$1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is \$4,000,000. The Town has no excess liability coverage for public safety employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2023 has been recorded in the Internal Service Fund. This represents the Town's estimate of future payments based on historical information on active cases.

Changes in the aggregate liability for claims for the year ended June 30, 2023 and June 30, 2022 were as follows:

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

22. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Abatements

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

Encumbrances

At year-end, the Town's General Fund had \$3,216,564 of encumbrances that will be honored in the next fiscal year.

23. Beginning Fund Balance Reclassification

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

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

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

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

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

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2023

(UNAUDITED)

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

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

Notes to Required Supplementary Information for General Fund Budget

Budgetary Basis and Information

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations. At the annual town meeting, the Finance Committee presents an operating budget for the General Fund. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws. At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances, which will be honored during the subsequent year.

Budget/GAAP Reconciliation

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

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

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

Needham Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	December 31, 2022	98.74%	\$ 87,176,317	\$ 43,326,494	201.21%	70.80%
June 30, 2022	December 31, 2021	98.65%	45,865,454	40,549,126	113.11%	83.90%
June 30, 2021	December 31, 2020	98.47%	73,694,482	43,397,457	169.81%	73.09%
June 30, 2020	December 31, 2019	98.72%	84,371,092	41,193,710	204.82%	68.07%
June 30, 2019	December 31, 2018	98.43%	78,768,106	43,859,715	179.59%	66.48%
June 30, 2018	December 31, 2017	98.48%	64,280,887	44,684,936	143.85%	71.58%
June 30, 2017	December 31, 2016	98.41%	68,675,930	38,860,207	176.73%	67.10%
June 30, 2016	December 31, 2015	98.20%	63,877,775	39,406,655	162.10%	67.43%
June 30, 2015	December 31, 2014	98.27%	54,445,695	35,772,213	152.20%	71.09%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	June 30, 2022	0.73%	\$ -	\$ 188,613,549	\$ 188,613,549	\$ 61,020,236	0.00%	57.75%
June 30, 2022	June 30, 2021	0.75%	-	168,708,472	168,708,472	55,875,071	0.00%	62.03%
June 30, 2021	June 30, 2020	0.71%	-	202,510,698	202,510,698	48,375,608	0.00%	50.67%
June 30, 2020	June 30, 2019	0.70%	-	175,678,243	175,678,243	50,620,405	0.00%	53.95%
June 30, 2019	June 30, 2018	0.69%	-	163,330,397	163,330,397	44,888,988	0.00%	54.84%
June 30, 2018	June 30, 2017	0.68%	-	156,266,130	156,266,130	46,022,868	0.00%	54.25%
June 30, 2017	June 30, 2016	0.67%	-	148,771,539	148,771,539	44,621,329	0.00%	52.73%
June 30, 2016	June 30, 2015	0.66%	-	135,373,423	135,373,423	39,867,330	0.00%	55.38%
June 30, 2015	June 30, 2014	0.63%	-	100,708,775	100,708,775	N/A	0.00%	61.64%

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

Needham Contributory Retirement System					
Fiscal Year	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	\$ 11,263,367	\$ 11,263,367	\$ -	\$ 43,326,494	26.00%
June 30, 2022	10,417,439	10,417,439	-	40,549,126	25.69%
June 30, 2021	9,368,084	9,368,084	-	43,397,457	21.59%
June 30, 2020	8,577,048	8,577,048	-	41,193,710	20.82%
June 30, 2019	7,809,911	7,809,911	-	43,859,715	17.81%
June 30, 2018	7,203,059	7,203,059	-	44,684,936	16.12%
June 30, 2017	6,600,162	6,600,162	-	38,860,207	16.98%
June 30, 2016	6,039,115	6,039,115	-	39,406,655	15.33%
June 30, 2015	5,524,150	5,524,150	-	35,772,213	15.44%

Massachusetts Teachers' Retirement System					
Fiscal Year	Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	\$ 15,333,541	\$ 15,333,541	\$ -	\$ 59,968,766	25.57%
June 30, 2022	12,990,950	12,990,950	-	61,020,236	21.29%
June 30, 2021	11,020,792	11,020,792	-	55,875,071	19.72%
June 30, 2020	10,059,024	10,059,024	-	48,375,608	20.79%
June 30, 2019	9,056,616	9,056,616	-	50,620,405	17.89%
June 30, 2018	8,436,349	8,436,349	-	44,888,988	18.79%
June 30, 2017	7,483,070	7,483,070	-	46,022,868	16.26%
June 30, 2016	6,751,809	6,751,809	-	44,621,329	15.13%
June 30, 2015	5,938,614	5,938,614	-	39,867,330	14.90%

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See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 3,562,953	\$ 3,030,646	\$ 3,085,625	\$ 2,915,612	\$ 2,797,907	\$ 2,573,887	\$ 2,486,847
Interest	8,499,323	8,414,773	8,384,081	7,382,923	6,347,733	6,913,177	6,544,745
Plan amendments	-	-	-	-	-	(4,090,587)	-
Differences between expected and actual experience	(1,166,068)	(3,714,901)	(293,339)	159,645	(21,193,711)	1,798,808	-
Changes of assumptions	2,666,428	3,950,140	3,893,113	8,438,164	31,054,380	(4,589,355)	-
Benefit payments	<u>(5,735,280)</u>	<u>(5,626,770)</u>	<u>(5,034,735)</u>	<u>(4,502,453)</u>	<u>(4,174,262)</u>	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Net Change in Total OPEB Liability	7,827,356	6,053,888	10,034,745	14,393,891	14,832,047	(1,857,215)	5,073,197
Total OPEB Liability - Beginning	<u>135,250,391</u>	<u>129,196,503</u>	<u>119,161,758</u>	<u>104,767,867</u>	<u>89,935,820</u>	<u>91,793,035</u>	<u>86,719,838</u>
Total OPEB Liability - Ending (a)	143,077,747	135,250,391	129,196,503	119,161,758	104,767,867	89,935,820	91,793,035
Plan Fiduciary Net Position							
Contributions - employer	10,909,594	9,213,019	8,650,376	8,032,252	7,800,967	7,389,578	6,317,042
Net investment income	3,576,485	(2,379,071)	13,820,192	873,725	1,831,609	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	(5,735,280)	(5,626,770)	(5,034,735)	(4,502,453)	(4,174,262)	(4,463,145)	(3,958,395)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,093</u>
Net Change in Plan Fiduciary Net Position	8,750,799	1,207,178	17,435,833	4,403,524	5,458,314	6,043,636	5,635,970
Plan Fiduciary Net Position - Beginning	<u>61,383,656</u>	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>	<u>21,199,201</u>
Plan Fiduciary Net Position - Ending (b)	<u>70,134,455</u>	<u>61,383,656</u>	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 72,943,292</u>	<u>\$ 73,866,735</u>	<u>\$ 69,020,025</u>	<u>\$ 76,421,113</u>	<u>\$ 66,430,746</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>

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See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability							
Total OPEB liability	\$ 143,077,747	\$ 135,250,391	\$ 129,196,503	\$ 119,161,758	\$ 104,767,867	\$ 89,935,820	\$ 91,793,035
Plan fiduciary net position	<u>(70,134,455)</u>	<u>(61,383,656)</u>	<u>(60,176,478)</u>	<u>(42,740,645)</u>	<u>(38,337,121)</u>	<u>(32,878,807)</u>	<u>(26,835,171)</u>
Net OPEB Liability	<u>\$ 72,943,292</u>	<u>\$ 73,866,735</u>	<u>\$ 69,020,025</u>	<u>\$ 76,421,113</u>	<u>\$ 66,430,746</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>
Plan Fiduciary Net Position as a							
Percentage of the Total OPEB Liability	49.02%	45.39%	46.58%	35.87%	36.59%	36.56%	29.23%
Covered Employee Payroll	\$ 118,576,875	\$ 105,734,622	\$ 102,654,973	\$ 99,665,022	\$ 93,645,807	\$ 94,042,382	\$ 94,042,382
Net OPEB Liability as a Percentage of Covered Employee Payroll	61.52%	69.86%	67.23%	76.68%	70.94%	60.67%	69.07%
Schedule of Contributions							
Actuarially determined contribution	\$ 8,844,474	\$ 7,426,237	\$ 7,197,713	\$ 6,906,705	\$ 6,906,705	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially determined contribution	<u>8,844,474</u>	<u>7,426,237</u>	<u>7,426,237</u>	<u>6,906,705</u>	<u>6,906,705</u>	<u>6,115,455</u>	<u>5,568,923</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (228,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,172)</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 118,576,875	\$ 105,734,622	\$ 102,654,973	\$ 99,665,022	\$ 93,645,807	\$ 94,042,382	\$ 94,042,382
Contributions as a Percentage of Covered Employee Payroll	7.46%	7.02%	7.23%	6.93%	7.38%	6.50%	5.92%
Schedule of Investment Returns							
Annual money weighted rate of return, net of investment expenses	5.28%	-6.25%	28.97%	4.65%	4.93%	11.62%	14.25%

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See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2023

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2023

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

See Independent Auditors' Report.