OFFICIAL STATEMENT DATED MAY 31, 2016

Rating: See “Rating” herein.
Standard & Poor’s Rating Services: AAA

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the “Code”). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. See “Tax Exemption” herein.

TOWN OF NEEDHAM, MASSACHUSETTS
$6,645,000 GENERAL OBLIGATION REFUNDING BONDS
UNLIMITED TAX

DATED	DUE
Date of Delivery	August 1 (as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable August 1 of the years in which the Bonds mature. Interest on the Bonds will be payable February 1 and August 1 of each year, commencing August 1, 2016. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Needham, Massachusetts, and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

MATURITIES, PRINCIPAL AMOUNTS, RATES, YIELDS AND CUSIPS

Due August 1	Principal Amount	Rate	Prices/ Yields	Cusip 639846
2016	$ 140,000	2.00 %	0.50 %	V76
2019	940,000	4.00	0.90	W26
2020	930,000	4.00	1.02	W34
2021	915,000	4.00	1.14	W42
2022	910,000	4.00	1.26	W59
2023	900,000	4.00	1.38	W67
2024	890,000	4.00	1.48	W75
2025	400,000	4.00	1.60	W83
2026	390,000	4.00	1.73	W91
2027	230,000	4.00	1.85	X25

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale (see “Opinion of Bond Counsel.”) FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Needham, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 16, 2016, against payment to the Town in Federal Reserve funds.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Tuesday, May 31, 2016, 11:00 a.m. (E.T).
Location of Sale:	FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Needham, Massachusetts.
Issue:	$6,645,000 General Obligation Refunding Bonds, see "THE BONDS" herein.
Official Statement Dated:	May 31, 2016.
Dated Date of the Bonds:	Date of Delivery.
Principal Due:	Serially on August 1, 2016 and August 1, 2019 through August 1, 2027, as set forth herein.
Interest Payable:	February 1 and August 1 of each year, commencing August 1, 2016.
Purpose and Authority:	The Bonds are authorized for refunding purposes in accordance with the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates.
Security:	The Bonds will be valid general obligations of the Town of Needham, Massachusetts, and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.
Credit Rating:	Standard & Poor's Rating Services has assigned a rating of AAA to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".
Bank Qualification:	The Bonds will not be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent/Escrow Agent:	U.S. Bank National Association, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts. See "THE BONDS – Opinion of Bond Counsel".
Financial Advisor:	FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, New York, New York, or to its custodial agent, on or about June 16, 2016, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Ms. Evelyn M. Poness, Treasurer, Town of Needham, Massachusetts telephone (781) 455-7500 or Peter Frazier, Managing Director, FirstSouthwest, a Division of Hilltop Securities, Inc., Boston, Massachusetts Telephone (617) 619-4409.

NOTICE OF SALE

TOWN OF NEEDHAM, MASSACHUSETTS

$6,770,000* GENERAL OBLIGATION REFUNDING BONDS

UNLIMITED TAX

The Town of Needham, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Tuesday, May 31, 2016, for the purchase of the following described General Obligation Refunding Bonds of the Town (the "Bonds"):

$6,770,000* General Obligation Refunding Bonds payable August 1 of the years and in the amounts as follows:

Due August 1	Principal Amount*
2016	$ 155,000
2019	965,000
2020	955,000
2021	935,000
2022	925,000
2023	905,000
2024	900,000
2025	405,000
2026	395,000
2027	230,000

*Preliminary, subject to change.

The Bonds will be dated as of their date of delivery. Principal of the Bonds will be payable on August 1 of the years in which the Bonds mature. Interest will be payable on August 1, 2016 and semi-annually thereafter on February 1 and August 1 of each year.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge to such purchaser.

The Bonds are not subject to redemption prior to their stated maturity dates.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or **(c) any interest rate in excess of 4.0 percent. No bid of less than par plus a premium of at least $85,000 will be considered.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of June 16, 2016, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule for the Bonds after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding after taking into account the premium to be received by the Town and (b) account for any changes in the bonds to be refunded with proceeds of the Bonds based on the actual debt service savings to be realized by the Town. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of any insurance premium) provided in such bid, nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

(a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Evelyn M. Poness, Treasurer, Town of Needham, Massachusetts c/o First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to FirstSouthwest, a Division of Hilltop Securities Inc., telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by FirstSouthwest, a Division of Hilltop Securities Inc.. FirstSouthwest, a Division of Hilltop Securities Inc. will act as agent for the bidder, but neither the Town nor FirstSouthwest, a Division of Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.

(b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and Board of Selectmen.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Needham has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard and Poor's Rating Services for a rating on the Bonds. Any such fee paid to Standard and Poor's Rating Services would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 23, 2016 (see "THE BONDS – Opinion of Bond Counsel"), (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of its date and as of the date of sale the Preliminary Official Statement did not, and as of its date and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

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

<u>The Bonds will not be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code.</u>

Additional information concerning the Town of Needham and the Bonds is contained in the Preliminary Official Statement dated May 23, 2016, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4409). Within seven (7) business days following the award of the Bonds in accordance herewith, 50 copies of the Final Official Statement will be available from the FirstSouthwest, a Division of Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of May 31, 2016 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on said Bonds shall be paid for by the Town, however, the Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds, in definitive form, will be delivered to DTC, or its custodial agent, on or about June 16, 2016 for settlement in Federal Reserve Funds.

/s/ Ms. Evelyn M. Poness, Treasurer
Town of Needham, Massachusetts

May 23, 2016

OFFICIAL STATEMENT

TOWN OF NEEDHAM, MASSACHUSETTS

$6,645,000 GENERAL OBLIGATION REFUNDING BONDS

UNLIMITED TAX

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Needham, Massachusetts (the "Town") in connection with the sale of $6,645,000 aggregate principal amount of its General Obligation Refunding Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their date of delivery and will bear interest payable semiannually on February 1 and August 1 of each year commencing August 1, 2016. The Bonds shall mature on August 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

Record Date

The record date for each payment of interest is fifteenth day of the month preceding the interest payment date, provided that, if such day is not a business day, the record date will be the next succeeding business day, and provided further that with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered.

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

Authorization of the Bonds and Use of Proceeds

This Issue	Purpose	M.G.L. Chapter Reference, Ch. 44,
$ 6,645,000	Refunding	21A

Bond proceeds will be used to advance refund the Town's $12,600,000 General Obligation Bonds dated June 1, 2008, maturing December 1 in the years 2019 through 2026, inclusive, in the aggregate principal amount of $4,670,000 and the Town's $5,600,000 General Obligation Bonds dated November 1, 2008, maturing August 1 in the years 2019 through 2025, (inclusive), and 2027, in the aggregate principal amount of $2,350,000 (collectively, the "Refunded Bonds"), and to pay costs of issuing the Bonds.

Plan of Refunding

Upon delivery of the Bonds, the City will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash and an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on, the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds and (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by FirstSouthwest, a Division of Hilltop Securities Inc. on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by FirstSouthwest, a Division of Hilltop Securities Inc. and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	$ 6,645,000.00
Premium	1,021,073.54
Other Contributions	29,005.02
Total Sources	$ 7,695,078.56
Uses:	
Deposit to Refunding Escrow Fund	$ 7,578,587.73
Purchaser's Discount	6,334.29
Costs of Issuance	81,151.52
Other Contributions	29,005.02
Total Uses	$ 7,695,078.56

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

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

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

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

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

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

Security and Remedies

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

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

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

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above $10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

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

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

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

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

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

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

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

Rating

Standard & Poor's Rating Services has assigned a rating of AAA to the Bonds. Said rating, only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc.

FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town of Needham, Massachusetts.

Continuing Disclosure

In order to assist the underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule.

In the past five years the Town has not failed to comply, in all material respects, with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF NEEDHAM, MASSACHUSETTS

General

The Town of Needham is located in Norfolk County, 10 miles southwest of Boston. It is bordered on the west and northwest by the Town of Wellesley, on the north and northeast by the City of Newton, on the east by the West Roxbury section of the City of Boston, on the southeast by the Town of Dedham, and on the south by the Towns of Westwood and Dover. Needham has a population of approximately 28,886 and occupies a land area of 12.6 square miles. Established as a town in 1711, Needham is governed by a limited form of town meeting and by a five-member Board of Selectmen. School affairs are administered by a seven-member School Committee and a Superintendent of Schools.

PRINCIPAL TOWN OFFICIALS

Title	Name	Selection/Term	Term Expires
Selectman, Chairman	Matthew D. Borrelli	Elected	2017
Selectman, Vice-Chair	Marianne B. Cooley	Elected	2017
Selectman, Clerk	Daniel P. Matthews	Elected	2019
Selectman	John A. Bulian	Elected	2018
Selectman	Maurice P. Handel	Elected	2018
Town Mananger	Kate Fitzpatrick	Appointed	2016
Director of Finance	David Davison	Appointed	Indefinite
Treasurer/Collector	Evelyn M. Poness	Appointed	Indefinite
Town Accountant	Michelle Vaillancourt	Appointed	Indefinite
Town Clerk	Theodora K. Easton	Elected	2019
Town Counsel	David S. Tobin	Appointed	Indefinite
Superintendent of Schools	Daniel E. Gutekanst	Appointed	2018

Municipal Services

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

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

Gas and electric services are provided by established private utilities.

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

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

Education

The Town currently operates 1 pre-school, 5 elementary schools, 2 middle schools (High Rock and Pollard), and a senior high school. Total capacity is sufficient to meet current enrollment. The Town's capital plan reflects the need for further renovations. The Town has recently completed the construction and/or reconstruction of 3 elementary schools, the middle school, and the high school. A portion of the debt service on such borrowings has been exempted from the limits of Proposition 2 1/2. The following table sets forth the trend in public school enrollments. This does not include pre-school or out of district students.

PUBLIC SCHOOL ENROLLMENTS - OCTOBER 1,

	Actual					
	2010	2011	2012	2013	2014	2015
Elementary (Pre-K and K-5)	2,585	2,568	2,601	2,613	2,604	2,627
Middle/Junior High(6-8)	1,261	438	1,313	1,317	1,312	1,290
Senior High(9-12)	1,412	1,522	1,562	1,606	1,631	1,665
Totals	5,258	4,528	5,476	5,536	5,547	5,582

The Town is a member of the Minuteman Regional Vocational Technical School District, which is located in Lexington, and includes 16 member towns.

Industry and Commerce

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

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

	Calendar Year Average				
Industry	2010	2011	2012	2013	2014
Construction	686	689	607	681	730
Manufacturing	950	974	905	845	1,030
Trade, Transportation and Utilities	2,128	2,198	2,104	2,171	2,227
Information	1,355	1,063	1,159	1,351	1,161
Financial Activities	1,273	1,278	1,423	1,372	1,395
Professional and Business Services	5,021	5,096	5,280	5,735	5,794
Education and Health Services	4,511	4,741	5,277	5,643	6,170
Leisure and Hospitality	1,197	1,241	1,143	1,214	1,207
Other Services	847	879	921	867	916
Total Employment	17,968	18,159	18,819	19,879	20,630
Number of Establishments	1,370	1,405	1,381	1,383	1,433
Average Weekly Wages	$ 1,659	$ 1,675	$ 1,698	$ 1,656	$ 1,607
Total Wages	$ 1,583,284,580	$ 1,612,703,181	$ 1,696,831,400	$ 1,747,794,340	$ 1,756,869,740

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

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

LARGEST EMPLOYERS

Name	Product/Function	No. of Employees Approximate
Parametric Technology Corp.	Software Development	1,000+
Coca Cola Refreshments	Bottling & Distributing	500-999
Bitpipe Inc.	Information Technology	250-499
Charles River Associates	Consulting	250-499
Community Newspaper Co.	Publishing	250-499
Dialogic Inc.	Wireless Communications	250-499
Newton Tab	Publishing	250-499
North Hill Living Care Center	Retirement Center	250-499
WCVB Channel 5	Television	250-499
Briarwood Healthcare	Health Care	100-249
Olin College of Engineering	Education	100-249
Partners Community Health Care	Health Care	100-249
Beth Israel Deaconess Hospital	Health Care	100-249

SOURCE: Individual Employers listed.

Needham Crossing is a multi-million dollar business park located approximately 3 miles northeast of downtown Needham. The business park offers proximity to both Routes 9 and 128 (Interstate 95) as well as the natural conveniences as Cutler Lake Park and the Charles River. The business park originally contained primarily warehouses and offices and now, over 30 years later, through land use zoning changes, Needham Crossing is unique in its mix of residential, office and other commercial uses that has generated much interest from businesses to locate there. The Needham Crossing area boasts long term occupants such as Coca Cola, PTC, and the Sheraton Hotel, and several new arrivals which include Trip-Advisors which built its new world headquarters in the park, and life science companies such as Verastem. A brand new Marriott Residence Inn hotel opened in the park a couple of years ago, and plans for third major hotel are being reviewed. BigBelly Solar Inc., a maker of “green” trash cans has doubled the size of its headquarters when it moved to the park last year. Euro-Pro, known for its Shark vacuums and Ninja blenders, plans to relocate to the park near Trip-Advisor’s new complex within the next year.

A state highway project is currently underway to widen Route 95/128 through Needham. The project will expand the highway from three lanes to four lanes and add an additional ramp in Needham. The project is expected to be completed by 2018, and the Town anticipates that the roadway improvement will have an overall positive effect and economic benefit for the Needham Business Center, as well as the community.

Labor Force, Employment and Unemployment

According to the Massachusetts Department of Employment and Training preliminary data, in April 2016, the Town had a total labor force of 15,275 of which 14,870 were employed and 405 or 2.7% were unemployed as compared with 3.9% for the Commonwealth and 4.2% for the United States (unadjusted).

The following table sets forth the Town's average labor force and unemployment rates for each of the last five calendar years and the unemployment rate for the Commonwealth and country as a whole for the same period.

UNEMPLOYMENT RATES

	Town of Needham			Massachusetts	United States
Calendar Year	Labor Force	Employment	Unemployment Rate	Unemployement Rate	Unemployment Rate
2015	15,125	14,616	3.4 %	4.9 %	5.3 %
2014	14,978	14,403	3.8	5.8	6.8
2013	14,423	13,736	4.8	7.1	7.4
2012	14,424	13,786	4.4	6.7	7.8
2011	14,242	13,555	4.8	6.8	8.9

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data for Town are unadjusted.

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2011 through 2015. Permits are filed for both private constructions as well as for Town projects.

BUILDING PERMITS

	New Construction				Additons/Alterations						
	Residential		Non-Residential		Residential		Non-Residential		Totals		
Calendar Year	No	Value	No.	Value	No	Value	No.	Value	No.	Value	
2015	96	$ 49,102,984	4	$ 40,797,038	1,261	$ 49,792,473	157	$ 20,565,226	1,518	$ 160,257,721	
2014	128	55,233,407	2	7,098,527	866	34,165,215	117	56,433,250	1,113	152,930,399	
2013	104	43,260,044	9	87,468,435	901	29,704,213	254	37,865,698	1,268	198,298,390	(1)
2012	65	29,309,250	6	70,092,432	933	45,019,656	198	40,324,037	1,202	184,745,375	(2)
2011	87	35,456,868	2	10,065,007	1,065	29,860,259	170	44,925,785	1,324	120,307,919	(3)

SOURCE: Report of the Building Inspector.

(1) Includes Trip Advisor ($34.5 million office building and $13.2 million parking garage), 865 Central Ave. North Hill ($25 million), Beth Israel Hospital ($2.2 million) and 50 Dedham Ave ($3.4 million).

(2) Includes Senior Center ($5,548,000) and Charles River Pump Station ($5,391,706) and one new non-residential building permit for the Marriott Residence Inn Motel, ($9.4 million).

(3) Includes Pollard Middle School ($3,842,500), Hillside Elementary School ($31,524,000) and Newman Elementary School ($18,014,745).

Transportation

The principal highways serving the Town are State Routes 9, 135 and 128 (I-95). There are three exits off Interstate 95 that provide direct access to Needham. A project is currently underway to widen Route 128 through Needham. This add-a-lane project is expected to be completed by 2018. The MBTA provides commuter rail service on a regular basis to Boston. There are four commuter rails stops physically located in Needham: Needham Heights, Needham Center, Needham Junction and Hersey. The MBTA also provides bus service between Needham and Boston, as well as to Watertown Square. Established trucking lines provide competitive service locally and to long distance points. The Town is within commuting distance of the airport facilities of Boston's Logan International Airport, the Norwood Municipal Airport, and Hanscom Field in Bedford, Massachusetts.

Population and Income

The table below illustrates the Town's changes in median age, median family income, and per capita income according to the federal census.

POPULATION AND INCOME

	Needham	Massachusetts	United States
Median Age:			
2010	43.0	39.1	37.2
2000	40.8	36.5	35.3
1990	38.6	33.6	32.9
1980	35.1	31.2	30.9
Median Family Income:			
2010	$114,365	$81,165	$51,144
2000	107,570	61,664	50,046
1990	69,515	44,367	35,225
1980	31,793	21,166	19,908
Per Capita Income:			
2010	$57,716	$33,966	$27,334
2000	44,549	25,952	21,587
1990	27,935	17,224	14,420
1980	11,580	7,459	7,313

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal census, the Town has a population density of approximately 2,290 persons per square mile.

POPULATION TRENDS

2010	2000	1990	1980	1970
28,886	28,911	27,557	27,901	29,748

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

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

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

TAX LEVY COMPUTATION

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Total Appropriations(1)	$ 133,196,506	$ 141,800,888	$ 151,203,653	$ 151,350,572	$ 164,302,914
Additions:					
State & County Assessments	1,198,244	1,238,429	1,273,564	1,274,075	1,291,397
Overlay Reserve	2,135,466	1,876,905	2,151,633	3,258,232	3,009,775
Other Additions	176,784	74,736	508,749	272,954	122,519
Total Additions	3,510,494	3,190,070	3,933,946	4,805,261	4,423,691
Gross Amount to be Raised	136,707,000	144,990,958	155,137,599	156,155,833	168,726,605
Deductions:					
Local Estimated Receipts: (2)	26,968,184	27,362,876	29,353,230	27,393,362	30,755,183
State Aid:					
Current Year	9,323,654	10,059,745	10,296,504	10,661,337	10,811,766
Available Funds (3)	788,442	1,759,346	1,344,380	4,797,374	7,867,793
Free Cash Used to Reduce Tax Rate	3,380,269	5,366,720	8,135,372	-	-
Total Deductions	40,460,549	44,548,687	49,129,486	42,852,073	49,434,742
Net Amount to be Raised	$ 96,246,451	$ 100,442,271	$ 106,008,113	$ 113,303,760	$ 119,291,863

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
(2) Includes CPA surcharge tax and state matching funds.
(3) Transfers from other available funds, generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

A revaluation of all real and personal property in the Town to full and fair cash value was completed for use in fiscal years 2012 and 2015.

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

Fiscal Year		Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita(1)
2016		$ 8,825,776,592	$ 242,412,230	$ 9,068,188,822	$ 119,291,863	$ 4,130
2015	(2)	8,556,759,236	181,968,510	8,738,727,746	113,303,760	3,922
2014		7,886,696,905	182,036,090	8,068,732,995	106,008,113	3,670
2013		7,746,219,400	177,770,530	7,923,989,930	100,442,271	3,477
2012	(2)	7,672,492,080	160,657,470	7,833,149,550	96,246,451	3,332

(1) 2010 Federal Census.
(2) Revaluation year.

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

	Tax Rate per $1,000 Valuation	
Fiscal Year	Residential Property	Commercial, Industrial & Personal Property
2016	$11.54	$23.02
2015	11.29	23.43
2014	11.64	22.99
2013	11.30	22.18
2012	10.95	21.50

Classification of Property

The following is a breakdown of the Town's assessed valuation in fiscal years 2014, 2015 and 2016.

	2014			2015 (1)			2016		
Property Type	Amount	% of Total		Amount	% of Total		Amount	% of Total	
Residential	$7,003,705,577	86.8	%	$7,625,574,778	87.3	%	$7,792,495,058	85.9	%
Commercial	741,516,228	9.2		881,392,158	10.1		881,651,434	9.7	
Industrial	141,475,100	1.8		49,792,300	0.6		151,630,100	1.7	
Personal	182,036,090	2.3		181,968,510	2.1		242,412,230	2.7	
Total Real Estate	$8,068,732,995	100.0	%	$8,738,727,746	100.0	%	$9,068,188,822	100.0	%

(1) Revaluation year.

LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2016. All of the largest taxpayers are current in their tax payments.

Name	Nature of Business	Total Assesed Valuation for Fiscal 2016	% of Total Assessed Value	
Digital 128 First Avenue, LLC	Data Storage Facility	$14,819,300	0.16	%
Lofts at Charles River Landing	Residential Apartments Complex	82,913,100	0.91	
Babson College	Assisted Living	59,218,100	0.65	
Needham Nine Owners LLC	Real Developer	52,968,400	0.58	
BP 140 Kendrick Street Property	Sofware Design	45,774,300	0.50	
Digital Cabot, LLC	Data Storage Facility	38,220,000	0.42	
Starwood Needham CMBS	Hotel	32,479,200	0.36	
Normandy GAP V Development	Travel Advisory Company	25,929,600	0.29	
117 Kendrick DE, LLC	Office Complex	24,886,200	0.27	
Coca Cola Refreshments	Bottling & Distributing	21,570,700	0.24	
Total		$398,778,900	4.40	%

State Equalized Valuation

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

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

January 1,	State Equalized Valuation	% Change	
2014	$8,293,426,000	1.9	%
2012	8,141,495,500	5.3	
2010	7,730,432,400	1.2	
2008	7,637,636,300	4.5	
2006	7,307,708,400	16.3	
2004	6,285,224,900	22.3	
2002	5,139,824,700	28.7	

Abatements and Overlay

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

The following table sets forth the amount of the overlay reserve for the last five fiscal years and the amounts of abatements and exemptions granted as of May 1, 2016.

		Overlay Reserve		Abatements and Exemptions
Fiscal Year	Net Tax Levy (1)	Dollar Amount	As a % of Net Levy	Granted Through As of May 1, 2016
2016	$ 118,000,466	$ 3,009,775	2.55 %	$ 554,608
2015	110,045,528	3,258,232	2.96	553,835
2014	103,856,480	2,151,633	2.07	406,657
2013	98,565,366	1,876,905	1.90	550,767
2012	94,110,985	2,135,466	2.27	441,780
2011	91,487,189	1,584,557	1.73	451,063

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

Tax Collections

The Town has accepted a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

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

				Collections During Fiscal Year Payable (1)		Collections as of 5/1/2016 (2)(3)	
Fiscal Year	Gross Tax Levy (2)	Overlay Reserve for Abatements	Net Tax Levy	Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2016	$ 119,291,863	$ 3,009,775	$ 116,282,088	N/A	N/A	$ 112,035,362	96.35 %
2015	113,303,760	3,258,232	110,045,528	$ 111,766,131	101.56 %	112,389,655	102.13
2014	106,008,113	2,151,633	103,856,480	104,450,422	100.57	105,146,945	101.24
2013	100,442,271	1,876,905	98,565,366	99,107,154	100.55	99,478,360	100.93
2012	96,246,451	2,135,466	94,110,985	94,677,572	100.60	95,275,854	101.24

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

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

Tax Titles and Possessions

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

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

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

Fiscal Year	Total Tax Titles and Possessions	Deferred Taxes
2015	$ 1,201,442	$ 628,738
2014	1,184,252	537,255
2013	1,016,567	619,572
2012	904,840	561,509
2011	938,247	538,488

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

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

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town of Needham has been in full compliance with Proposition 2½ since its inception. The Town has voted to override Proposition 2½ for operating purposes and to exclude debt service on several occasions for capital projects. Most recently, the Town approved general overrides in 2003 ($2,459,318), 2006 ($597,370), 2007 ($1,128,670) and 2009 ($1,887,929). In addition, the Town voted to exclude $15,700,000 principal and the interest thereon for library renovation and expansion, $62,000,000 principal and the interest thereon for high school renovation and expansion, $21,000,000 principal and the interest thereon for the High Rock and Pollard School projects, and $27,412,128 principal and the interest thereon for the Newman School renovation project.

Unused Levy Capacity (1)

	Fiscal Year 2016	2015	2014	2013	2012
Primary Levy Limit (2)	$ 226,704,721	$ 220,968,194	$ 201,718,325	$ 198,099,748	$ 195,828,739
Prior Fiscal Year Levy Limit	106,870,366	98,925,881	93,756,886	89,636,531	85,836,102
2.5% Levy Growth	2,671,812	2,473,147	2,343,970	2,240,913	2,146,015
New Growth (3)	3,684,955	3,922,530	2,825,025	1,879,442	1,654,414
Overrides	-	1,548,410	-	-	-
Growth Levy Limit	113,227,133	106,869,968	98,925,881	93,756,886	89,636,531
Debt Exclusions	6,075,283	6,551,850	7,109,986	6,705,439	6,626,235
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	119,302,416	113,421,818	106,035,867	100,462,325	96,262,766
Tax Levy	119,291,863	113,303,760	106,008,113	100,442,271	96,246,451
Unused Levy Capacity (4)	10,553	118,058	27,754	20,054	16,315
Unused Primary Levy Capacity (5)	$ 113,477,588	$ 114,098,226	$ 102,792,444	$ 104,342,862	$ 106,192,208

(1) Source: Massachusetts Department of Revenue.
(2) 2.5% of assessed valuation.
(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.
(4) Tax Levy Limit less Tax Levy.
(5) Primary Levy Limit less Growth Levy Limit.

Community Preservation Act

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

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

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

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

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

The Town has accepted the Act and set the surcharge rate at 2%. The Town implemented the program in fiscal year 2006 and is utilizing revenues to pay for a variety of municipal projects, including a $19.2 million town hall preservation/restoration project financed, in part, with bonds in 2011 and 2012.

Community Preservation Fund Revenues

Fiscal Year	Property Tax (1)	State Contribution	Total
2015	$ 1,950,156	$ 566,099	$ 2,516,255
2014	1,791,323	886,498	2,677,821
2013	1,697,565	437,167	2,134,732
2012	1,619,595	417,271	2,036,866
2011	1,564,254	401,199	1,965,453

(1) Reflects actual collections.

Pledged Taxes

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

TOWN FINANCES

Budget and Appropriation Process

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

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

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

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

Enterprises: Beginning with the fiscal 1996 budget, water and sewer operations are accounted for in separate enterprise accounts. Beginning with the fiscal 1999 budget solid waste operations are accounted for in a separate enterprise account.

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

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

Budget Trends

The following table sets forth the trend in operating budgets for fiscal years 2013 through 2017, as voted at the town meeting. As such, said budgets reflect neither revenues nor certain mandatory items.

BUDGET COMPARISON (1)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
General Government	$3,807,723	$3,943,011	$4,036,311	$4,181,185	$4,294,265
Land Use and Development	385,926	411,156	423,211	489,274	515,350
Public Safety	12,145,898	13,027,952	13,714,066	13,957,884	14,493,710
Education(2)	51,892,719	54,729,548	58,854,499	62,134,821	65,952,600
Public Works & Facilities	12,916,949	13,313,148	13,497,982	14,389,396	15,274,299
Health & Human Services	1,077,278	1,187,497	1,247,688	1,433,752	1,493,315
Culture & Recreation	1,945,917	1,994,757	2,073,654	2,163,934	2,193,270
Employee Benefits(3)	19,778,577	20,523,425	21,095,270	23,095,821	25,491,114
Other Operating Expenses	1,266,000	1,017,550	1,247,252	1,344,702	1,816,490
Debt Service(4)	11,288,276	12,108,851	11,587,884	11,224,301	11,161,839
Reserve Fund	1,199,821	1,373,243	1,464,490	1,384,767	1,541,875
Total Expenditures	$117,705,084	$123,630,138	$129,242,307	$135,799,837	$144,228,127

(1) Budget reflects only the amount appropriated by Town Meeting and thus does not include overlay or State assessments.
(2) Includes regional vocational school assessment.
(3) Includes pension and OPEB funding.
(4) Includes debt excluded from Proposition 2½ as well as estimated debt service on authorized and unissued debt.

Revenues

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

Fiscal Year	Property Taxes
2015	$ 108,651,058
2014	105,364,496
2013	99,390,107
2012	95,268,408
2011	92,580,193

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

Fiscal Year	State Aid
2016 (est)	$ 10,116,618
2015	9,946,703
2014	9,677,266
2013	9,212,185
2012	8,542,051

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

Fiscal Year	Motor Vehicle Excise
2015	$ 5,242,444
2014	4,923,980
2013	4,620,449
2012	4,357,996
2011	4,256,790

Water and Sewer Rates and Services: The Town's Public Works Department provides water and sewer services, accounted for as enterprise funds, to all commercial, industrial and residential users within the Town and charges them on the basis of metered consumption. Water and sewer rates are set by the Board of Selectmen. The Town has an ascending block rate schedule ranging from $3.10 to $5.10 per 100 cubic feet for water and from $8.49 to $10.99 per 100 cubic feet for sewer. Water irrigation rates range from $5.10 to $8.10 per 100 cubic feet for water.

In fiscal year 2011, water and sewer revenues totaled $14,833,214 and expenditures totaled $12,048,070 including debt service, retirement costs and overhead. In fiscal year 2012, water and sewer revenues totaled $13,819,336, which included $469,610 in general fund receipts, and expenditures totaled $13,112,987 including debt service, retirement costs and overhead. In fiscal year 2013, water and sewer revenues totaled $14,923,190, which included $493,392 in general fund receipts, and expenditures totaled $13,682,552 including debt service, retirement costs and overhead. In fiscal year 2014, water and sewer revenues totaled $15,183,031 which included $858,439 in general fund receipts, and expenditures totaled $14,332,762 including debt service, retirement costs and overhead. In fiscal year 2015, water and sewer revenues totaled $16,745,962 which included $823,671 in general fund receipts, and expenditures totaled $14,378,741 including debt service, retirement costs and overhead.

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

Fiscal Year	Local Option Meals Tax
2015	$ 476,896
2014	471,830
2013	443,716
2012	404,409

Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel lodging house rooms and bed and breakfast rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. On November 2, 2009, the Town adopted an increase in the room occupancy tax to 6% to be effective January 1, 2010. The table below sets forth the amount of room occupancy tax revenue for the following fiscal years:

Fiscal Year	Room Occupancy Tax
2015	$ 1,024,085
2014	816,498
2013	539,026
2012	454,378

Interest and Dividends: Fiscal year 2010 interest and dividends totaled $496,885. Fiscal year 2011 interest and dividends totaled $275,705. Fiscal year 2012 interest and dividends totaled $103,130. Fiscal year 2013 interest and dividends totaled $84,802. Fiscal year 2014 interest and dividends totaled $77,523. Fiscal year 2015 interest and dividends totaled $101,273.

State Distributions

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

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

State School Building Assistance Program

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

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appeared on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

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

Investment of Town Funds

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

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

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

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

Annual Audits

The Town's financial statements have been audited annually. Copies of audit reports are available at the office of the Town Accountant of the Town of Needham. The Town's financial statements are audited by Melanson, Heath & Company, P.C., Nashua, New Hampshire. A copy of the fiscal 2015 audit is attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013 and the Statement of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2015, 2014, 2013, 2012 and 2011. All said financial statements have been extracted from the Town's audited financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015 (1)

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short term investments	$ 19,643,035	$ 887,377	$ 12,299,283	$ 32,829,695
Investments	17,264,599	7,933,808	2,454,593	27,653,000
Receivables:				-
Property taxes	4,228,979	13,484	-	4,242,463
Excises	919,939	-	-	919,939
Departmental	1,306,998	-	36,004	1,343,002
Intergovernmental	5,561,184	-	776,850	6,338,034
Other	69,562	-	-	69,562
TOTAL ASSETS	$ 48,994,296	$ 8,834,669	$ 15,566,730	$ 73,395,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants and accounts payable	$ 1,490,653	$ 13,149	$ 528,455	$ 2,032,257
Accrued liabilites	5,258,568	832	140,211	5,399,611
Refunds payable	703,609	-	-	703,609
Other liabilities	200,235	-	1,615	201,850
TOTAL LIABILITIES	7,653,065	13,981	670,281	8,337,327
DEFERED INFLOWS OF RESOURCES	11,805,511	13,484	100,072	11,919,067
FUND BALANCES				
Nonspendable	-	-	188,478	188,478
Restricted	794,835	8,807,204	8,756,913	18,358,952
Committed	9,020,424	-	6,122,886	15,143,310
Assigned	4,472,492	-	-	4,472,492
Unassigned	15,247,969	-	(271,900)	14,976,069
TOTAL FUND BALANCES	29,535,720	8,807,204	14,796,377	53,139,301
TOTAL LIABILITIES, DEFERRED INFLOWS OFRESOURCES AND FUND BALANCES	$ 48,994,296	$ 8,834,669	$ 15,566,730	$ 73,395,695

(1) Extracted from the audited Financial Statements of the City.

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014 (1)

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 17,219,039	$ 442,653	$ 8,795,450	$ 26,457,142
Investments	16,957,683	6,612,103	2,457,922	26,027,708
Receivables:				-
Property Taxes	3,752,853	13,706	-	3,766,559
Excises	857,407	-	-	857,407
Departmental	1,069,181	-	21,175	1,090,356
Intergovernmental	6,256,332	-	869,172	7,125,504
Other	46,390	-	-	46,390
Total Assets	$ 46,158,885	$ 7,068,462	$ 12,143,719	$ 65,371,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Warrants and Accounts Payable	$ 884,602	$ 8,441	$ 615,196	$ 1,508,239
Accrued liabilities	4,373,846	1,811	104,733	4,480,390
Refunds payable	402,764	-	-	402,764
Notes payable	-	-	1,607,000	1,607,000
Other Liabilities	200,191	-	1,581	201,772
Total Liabilities	5,861,403	10,252	2,328,510	8,200,165
Deferred Inflows of Resources	11,732,710	13,706	21,175	11,767,591
Fund Balance:				
Nonspendable	-	-	188,478	188,478
Restricted	869,983	7,044,504	7,762,480	15,676,967
Committed	9,561,267	-	4,325,665	13,886,932
Assigned	4,888,245	-	-	4,888,245
Unassigned	13,245,277	-	(2,482,589)	10,762,688
Total Fund Balances	28,564,772	7,044,504	9,794,034	45,403,310
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 46,158,885	$ 7,068,462	$ 12,143,719	$ 65,371,066

(1) Extracted from the audited financial statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
AS OF JUNE 30, 2015

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 112,329,687	$ 1,950,156	$ -	$ 114,279,843
Excise taxes	5,242,444	-	-	5,242,444
Penalties, interest, and other taxes	1,852,862	2,456	-	1,855,318
Charges for services	987,849	-	6,123,560	7,111,409
Departmental	654,516	-	-	654,516
Licenses and permits	1,702,030	-	-	1,702,030
Intergovernmental	10,799,610	566,099	5,380,602	16,746,311
Investment Income	168,567	154,529	42,332	365,428
Fines and forfeitures	204,198	-	-	204,198
Contributions	-	20,518	1,455,025	1,475,543
Other	345,471	-	15,240	360,711
TOTAL REVENUES	$ 134,287,234	$ 2,693,758	$ 13,016,759	$ 149,997,751
EXPENDITURES				
Current:				
General government	$ 4,673,887	$ 455,295	$ 106,259	$ 5,235,441
Public safety	14,829,123	-	149,027	14,978,150
Education	65,814,871	-	10,686,070	76,500,941
Public works	7,678,186	-	215,243	7,893,429
Maintenance	8,660,730		4,423,569	13,084,299
Health and human services	1,453,707	-	238,976	1,692,683
Culture and recreation	2,156,905	-	417,795	2,574,700
Employee benefits	10,084,343	-	-	10,084,343
Other	518,182	-	-	518,182
Debt Service:		-	-	-
Principal	8,374,612	-	-	8,374,612
Interest	2,632,650	-	-	2,632,650
Intergovernmental	1,272,800	-	-	1,272,800
TOTAL EXPENDITURES	128,149,996	455,295	16,236,939	144,842,230
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,137,238	2,238,463	(3,220,180)	5,155,521
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	2,850,000	2,850,000
Issuance of refunded debt	7,337,000	-	-	7,337,000
Bond premium	1,225,361	-	-	1,225,361
Transfers in	2,301,520	-	5,837,871	8,139,391
Deposit to refunding escrow	(8,325,359)	-	-	(8,325,359)
Transfers out	(7,704,812)	(475,763)	(465,348)	(8,645,923)
TOTAL OTHER FINANCING SOURCES (USE	(5,166,290)	(475,763)	8,222,523	2,580,470
NET CHANGE IN FUND BALANCES	970,948	1,762,700	5,002,343	7,735,991
FUND BALANCES - BEGINNING OF YEAR	28,564,772	7,044,504	9,794,034	45,403,310
FUND BALANCES - END OF YEAR	$ 29,535,720	$ 8,807,204	$ 14,796,377	$ 53,139,301

(1) Extracted from the audited Financial Statements of the City.

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
AS OF JUNE 30, 2014 (1)

REVENUES:	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	$ 105,482,632	$ 1,791,323	$ -	$ 107,273,955
Excise Taxes	4,923,980	-	-	4,923,980
Penalties, Interest & Other Taxes	1,642,864	1,860	-	1,644,724
Charges for Services	975,393	-	6,268,448	7,243,841
Departmental	695,239	-	-	695,239
Licenses and Permits	2,306,750	-	-	2,306,750
Intergovernmental	22,891,596	886,498	6,906,632	30,684,726
Investment Income	166,796	56,252	329,361	552,409
Fines and Forfeitures	196,181	-	-	196,181
Contributions	-	-	484,046	484,046
Other	165,670	-	82,353	248,023
Total Revenues	$ 139,447,101	$ 2,735,933	$ 14,070,840	$ 156,253,874
EXPENDITURES:				
General Government	4,699,929	790,054	95,935	5,585,918
Public Safety	14,678,174	-	44,317	14,722,491
Education	73,372,843	-	10,329,315	83,702,158
Public Works	6,842,282	-	109,866	6,952,148
Maintenance	7,957,103	-	12,483,541	20,440,644
Health and Human Services	1,253,052	-	434,590	1,687,642
Culture and Recreation	2,109,233	-	843,280	2,952,513
Employee Benefits	10,638,023	-	-	10,638,023
Other	507,278	-	-	507,278
Debt Service				-
Principal	7,786,979	-	-	7,786,979
Interest	2,800,219	-	-	2,800,219
Intergovernmental	1,270,948	-	-	1,270,948
Total Expenditures	133,916,063	790,054	24,340,844	159,046,961
Excess (Deficiency) of Revenues Over Expenditures	5,531,038	1,945,879	(10,270,004)	(2,793,087)
Other Financing Sources (Uses)				
Issuance of Bonds	-	-	8,912,000	8,912,000
Bond Premium	146,553	-	-	146,553
Transfers In	2,553,023	53,478	7,627,396	10,233,897
Transfers out	(9,261,701)	(711,000)	(237,126)	(10,209,827)
Total Other Financing Sources - Net	(6,562,125)	(657,522)	16,302,270	9,082,623
Net Change in Fund Balances	(1,031,097)	1,288,357	3,761,768	4,019,028
Fund Balances, at Beginning of Year	29,595,859	5,756,147	3,761,768	39,113,774
Fund Balances, at End of Year	$ 28,564,762	$ 7,044,504	$ 7,523,536	$ 43,132,802

(1) Extracted from the audited financial statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
AS OF JUNE 30, 2013 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
AS OF JUNE 30, 2012 (1)

REVENUES:	General	Community Preservation Fund	Town Hall Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	$ 95,321,535	$ 1,619,595	$ -	$ -	$ 96,941,130
Excise Taxes	4,357,996	-	-	-	4,357,996
Penalties, Interest & Other Taxes	1,253,898	2,225	-	-	1,256,123
Charges for Services	937,946	-	-	5,781,445	6,719,391
Departmental	654,886	-	-	-	654,886
Licenses and Permits	1,950,768	-	-	-	1,950,768
Intergovernmental	20,983,554	417,271	6,067,548	6,481,766	33,950,139
Investment Income	257,434	52,255	-	12,535	322,224
Fines and Forfeitures	235,632	-	-	-	235,632
Contributions	-	-	-	482,130	482,130
Other	625,721	-	-	79,912	705,633
Total Revenues	$ 126,579,370	$ 2,091,346	$ 6,067,548	$ 12,837,788	$ 147,576,052
EXPENDITURES:					
General Government	4,488,463	172,862	-	71,279	4,732,604
Public Safety	13,408,932	-	-	69,349	13,478,281
Education	66,722,685	-	-	10,350,310	77,072,995
Public Works	5,567,194	-	-	79,832	5,647,026
Maintenance	7,414,663	-	19,884,378	13,230,234	40,529,275
Health and Human Services	1,218,079	-	-	323,466	1,541,545
Culture and Recreation	2,043,808	-	-	899,221	2,943,029
Employee Benefits	7,725,321	-	-	-	7,725,321
Other	455,170	-	-	-	455,170
Debt Service					-
Principal	7,203,678	-	-	-	7,203,678
Interest	2,659,206	-	-	-	2,659,206
Intergovernmental	1,165,155	-	-	-	1,165,155
Total Expenditures	120,072,354	172,862	19,884,378	25,023,691	165,153,285
Excess (Deficiency) of Revenues Over Expenditures	6,507,016	1,918,484	(13,816,830)	(12,185,903)	(17,577,233)
Other Financing Sources (Uses)					
Issuance of Bonds	-	-	-	2,460,000	2,460,000
Issuance of Refunded Debt	10,995,000	-	-	-	10,995,000
Payment to Refunding Escrow Agent	(11,065,000)	-	-	-	(11,065,000)
Bond Premium	207,238	-	-	-	207,238
Transfers In	2,500,159	-	276,005	2,594,553	5,370,717
Transfers out	(4,458,706)	(300,000)	-	(724,931)	(5,483,637)
Total Other Financing Sources - Net	(1,821,309)	(300,000)	276,005	4,329,622	2,484,318
Net Change in Fund Balances	4,685,707	1,618,484	(13,540,825)	(7,856,281)	(15,092,915)
Fund Balances, at Beginning of Year as Reclassified	20,938,703	2,718,351	3,911,180	12,688,469	40,256,703
Fund Balances, at End of Year	$ 25,624,410	$ 4,336,835	$ (9,629,645)	$ 4,832,188	$ 25,163,788

(1) Extracted from the audited financial statements of the Town.

TOWN OF NEEDHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
AS OF JUNE 30, 2011(1)

REVENUES:	General	Community Preservation Fund	Town Hall Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	$ 93,024,263	$ 1,564,254	$ -	$ -	$ 94,588,517
Excise Taxes	4,256,790	-	-	-	4,256,790
Penalties, Interest & Other Taxes	1,230,729	2,653	-	-	1,233,382
Charges for Services	946,196	-	-	5,506,410	6,452,606
Departmental	842,350	-	-	-	842,350
Licenses and Permits	1,441,264	-	-	-	1,441,264
Intergovernmental	20,712,707	401,199	-	6,523,234	27,637,140
Investment Income	164,820	36,536	-	338,487	539,843
Fines and Forfeitures	260,862	-	-	-	260,862
Contributions	-	-	-	423,032	423,032
Other	130,218	-	-	32,748	162,966
Total Revenues	$ 123,010,199	$ 2,004,642	$ -	$ 12,823,911	$ 137,838,752
EXPENDITURES:					
General Government	4,376,308	740,075	-	149,499	5,265,882
Public Safety	14,331,213	-	-	105,004	14,436,217
Education	64,720,506	-	-	9,747,801	74,468,307
Public Works	5,956,425	-	-	39,377	5,995,802
Maintenance	7,961,342	-	8,591,910	7,833,374	24,386,626
Health and Human Services	1,205,738	-	-	370,447	1,576,185
Culture and Recreation	2,078,044	-	-	707,447	2,785,491
Employee Benefits	7,069,136	-	-	-	7,069,136
Debt Service					-
Principal	8,426,975	-	-	-	8,426,975
Interest	2,579,079	-	-	-	2,579,079
Intergovernmental	1,099,885	-	-	-	1,099,885
Total Expenditures	119,804,651	740,075	8,591,910	18,952,949	148,089,585
Excess (Deficiency) of Revenues Over Expenditures	3,205,548	1,264,567	(8,591,910)	(6,129,038)	(10,250,833)
Other Financing Sources (Uses)					
Issuance of Bonds	-	-	6,000,000	9,349,697	15,349,697
Bond Premium	302,525	-	-	-	302,525
Operating Transfers In	1,807,490	-	-	2,066,564	3,874,054
Operating Transfers Out	(2,846,999)	-	-	(315,616)	(3,162,615)
Total Other Financing Sources - Net	(736,984)	-	6,000,000	11,100,645	16,363,661
Net Change in Fund Balances	2,468,564	1,264,567	(2,591,910)	4,971,607	6,112,828
Beginning Fund Balance	18,470,139	1,453,784	4,461,254	9,758,698	34,143,875
Ending Fund Balance	20,938,703	2,718,351	1,869,344	14,730,305	40,256,703

(1) Extracted from the audited financial statements of the Town.

Free Cash and Unassigned General Fund Balances

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

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

Fiscal Year	Free Cash (July 1)		Unassigned General Fund Balance
2015	$ 6,890,372		$ 15,247,969
2014	6,207,875		13,245,277
2013	10,133,912	(1)	15,150,157
2012	2,153,808	(1)	10,846,842
2011	5,366,720		8,863,948

(1) Free Cash was reduced in 2012 by the Massachusetts Department of Revenue by the amount of a capital project advance. The general fund was reimbursed in FY2013 with proceeds from a borrowing.

Stabilization Fund

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

Fiscal Year	Stabilization Fund Balance (June 30)
2015	$ 3,876,809
2014	3,815,322
2013	3,729,614
2012	3,718,000
2011	3,656,504

Capital Improvement Fund

The Town continues to provide additional funding to its newly established capital improvement fund, which helps ensure the replacement of capital equipment, however there were no draws on the Town’s Stabilization Fund to support any operating or capital expenditures. The following table sets forth the trend in Capital Improvement Fund balance.

Fiscal Year	Capital Improvement Fund Balance (June 30)
2015	$ 668,954
2014	650,177
2013	648,940
2012	649,000
2011	597,549

Capital Facility Fund

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

Fiscal Year	Capital Facility Fund Balance (June 30)
2015	$ 1,307,397
2014	1,295,691
2013	1,293,383
2012	1,150,251
2011	733,221

Athletic Facility Fund

In fiscal year 2013, the Town created a stabilization fund to cover the costs of the eventual replacement of the Town's artificial turf fields. The Town appropriated $283,133 to the Fund in fiscal year 2013, $901,333 for fiscal year 2014 and $1,970,353 for fiscal year 2015.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

Although not a development district as defined above, in December 2012, the Town established a tax increment district in connection with the relocation of Trip Advisors LLC, an internet based travel agency, with approximately 450 employees to Needham from Newton, Massachusetts. The economic opportunity area was created pursuant to Chapter 23A of the Massachusetts General Laws in conjunction with the Massachusetts Office of Business Development's Economic Assistance Coordinating Council. The 13-year agreement exempts 76% of Trip Advisors' growth in assessed value for the first five years and exempts 1% of the growth in years 6 through 13.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

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

Debt Limits

General Debt Limit. The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board ("MFOB") composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

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

Types of Obligations

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

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

Serial bonds may be issued as "qualified bonds" with the approval of the state MFOB, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the MFOB. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above.

The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town has not issued revenue anticipation notes during the past twenty fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

DIRECT DEBT SUMMARY (1)
Projected as of June 30, 2016
Excluding this issue of Refunding Bonds

Long-Term Debt Outstanding:		
Within the General Debt Limit:		
Schools	$ 46,279,000	
Sewers & Drains	7,453,781	
Other Inside General	24,353,000	
Recycling & Transfer Station	70,000	
Total Within the General Debt Limit		$ 78,155,781
Outside the General Debt Limit:		
Water	6,925,342	
Sewer	444,198	
Other Outside General	18,896	
Total Outside the General Debt Limit		7,388,436
Total Bonded Debt		85,544,217
Short-Term Debt Outstanding:		
Series A Bond Anticipation Notes (2)	1,153,860	
Issue Series B Bonds Anticipation Notes (3)	9,285,000	
Total Short-Term Debt Outstanding		10,438,860
Total Direct Debt		$ 95,983,077

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
(2) Payable June 30, 2016.
(3) Payable January 18, 2017.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation
2016	$ 85,544,217	28,886	$ 9,068,188,822	$ 2,961	0.94 %
2015	95,610,417	28,886	8,738,727,746	3,310	1.09
2014	101,636,574	28,886	8,068,732,995	3,519	1.26
2013	100,315,626	28,886	7,923,989,930	3,473	1.27
2012	85,101,441	28,886	7,833,149,500	2,946	1.09

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding bonds projected as of June 30, 2016.

GENERAL OBLIGATION BONDS
Principal Payments by Purpose Projected as of June 30, 2016
Excluding this issue of Refunding Bonds

Fiscal Year	General	School	Water	Sewer	Recycling & Transfer Station	Total (1)
2017	$ 3,612,724	$ 4,362,000	$ 876,249	$ 907,081	$ 70,000	$ 9,828,054
2018	2,952,724	4,319,000	886,978	880,884	-	9,039,587
2019	2,567,724	4,262,000	910,722	834,399	-	8,574,845
2020	2,177,724	4,207,000	398,480	455,506	-	7,238,710
2021	1,398,000	4,082,000	419,253	393,739	-	6,292,992
2022	1,398,000	4,067,000	420,043	399,906	-	6,284,949
2023	1,323,000	3,987,000	415,848	406,207	-	6,132,055
2024	1,308,000	3,892,000	301,669	342,644	-	5,844,313
2025	1,193,000	3,262,000	302,506	349,222	-	5,106,728
2026	1,117,000	2,483,000	238,361	355,942	-	4,194,303
2027	1,112,000	2,033,000	239,233	362,809	-	3,747,042
2028	792,000	1,753,000	240,121	394,825	-	3,179,946
2029	782,000	1,348,000	246,029	391,993	-	2,768,022
2030	592,000	558,000	236,953	344,317	-	1,731,270
2031	592,000	558,000	237,898	351,800	-	1,739,698
2032	542,000	553,000	190,000	359,446	-	1,644,446
2033	542,000	553,000	185,000	367,258	-	1,647,258
2034	370,000	-	180,000	-	-	550,000
TOTAL	$ 24,371,896	$ 46,279,000	$ 6,925,342	$ 7,897,979	$ 70,000	$ 85,544,217

(1) $48,157,896 of principal and $9,825,354 of interest has been voted exempt from Proposition 2½.

Debt Service Requirements

The following table sets forth the required principal and interest payments on this issue of Bonds (new money only) and on the outstanding general obligation bonds of the Town projected as of June 30, 2016 including debt service subsidies expected to be received from the MSBA and Massachusetts Clean Water Trust.

GENERAL OBLIGATION DEBT
Projected as of June 30, 2016 (1)
Excluding this issue of Refunding Bonds

Fiscal Year	Outstanding Principal	Outstanding Interest	Less MSBA Subsidies	Less MCWT Subsidies	Total Net Debt Service	Cumulative % Retired
2017	$ 9,828,054	$ 2,720,244	$ (695,148)	$ (54,353)	$ 11,798,797	11.5 %
2018	9,039,587	2,431,772	(695,148)	(49,722)	10,726,489	22.1
2019	8,574,845	2,145,853	(695,148)	(45,857)	9,979,693	32.1
2020	7,238,710	1,855,781	(695,148)	(9,583)	8,389,760	40.5
2021	6,292,992	1,618,668	(695,148)	-	7,216,512	47.9
2022	6,284,949	1,397,097	(695,148)	-	6,986,898	55.2
2023	6,132,055	1,179,174	(695,148)	-	6,616,081	62.4
2024	5,844,313	965,675	(695,148)	-	6,114,840	69.2
2025	5,106,728	772,924	-	-	5,879,652	75.2
2026	4,194,303	616,275	-	-	4,810,578	80.1
2027	3,747,042	483,427	-	-	4,230,469	84.5
2028	3,179,946	367,527	-	-	3,547,473	88.2
2029	2,768,022	269,850	-	-	3,037,872	91.5
2030	1,731,270	202,740	-	-	1,934,011	93.5
2031	1,739,698	153,787	-	-	1,893,484	95.5
2032	1,644,446	103,284	-	-	1,747,730	97.4
2033	1,647,258	51,920	-	-	1,699,178	99.4
2034	550,000	12,400	-	-	562,400	100.0
Total	$ 85,544,217	$ 17,348,399	$ (5,561,184)	$ (159,515)	$ 97,171,917	

(1) $48,157,896 of principal and $9,825,354 of interest has been voted exempt from Proposition 2½.

Authorized Unissued Debt and Prospective Financing

Currently, the Town has the following authorized unissued debt:

Amount	Purpose		Original Authorization
$ 338,093	Sewer	(1)	$ 1,806,800
200,294	Water Mains	(1)	1,900,000
45,197	Sewer Pump Station	(1)	577,500
157,000	Drainage	(1)	200,000
40,000	Town Hall Renovations		11,300,000
83,808	Senior Center Construction		8,051,808
90,706	Sewer Pump Station	(1)	6,300,000
168,000	Soil Remediation & Removal		400,000
75,000	DPW Facility Remodeling		1,100,000
1,265,100	Water	(1)	5,565,100
220,000	Public Works		800,000
650,000	Bridge		900,000
1,000,000	Infrastructure Improvement Repairs		1,000,000
2,000,000	Bridge Repair/Reconstruction		2,000,000
635,000	Water System Rehabilitation	(1)	635,000
2,100,000	High School Cafeteria Repairs		2,100,000
7,000,000	Land Acquisition		7,000,000
$ 16,068,198			

(1) Debt service on water and sewer authorizations is expected to be paid entirely from the Water and Sewer Enterprise Fund.

Overlapping Debt

The Town is a member of the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of Norfolk County, the MWRA, the MBTA and the Minuteman Regional Vocational Technical School District, and the Town's estimated gross share of such debt and the estimated fiscal year 2016 dollar assessment for each.

Overlapping Entity	Outstanding Debt	Needham's Estimated Share (1)	Fiscal 2016 Dollar Assessment (2)
Norfolk County (3)	$ 11,830,000	6.500 %	$ 409,437
Massachusetts Water Resouces Authority (4)			
Water	2,101,091,000	0.625	629,894
Sewer	3,797,261,000	1.337	3,681,302
Massachusetts Bay Transportation Authority (5)	5,634,750,025	0.510	636,781
Minuteman Regional Vocational Technical School District (6)	-	N/A	654,134

(1) Estimated share based on debt service only.
(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
(3) SOURCE: Norfolk County Treasurer. Debt as of June 30, 2015. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

(4) SOURCE: MWRA. Debt as of June 30, 2015. The MWRA provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater, collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to $6.1 billion for its corporate purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and special purpose entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(5) SOURCE: MBTA. Debt as of June 30, 2015. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of $3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(6) SOURCE: Minuteman Regional Vocational Technical School District. Debt as of June 30, 2015. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

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

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

The Town currently has a twenty year contract expiring June 30, 2028 for transportation and disposal of solid waste. The tipping fee rate is $74.81 per ton as of July 1, 2013 for fiscal year 2014. The amount for this contract in fiscal 2013 was $606,543 and $595,396 in fiscal 2014. The amount budgeted for fiscal year 2015 is $640,513.

RETIREMENT PLAN

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that the payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

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

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

Year Ending		Contributory	Non-Contributory
June 30, 2016	(budgeted)	$ 6,149,812	$ 35,500
June 30, 2015		5,621,000	34,800
June 30, 2014		5,420,454	34,100
June 30, 2013		4,997,421	33,400
June 30, 2012		4,722,775	32,700
June 30, 2011		4,552,978	59,400
June 30, 2010		4,271,094	89,000
June 30, 2009		4,121,326	119,000

The unfunded actuarial accrued liability of the System as of January 1, 2015 was approximately $60,124,673. The System is currently 71.07% funded according to the last actuarial study. The Town's current funding schedule amortizes the unfunded actuarial accrued liability to zero by 2030 as shown below.

Fiscal Year End	Amortization of Unfunded Actuarial Accrued Liability (with interest)	Total Plan Cost
2016	$ 4,305,489	$ 6,149,812
2017	4,790,388	6,706,800
2018	5,322,934	7,314,235
2019	5,907,590	7,976,686
2020	6,173,546	8,323,455
2021	6,451,355	8,685,213
2022	6,741,666	9,062,730
2023	7,045,041	9,456,692
2024	7,362,068	9,867,818
2025	7,693,361	10,296,858
2026	8,039,562	10,744,595
2027	8,401,342	11,211,845
2028	8,779,403	11,699,462
2029	9,174,476	12,208,334
2030	9,587,328	12,739,393
2031	-	3,274,848

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

For additional information see Appendix A.

Other Post-Employment Benefits (OPEB)

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

The following table sets forth the trend in OPEB appropriations.

Fiscal Year	OPEB Contribution (1)
June 30, 2016	$ 5,336,302
June 30, 2015	4,940,198
June 30, 2014	4,727,462
June 30, 2013	4,523,887
June 30, 2012	3,906,275

(1) Represents the Annual Required Contributions (ARC). The Town appropriated additional amounts of $500,000 in fiscal year 2012, $400,000 in fiscal year 2013, $807,677 in fiscal year 2014 and $360,000 in fiscal year 2015.

The Governmental Accounting Standards Board ("GASB") Statement Nos. 43 and 45 require public sector entities to report the future costs of non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has hired an outside firm which has completed the actuarial valuation of its post-employment benefit liability. The total liability for the Town is $46,848,062 as of July 1, 2013 (net of the balance in the OPEB Trust Fund). The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 7% which decreases to a 4.5% long term rate for all healthcare benefits after five years. In fiscal year 2002 the Town began funding its post-retirement health insurance liability. The Town is funding it ARC at an assumed 7.75% discount count rate (more conservative) and the fiscal year 2016 required payment is $5,336,302. The approximate balance in the OPEB Trust Fund as of August 31, 2015 was $23,246,336.

EMPLOYEE RELATIONS

The Town employs approximately 1,269 full-time equivalent employees (FTE), 904 FTE's employed by the School Department, 87 by the Public Works Department, 59 by the Police Department, 71 by the Fire Department, 57 by Public Facilities, and the balance by various other Town Departments. Town employees (other than managerial and confidential employees) are entitled to join unions and bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 900 Town employees are represented by unions including public works, general government, police, fire, teachers, and school administrators.

The Building Custodian Tradesman Independent Association (Public Facilities) contract expires on June 30, 2018. Needham Independent Public Employees Association (Public Works) contract expires June 30, 2017. The contracts with the Needham Firefighters Local 1706 (all units) expire on June 30, 2016. The Needham Police Union contract expires June 30, 2019, and the Needham Police Superior Officers Association contract expires on June 30, 2019. The Needham Independent Town Workers Association (various administrative, professional and technical positions) contract expires June 30, 2018.

The Needham Public Schools have contracts in place with the Needham Education Association Unit A (teachers) through August 31, 2016, with the Needham Education Association Unit B (administrators) through June 30, 2016, with the Needham Education Association Unit C (Non DESE licensed staff) through June 30, 2017, with the Needham Education Association Unit D (clerical, secretarial and technical positions) through June 30, 2017, and with the Needham Education Association Unit E (food service workers) through June 30, 2017.

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth in which the Town is a defendant. In the opinion of the Town, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

TOWN OF NEEDHAM, MASSACHUSETTS
/s/ Ms. Evelyn M. Poness, Town Treasurer

May 31, 2016

APPENDIX A

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Needham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the Town), as of and for the year ended June 30, 2015, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts, as of June 30, 2015, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budget and actual comparisons for Sewer, Water, and Solid Waste funds appearing on pages 77 through 79 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

December 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, we offer readers this narrative overview and analysis of the financial activities of the Town of Needham for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $222,962,579 (net position), a change of $7,853,613 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $53,139,301, a change of $7,735,991 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $15,247,969, a change of $2,002,692 in comparison to the prior year.

- Total long-term bonds and loans payable, including unamortized bond premium, at the close of the current fiscal year was $97,657,164, a change of $(4,848,680) in comparison to the prior year.

- There were no short-term notes payable at the close of the current fiscal year, a change of $(1,607,000) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position Summary (000s)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	$ 75,068	$ 67,084	$ 16,750	$ 17,714	$ 91,818	$ 84,798
Capital assets	232,147	237,752	64,826	60,997	296,973	298,749
Total assets	307,215	304,836	81,576	78,711	388,791	383,547
Deferred outflow of resources	1,789	-	110	-	1,899	-
Total assets and deferred outflow of resources	$ 309,004	$ 304,836	$ 81,686	$ 78,711	$ 390,690	$ 383,547
Liabilities:						
Long-term liabilities	$ 137,338	$ 91,031	$ 20,116	$ 16,759	$ 157,454	$ 107,790
Notes payable	-	1,607	-	-	-	1,607
Other liabilities	9,391	7,649	857	1,121	10,248	8,770
Total liabilities	146,729	100,287	20,973	17,880	167,702	118,167
Deferred inflow of resources	24	16	1	-	25	16
Net position:						
Net investment in capital assets	151,855	150,581	48,762	47,316	200,617	197,897
Restricted	17,038	14,568	-	-	17,038	14,568
Unrestricted	(6,642)	39,384	11,950	13,515	5,308	52,899
Total net position	162,251	204,533	60,712	60,831	222,963	265,364
Total liabilities, deferred inflow of resources, and net position	$ 309,004	$ 304,836 *	$ 81,686	$ 78,711 *	$ 390,690	$ 383,547

Changes in Net Position Summary (000s)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 9,784	$ 10,470	$ 17,368	$ 16,013	$ 27,152	$ 26,483
Operating grants and contributions	21,962	25,975	28	31	21,990	26,006
Capital grants and contributions	439	1,979	-	-	439	1,979
General revenues:				-		
Property taxes	114,605	107,351	-	-	114,605	107,351
Excises	5,237	4,984	-	-	5,237	4,984
Penalties and interest on taxes	1,855	1,645	-	-	1,855	1,645
Grants and contributions not restricted to specific programs	2,169	2,020	-	-	2,169	2,020
Investment income	365	552	13	14	378	566
Other	240	295	25	-	265	295
Total revenues	156,656	155,271	17,434	16,058	174,090	171,329

(continued)

(continued)

Changes in Net Position Summary (000s)

	Governmental Activities			Business-Type Activities			Total	
	2015	2014		2015	2014		2015	2014
Expenses:								
General government	6,079	6,240		-	-		6,079	6,240
Public safety	15,743	14,758		-	-		15,743	14,758
Education	89,349	87,858		-	-		89,349	87,858
Public works	8,706	6,387		-	-		8,706	6,387
Maintenance	11,555	11,802		-	-		11,555	11,802
Human services	2,094	1,885		-	-		2,094	1,885
Culture and recreation	3,218	3,371		-	-		3,218	3,371
Interest on long-term debt	2,718	3,030		-	-		2,718	3,030
Intergovernmental	1,273	1,271		-	-		1,273	1,271
Other unallocated costs	10,356	9,880		-	-		10,356	9,880
Sewer operations	-	-		8,027	7,757		8,027	7,757
Water operations	-	-		4,963	4,981		4,963	4,981
Solid waste operations	-	-		2,155	2,258		2,155	2,258
Total expenses	151,091	146,482		15,145	14,996		166,236	161,478
Change in net position before transfers	5,565	8,789		2,289	1,062		7,854	9,851
Transfers	(507)	24		507	(24)		-	-
Change in net position	5,058	8,813		2,796	1,038		7,854	9,851
Net position - beginning of year, as restated	157,193	195,720		57,916	59,793		215,109	255,513
Net position - end of year	$ 162,251	$ 204,533	*	$ 60,712	$ 60,831	*	$ 222,963	$ 265,364

* July 1, 2014 net position was restated for GASB 68, while prior periods were not restated.

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

The largest portion of net position $200,617,333 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position $17,038,226 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $5,307,020 may be used to meet the government's ongoing obligations to citizens and creditors.

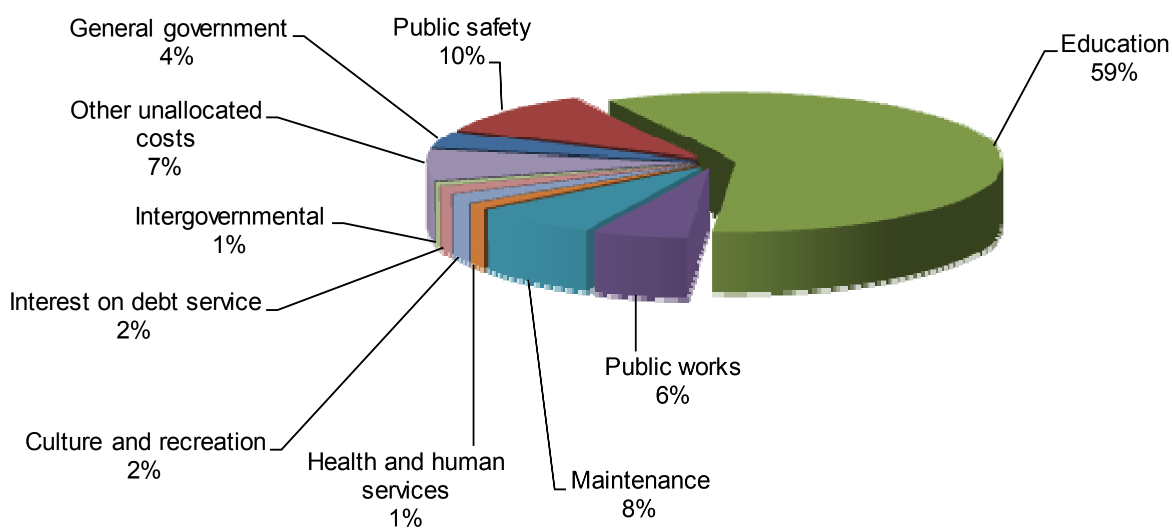
Governmental Activities

Governmental activities for the year resulted in a change in net position of $5,057,768. Key elements of this change are as follows (in thousands):

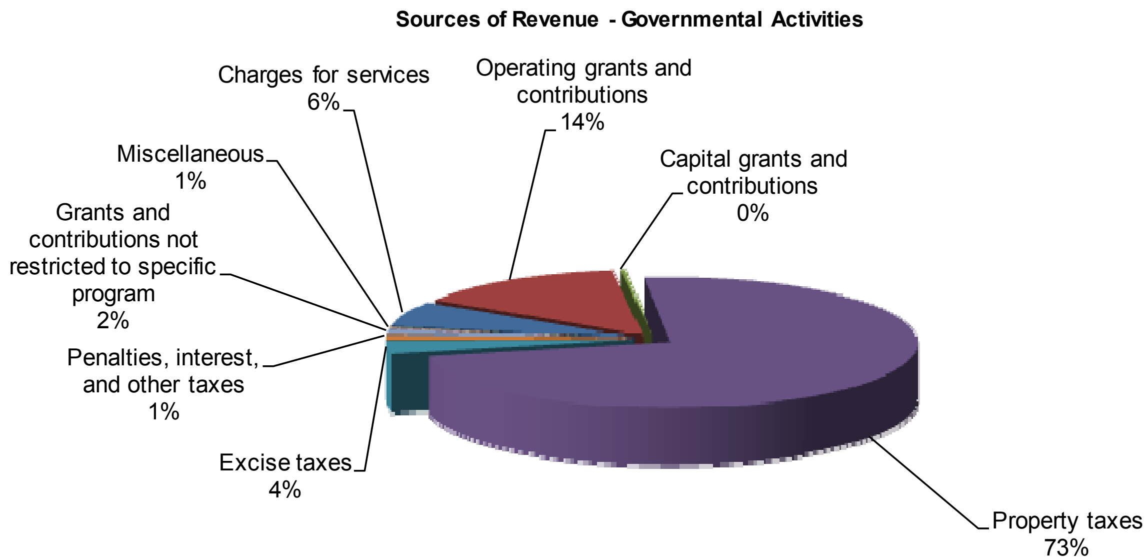
General fund excess of revenues over expenditures - fund basis	$ 6,137
CPA fund excess of revenues over non capitalized expenses	2,015
Increase in allowance for uncollectibles	(358)
Pension expense, net of deferred inflows and outflows, related to GASB 68 implementation	(2,182)
Other	(554)
Total	$ 5,058

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services increased by $4.4M over the previous year or by 3.0%.

Functional Expenses - Governmental Activities



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by $1.4M over the prior year or 0.9%.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of $2,795,845. Positive results are due to strong budgetary performance (softened by the use of fund balance) and the Town's continued practice of financing capital improvements with revenues.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $53,139,301, a change of $7,735,991 in comparison to the prior year. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	$ 6,137
CPA fund excess of revenues over expenditures	2,238
Capital project funds expenditures in excess of revenues and bond proceeds	(1,198)
Special revenue funds revenues in excess of expenditures	828
Other	(269)
Total	$ 7,736

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $15,247,969, while total fund balance was $29,535,720. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

General Fund	6/30/15	6/30/14	6/30/13
Unassigned fund balance	$ 15,247,969	$ 13,245,277	$ 15,150,157
Total fund balance	29,535,720	28,564,772	29,595,859

	6/30/15	6/30/14	6/30/13
Unassigned fund balance as of % of total General Fund expenditures	11.9%	9.9%	12.1%
Total fund balance as of % total General Fund expenditures	23.0%	21.3%	23.6%

The total fund balance of the general fund changed by $970,948 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash, overlay surplus and other reserves for FY15	$ (5,257)
Use of free cash for FY16	(3,991)
Increase in stabilization accounts	1,161
Increase in continuing appropriation articles	765
Revenues in excess of budget	3,111
Expenditures less than budget	1,958
Unused overlay allowance	3,050
Other	174
Total	$ 971

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

	6/30/15	6/30/14	Change
General stabilization	$ 3,876,809	$ 3,815,322	$ 61,487
Capital stabilization	3,946,704	2,847,202	1,099,502
Capital projects	-	2,467,260	(2,467,260)
Compensated absences	195,060	195,060	-
Continuing appropriations	1,001,851	236,424	765,427
Total	$ 9,020,424	$ 9,561,268	$ (540,844)

Other Major Funds

State legislation allows Community Preservation Act fund property taxes and state matching funds to finance projects such as preservation of historical buildings. The Town did not have considerable expenditures in the current year in the fund, other than the $436,162 for land improvements and other eligible expenditures, and the transfer of $475,763 to the general fund for eligible debt service.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to $11,950,139, a change of $(1,564,706) in comparison to the prior year. A breakdown of the total change by fund is shown below:

	6/30/15	6/30/14	Change
Sewer	$ 4,991,631	$ 6,041,620	$ (1,049,989)
Water	6,096,904	6,078,391	18,513
Solid Waste	861,604	1,394,834	(533,230)
Total	$ 11,950,139	$ 13,514,845	$ (1,564,706)

While total net position increased from operating results, unrestricted net position decreased as the Town voted to use certified retained earnings (a component of unrestricted net position) for the acquisition of capital assets. The use of certified retained earnings resulted in an increase in the sewer and solid waste funds net position restricted for net investment in capital asset.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line item amendments are made at a special town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting, but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The final budget total for fiscal year 2015 was amended upward by $289,592, change of 0.2% from the original budget. The original budget was approved at $129,242,307.

The Town increased its appropriation by $200,000 to make an additional payment towards its other post-employment benefit (OPEB) costs. This increase was offset by a reduction of $200,000 in the Town's health insurance budget. The Town also appropriated an additional $177,667 to its budgetary reserve fund which is under the control of the Finance Committee. The Town also increased its reserve for classification, performance, and settlements in the amount of $50,167 which was in connection with labor contract settlements. The three aforementioned budgets are part of the annual operating budget that is referred to as Town-wide expenses. Town Meeting also amended two departmental budgets, the Department of Public Works (DPW) and the Health Department. The DPW operating budget was increased by $10,000 to support the new off-leash dog area that was constructed in Town. This new amenity is funded in part by an increase in the dog license fee. The increase in the fee was approved last year by the Board of Selectmen in part to pay for associated operating expenses for this new park. The Health Department budget was increased by $51,758 to provide ¾ of the fiscal year funding for a Substance Abuse Coordinator position that was previously funded in full by a Federal Grant.

During fiscal year 2015, the Town realized revenue in excess of budget of $3.1 million, and realized budget savings of $2.0 million relative to expenditures. Revenues in excess of budget were similar to the fiscal year 2014 results, but the budget return was lower than the fiscal year 2014 return of approximately $2.5 million. The overall results were within the range of the past few years.

Motor vehicle excise tax revenue continued to grow and came in at $1.3 million over budget and was 6.5% more than actual receipts in fiscal year 2014. Revenue generated from other taxes and penalties was more than $690,000 over budget which was 14.6% more than the fiscal 2014 actual revenue. This was a lower percent increase than 2014 actual over 2013 actual, where 2014 was more than 25% higher than 2013. Revenue from licenses and permits came in over the estimate, by more than $274,000. However the actual revenue for fiscal 2015 was 26% less than the actual revenue for fiscal 2014 ($1,702,030 vs $2,306,750), but there were some very large value commercial permits issued during 2014 that contributed to the higher 2014 total. The Town continues to see a demand for new construction. The combination of motor vehicle excise, permit and license revenue, and other local tax receipts contributed approximately 73% of the total General Fund surplus, down from the 85% that the these sources made up for 2014.

The General Fund operating budget returned $1,944,545 or approximately 1.5% of the total operating budget appropriation. The return for fiscal 2014 was $2,463,826 or approximately 2.0% of the appropriation for that year. The highest dollar turn back was from the Police Department in the amount of $532,994 or approximately 8.8% of the budget. The return was higher than usual due to several vacancies in the department during the year and lower than expected fuel costs for the vehicles. The Finance Department returned $221,552 (8.8%), which, similar to the Police Department, had several vacancies during the year, in addition the department restructured its tax assessing division which reduced the number F.T.E's hence lowering personnel cost for the year. The Department of Public Facilities also had a number of vacancies during the year which accounts for most of the $207,492 that was returned, although this amount represents just a 2.5% turn back. The Needham Public Schools returned $87,330 or 0.2% of the original budget of $57,961,288 which compares to $322,124 (0.6%) that was returned in 2014. The other 20 departments returned in total $478,395 or 2.3% of their combined amended budgets for the year. The budgetary reserve fund returned $164,835 which was less than the previous year and was due to the demand on the reserve fund in 2015 because of the higher costs incurred for snow and ice removal during the winter. The balance of the Town-wide expense budgets returned a combined $251,947 or approximately 0.7% of their related total amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year-end amounted to $296,973,271 (net of accumulated depreciation), a change of $(1,775,416) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Governmental Activities:		
Michell school modular classrooms	$	1,042
Public safety CAD replacement	$	242
2015 International 7400 dump truck	$	191
Business-Type Activities:		
St. Mary street pump station replacement	$	3,884
Water main replacement	$	613
Reservoir B sewage pump upgrades	$	475
Townwide I/I study - phase 2	$	372
Sewer system rehabilitation	$	246

Debt. At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were $97,657,164. The bonds are backed by the full faith and credit of the government. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standards & Poor's to the Town debt since 2000.

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

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

The Total General Fund balance for fiscal year 2015 was higher than 2014. Fund balance was $29.5 million for fiscal 2015 compared to $28.6 million for fiscal 2014 or approximately a three-percent change. The unassigned portion of the General Fund also improved with a balance of $15.2 million for 2015 compared to $13.2 million for 2014. The 2014 balance was lower than the prior year due in part to the higher amount of the balance that was certified as Free Cash. Free Cash is essentially the portion of the unassigned General Fund balance that the Massachusetts Department of Revenue will allow to be appropriated by the Town. The Free Cash certified for fiscal 2015 was $6,207,875. The Town appropriated all but $276,000 of that Free Cash. The Town used a significant amount of the Free Cash for capital investment, special finance warrant articles, and reserves. The Town's use of Free Cash for funding the subsequent fiscal year operating budget was higher than the baseline but some funding for the fiscal 2016 budget included the transfer of technology and equipment capital requests, which did not meet the Town's standard for capital, to the School Department budget. This additional funding in the fiscal 2016 budget will be offset by recurring revenue in 2017. The Town appropriated $2,394,911 of the Free Cash for cash capital which included $403,000 in school technology that did meet the standard for cash capital, $453,500 was for public road and related infrastructure improvements, and $1,077,249 in core fleet and special equipment investment, with the balance of $461,162 directed to other various General Fund cash capital improvements. The Town appropriated $750,000 for two studies and facility repairs and maintenance. The Town also appropriated $845,700 to its Athletic Facility Improvement Stabilization Fund. Management will continue to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for the operating budget.

As expected, property tax New Growth revenue in fiscal 2015 continued to be higher than average, with the combination of the increased commercial development, particularly the Needham Crossing business park, and strong residential market. New Growth revenue for 2015 was $3.9 million or 4% more than the prior year base tax levy (the tax levy less excluded debt) compared to $2.8 million for fiscal 2014, an increase of 3% over the prior year base tax levy. The ten-year average increase for New Growth was 2.1%. We still anticipate above average New Growth property tax revenue for 2016 and now 2017. We expect that New

Growth revenue for 2016 will not be as high as 2015, but significantly more than average. As explained last year, the Town continues to see year over year increases in the room and meals excise revenue as the local economy remained strong, and the opening of a new hotel a couple of years ago has increased the number of rooms available in Needham. There is now another proposal for an additional hotel which would increase the excise revenue. These revenue increases are needed as the new development has put increased demands on public safety services, to which we anticipate more resources being directed in the coming years.

The Town has entered into a purchase and sales agreement to purchase several properties that make up approximately ten acres, the most notable property is Owens Farm. The purchase of the properties would allow for the construction of a replacement school for the Hillside elementary school. The proposal has been submitted to the Massachusetts School Building Authority which would partner with the Town to help fund the school construction. The purchase price for the property is approximately $6.5 million, this is not eligible for MSBA funding, but would be part of the overall project cost which is anticipated to be presented to the voters as a debt exclusion override in calendar 2016. There are two other school projects identified for funding several years out which would be presented as debt exclusions to the voters.

The Town is also studying options relative to the upgrade, expansion, and or replacement of the Department of Public Works facility, the Police/Fire Station complex, the Rosemary Pool facility, and the School Administration building. With the increased development in the business park, the demands on fire station #2, located in Needham Heights, has increased so the Town will conduct a feasibility study as to the capital and staffing needs of that facility in the coming months. The Town has begun planning for improvements to the Memorial Park facility and will seek funding for a feasibility study next year.

The Town made no draw against any of its appropriated stabilization accounts: Athletic Facility Improvement Fund, Capital Improvement Fund, Capital Facility Fund, and General Stabilization Fund. The Town appropriated $1,026,412 to the Athletic Facility Improvement Fund at the May 2015 Annual Town Meeting. The Town also appropriated an additional $160,000 from overlay surplus to its OPEB account. This funding was in addition to the 2015 operating budget increase of $200,000 that came from the health insurance budget. At the May 2015 Special Town Meeting, the Town appropriated $17,475 to the Capital Improvement Fund, and $9,113 to the Capital Facility Fund. These funds came from unexpended monies from prior appropriations that were no longer needed.

The outlook for the fiscal year 2016 year end results are expected to be stable with greater tax revenues. We still anticipate that local resources will grow at a five to six percent rate during the next 12 to 24 months. The Town maintains an adequate reserve for property tax abatements and exemptions for the fiscal year as well as for uncollected taxes from prior fiscal years. We again caution that actions at the Federal level will 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Assistant Town Manager/

Director of Finance

Town of Needham, Massachusetts

Town Hall

Needham, Massachusetts 02492

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current:			
Cash and short-term investments	$ 34,540,059	$ 12,076,977	$ 46,617,036
Investments	27,653,000	-	27,653,000
Receivables, net:			
Property taxes	1,915,056	-	1,915,056
Excises	506,141	-	506,141
Utilities	-	4,672,519	4,672,519
Departmental	430,104	-	430,104
Intergovernmental	1,472,034	-	1,472,034
Other	69,562	-	69,562
Total current assets	66,585,956	16,749,496	83,335,452
Noncurrent:			
Receivables, net:			
Property taxes	1,372,548	-	1,372,548
Intergovernmental	4,866,000	-	4,866,000
OPEB asset	2,243,184	-	2,243,184
Capital assets:			
Non-depreciable capital assets	23,509,685	12,765,776	36,275,461
Depreciable assets, net of accumulated depreciation	208,637,481	52,060,329	260,697,810
Total non-current assets	240,628,898	64,826,105	305,455,003
TOTAL ASSETS	307,214,854	81,575,601	388,790,455
Deferred Outflows of Resources	1,789,162	110,161	1,899,323
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 309,004,016	$ 81,685,762	$ 390,689,778
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current:			
Warrants and accounts payable	$ 2,042,875	$ 472,990	$ 2,515,865
Accrued liabilities	6,443,049	70,365	6,513,414
Refunds payable	703,609	313,274	1,016,883
Other liabilities	201,852	-	201,852
Current portion of long-term liabilities:			
Bonds payable	8,356,680	1,818,674	10,175,354
Compensated absences	1,078,479	306,926	1,385,405
Landfill liability	48,671	-	48,671
Total current liabilities	18,875,215	2,982,229	21,857,444
Noncurrent:			
Bonds payable, net of current portion	72,649,697	14,832,113	87,481,810
Compensated absences, net of current portion	3,235,435	-	3,235,435
Net pension liability	51,287,845	3,157,850	54,445,695
Landfill liability, net of current portion	681,394	-	681,394
Total non-current liabilities	127,854,371	17,989,963	145,844,334
TOTAL LIABILITIES	146,729,586	20,972,192	167,701,778
Deferred Inflows of Resources	23,946	1,475	25,421
Net Position:			
Net investment in capital assets	151,855,377	48,761,956	200,617,333
Restricted for:			
Permanent funds:			
Nonexpendable	188,478	-	188,478
Expendable	2,260,892	-	2,260,892
Grants and other statutory restrictions	14,588,856	-	14,588,856
Unrestricted	(6,643,119)	11,950,139	5,307,020
TOTAL NET POSITION	162,250,484	60,712,095	222,962,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 309,004,016	$ 81,685,762	$ 390,689,778

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 6,079,558	$ 605,392	$ 252,003	$ -	$ (5,222,163)	$ -	$ (5,222,163)
Public safety	15,743,073	2,528,875	143,633	-	(13,070,565)	-	(13,070,565)
Education	89,349,536	5,514,249	20,344,774	-	(63,490,513)	-	(63,490,513)
Public works	8,706,405	232,155	288,810	-	(8,185,440)	-	(8,185,440)
Maintenance	11,554,939	135,907	-	438,757	(10,980,275)	-	(10,980,275)
Health and human services	2,094,479	166,550	247,613	-	(1,680,316)	-	(1,680,316)
Culture and recreation	3,219,423	601,045	682,993	-	(1,935,385)	-	(1,935,385)
Interest on debt service	2,717,818	-	-	-	(2,717,818)	-	(2,717,818)
Intergovernmental	1,272,800	-	-	-	(1,272,800)	-	(1,272,800)
Other unallocated costs	10,355,573	-	1,862	-	(10,353,711)	-	(10,353,711)
Total Governmental Activities	151,093,604	9,784,173	21,961,688	438,757	(118,908,986)	-	(118,908,986)
Business-Type Activities:							
Sewer services	8,027,157	8,754,527	28,411	-	-	755,781	755,781
Water services	4,963,358	7,396,014	-	-	-	2,432,656	2,432,656
Solid waste services	2,154,845	1,217,421	-	-	-	(937,424)	(937,424)
Total Business-Type Activities	15,145,360	17,367,962	28,411	-	-	2,251,013	2,251,013
Total	$ 166,238,964	$ 27,152,135	$ 21,990,099	$ 438,757	(118,908,986)	2,251,013	(116,657,973)
General Revenues and Transfers:							
Property taxes					114,605,480	-	114,605,480
Excise taxes					5,237,358	-	5,237,358
Penalties, interest, and other taxes					1,855,318	-	1,855,318
Grants and contributions not restricted to specific programs					2,169,037	-	2,169,037
Investment income					365,427	13,299	378,726
Miscellaneous					240,667	25,000	265,667
Total general revenues					124,473,287	38,299	124,511,586
Excess before transfers					5,564,301	2,289,312	7,853,613
Transfers, net					(506,533)	506,533	-
Change in Net Position					5,057,768	2,795,845	7,853,613
Net Position:							
Beginning of year, as restated					157,192,716	57,916,250	215,108,966
End of year					$ 162,250,484	$ 60,712,095	$ 222,962,579

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	$ 19,643,035	$ 887,377	$ 12,299,283	$ 32,829,695
Investments	17,264,599	7,933,808	2,454,593	27,653,000
Receivables:				
Property taxes	4,228,979	13,484	-	4,242,463
Excises	919,939	-	-	919,939
Departmental	1,306,998	-	36,004	1,343,002
Intergovernmental	5,561,184	-	776,850	6,338,034
Other	69,562	-	-	69,562
TOTAL ASSETS	$ 48,994,296	$ 8,834,669	$ 15,566,730	$ 73,395,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Warrants and accounts payable	$ 1,490,653	$ 13,149	$ 528,455	$ 2,032,257
Accrued liabilities	5,258,568	832	140,211	5,399,611
Refunds payable	703,609	-	-	703,609
Other liabilities	200,235	-	1,615	201,850
TOTAL LIABILITIES	7,653,065	13,981	670,281	8,337,327
Deferred Inflows of Resources	11,805,511	13,484	100,072	11,919,067
Fund Balances:				
Nonspendable	-	-	188,478	188,478
Restricted	794,835	8,807,204	8,756,913	18,358,952
Committed	9,020,424	-	6,122,886	15,143,310
Assigned	4,472,492	-	-	4,472,492
Unassigned	15,247,969	-	(271,900)	14,976,069
TOTAL FUND BALANCES	29,535,720	8,807,204	14,796,377	53,139,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 48,994,296	$ 8,834,669	$ 15,566,730	$ 73,395,695

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, 2015

Total governmental fund balances	$ 53,139,301
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	232,147,166
• Net other post employment benefits asset is reported on the Statement of Net Position, and not reported in the funds.	2,243,184
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	9,637,511
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,498,582
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(842,275)
• Long-term liabilities, net of related deferred outflows and inflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability, net of related deferred outflows and inflows	(49,522,629)
Bonds and loans payable, net unamoritzed premiums	(81,006,377)
Compensated absences payable	(4,313,914)
Estimated liability for landfill postclosure care costs	(730,065)
Net position of governmental activities	$ 162,250,484

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, 2015

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 112,329,687	$ 1,950,156	$ -	$ 114,279,843
Excise taxes	5,242,444	-	-	5,242,444
Penalties, interest, and other taxes	1,852,862	2,456	-	1,855,318
Charges for services	987,849	-	6,123,560	7,111,409
Departmental	654,516	-	-	654,516
Licenses and permits	1,702,030	-	-	1,702,030
Intergovernmental	10,799,610	566,099	5,380,602	16,746,311
Investment income	168,567	154,529	42,332	365,428
Fines and forfeitures	204,198	-	-	204,198
Contributions	-	20,518	1,455,025	1,475,543
Other	345,471	-	15,240	360,711
Total Revenues	134,287,234	2,693,758	13,016,759	149,997,751
Expenditures:				
Current:				
General government	4,673,887	455,295	106,259	5,235,441
Public safety	14,829,123	-	149,027	14,978,150
Education	65,814,871	-	10,686,070	76,500,941
Public works	7,678,186	-	215,243	7,893,429
Maintenance	8,660,730	-	4,423,569	13,084,299
Health and human services	1,453,707	-	238,976	1,692,683
Culture and recreation	2,156,905	-	417,795	2,574,700
Employee benefits	10,084,343	-	-	10,084,343
Other	518,182	-	-	518,182
Debt service:				
Principal	8,374,612	-	-	8,374,612
Interest	2,632,650	-	-	2,632,650
Intergovernmental	1,272,800	-	-	1,272,800
Total Expenditures	128,149,996	455,295	16,236,939	144,842,230
Excess (deficiency) of revenues over expenditures	6,137,238	2,238,463	(3,220,180)	5,155,521
Other Financing Sources (Uses):				
Issuance of bonds	-	-	2,850,000	2,850,000
Issuance of refunded debt	7,337,000	-	-	7,337,000
Bond premium	1,225,361	-	-	1,225,361
Transfers in	2,301,520	-	5,837,871	8,139,391
Deposit to refunding escrow	(8,325,359)	-	-	(8,325,359)
Transfers out	(7,704,812)	(475,763)	(465,348)	(8,645,923)
Total Other Financing Sources (Uses)	(5,166,290)	(475,763)	8,222,523	2,580,470
Net change in fund balances	970,948	1,762,700	5,002,343	7,735,991
Fund Balances, at beginning of year	28,564,772	7,044,504	9,794,034	45,403,310
Fund Balances, at end of year	$ 29,535,720	$ 8,807,204	$ 14,796,377	$ 53,139,301

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, 2015

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	7,735,991
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay purchases, net of loss on disposal		3,477,961
Depreciation		(9,082,536)
• 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.		(381,954)
• Change in net other post employment benefits asset		214,527
• The issuance of long-term debt (bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any affect net position:		
Issuance of debt, including refunding		(10,187,000)
Defeasance of debt refunding		8,325,359
Bond premium		(1,225,361)
Bond premium amortization		47,886
Repayments of debt		8,374,612
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(85,168)
• 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.		
Net pension expense, net of related deferred outflows and inflows		(2,182,184)
Compensated absences		(57,424)
Landfill liability		53,135
• 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.		29,924
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	5,057,768

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

TOWN OF NEEDHAM, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 110,045,528	$ 110,045,528	$ 110,045,528	$ -
Excise taxes	3,925,000	3,925,000	5,242,444	1,317,444
Penalties, interest, and other taxes	1,175,000	1,175,000	1,852,862	677,862
Charges for services	789,670	789,670	987,849	198,179
Departmental	576,330	576,330	654,516	78,186
Licenses and permits	1,427,700	1,427,700	1,702,030	274,330
Intergovernmental	10,603,902	10,603,902	10,791,985	188,083
Investment income	67,500	67,500	101,273	33,773
Fines and forfeits	162,000	162,000	204,198	42,198
Other revenue	1,500	1,500	302,380	300,880
Total Revenues	128,774,130	128,774,130	131,885,065	3,110,935
Expenditures				
General government	4,036,311	4,093,355	3,821,173	272,182
Land use	423,211	436,068	433,431	2,637
Public safety	13,714,066	13,727,122	13,022,878	704,244
Education	58,854,499	58,854,499	58,767,169	87,330
Public works	5,430,834	6,836,995	6,757,762	79,233
Public facilities	8,067,148	8,205,939	7,998,447	207,492
Community services	3,321,342	3,391,728	3,217,083	174,645
Debt service	11,587,884	11,587,884	11,580,940	6,944
Employee benefits	21,681,522	21,691,474	21,452,471	239,003
Other appropriated expenses	2,125,490	706,835	536,000	170,835
Intergovernmental	1,274,075	1,274,075	1,272,800	1,275
Other amounts provided	12,500	12,500	608	11,892
Total Expenditures	130,528,882	130,818,474	128,860,762	1,957,712
Excess (deficiency) of revenues over expenditures	(1,754,752)	(2,044,344)	3,024,303	5,068,647
Other Financing Sources (Uses)				
Bond premium	-	-	336,304	336,304
Transfers in	2,212,171	2,212,171	2,301,520	89,349
Use of free cash	4,152,348	8,142,959	-	(8,142,959)
Use of bond premium	105,026	105,026	-	(105,026)
Use of overlay surplus	500,000	1,000,000	-	(1,000,000)
Transfers out	(5,214,793)	(9,415,812)	(9,415,812)	-
Total Other Financing Sources (Uses)	1,754,752	2,044,344	(6,777,988)	(8,822,332)
Excess of revenues and other sources over expenditures and other uses	$ -	$ -	$ (3,753,685)	$ (3,753,685)

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Current:					
Cash and short-term investments	$ 4,273,276	$ 5,840,171	$ 1,963,530	$ 12,076,977	$ 1,710,363
User fees receivable	2,307,220	2,110,432	254,867	4,672,519	-
Total current assets	6,580,496	7,950,603	2,218,397	16,749,496	1,710,363
Noncurrent:					
Land and construction in progress	1,124,424	6,633,909	5,007,443	12,765,776	-
Other capital assets, net of accumulated depreciation	23,447,479	26,674,117	1,938,733	52,060,329	-
Total noncurrent assets	24,571,903	33,308,026	6,946,176	64,826,105	-
TOTAL ASSETS	31,152,399	41,258,629	9,164,573	81,575,601	1,710,363
Deferred Outflows of Resources	34,188	47,483	28,490	110,161	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 31,186,587	$ 41,306,112	$ 9,193,063	$ 81,685,762	$ 1,710,363
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND, NET POSITION					
Liabilities:					
Current:					
Accounts payable	$ 22,271	$ 308,163	$ 142,556	$ 472,990	$ 10,620
Accrued payroll	27,583	23,148	19,634	70,365	-
Accrued liabilities	-	-	-	-	201,161
Refunds payable	74,100	9,242	229,932	313,274	-
Current portion of long-term liabilities:					
Bonds payable	853,139	865,535	100,000	1,818,674	-
Compensated absences	154,558	98,204	54,164	306,926	-
Total current liabilities	1,131,651	1,304,292	546,286	2,982,229	211,781
Noncurrent:					
Bonds payable, net of current portion	7,786,770	6,925,343	120,000	14,832,113	-
Net pension liability	980,023	1,361,142	816,685	3,157,850	-
Total noncurrent liabilities	8,766,793	8,286,485	936,685	17,989,963	-
TOTAL LIABILITIES	9,898,444	9,590,777	1,482,971	20,972,192	211,781
Deferred Inflow of Resources	458	636	381	1,475	-
Net Position:					
Net investment in capital assets	16,296,054	25,617,795	6,848,107	48,761,956	-
Unrestricted	4,991,631	6,096,904	861,604	11,950,139	1,498,582
TOTAL NET POSITION	21,287,685	31,714,699	7,709,711	60,712,095	1,498,582
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOW OF RESOURCES	$ 31,186,587	$ 41,306,112	$ 9,193,063	$ 81,685,762	$ 1,710,363

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, 2015

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	$ 8,754,527	$ 7,355,119	$ 1,217,421	$ 17,327,067	$ -
Other	-	40,895	-	40,895	408,378
Total Operating Revenues	8,754,527	7,396,014	1,217,421	17,367,962	408,378
Operating Expenses:					
Personnel services	1,041,773	1,099,296	700,899	2,841,968	378,454
Non-personnel services	340,554	1,305,444	1,167,229	2,813,227	-
Depreciation	946,904	1,155,030	279,609	2,381,543	-
Intergovernmental assessments	5,466,144	1,193,697	-	6,659,841	-
Total Operating Expenses	7,795,375	4,753,467	2,147,737	14,696,579	378,454
Operating Income (Loss)	959,152	2,642,547	(930,316)	2,671,383	29,924
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	28,411	-	-	28,411	-
Investment income	4,425	6,360	2,514	13,299	-
Other revenue	25,000	-	-	25,000	-
Interest expense	(231,782)	(209,891)	(7,108)	(448,781)	-
Total Nonoperating Revenues (Expenses), Net	(173,946)	(203,531)	(4,594)	(382,071)	-
Income (Loss) Before Transfers	785,206	2,439,016	(934,910)	2,289,312	29,924
Transfers in	863,671	-	1,492,270	2,355,941	-
Transfers out	(569,518)	(953,573)	(326,317)	(1,849,408)	-
Change in Net Position	1,079,359	1,485,443	231,043	2,795,845	29,924
Net Position at Beginning of Year, as restated	20,208,326	30,229,256	7,478,668	57,916,250	1,468,658
Net Position at End of Year	$ 21,287,685	$ 31,714,699	$ 7,709,711	$ 60,712,095	$ 1,498,582

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, 2015

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from customers and users	$ 8,792,907	$ 7,160,101	$ 1,227,892	$ 17,180,900	$ -
Employer contributions	-	-	-	-	408,378
Payments of utility assessments	(5,466,144)	(1,193,697)	-	(6,659,841)	-
Payments to vendors and contractors	(336,066)	(1,603,760)	(1,184,908)	(3,124,734)	-
Payments of employee salaries, benefits, and related expenses	(924,297)	(1,050,816)	(658,542)	(2,633,655)	(305,279)
Net Cash Provided By (Used For) Operating Activities	2,066,400	3,311,828	(615,558)	4,762,670	103,099
Cash Flows From Noncapital Financing Activities:					
Operating grants received	28,411	-	-	28,411	-
Transfers from other funds	863,671	-	1,492,270	2,355,941	-
Transfers to other funds	(569,518)	(953,573)	(326,317)	(1,849,408)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	322,564	(953,573)	1,165,953	534,944	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(1,236,497)	(4,539,427)	(438,178)	(6,214,102)	-
Issuance of bonds and loans	517,807	2,100,000	-	2,617,807	-
Proceeds from issuance of refunding debt	525,000	638,000	-	1,163,000	-
Principal payments on bonds and loans	(1,020,200)	(859,834)	(100,000)	(1,980,034)	-
Payment to defease debt	(525,000)	(675,000)	-	(1,200,000)	-
Interest expense	(231,782)	(209,892)	(7,108)	(448,782)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,970,672)	(3,546,153)	(545,286)	(6,062,111)	-
Cash Flows From Investing Activities:					
Investment income	4,422	6,360	2,514	13,296	-
Net Cash Provided By Investing Activities	4,422	6,360	2,514	13,296	-
Net Change in Cash and Short-Term Investments	422,714	(1,181,538)	7,623	(751,201)	103,099
Cash and Short-Term Investments, Beginning of Year	3,850,562	7,021,709	1,955,907	12,828,178	1,607,264
Cash and Short-Term Investments, End of Year	$ 4,273,276	$ 5,840,171	$ 1,963,530	$ 12,076,977	$ 1,710,363
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Operating income (loss)	$ 959,152	$ 2,642,547	$ (930,316)	$ 2,671,383	$ 29,924
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	946,904	1,155,030	279,609	2,381,543	-
Loss on disposal of assets	-	-	3,398	3,398	-
Changes in assets and liabilities:					
User fees	35,339	(237,373)	(23,844)	(225,878)	-
Accounts payable	4,487	(298,316)	(21,077)	(314,906)	10,620
Accrued liabilities	5,878	(1,331)	7,003	11,550	62,555
Refunds payable	3,041	1,460	34,315	38,816	-
Compensated absences	69,900	(8,103)	607	62,404	-
Net pension liability	41,699	57,914	34,747	134,360	-
Net Cash Provided By (Used For) Operating Activities	$ 2,066,400	$ 3,311,828	$ (615,558)	$ 4,762,670	$ 103,099

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Pension Trust Fund (As of December 31, 2014)	Private Purpose Trust Fund	Other Post-Employment Benefit Trust Fund	Other Agency Funds
ASSETS				
Cash and short-term investments	$ 1,069,229	$ -	$ 517,296	$ 1,380,905
Investments	135,084,330	4,576,744	17,906,710	-
Receivables	183,311	-	-	137,574
Total Assets	136,336,870	4,576,744	18,424,006	1,518,479
LIABILITIES AND NET POSITION				
Accounts payable	-	150,889	-	40,519
Accrued liabilities	73,597	-	-	37,398
Refunds payable	-	-	-	10,243
Other liabilities	1,599	-	-	1,430,319
Total Liabilities	75,196	150,889	-	1,518,479
NET POSITION				
Total net position held in trust for pension benefits and other purposes	$ 136,261,674	$ 4,425,855	$ 18,424,006	$ -

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, 2015

	Pension Trust Fund (For the Year Ended December 31, 2014)	Private Purpose Trust Fund	Other Post-Employment Benefit Trust Fund
Additions:			
Contributions:			
Employers	$ 5,621,400	$ -	$ 5,300,198
Plan members	3,350,233	-	-
Other	349,370	553,509	8,905
Total contributions	9,321,003	553,509	5,309,103
Investment Income:			
Increase (decrease) in fair value of investments	10,364,244	50,850	676,454
Less: management fees	(702,795)	-	-
Net investment income	9,661,449	50,850	676,454
Total additions	18,982,452	604,359	5,985,557
Deductions:			
Benefit payments to plan members and beneficiaries	10,893,410	-	3,031,085
Refunds to plan members	100,113	-	-
Administrative expenses	163,700	-	-
Other	237,055	159,398	-
Total deductions	11,394,278	159,398	3,031,085
Net increase	7,588,174	444,961	2,954,472
Net position:			
Beginning of year	128,673,500	3,980,894	15,469,534
End of year	$ 136,261,674	$ 4,425,855	$ 18,424,006

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

tures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

The *Agency Funds* include *Student Activity Funds*, *Police, Fire and Maintenance Detail Funds, Traffic Mitigation Fund, Sewer Impact Fees Fund, Needham Retirement Board Fund, Rail Trail Fund and other Miscellaneous Funds*.

D. <u>Cash and Short-Term Investments</u>

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

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

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

E. <u>Investments</u>

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

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

F. <u>Property Tax Limitations</u>

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of approximately $118,000.

G. *Capital Assets*

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

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

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

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

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

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

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

H. Compensated Absences

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

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).

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

5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. *Budgetary Information*

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

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

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

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

B. *Budgetary Basis*

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

C. *Budget/GAAP Reconciliation*

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

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

General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 134,287,234	$ 128,149,996
Other financing sources/uses (GAAP Basis)	10,863,881	16,030,171
Subtotal (GAAP Basis)	145,151,115	144,180,167
To adjust property tax revenue to the budgetary basis	(2,284,159)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,721,641)
Add end-of-year appropriation carryforwards from expenditures	-	2,018,728
Remove effect of refunding	(8,226,057)	(8,226,057)
Less nonbudgeted funds	(67,294)	2,033,001
Less MWPAT subsidy	(7,624)	(7,624)
Other reconciling items	(43,092)	-
Budgetary Basis	$ 134,522,889	$ 138,276,574

D. *Deficit Fund Equity*

The Town reflects several special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements and the use of bond anticipation notes to finance construction activities or in anticipation of future use of bond anticipation notes or issuance of long-term debt authorized at Town Meetings.

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

The following funds had deficits as of June 30, 2015:

Nonmajor Governmental Funds:		
Special Revenue Funds:		
2015 911 Dept Support	$	45,280
2014 911 Training		19,549
2015 Shine		18,607
Capital Project Funds		
A 41 ATM 05/13 Public Works Infrastructure		120,129
A 14 STM 11/11 Senior Center		5,010
Chapter 90		63,325
Subtotal Nonmajor Governmental Funds		271,900
Fiduciary Funds:		
Fire outside detail		76,986
Police outside detail		72,552
Needham retirement board		19,279
Subtotal Fiduciary Funds		168,817
Total	$	440,717

3. Cash and Short-Term Investments

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

As of June 30, 2015, $14,821,481 of the Town's cash bank balance of $48,936,209 was exposed to custodial credit risk as uninsured or uncollateralized. Of the Town's exposed risk, $1,942,924 was mitigated by SIPC and $6,417,960 was invested in MMDT.

As of December 31, 2014, $835,681 of the Contributory Retirement System's cash bank balance of $980,532 was exposed to custodial credit risk as uninsured or uncollateralized. Of the System's exposed risk, $573,000 was invested in MMDT and $261,681 was invested in PRIT.

4. Investments

A. Credit Risk

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

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

Investment Type		Fair Value	Average Rating as of Year-end
Certificates of deposits	$	13,765,084	N/A
State investment pool		17,906,710	N/A
Corporate equities		3,949,082	N/A
Mutual funds		4,799,069	N/A
Federal agency securities		5,677,387	AAA
US Treasury notes		1,658,365	AAA
Corporate bonds		2,264,841	A2
Municipal bonds		115,916	AAA
Total investments	$	50,136,454	

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

At December 31, 2014, the System maintained its investments in the State Investment Pool (PRIT)* with a fair value of $135,084,330. The PRIT fund is an external investment pool that is not registered with the Securities

Exchange Commission. This investment type is not rated. The PRIT Fund issues separately available financial statements with a year end of June 30.

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

B. *Custodial Credit Risk*

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

As of June 30, 2015, $36,371,370 out of the Town's investments of $50,136,454 was exposed to custodial credit risk as uninsured and uncollateralized. The Town manages this risk with Securities Investor Protection Corporation (SIPC) and excess SIPC coverage for $18,464,660 and $17,906,710 was held in the State investment pool (PRIT).

As of December 31, 2014, the System's investments of $135,084,330 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State investment pool (PRIT).

C. *Concentration of Credit Risk*

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

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

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

D. Interest Rate Risk

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

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

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-5	6-10
Debt-related Securities:				
Corporate bonds	$ 2,264,841	$ 332,651	$ 1,932,190	$ -
Federal agency securities	5,677,387	176,717	5,500,670	-
US Treasury notes	1,658,365	-	1,658,365	-
Municipal bonds	115,916	-	-	115,916
Total	$ 9,716,509	$ 509,368	$ 9,091,225	$ 115,916

E. Foreign Currency Risk

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

5. Accounts Receivable

A. Property Taxes

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

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

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015		$ 583
Personal Property		
2015	419	
2014	248	
2013	202	
2012	180	
2011	215	
2010	251	
Prior	295	
Subtotal		1,810
Tax Liens		1,201
Deferred Taxes		629
Tax Roll Backs		6
CPA		13
Total		$ 4,242

B. *Allowance for Uncollectibles*

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

	Governmental
Personal property taxes	$ 955
Excises	$ 414
Ambulance	$ 913

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

C. *Departmental*

Departmental receivables primarily comprise ambulance receivables.

D. *Intergovernmental Receivables*

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015 and future reimbursements from the MSBA.

6. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

Governmental Funds:	Transfers In	Transfers Out
General Fund	$ 2,301,520	$ 7,704,812
Community Preservation Fund	-	475,763
Nonmajor Funds:		
Special Revenue Funds:		
Town grants	-	1,751
Receipts reserved for appropriation	-	40,000
Revolving funds	-	30,377
Trust funds	-	5,700
Other special revenue funds	5,700	-
Capital Project Funds:	5,832,171	387,521
Subtotal Nonmajor Funds	5,837,871	465,349
Business-Type Funds:		
Sewer Fund	863,671	569,518
Water Fund	-	953,573
Solid Waste Fund	1,492,270	326,317
Subtotal Business-Type Funds:	2,355,941	1,849,408
Grand Total	$ 10,495,332	$ 10,495,332

The transfers from the sewer, water, and solid waste funds to the general fund are made to cover indirect costs and short term note payments incurred by general fund. The majority of the $5,832,171 transfer from the General fund to the various Capital Project funds represents the Town's practice of funding certain capital activity from General fund revenues ($2,467,260 from the May 2014 Annual Town Meeting and $2,394,911 from the May 2015 Annual Town Meeting). The $2,355,941 transfer (from General Fund) into the Enterprise Funds represents a subsidy to the Solid Waste Fund and Sewer Fund of $1,492,270 and $863,671 respectively. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

7. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 202,950	$ 32,881	-	$ 235,831
Machinery, equipment, and furnishings	13,199	607	(552)	13,254
Vehicles	4,679	732	(678)	4,733
Infrastructure	33,477	1,376	-	34,853
Total capital assets, being depreciated	254,305	35,596	(1,230)	288,671
Less accumulated depreciation for:				
Buildings and improvements	(42,338)	(6,114)	-	(48,452)
Machinery, equipment, and furnishings	(8,428)	(1,107)	546	(8,989)
Vehicles	(4,692)	(598)	646	(4,644)
Infrastructure	(16,685)	(1,264)	-	(17,949)
Total accumulated depreciation	(72,143)	(9,083)	1,192	(80,034)
Total capital assets, being depreciated, net	182,162	26,513	(38)	208,637
Capital assets, not being depreciated:				
Land	22,205	-	-	22,205
Works of Art	120	-	-	120
Construction in progress	33,265	362	(32,442)	1,185
Total capital assets, not being depreciated	55,590	362	(32,442)	23,510
Governmental activities capital assets, net	$ 237,752	$ 26,875	$ (32,480)	$ 232,147

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 8,950	$ 7,248	(505)	$ 15,693
Plant	6,600	-	-	6,600
Machinery, equipment, and furnishings	5,005	463	(369)	5,099
Vehicles	1,800	-	(22)	1,778
Infrastructure	70,160	3,601	-	73,761
Total capital assets, being depreciated	92,515	11,312	(896)	102,931
Less accumulated depreciation for:				
Buildings and improvements	(4,341)	(397)	777	(3,961)
Plant	(2,945)	(228)	-	(3,173)
Machinery, equipment, and furnishings	(3,567)	(318)	93	(3,792)
Vehicles	(1,412)	(154)	22	(1,544)
Infrastructure	(37,115)	(1,285)	-	(38,400)
Total accumulated depreciation	(49,380)	(2,382)	892	(50,870)
Total capital assets, being depreciated, net	43,135	8,930	(4)	52,061
Capital assets, not being depreciated:				
Land	5,275	-	-	5,275
Construction in progress	12,587	4,581	(9,678)	7,490
Total capital assets, not being depreciated	17,862	4,581	(9,678)	12,765
Business-type activities capital assets, net	$ 60,997	$ 13,511	$ (9,682)	$ 64,826

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

Governmental Activities:	
General government	$ 717
Public safety	456
Education	4,878
Public works	819
Maintenance	1,264
Health and human services	335
Culture and recreation	614
Total depreciation expense - governmental activities	$ 9,083

Business-Type Activities:	
Sewer	$ 947
Water	1,155
Solid waste	280
Total depreciation expense - business-type activities	$ 2,382

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	Entity-wide Basis		Fund Basis		
	Governmental Activities	Business-type Activities	Proprietary Funds Sewer	Water	Solid Waste
Changes of pension assumptions	$ 1,594,591	$ 98,181	$ 30,470	$ 42,319	$ 25,392
Net difference between projected and actual investment earnings on pension plan investments	194,571	11,980	3,718	5,164	3,098
Total deferred outflows	$ 1,789,162	$ 110,161	$ 34,188	$ 47,483	$ 28,490

9. Warrants and Accounts Payable

Warrants and accounts payable represent 2015 expenditures paid after June 30, 2015.

10. Accrued Liabilities

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

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

11. Refunds Payable

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

12. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2015:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	$ 1,607,000	$ -	$ (1,607,000)	$ -
Bond anticipation	-	1,330,000	(1,330,000)	-
Bond anticipation	-	795,000	(795,000)	-
Total	$ 1,607,000	$ 2,125,000	$ (3,732,000)	$ -

13. Long-Term Debt

A. *Long-Term Debt Supporting Activities*

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

B. *General Obligation Bonds*

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

		Original Amount	Interest Rate(s) %	Date of Issue	Date of Maturity		Amount Outstanding as of 6/30/15
MA Water Pollution Abatement Trust	$	85,894	Various	05/01/01	01/01/20	$	23,620
MA Water Pollution Abatement Trust		91,400	Various	11/01/04	08/01/18		22,900
MA Water Pollution Abatement Trust		243,300	Various	11/01/04	08/01/18		60,600
MA Water Pollution Abatement Trust		1,261,272	Various	11/01/04	08/01/18		343,400
MA Water Pollution Abatement Trust		496,276	Various	11/01/04	01/01/20		139,011
MA Water Pollution Abatement Trust		175,500	Various	11/01/04	08/01/18		43,800
High School		10,000,000	3.75 - 4.50	11/01/06	11/01/26		550,000
Water and Sewer		5,525,000	3.75 - 4.50	11/01/06	11/11/19		2,395,000
Water and Sewer		3,500,000	4.05 - 5.00	06/15/07	06/15/23		400,000
High School, High Rock and Pollard Schools		12,600,000	3.25 - 5.00	06/03/08	12/01/26		7,550,000
High Rock and Pollard Schools		5,000,000	4.61	11/01/08	08/01/27		3,410,000
High School, Water and Sewer		5,217,000	2.94	06/01/09	06/01/28		3,045,000
Schools, Admin Building, Water and Sewer		15,525,000	2.00 - 4.00	12/15/09	08/01/28		11,250,000
School, Admin Building, Water and Sewer		2,545,000	2.00 - 3.00	06/15/10	12/01/24		1,520,000
Town Hall and Sewer Pump Station		2,700,000	1.00 - 3.00	10/15/10	04/01/17		615,000
MA Water Resources Authority		57,613	0.00	11/15/10	11/15/15		11,523
Town Hall, Newman and Pollard Schools		9,500,000	2.00 - 5.00	05/19/11	10/01/28		6,800,000
Town Hall, Parking and Bridge		2,460,000	2.00 - 3.125	10/05/11	08/01/26		1,825,000
MA Water Resources Authority		220,990	0.00	02/27/12	02/15/17		88,395
MA Water Pollution Abatement Trust		980,226	2.00	06/01/12	07/15/30		662,878
GOB - Refunding FY2012		10,995,000	2.00 - 4.00	06/06/12	11/01/23		10,080,000
Municipal Purpose FY 2013		12,244,000	2.00 - 4.00	10/03/12	07/15/32		10,415,000
MA Water Pollution Abatement Trust		6,034,290	2.00	05/22/13	01/15/33		5,619,290
Municipal Purpose FY 2013		5,945,000	2.00 - 4.00	06/18/13	11/01/32		5,260,000
Municipal Purpose FY 2014		6,085,000	3.00 - 4.00	12/02/13	07/15/33		5,595,000
Municipal Purpose FY 2014		5,032,000	2.00 - 2.50	06/02/14	05/15/34		4,460,000
Municipal Purpose FY 2015		13,425,000	2.00 - 4.00	04/01/15	11/15/33		13,425,000
						$	95,610,417

C. *Future Debt Service*

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

Governmental	Principal	Interest	Total
2016	$ 8,247,526	$ 2,745,275	$ 10,992,801
2017	7,977,526	2,297,569	10,275,095
2018	7,269,526	2,073,054	9,342,580
2019	6,857,526	1,845,493	8,703,019
2020	6,412,526	1,612,994	8,025,520
2021 - 2025	25,910,000	5,059,053	30,969,053
2026 - 2030	12,575,000	1,495,703	14,070,703
2031 - 2034	3,710,000	222,463	3,932,463
Total	$ 78,959,630	$ 17,351,604	$ 96,311,234

Business-Type		Principal		Interest		Total
2016	$	1,818,674	$	473,851	$	2,292,525
2017		1,811,704		416,219		2,227,923
2018		1,725,393		357,924		2,083,317
2019		1,717,319		300,361		2,017,680
2020		826,184		242,787		1,068,971
2021 - 2025		3,751,036		874,485		4,625,521
2026 - 2030		3,050,583		444,116		3,494,699
2031 - 2034		1,949,894		98,928		2,048,822
Total	$	16,650,787	$	3,208,671	$	19,859,458

D. *Bond Authorizations*

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2015 are as follows:

Date Authorized	Purpose		Amount
May 2008	Water Main Improvements	$	74,869
May 2009	Stormwater Master Plan Drainage Improvements (Latern & Gayland)		42,000
May 2009	Sewer Pump Station Design (Reservoir B)		5,197
November 2011	Senior Center Construction		33,808
November 2011	Sewer Pump Station Construction (Reservoir B)		187,219
October 2012	RTS Soil Remediation		158,000
May 2013	DPW Complex Renovation		10,000
May 2013	St. Marys Pump Station		965,100
May 2014	Public Works Infrastructure Program		220,000
May 2014	Central Ave, Elliot Street Bridge		650,000
May 2015	Water System Rehabilitation		635,000
May 2015	Public Works Infrastructure Program		1,000,000
May 2015	Central Ave, Elliot Street Bridge		2,000,000
	Total	$	5,981,193

E. *Changes in General Long-term Liabilities*

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/14	Additions	Refunded	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
Governmental Activities							
Bonds payable	$ 85,122	$ 10,187	$ (7,975)	$ (8,374)	$ 78,960	$ (8,248)	$ 70,712
Unamortized bond premium	870	1,225	-	(48)	2,047	(109)	1,938
Subtotal bonds payable	85,992	11,412	(7,975)	(8,422)	81,007	(8,357)	72,650
Other:							
Accrued employee benefits	4,256	57	-	-	4,313	(1,078)	3,235
Net pension liability	47,340	3,948	-	-	51,288	-	51,288
Landfill closure	783	-	-	(53)	730	(49)	681
Totals	$ 138,371	$ 15,417	$ (7,975)	$ (8,475)	$ 137,338	$ (9,484)	$ 127,854
Business-Type Activities							
Bonds payable	$ 16,514	$ 3,317	$ (1,200)	$ (1,980)	$ 16,651	$ (1,819)	$ 14,832
Other:							
Accrued employee benefits	245	62	-	-	307	(307)	-
Net pension liability	2,915	243	-	-	3,158	-	3,158
Totals	$ 19,674	$ 3,622	$ (1,200)	$ (1,980)	$ 20,116	$ (2,126)	$ 17,990

F. *Advance and Current Refundings*

On April 1, 2015 the City issued general obligation bonds in the amount of $8,475,000 with a variable interest rate ranging from 2.00% to 4.00% to:

- Currently refund $2,825,000 of the 2005 term bonds for the Elliot School with an interest rate of 3.75% to 4.125%. The term bonds mature on November 15, 2024 and were callable on June 1, 2015. The proceeds of $2,846,200 from the refunding bonds, net of underwriter's discount, 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 term bonds were called.

- Advance refund $5,150,000 of the 2006 term bonds for the High School with an interest rate of 4.00% to 4.25%. The term bonds mature on November 15, 2025. The proceeds of $2,846,200 from the refunding bonds, net of issuance costs, 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.

- Advance refund $1,200,000 of the 2007 term bonds for Water and Sewer with an interest rate of 4.00% to 4.20%. The term bonds mature on November 15, 2022. The proceeds of $1,279,765 from the refunding bonds, net of issuance costs, 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.

The refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

As a result of the refunding, the City reduced its total debt service cash flow requirements by $1,037,104, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $874,763.

Defeased debt still outstanding at June 30, 2015 is $6,350,000.

G. Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2015, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was $12,775,000.

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 $730,065 reported as postclosure care liability at June 30, 2015 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 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	Entity-wide Basis	
	Governmental Activities	Business-type Activities
Difference between expected and actual pension experience	$ 23,946	$ 1,475
Total deferred inflows	$ 23,946	$ 1,475

	Fund Basis					
	Governmental Funds			Proprietary Funds		
	General Fund	Community Preservation	Nonmajor	Sewer	Water	Solid Waste
Unavailable revenues	$ 11,805,511	$ 13,484	$ 100,072	$ -	$ -	$ -
Difference between expected and actual pension experience	-	-	-	458	636	381
Total deferred inflows	$ 11,805,511	$ 13,484	$ 100,072	$ 458	$ 636	$ 381

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2015 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

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

16. Restricted Net Position

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

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

17. Governmental Funds - Balances

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

The following types of fund balances are reported at June 30, 2015:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and various special revenue funds.

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

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	$ -	$ -	$ 188,478	$ 188,478
Total Nonspendable	-	-	188,478	188,478
Restricted				
Debt service	794,835	-	-	$ 794,835
Community preservation	-	8,807,204	-	8,807,204
Bonded projects	-	-	714,369	714,369
Special revenue funds:				
Expendable trust funds	-	-	2,260,892	2,260,892
School lunch	-	-	985,545	985,545
Kindergarten after school enrichment program	-	-	636,274	636,274
Pupil transportation	-	-	518,584	518,584
Summer School	-	-	375,976	375,976
RRFA - parking meter fund	-	-	320,701	320,701
Insurance loss replacement	-	-	149,335	149,335
Library equalization	-	-	136,478	136,478
Parks and recreation revolving	-	-	130,164	130,164
Other special revenue funds	-	-	2,528,595	2,528,595
Total Restricted	794,835	8,807,204	8,756,913	18,358,952
Committed				
Continuing appropriations articles	1,001,852	-	-	1,001,852
Compensated absences	195,060	-	-	195,060
General and capital stabilization	7,823,512	-	-	7,823,512
Capital projects	-	-	6,122,886	6,122,886
Total Committed	9,020,424	-	6,122,886	15,143,310
Assigned				
Encumbrances	2,018,728	-	-	2,018,728
For next year's expenditures	2,453,764	-	-	2,453,764
Total Assigned	4,472,492	-	-	4,472,492
Unassigned	15,247,969	-	(271,900)	14,976,069
Total Fund Balance	$ 29,535,720	$ 8,807,204	$ 14,796,377	$ 53,139,301

18. General Fund Unassigned Fund Balance

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

19. 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.

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

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2013, the actuarial valuation date, approximately 696 retirees and 1,117 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. *Funding Policy*

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

D. *Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB asset (obligation) based on an actuarial valuation as of July 1, 2013.

Annual Required Contribution (ARC)	$	5,113,405
Interest on net OPEB obligation		(137,994)
Adjustment to ARC		110,260
Annual OPEB cost		5,085,671
Contributions made		5,300,198
Increase in net OPEB asset		214,527 *
Net OPEB asset - beginning of year		2,028,657
Net OPEB asset - end of year	$	2,243,184

* represents funding in excess of ARC

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset
2015	$ 5,085,671	104%	$ 2,243,184
2014	$ 4,710,209	118%	$ 2,028,657
2013	$ 4,523,887	109%	$ 900,000
2012	$ 3,906,275	113%	$ 500,000
2011	$ 3,626,375	100%	$ -
2010	$ 3,446,556	100%	$ -
2009	$ 3,102,311	100%	$ -

E. *Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	$ 62,345,026
Actuarial value of plan assets	15,496,964
Unfunded actuarial accrued liability (UAAL)	$ 46,848,062
Funded ratio (actuarial value of plan assets/AAL)	24.9%
Covered payroll (active plan members)	$ 68,551,814
UAAL as a percentage of covered payroll	68.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. *Actuarial Methods and Assumptions*

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

In the July 1, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 4.5% long-term rate for all healthcare benefits after 8 years. The amortization costs for the initial UAAL is a level percentage of payroll for a remaining period of 26 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.25%.

21. Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Needham Contributory Retirement System (the System), a cost sharing, multiple-employer public employee defined benefit retirement system (PERS). 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 publically available from the System located at 1471 Highland Avenue, Needham, Massachusetts 02492.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. 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.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. *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 after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of $30,000 per year. The percentages are as follows:

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

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, 2015 was $5,524,150, which was equal to its annual required contribution.

D. *Summary of Significant Accounting Policies*

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

E. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the Town reported a liability of $54,445,695 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. 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, 2014, the Town's proportion was 98.27% percent.

Changes of benefit terms: As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Board has increased the Cost of Living Adjustment (COLA) base from $12,000 to $14,000 effective July 1, 2015.

For the year ended June 30, 2015, the Town recognized pension expense of $2,316,543. 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	$ -	$ 25,421
Changes of assumptions	1,692,772	-
Net difference between projected and actual earnings on pension plan investments	206,551	-
Total	$ 1,899,323	$ 25,421

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	$ 474,831	$ 6,355
2017	474,831	6,355
2018	474,831	6,355
2019	474,830	6,356
Total	$ 1,899,323	$ 25,421

<u>*Actuarial assumptions*</u>: The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.75% for Group 1 and 2 5.25% for Group 4
Investment rate of return	7.75%
Post-retirement cost-of-living adjustment	3.00%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equities	14.50%	
Small/Mid cap equities	3.50%	
Domestic equity	18.00%	6.40%
International equities	16.00%	7.07%
Emerging international equities	6.00%	9.26%
Total global equities	22.00%	
20+ Year treasury strips	10.00%	
TIPS	3.00%	
Total core fixed income	13.00%	1.53%
High-yield bonds	1.50%	
Bank loans	1.50%	
EMD (external)	1.00%	
EMD (local currency)	2.00%	
Private debt	4.00%	
Total value-added fixed income	10.00%	4.25%
Private equity	10.00%	11.26%
Real estate and commodities	14.00%	4.04%
Hedge funds and GAA	13.00%	3.44%
Total alternative investments	37.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. 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 7.75 percent, 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 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2015	$ 74,936,838	$ 54,445,695	$ 37,008,720

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

22. Massachusetts Teachers' Retirement System (MTRS)

A. *Plan Description*

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

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

B. Benefits Provided

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

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

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

C. Contributions

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

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

D. *Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
  - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2014 and 2013 are summarized in the following table:

	Target	Long-Term Expected Real Rate of Return	
Asset Class	Allocation	2014	2013
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timeber/natural resources	4.0%	5.0%	5.00%
Total	100.0%		

E. *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. *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):

Fiscal Year Ended	1% Decrease to 7%	Current Discount Rate 8%	1% Increase to 9%
June 30, 2013	$ 21,426,000	$ 17,233,698	$ 13,672,000
June 30, 2014	$ 20,247,000	$ 15,896,354	$ 12,200,000

G. *Special Funding Situation*

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

H. *Town Proportions*

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was $100,708,775 and $6,996,722 respectively, based on a proportionate share of 0.633534%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

23. Self-Insurance

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

As of June 30, 2015, the Town's workers compensation fund had a balance of $1,498,582 in net position (a component of Total Net Position). This amount is generated from the remainder of the workers compensation budget voted each year by the Town Meeting. The Town appropriated $586,000 for workers compensation line item in fiscal year 2015. These funds are used to pay workers compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from New York Marine and General Insurance Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to $400,000 per accident per employee to an aggregate limit of $1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is $4,000,000. The Town has no excess liability coverage for public safety employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2015 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, 2015 are as follows:

	Workers Compensation
Claims liability, beginning of year	$ 133,101
Claims incurred/recognized in fiscal year 2015	378,454
Claims paid in fiscal year 2015	(310,394)
Claims liability, end of year	$ 201,161

24. Risk Management

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

25. Beginning Net Position Restatement

Change in Accounting Principle

In fiscal year 2015, the Town's beginning net position as of July 1, 2014 was restated for the implementation of the new standard – Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, the following reconciliation for the net position is provided:

Government-Wide Financial Statements:

		Business- Type Activities			
	Governmental Activities	Sewer Fund	Water Fund	Solid Waste Fund	Business-Type Total
As previously reported	$ 204,533,161	$ 21,112,920	$ 31,485,637	$ 8,232,497	$ 60,831,054
GASB 68 implementation for net pension liability	(47,340,445)	(904,594)	(1,256,381)	(753,829)	(2,914,804)
As restated	$ 157,192,716	$ 20,208,326	$ 30,229,256	$ 7,478,668	$ 57,916,250

Fiscal year 2014 and prior periods have not been restated for GASB 68 due to impractical nature of allocating annual activity and lack of information for measurement dates June 30, 2012 and prior; as this is a new standard and beginning net position restatement for July 1, 2014 does not recognize beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions in accordance with GASB 71.

TOWN OF NEEDHAM, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
07/01/13	$ 15,496,964	$ 62,345,026	$ 46,848,062	24.9%	$ 68,551,814	68.3%
07/01/11	$ 6,423,760	$ 59,122,322	$ 52,698,562	10.9%	$ 60,859,276	86.6%
07/01/09	$ 5,008,484	$ 48,888,127	$ 43,879,643	10.2%	$ 61,582,295	71.3%
07/01/07	$ 3,075,317	$ 46,672,308	$ 43,596,991	6.6%	$ 59,616,565	73.1%
07/01/05	$ 2,131,044	$ 43,172,705	$ 41,041,661	4.9%	$ 51,915,780	79.1%

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015
(Unaudited)

Needham Contributory Retirement System		2015
Proportion of the net pension liability for the most recent measurement date		98.27%
Proportionate share of the net pension liability for the most recent measurement date	$	54,445,695
Covered-employee payroll for the most recent measurement date	$	35,772,213
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		152.20%
Plan fiduciary net position as a percentage of the total pension liability		71.09%

Massachusetts Teachers' Retirement System:		2015
Proportion of the net pension liability for the most recent measurement date		0.633534%
The Town's proportionate share of the net pension liability for the most recent measurement date	$	-
Commonwealth of Massachuisetts' total proportionate share of the net pension liability that is associated with the Town		100,708,775
Total net pension liability associated with the Town	$	100,708,775
Covered-employee payroll for the most recent measurement date	$	39,867,330
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		0%
Plan fiduciary net position as a percentage of the total pension liability		61.64%

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

SCHEDULE OF CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015
(Unaudited)

Needham Contributory Retirement System		2015
Contractually required contribution for the current fiscal year	$	5,524,150
Contributions in relation to the contractually required contribution		(5,524,150)
Contribution deficiency (excess)	$	-
Covered-employee payroll for the current fiscal year	$	35,772,213
Contributions as a percentage of covered-employee payroll		15.44%

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

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

For the Year Ended June 30, 2015

	Budget	Adjusted Actual	Variance Positive (Negative)
Revenues:			
Current service charges	$ 7,669,435	$ 8,789,865	$ 1,120,430
Interest income	4,680	4,425	(255)
Total Revenues	7,674,115	8,794,290	1,120,175
Expenditures:			
Sewer expenditures	1,375,124	1,329,879	45,245
Intergovernmental	5,466,144	5,466,144	-
Debt service	1,500,000	1,328,572	171,428
Total Expenditures	8,341,268	8,124,595	216,673
Excess of revenues over expenditures	(667,153)	669,695	1,336,848
Other Financing Sources and Uses:			
Transfers in	823,671	823,671	-
Use of unrestricted net position	1,260,357	-	(1,260,357)
Transfers out	(1,416,875)	(1,416,875)	-
Total Other Financing Sources and Uses	667,153	(593,204)	(1,260,357)
Excess of revenues and other sources over expenditures and other uses	$ -	$ 76,491	$ 76,491

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

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

For the Year Ended June 30, 2015

	Budget	Adjusted Actual	Variance Positive (Negative)
Revenues:			
Current service charges	$ 5,527,565	$ 7,117,746	$ 1,590,181
Interest income	7,225	6,360	(865)
Other revenue	3,200	3,895	695
Total Revenues	5,537,990	7,128,001	1,590,011
Expenditures:			
Water expenditures	2,272,720	2,231,632	41,088
Intergovernmental	1,193,697	1,193,697	-
Debt service	1,550,000	1,544,726	5,274
Total Expenditures	5,016,417	4,970,055	46,362
Excess of revenues over expenditures	521,573	2,157,946	1,636,373
Other Financing Sources and Uses:			
Use of unrestricted net position	2,141,229	-	(2,141,229)
Transfers out	(2,662,802)	(2,662,802)	-
Total Other Financing Sources and Uses	(521,573)	(2,662,802)	(2,141,229)
Excess of revenues over expenditures and other uses	$ -	$ (504,856)	$ (504,856)

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

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

For the Year Ended June 30, 2015

	Budget	Adjusted Actual	Variance Positive (Negative)
Revenues:			
Current service charges	$ 997,284	$ 1,193,577	$ 196,293
Interest income	1,510	2,514	1,004
Total Revenues	998,794	1,196,091	197,297
Expenditures:			
Transfers station expenditures	2,062,747	2,038,185	24,562
Debt service	150,000	117,108	32,892
Total Expenditures	2,212,747	2,155,293	57,454
Excess of revenues over expenditures	(1,213,953)	(959,202)	254,751
Other Financing Sources and Uses:			
Transfers in	1,492,270	1,492,270	-
Use of unrestricted net position	321,095	-	(321,095)
Transfers out	(599,412)	(599,412)	-
Total Other Financing Sources and Uses	1,213,953	892,858	(321,095)
Excess of revenues and other sources over expenditures and other uses	$ -	$ (66,344)	$ (66,344)

See Independent Auditors' Report.

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Locke Lord LLP

111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

Evelyn M. Poness, Treasurer
Town of Needham
Needham, Massachusetts

$6,645,000
Town of Needham, Massachusetts
General Obligation Refunding Bonds
Dated June 16, 2016

We have acted as bond counsel to the Town of Needham, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We

express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

/S/ LOCKE LORD LLP

APPENDIX C

PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Needham, Massachusetts (the "Issuer") in connection with the issuance of its $6,645,000 General Obligation Refunding Bonds dated June 16, 2016 (the "Bonds"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Obligated Person" shall mean the Issuer.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated May 31, 2016 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.

8. Bond calls, if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: June 16, 2016

TOWN OF NEEDHAM, MASSACHUSETTS

By________________________________
Treasurer

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Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]