

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Needham, Massachusetts

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, as of and for the year ended June 30, 2008, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2007), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Needham's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2008, (except the Needham Contributory Retirement system which is as of December 31, 2007), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 52, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Needham's basic financial statements. The budget and actual comparisons on pages 53 - 55, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Andover, Massachusetts
November 17, 2008

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, 2008.

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 assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured workers compensation programs. 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 1471 Highland Avenue, Needham, Massachusetts 02192.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 195,527,891 (i.e., net assets), a change of \$ 18,695,001 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 31,043,811, a change of \$ 10,408,162 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,347,010, a change of \$ (1,404,782) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 69,434,411, a change of \$ 8,830,900 in comparison to the prior year.
- The Town did not have any notes payable at the close of the current fiscal year, a change of \$ (13,000,000) 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. All amounts in this section are presented in thousands.

NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 54,242	\$ 57,387	\$ 16,185	\$ 15,117	\$ 70,427	\$ 72,504
Capital assets	<u>158,426</u>	<u>143,799</u>	<u>48,661</u>	<u>46,194</u>	<u>207,087</u>	<u>189,993</u>
Total assets	212,668	201,186	64,846	61,311	277,514	262,497
Long-term liabilities outstanding	59,893	50,553	13,532	14,051	73,425	64,604
Notes payable	-	13,000	-	-	-	13,000
Other liabilities	<u>7,845</u>	<u>7,661</u>	<u>716</u>	<u>400</u>	<u>8,561</u>	<u>8,061</u>
Total liabilities	67,738	71,214	14,248	14,451	81,986	85,665
Net assets:						
Invested in capital assets, net	103,648	90,828	37,442	35,909	141,090	126,737
Restricted	929	1,027	-	-	929	1,027
Unrestricted	<u>40,353</u>	<u>38,117</u>	<u>13,156</u>	<u>10,951</u>	<u>53,509</u>	<u>49,068</u>
Total net assets	\$ <u>144,930</u>	\$ <u>129,972</u>	\$ <u>50,598</u>	\$ <u>46,860</u>	\$ <u>195,528</u>	\$ <u>176,832</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues						
Charges for services	\$ 8,859	\$ 7,349	\$ 16,883	\$ 14,734	\$ 25,742	\$ 22,083
Operating grants and contributions	20,992	19,175	69	47	21,061	19,222
Capital grants and contributions	-	789	-	-	-	789
General revenues:						
Property taxes	78,766	74,893	-	-	78,766	74,893
Excises	4,400	4,187	-	-	4,400	4,187
Penalties and interest on taxes	651	808	-	-	651	808
Grants and contributions not restricted to specific programs	10,105	40,848	-	-	10,105	40,848
Investment income	1,481	1,747	260	270	1,741	2,017
Other	<u>576</u>	<u>919</u>	<u>-</u>	<u>-</u>	<u>576</u>	<u>919</u>
Total revenues	<u>125,830</u>	<u>150,715</u>	<u>17,212</u>	<u>15,051</u>	<u>143,042</u>	<u>165,766</u>
Expenses:						
General government	4,332	3,995	-	-	4,332	3,995
Public safety	13,724	13,049	-	-	13,724	13,049
Education	65,633	62,541	-	-	65,633	62,541
Public works	6,129	5,815	-	-	6,129	5,815
Maintenance	7,435	6,570	-	-	7,435	6,570
Human services	1,294	1,279	-	-	1,294	1,279
Culture and recreation	2,748	2,657	-	-	2,748	2,657
Interest on long-term debt	2,281	2,151	-	-	2,281	2,151
Intergovernmental	1,032	1,008	-	-	1,032	1,008
Employee benefits	7,148	6,669	-	-	7,148	6,669
Sewer operation	-	-	6,596	6,319	6,596	6,319
Water operations	-	-	4,030	3,774	4,030	3,774
Solid waste operations	<u>-</u>	<u>-</u>	<u>1,964</u>	<u>1,781</u>	<u>1,964</u>	<u>1,781</u>
Total expenses	<u>111,756</u>	<u>105,734</u>	<u>12,590</u>	<u>11,874</u>	<u>124,346</u>	<u>117,608</u>
Change in net assets before transfers and payment to fiduciary fund	14,074	44,981	4,622	3,177	18,696	48,158
Transfers in	<u>884</u>	<u>1,007</u>	<u>(884)</u>	<u>(1,007)</u>	<u>-</u>	<u>-</u>
Change in net assets	14,958	45,988	3,738	2,170	18,696	48,158
Net assets - beginning of year	<u>129,972</u>	<u>83,984</u>	<u>46,860</u>	<u>44,690</u>	<u>176,832</u>	<u>128,674</u>
Net assets - end of year	<u>\$ 144,930</u>	<u>\$ 129,972</u>	<u>\$ 50,598</u>	<u>\$ 46,860</u>	<u>\$ 195,528</u>	<u>\$ 176,832</u>

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

The largest portion of net assets \$ 141,090 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 assets \$ 929 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 53,509 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 assets of \$ 14,957. Key elements of this change are as follows:

General fund excess of revenues over expenditures	\$ 3,834
Community Preservation fund excess of revenues over expenditures	2,360
General fund transfer in from Enterprise funds (indirect costs)	1,611
RTS subsidy	(727)
Capital grants and contribution revenue used to acquire capital assets	6,560
Debt service principal payment in excess of depreciation expense	1,600
Other	<u>(281)</u>
Total	<u>\$ 14,957</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 3,738. Strong revenue collections and the acquisition of capital assets from current year operating revenues were the major factors affecting this change.

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, unreserved 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 \$ 31,043,811, a change of \$ 10,408,162 in comparison with the prior year. Key elements of this change are as follows (in thousands):

General fund expenses and transfers out in excess of revenues and transfers in	\$ 1,210
Community Preservation Fund excess of revenues over expenditures	2,360
Other special revenue fund revenues over expenditures	764
Excess of current year bonds and MSBA receipts over current year expenditures	<u>6,074</u>
Total	<u>\$ 10,408</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 6,347,010, while total fund balance was \$ 16,686,198. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6 percent of total general fund expenditures, while total fund balance represents 16 percent of that same amount.

The fund balance of the general fund changed by \$ 1,210,153 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash, overlay surplus and other reserves as funding sources	\$ (4,048)
Revenues in excess of budget	2,066
Expenditures less than budget	1,797
Excess property tax collections	276
Excess of current year carryforwards over expenditures of prior year carryforwards	981
Other	<u>138</u>
Total	<u>\$ 1,210</u>

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 assets of the enterprise funds at the end of the year amounted to \$ 13,156,526, a change of \$ 3,737,726 in comparison with the prior year.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 224,779. The change in the budget

primarily increased the reserve fund and was funded by the tax levy. The final budget also reflects transfers from the reserve funds to fund additional expenditures by the fire, public works, and maintenance departments, as well as to pay down notes payable.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year end amounted to \$ 207,087,222 (net of accumulated depreciation), a change of \$ 17,094,464 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:

High School renovations	\$ 12,391
Mitchell School roof	606
Road and sidewalk improvements	759
High Rock and Pollard Schools renovations	2,918
DPW and maintenance vehicles	356

Business-Type Activities:

Route 128 Sewer infrastructure	\$ 1,132
Sewer Infiltration	217
Birds Hill Water Tank	608
Route 128 Water infrastructure improvements	1,140
RTS Front End Loader	217

Debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 69,434,411, all of which was 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 footnotes to the financial statements.

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

The Town’s current financial picture continues to be stable. The General Fund undesignated fund balance decline to approximately \$ 6 million was planned and

anticipated. FY 2008 represented not so much a decline as a correction after an abnormally high increase in FY 2007. During FY 2007 the Town received additional funds which we deemed one-time events. Specifically, the Town received several lump sum payments from the Massachusetts School Building Authority (MSBA) to clear up the backlog of school projects approved for state financial assistance. The funds also help contributed to a much higher level of investment income for the year. The funds were used to pay down school related debt, to fund a large track and field renovation expansion project valued over \$ 6,000,000 that was coupled with sizable private donations, and to set aside over \$ 800,000 to the Town's three stabilization funds. The undesignated fund balance at the end of FY 2008 is comparable to the last six years except for FY 2007. The Town's overall fund balance however increased. The year end results are in keeping with management's underlying long-term planning goals of sustainability.

The Town and the MSBA entered into a funding agreement for the current High School project which allows for monthly disbursements to the Town for the State's share of the project costs. The payments are issued to the Town as costs for the project are incurred. This funding process avoids the need to issue notes on the State's share of the project cost (less a holdback until a final audit of the project is done), reducing interest expense and avoiding the need to permanently finance the State's share. Through June 30, 2008 the Town received payments in the amount of \$ 26,185,374 for the High School Project with approximately another \$ 3 million to be received as the project is completed in FY 2009. The close out audit and the final payment from the MSBA for the holdback is projected to occur by the end of 2010.

The Town has also begun the renovation and expansion of the High Rock School which the voters approved at the April 2007 Annual Town election. In 2007, the Town disclosed to voters prior to the vote on the debt exclusion question for the renovation and expansion of the High Rock School that an operating override for the opening of the High Rock School may be necessary. An operating override to fund the added costs associated with the opening of the High Rock School scheduled for September 2009 has been placed on the November 2008 election ballot.

The Town Meeting has also funded the design of two of three other capital facilities which were identified to be funded prior to 2012 in the Facility Master Plan (FMP) that was funded at the May 2005 Annual Town Meeting. In May, 2008 Town Meeting approved a \$ 500,000 debt authorization for the design of a new facility to house the administrative offices of the public works and public facilities departments, as well as the functions relating to community development and the Park and Recreation administrative functions. The 2008 Annual Town Meeting also appropriated \$ 1,000,000 of the Town's Community Preservation Act receipts for design and engineering costs to preserve and update the Town's Town Hall. The Town Hall project is planned to be funded through available CPA cash, and bonds supported by CPA receipts and general fund receipts. A request for funding the construction of the Public Services

Administration Building of an additional \$ 5.7 million is planned for the Fall of 2008.

The Town has also funded a feasibility study to investigate options to modernize the heating and ventilation system at the Newman Elementary School. A section of the heating and ventilation system in the school failed due to a breach in the duct system. Due to the original design and construction of this building, repair of the existing system is uneconomical. The focus of the study is to abandon the entire H&V system and construct a new system. Preliminary estimates suggest the cost of a complete replacement of the HV system and to bring the other systems up to code, will be in the \$ 20 million dollar range. The Town is seeking financial assistance from the MSBA, due to the nature and magnitude of the project. We have, however, updated the Town's facility financing plan with an assumption that the Town will not receive MSBA funding, and that the Town would need to finance a \$ 20 million project by debt exclusion for the entire amount. A vote is anticipated to take place in 2010.

The FY 2009 and FY 2010 outlook for Needham is cautious, due to a general slow down in the nation's economy and recent events with the overall United States and global financial and credit markets. Our current outlook anticipates a decline in fund balance for FY 2009. The Town sees its general revenue growth, without overrides to grow at a three to four percent level during the next 12 to 24 months. However, we offer guidance that should the state-wide ballot question #1 which will appear on the November 2008 Presidential ballot (to phase out the state's income tax over a two year period) be approved by the voters and upheld by the legislature, the State likely will make substantial cuts to local aid to Cities and Towns, shift more responsibilities from the State to municipalities, and generate more demand on local infrastructure and resources to provide for citizens. Should the question be passed and upheld, and the local aid cuts be implemented, we believe there will be a material negative effect on the Town's ability to provide the same level of services currently provided to residents and businesses. However, because most of the Town's debt has been previously approved by debt exclusion, sewer and water debt is fully self-supporting, existing non-excluded debt drops off rapidly, and the pending authorizations will not be at a non-reversal stage, the Town's debt obligations can be satisfied.

Actions taken by the Town over the past few years in anticipation of cyclical slowdown will help mitigate normal declines in resources. The Town has increased its reserve for property tax abatement and exemption activity, and expects to maintain a high overlay allowance for the triennial town-wide revaluation for FY 2009. The Town also took steps to further shore up reserves by appropriating \$ 800,000 divided amongst its general stabilization fund, capital equipment stabilization fund, and facilities stabilization fund. Management continues to promote the practice that the non-recurring portion of Free Cash (undesignated Fund Balance) be used for ongoing capital investment, temporary or extraordinary expenditures, and future reserves rather than for recurring operating expenses. As a result, we do not expect any material effect on Town operations for 2009, unless the aforementioned state-wide ballot question

passes. Management is mindful of the consequences and will take the necessary actions required by the outcome.

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:

Finance Director
Town of Needham, Massachusetts
1471 Highland Avenue
Needham, Massachusetts 02192

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 15,432,549	\$ 11,557,762	\$ 26,990,311
Investments	23,127,874	-	23,127,874
Receivables, net of allowance for uncollectibles:			
Property taxes	1,193,074	-	1,193,074
Excises	267,888	-	267,888
Utilities	-	4,626,372	4,626,372
Departmental	705,855	-	705,855
Intergovernmental	2,094,154	-	2,094,154
Other	38,131	-	38,131
Other assets	-	447	447
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	947,359	-	947,359
Intergovernmental	10,435,342	-	10,435,342
Capital assets:			
Non-depreciable capital assets	79,155,203	12,531,190	91,686,393
Depreciable assets, net of accumulated depreciation	<u>79,270,598</u>	<u>36,130,231</u>	<u>115,400,829</u>
TOTAL ASSETS	212,668,027	64,846,002	277,514,029
LIABILITIES			
Current:			
Warrants and accounts payable	4,382,418	396,229	4,778,647
Accrued liabilities	1,836,013	91,910	1,927,923
Retainage payable	1,234,017	153,835	1,387,852
Refunds payable	274,207	-	274,207
Other liabilities	119,061	73,864	192,925
Current portion of long-term liabilities:			
Bonds payable	6,206,421	1,901,635	8,108,056
Compensated absences	633,393	98,052	731,445
Other liabilities	47,900	-	47,900
Noncurrent:			
Bonds payable, net of current portion	49,794,134	11,532,221	61,326,355
Compensated absences, net of current portion	1,900,178	-	1,900,178
Other liabilities, net of current portion	<u>1,310,650</u>	<u>-</u>	<u>1,310,650</u>
TOTAL LIABILITIES	67,738,392	14,247,746	81,986,138
NET ASSETS			
Invested in capital assets, net of related debt	103,648,163	37,441,730	141,089,893
Restricted for:			
Permanent funds:			
Nonexpendable	168,357	-	168,357
Expendable	319,422	-	319,422
Grants and other statutory restrictions	441,484	-	441,484
Unrestricted	<u>40,352,209</u>	<u>13,156,526</u>	<u>53,508,735</u>
TOTAL NET ASSETS	\$ <u>144,929,635</u>	\$ <u>50,598,256</u>	\$ <u>195,527,891</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,332,105	\$ 322,203	\$ 81,288	\$ -	\$ (3,928,614)	\$ -	\$ (3,928,614)
Public safety	13,723,792	3,007,117	342,512	-	(10,374,163)	-	(10,374,163)
Education	65,632,807	4,371,582	20,080,384	-	(41,180,841)	-	(41,180,841)
Public works	6,128,590	432,998	173	-	(5,695,419)	-	(5,695,419)
Maintenance	7,434,711	-	-	-	(7,434,711)	-	(7,434,711)
Health and human services	1,294,465	77,769	149,183	-	(1,067,513)	-	(1,067,513)
Culture and recreation	2,747,759	647,012	324,260	-	(1,776,487)	-	(1,776,487)
Interest on debt service	2,280,863	-	-	-	(2,280,863)	-	(2,280,863)
Intergovernmental	1,032,441	-	-	-	(1,032,441)	-	(1,032,441)
Other unallocated costs	7,147,860	-	14,182	-	(7,133,678)	-	(7,133,678)
Total Governmental Activities	111,755,393	8,858,681	20,991,982	-	(81,904,730)	-	(81,904,730)
Business-Type Activities:							
Sewer services	6,595,633	8,485,413	68,520	-	-	1,958,300	1,958,300
Water services	4,029,568	6,805,806	-	-	-	2,776,238	2,776,238
Solid waste services	1,964,501	1,591,611	-	-	-	(372,890)	(372,890)
Total Business-Type Activities	12,589,702	16,882,830	68,520	-	-	4,361,648	4,361,648
Total	\$ 124,345,095	\$ 25,741,511	\$ 21,060,502	\$ -	(81,904,730)	4,361,648	(77,543,082)
General Revenues and Transfers:							
Property taxes					78,766,072	-	78,766,072
Excise taxes					4,399,467	-	4,399,467
Penalties, interest, and other taxes					651,201	-	651,201
Grants and contributions not restricted to specific programs					10,105,029	-	10,105,029
Investment income					1,481,023	259,590	1,740,613
Miscellaneous					575,701	-	575,701
Total general revenues					95,978,493	259,590	96,238,083
Excess before transfers					14,073,763	4,621,238	18,695,001
Transfers, net					883,512	(883,512)	-
Change in Net Assets					14,957,275	3,737,726	18,695,001
Net Assets:							
Beginning of year					129,972,360	46,860,530	176,832,890
End of year					\$ 144,929,635	\$ 50,598,256	\$ 195,527,891

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>High School Project</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 8,767,713	\$ -	\$ -	\$ 5,672,023	\$ 14,439,736
Investments	12,246,175	-	6,135,263	4,746,436	23,127,874
Receivables:					
Property taxes	2,318,802	-	17,424	-	2,336,226
Excises	435,313	-	-	-	435,313
Departmental	961,742	-	-	7,015	968,757
Intergovernmental	11,180,723	747,509	-	601,264	12,529,496
Other	26,458	-	-	11,673	38,131
Due from other funds	<u>315,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,923</u>
TOTAL ASSETS	<u>\$ 36,252,849</u>	<u>\$ 747,509</u>	<u>\$ 6,152,687</u>	<u>\$ 11,038,411</u>	<u>\$ 54,191,456</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants and accounts payable	\$ 3,339,502	\$ 684,566	\$ 1,000	\$ 341,600	\$ 4,366,668
Deferred revenues	14,539,404	747,509	17,424	169,625	15,473,962
Accrued liabilities	1,303,536	-	-	66,420	1,369,956
Due to other funds	-	309,775	-	-	309,775
Retainage payable	-	1,107,299	-	126,717	1,234,016
Refunds payable	274,207	-	-	-	274,207
Other liabilities	<u>110,010</u>	<u>-</u>	<u>4,294</u>	<u>4,757</u>	<u>119,061</u>
TOTAL LIABILITIES	19,566,659	2,849,149	22,718	709,119	23,147,645
Fund Balances:					
Reserved for encumbrances and continuing appropriations	2,755,786	-	-	-	2,755,786
Reserved for expenditures	6,268,758	-	-	-	6,268,758
Reserved for other specific purposes	1,314,636	-	-	-	1,314,636
Reserved for permanent funds	-	-	-	168,357	168,357
Unreserved:	-	-	-	-	-
Undesignated, reported in:	-	-	-	-	-
General fund	6,347,010	-	-	-	6,347,010
Special revenue funds	-	-	6,129,969	8,524,459	14,654,428
Capital project funds	-	(2,101,640)	-	1,317,054	(784,586)
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,422</u>	<u>319,422</u>
TOTAL FUND BALANCES	<u>16,686,190</u>	<u>(2,101,640)</u>	<u>6,129,969</u>	<u>10,329,292</u>	<u>31,043,811</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,252,849</u>	<u>\$ 747,509</u>	<u>\$ 6,152,687</u>	<u>\$ 11,038,411</u>	<u>\$ 54,191,456</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Total governmental fund balances	\$ 31,043,811
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	158,425,801
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	14,847,843
<ul style="list-style-type: none">• 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 Assets.	741,516
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(236,660)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(59,892,676)</u>
Net assets of governmental activities	<u><u>\$ 144,929,635</u></u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>High School Project</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 77,308,742	\$ -	\$ 1,297,487	\$ -	\$ 78,606,229
Excise taxes	4,392,444	-	-	-	4,392,444
Penalties, interest, and other taxes	649,643	-	1,558	-	651,201
Charges for services	846,261	-	-	4,779,788	5,626,049
Departmental	993,553	-	-	-	993,553
Licenses and permits	2,086,461	-	-	-	2,086,461
Intergovernmental	18,600,195	6,559,714	1,253,524	4,495,359	30,908,792
Investment income	1,269,189	-	186,934	24,900	1,481,023
Fines and forfeitures	253,127	-	-	-	253,127
Contributions	-	-	-	862,230	862,230
Other	298,934	-	-	73,872	372,806
Total Revenues	<u>106,698,549</u>	<u>6,559,714</u>	<u>2,739,503</u>	<u>10,236,149</u>	<u>126,233,915</u>
Expenditures:					
Current:					
General government	3,756,182	-	379,173	70,947	4,206,302
Public safety	13,185,701	-	-	224,746	13,410,447
Education	56,049,800	-	-	8,454,806	64,504,606
Public works	4,968,015	-	-	28,102	4,996,117
Maintenance	6,770,648	12,390,722	-	6,083,752	25,245,122
Health and human services	1,009,242	-	-	262,636	1,271,878
Culture and recreation	1,912,175	-	-	390,997	2,303,172
Employee benefits	6,897,381	-	-	14,819	6,912,200
Debt service:					
Principal	4,990,043	-	-	-	4,990,043
Interest	2,293,255	-	-	-	2,293,255
Intergovernmental	1,032,441	-	-	-	1,032,441
Total Expenditures	<u>102,864,883</u>	<u>12,390,722</u>	<u>379,173</u>	<u>15,530,805</u>	<u>131,165,583</u>
Excess (deficiency) of revenues over expenditures	3,833,666	(5,831,008)	2,360,330	(5,294,656)	(4,931,668)
Other Financing Sources (Uses):					
Issuance of bonds	-	11,000,000	-	3,347,000	14,347,000
Bond premium	109,318	-	-	-	109,318
Transfers in	1,709,696	2,015,000	-	1,738,456	5,463,152
Transfers out	(4,442,527)	-	-	(137,113)	(4,579,640)
Total Other Financing Sources (Uses)	<u>(2,623,513)</u>	<u>13,015,000</u>	<u>-</u>	<u>4,948,343</u>	<u>15,339,830</u>
Net change in fund balances	1,210,153	7,183,992	2,360,330	(346,313)	10,408,162
Fund Balances, at beginning of year	<u>15,476,037</u>	<u>(9,285,632)</u>	<u>3,769,639</u>	<u>10,675,605</u>	<u>20,635,649</u>
Fund Balances, at end of year	<u>\$ 16,686,190</u>	<u>\$ (2,101,640)</u>	<u>\$ 6,129,969</u>	<u>\$ 10,329,292</u>	<u>\$ 31,043,811</u>

See notes to 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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 10,408,162

- 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	18,151,795
Depreciation	(3,390,168)
Net effect of disposal of assets	(134,615)

- 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 (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (656,276)

- The issuance of long-term debt (e.g., bonds and leases) 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 effect on net assets:

Issuance of debt	(14,347,000)
Repayments of debt	4,990,043

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 12,392

- Some expenses reported in the Statement of Activities, such as compensated absences and landfill costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 16,401

- 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. (93,459)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 14,957,275

See notes to 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 76,807,184	\$ 77,031,744	\$ 77,031,744	\$ -
Excise taxes	3,995,000	3,995,000	4,392,444	397,444
Penalties, interest, and other taxes	670,100	670,100	880,233	210,133
Charges for services	830,000	830,000	846,261	16,261
Departmental	903,900	903,900	762,963	(140,937)
Licenses and permits	1,300,000	1,300,000	2,086,461	786,461
Intergovernmental	8,475,872	8,475,872	8,517,090	41,218
Investment income	900,000	900,000	1,269,189	369,189
Fines and forfeits	200,000	200,000	253,127	53,127
Other revenue	74,700	74,700	298,923	224,223
Bond premium	-	-	109,318	109,318
Transfers in	1,709,696	1,709,696	1,709,696	-
Use of free cash	3,266,326	3,266,326	3,266,326	-
Use of bond premium	381,156	381,156	381,156	-
Use of overlay surplus	400,000	400,219	400,219	-
Total Revenues and Other Sources	99,913,934	100,138,713	102,205,150	2,066,437
Expenditures and Other Uses:				
General government	5,196,522	3,435,242	3,321,205	114,037
Public safety	11,414,022	11,841,443	11,605,561	235,882
Education	41,384,087	41,384,087	41,378,127	5,960
Public works	3,783,741	4,356,900	4,269,035	87,865
Maintenance	6,536,436	6,798,414	6,632,820	165,594
Human services	876,334	897,700	856,362	41,338
Culture and recreation	1,739,190	1,771,478	1,756,857	14,621
Employee benefits	16,596,950	16,621,950	15,605,336	1,016,614
Debt service	9,425,551	9,425,551	9,322,655	102,896
Intergovernmental	1,044,907	1,044,907	1,032,441	12,466
Transfers out	1,916,194	2,561,041	2,561,041	-
Total Expenditures and Other Uses	99,913,934	100,138,713	98,341,440	1,797,273
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,863,710	\$ 3,863,710

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
ASSETS					
Current:					
Cash and short-term investments	\$ 5,766,229	\$ 4,738,783	\$ 1,052,750	\$ 11,557,762	\$ 986,663
User fees receivable	2,447,660	2,005,594	173,118	4,626,372	-
Other current assets	-	-	447	447	-
Total current assets	8,213,889	6,744,377	1,226,315	16,184,581	986,663
Noncurrent:					
Land and construction in progress	3,474,221	4,049,526	5,007,443	12,531,190	-
Other capital assets, net of accumulated depreciation	10,812,354	23,435,471	1,882,406	36,130,231	-
Total noncurrent assets	14,286,575	27,484,997	6,889,849	48,661,421	-
TOTAL ASSETS	22,500,464	34,229,374	8,116,164	64,846,002	986,663
LIABILITIES					
Current:					
Accounts payable	170,207	125,004	101,018	396,229	15,750
Accrued payroll	14,637	22,917	10,731	48,285	1,328
Accrued liabilities	18,432	25,193	-	43,625	228,070
Retainage payable	98,711	55,124	-	153,835	-
Other liabilities	49,388	-	24,476	73,864	-
Current portion of long-term liabilities:					
Bonds payable	805,345	971,290	125,000	1,901,635	-
Compensated absences	37,782	35,617	24,653	98,052	-
Total current liabilities	1,194,502	1,235,145	285,878	2,715,525	245,148
Noncurrent:					
Bonds payable, net of current portion	4,969,257	6,462,964	100,000	11,532,221	-
Total noncurrent liabilities	4,969,257	6,462,964	100,000	11,532,221	-
TOTAL LIABILITIES	6,163,759	7,698,109	385,878	14,247,746	245,148
NET ASSETS					
Invested in capital assets, net of related debt	10,445,777	20,331,104	6,664,849	37,441,730	-
Unrestricted	5,890,928	6,200,161	1,065,437	13,156,526	741,516
TOTAL NET ASSETS	\$ 16,336,705	\$ 26,531,265	\$ 7,730,286	\$ 50,598,256	\$ 741,516

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 8,485,413	\$ 6,805,806	\$ 1,591,611	\$ 16,882,830	\$ -
Other	-	-	-	-	142,201
Total Operating Revenues	8,485,413	6,805,806	1,591,611	16,882,830	142,201
Operating Expenses:					
Personnel services	547,542	1,144,440	499,274	2,191,256	235,660
Non-personnel services	442,737	749,809	1,247,203	2,439,749	-
Depreciation	486,645	889,466	209,443	1,585,554	-
Intergovernmental assessments	4,911,005	958,624	-	5,869,629	-
Total Operating Expenses	6,387,929	3,742,339	1,955,920	12,086,188	235,660
Operating Income (Loss)	2,097,484	3,063,467	(364,309)	4,796,642	(93,459)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	68,520	-	-	68,520	-
Investment income	118,399	118,971	22,220	259,590	-
Interest expense	(207,704)	(287,229)	(8,581)	(503,514)	-
Total Nonoperating Revenues (Expenses), Net	(20,785)	(168,258)	13,639	(175,404)	-
Income (Loss) Before Transfers	2,076,699	2,895,209	(350,670)	4,621,238	(93,459)
Transfers in	-	-	727,289	727,289	-
Transfers out	(660,019)	(822,048)	(128,734)	(1,610,801)	-
Change in Net Assets	1,416,680	2,073,161	247,885	3,737,726	(93,459)
Net Assets at Beginning of Year	14,920,025	24,458,104	7,482,401	46,860,530	834,975
Net Assets at End of Year	\$ 16,336,705	\$ 26,531,265	\$ 7,730,286	\$ 50,598,256	\$ 741,516

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Activities Internal Service Fund
<u>Cash Flows From Operating Activities:</u>					
Receipts from customers and users	\$ 8,223,984	\$ 6,399,465	\$ 1,613,526	\$ 16,236,975	\$ -
Employer contributions	-	-	-	-	142,201
Payments of utility assessments	(4,911,005)	(958,624)	-	(5,869,629)	-
Payments to vendors and contractors	(278,141)	(636,795)	(1,212,561)	(2,127,497)	-
Payments of employee salaries, benefits, and related expenses	<u>(535,272)</u>	<u>(1,137,320)</u>	<u>(505,551)</u>	<u>(2,178,143)</u>	<u>(136,432)</u>
Net Cash Provided By (Used For) Operating Activities	2,499,566	3,666,726	(104,586)	6,061,706	5,769
<u>Cash Flows From Noncapital Financing Activities:</u>					
Operating grants received	68,520	-	-	68,520	-
Transfers from other funds	-	-	727,289	727,289	-
Transfers to other funds	<u>(660,019)</u>	<u>(822,048)</u>	<u>(128,734)</u>	<u>(1,610,801)</u>	<u>-</u>
Net Cash Provided by (Used For) Noncapital Financing Activities	(591,499)	(822,048)	598,555	(814,992)	-
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(1,625,746)	(2,043,066)	(384,189)	(4,053,001)	-
Issuance of bonds and BANs	410,000	848,000	200,000	1,458,000	-
Principal payments on bonds and notes	(868,658)	(985,399)	(130,000)	(1,984,057)	-
Interest expense	<u>(211,192)</u>	<u>(300,816)</u>	<u>(8,581)</u>	<u>(520,589)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,295,596)	(2,481,281)	(322,770)	(5,099,647)	-
<u>Cash Flows From Investing Activities:</u>					
Investment income	<u>118,399</u>	<u>118,971</u>	<u>22,220</u>	<u>259,590</u>	<u>-</u>
Net Cash Provided By Investing Activities	<u>118,399</u>	<u>118,971</u>	<u>22,220</u>	<u>259,590</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(269,130)	482,368	193,419	406,657	5,769
Cash and Short-Term Investments, Beginning of Year	<u>6,035,359</u>	<u>4,256,415</u>	<u>859,331</u>	<u>11,151,105</u>	<u>980,894</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,766,229</u>	<u>\$ 4,738,783</u>	<u>\$ 1,052,750</u>	<u>\$ 11,557,762</u>	<u>\$ 986,663</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>					
Operating income (Loss)	\$ 2,097,484	\$ 3,063,467	\$ (364,309)	\$ 4,796,642	\$ (93,459)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	486,645	889,466	209,443	1,585,554	-
Changes in assets and liabilities:					
User fees	(262,984)	(405,132)	7,374	(660,742)	-
Accounts payable	65,885	57,890	34,641	158,416	15,750
Accrued liabilities	4,449	2,323	(908)	5,864	330
Retainage payable	98,711	55,124	-	153,835	83,148
Other liabilities	1,555	(1,209)	14,542	14,888	-
Compensated absences	<u>7,821</u>	<u>4,797</u>	<u>(5,369)</u>	<u>7,249</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 2,499,566</u>	<u>\$ 3,666,726</u>	<u>\$ (104,586)</u>	<u>\$ 6,061,706</u>	<u>\$ 5,769</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Pension Trust Fund (As of <u>December 31, 2007</u>)	Private Purpose Trust <u>Fund</u>	Other Post- Employment Benefit <u>Agency Fund</u>	Other Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 1,835,943	\$ -	\$ -	\$ -
Investments	122,057,404	1,915,980	3,936,980	-
Receivables	<u>48,593</u>	<u>-</u>	<u>-</u>	<u>369,877</u>
Total Assets	123,941,940	1,915,980	3,936,980	369,877
<u>LIABILITIES AND NET ASSETS</u>				
Due to other funds	-	-	-	6,148
Other liabilities	<u>32,090</u>	<u>-</u>	<u>3,936,980</u>	<u>363,729</u>
Total Liabilities	<u>32,090</u>	<u>-</u>	<u>3,936,980</u>	<u>369,877</u>
<u>NET ASSETS</u>				
Total net assets held in trust for pension benefits and other purposes	<u>\$ 123,909,850</u>	<u>\$ 1,915,980</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Pension Trust Fund (For the Year Ended <u>December 31, 2007</u>)	Private Purpose Trust Fund
Additions:		
Contributions:		
Employers	\$ 3,979,000	\$ -
Plan members	2,326,843	-
Other	<u>734,819</u>	<u>135,677</u>
Total contributions	7,040,662	135,677
Investment Income:		
Increase (decrease) in fair value of investments	13,481,069	(121,885)
Less: management fees	<u>(626,933)</u>	<u>-</u>
Net investment income	<u>12,854,136</u>	<u>(121,885)</u>
Total additions	19,894,798	13,792
Deductions:		
Benefit payments to plan members and beneficiaries	8,549,846	-
Refunds to plan members	221,884	-
Administrative expenses	181,231	-
Other	<u>627,405</u>	<u>59,508</u>
Total deductions	<u>9,580,366</u>	<u>59,508</u>
Net increase(decrease)	10,314,432	(45,716)
Net assets:		
Beginning of year	<u>113,595,418</u>	<u>1,961,696</u>
End of year	<u>\$ 123,909,850</u>	<u>\$ 1,915,980</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

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, 1471 Highland Avenue, Needham, Massachusetts 02191.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received

by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *High School Project* accounts for all financial resources and expenditures related to high School renovation costs.
- 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 health program 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 *Agency Funds* include the *Other Post-Employment Benefits Fund* which is used to accumulate resources for health and life insurance benefits for retired employees. Other *Agency Funds* include *Student Activity Funds*, and *Police, Fire and Maintenance Detail Funds*.

D. Cash and Short-Term Investments

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

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

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund

investments can be made in securities issued by or unconditionally guar-

anteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Property Tax Limitations

Legislation known as “Proposition 2 1/2” 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 2008 tax levy reflected an excess capacity of approximately \$ 54,000.

G. Capital Assets

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

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

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

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

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

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40 - 50
Machinery, equipment, and furnishings	5 - 10
Vehicles	5
Infrastructure	25 - 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 assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 and capital 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 with budgetary data.

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

<u>General fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 106,698,549	\$ 102,864,883
Other financing sources/uses (GAAP basis, net of refunding)	<u>1,819,014</u>	<u>4,442,527</u>
Subtotal (GAAP Basis)	108,517,563	107,307,410
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,320,245)
Add end of year appropriation carryforwards to expenditures	-	2,301,068
Use of free cash	3,266,326	-
Recognize use of overlay surplus	400,219	-
Recognize use of bond premium	381,156	-
Reverse GASB 24 MTRS	(10,072,462)	(10,072,462)
Other reconciling items	-	136,323
Adjust property tax revenue to the budgetary basis	(276,998)	-
Gross up MSBA revenue appropriated for debt service	<u>(10,654)</u>	<u>(10,654)</u>
Budgetary basis	<u>\$ 102,205,150</u>	<u>\$ 98,341,440</u>

D. Deficit Fund Equity

The Town reflects several special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of

grant reimbursements and the use of bond anticipation notes to finance construction activities.

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

The following funds had deficits as of June 30, 2008:

Major Governmental Funds:	
High School Project	\$ 2,101,640
Nonmajor Governmental Funds:	
Special Revenue Funds:	
2006 NCLB Title I	9,657
2007 SPED 94-142	2,913
2008 DRH Enhanced School Health	18,226
2008 Academic Support	2,492
Capital Project Funds:	
Pool Repairs	6,767
Ridge Hill Rehab	8,386
High Rock and Pollard Renovation	1,125,913

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 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 and the Contributory Retirement System (the System) do not have a deposit policy for custodial credit risk.

As of June 30, 2008, out of Town's bank balance of \$ 29,395,493, \$ 20,169,818 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

As of December 31, 2007, none of the Contributory Retirement System's bank balance of \$ 1,892,170 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

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

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

<u>Investment Type</u>	Fair <u>Value</u>	Average Rating as of <u>Year End</u>
U.S. Treasury notes	\$ 6,087,120	AAA
Certificates of deposits	2,467,219	N/A
Corporate equities	2,439,646	N/A
Mutual funds	3,376,213	N/A
Federal agency securities	12,755,273	AAA
Corporate bonds	<u>1,855,363</u>	AA3
Total investments	<u>\$ 28,980,834</u>	

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

At December 31, 2007, the System maintained its investments in the State Investment Pool* with a fair value of \$ 122,057,404. This investment type is not rated.

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

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and the Retirement System do not have policies for custodial credit risk.

All of the Town's investment in corporate bonds are in the Town's name, and therefore, not subject to Custodial Credit Risk.

C. Concentration of Credit Risk

The Town and the Retirement System place no limit on the amount invested in any one issuer.

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 and the Retirement System do 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 Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Debt Related Securities:			
U.S. Treasury notes	\$ 6,087,120	\$ 6,087,120	\$ -
Federal agency securities	12,755,273	4,384,622	8,370,651
Corporate bonds	1,855,363	-	1,855,363
Total	\$ <u>20,697,756</u>	\$ <u>10,471,742</u>	\$ <u>10,226,014</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town and System do not have policies for foreign currency risk.

5. Taxes 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, 2008 consist of the following (in thousands):

Real Estate		
2008	\$ <u>763</u>	763
Personal Property		
2008	48	
2007	35	
2006	32	
2005	17	
Prior	<u>147</u>	279
Tax Liens		679
Deferred Taxes		<u>598</u>
Total		\$ <u><u>2,319</u></u>

B. Allowance for Uncollectibles

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

Real estate taxes	\$ 26
Personal property taxes	169
Excises	167
Ambulance	263

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

C. Departmental

Departmental receivables are primarily comprised of ambulance receivables.

D. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008 and future reimbursements from the MSBA.

6. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 81,543	\$ 182	\$ -	\$ 81,725
Machinery, equipment, and furnishings	5,642	456	(362)	5,736
Vehicles	5,734	345	(1,193)	4,886
Infrastructure	<u>23,635</u>	<u>759</u>	<u>-</u>	<u>24,394</u>
Total capital assets, being depreciated	116,554	1,742	(1,555)	116,741
Less accumulated depreciation for:				
Buildings and improvements	(18,258)	(1,548)	-	(19,806)
Machinery, equipment, and furnishings	(4,470)	(475)	314	(4,631)
Vehicles	(4,020)	(425)	1,105	(3,340)
Infrastructure	<u>(8,752)</u>	<u>(941)</u>	<u>-</u>	<u>(9,693)</u>
Total accumulated depreciation	<u>(35,500)</u>	<u>(3,389)</u>	<u>1,419</u>	<u>(37,470)</u>
Total capital assets, being depreciated, net	81,054	(1,647)	(136)	79,271
Capital assets, not being depreciated:				
Land	18,469	25	-	18,494
Works of art	95	-	-	95
Construction in progress	<u>44,181</u>	<u>16,509</u>	<u>(124)</u>	<u>60,566</u>
Total capital assets, not being depreciated	<u>62,745</u>	<u>16,534</u>	<u>(124)</u>	<u>79,155</u>
Governmental activities capital assets, net	<u>\$ 143,799</u>	<u>\$ 14,887</u>	<u>\$ (260)</u>	<u>\$ 158,426</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,394	\$ 8	\$ -	\$ 12,402
Machinery, equipment, and furnishings	3,495	520	-	4,015
Vehicles	517	42	-	559
Infrastructure	<u>56,647</u>	<u>661</u>	<u>-</u>	<u>57,308</u>
Total capital assets, being depreciated	73,053	1,231	-	74,284
Less accumulated depreciation for:				
Buildings and improvements	(4,177)	(361)	-	(4,538)
Machinery, equipment, and furnishings	(2,684)	(249)	-	(2,933)
Vehicles	(499)	(18)	-	(517)
Infrastructure	<u>(29,208)</u>	<u>(958)</u>	<u>-</u>	<u>(30,166)</u>
Total accumulated depreciation	<u>(36,568)</u>	<u>(1,586)</u>	<u>-</u>	<u>(38,154)</u>
Total capital assets, being depreciated, net	36,485	(355)	-	36,130
Capital assets, not being depreciated:				
Land	5,167	108	-	5,275
Construction in progress	<u>4,542</u>	<u>3,366</u>	<u>(652)</u>	<u>7,256</u>
Total capital assets, not being depreciated	<u>9,709</u>	<u>3,474</u>	<u>(652)</u>	<u>12,531</u>
Business-type activities capital assets, net	<u>\$ 46,194</u>	<u>\$ 3,119</u>	<u>\$ (652)</u>	<u>\$ 48,661</u>

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

Governmental Activities:	
General government	\$ 86
Public safety	388
Education	1,189
Public works	1,294
Human service	6
Culture and recreation	<u>427</u>
Total depreciation expense - governmental activities	<u>\$ 3,390</u>
Business-Type Activities:	
Sewer	\$ 487
Water	890
Solid Waste	<u>209</u>
Total depreciation expense - business-type activities	<u>\$ 1,586</u>

7. Warrants and Accounts Payable

Warrants payable represent 2008 expenditures paid by July 15, 2008 as permitted by law. Accounts payable represent additional 2008 expenditures paid after July 15, 2008.

8. Deferred Revenue

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

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

9. Accrued Liabilities

Accrued liabilities represent primary accrued payroll and withholdings. On the government-wide statement of net assets, accrued liabilities also include accrued interest for bonds and anticipation notes.

10. Refunds Payable

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

11. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2008:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 13,000,000	\$ -	\$ (13,000,000)	\$ -
Total	\$ 13,000,000	\$ -	\$ (13,000,000)	\$ -

12. Other Liabilities

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

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 undesignated fund balance or unrestricted retained earnings. Compensated absences are paid from the

fund responsible for the employee's compensation with significant liabilities paid from 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 <u>Amount</u>	Interest <u>Rate(s)%</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Amount Outstanding as of <u>June 30, 2008</u>
MA Water Pollution Abatement Trust	\$ 310,656	Various	06/01/95	02/01/15	\$ 184,825
MA Water Pollution Abatement Trust	91,400	Various	12/09/98	08/01/18	54,800
MA Water Pollution Abatement Trust	243,300	Various	12/09/98	08/01/18	145,900
MA Water Pollution Abatement Trust	1,261,272	Various	12/09/98	08/01/18	825,108
MA Water Pollution Abatement Trust	175,500	Various	12/09/98	08/01/18	105,300
MA Water Pollution Abatement Trust	422,874	Various	12/09/98	08/01/18	303,330
Municipal Purpose FY 1998	12,726,000	4.75 - 5.00	06/15/99	06/15/19	170,000
MA Water Pollution Abatement Trust	85,894	Various	12/09/98	08/01/18	57,226
Municipal Purpose FY 2001	8,883,000	4.00	06/15/01	06/15/11	2,175,000
MA Water Resources Authority	257,304	0.00	07/19/01	08/15/11	102,922
Municipal Purpose FY 2003 Elementary School	5,590,000 14,000,000	1.87 3.00 - 4.70	05/15/03 11/01/03	11/15/10 11/01/23	1,140,000 11,200,000
Municipal Purpose FY 2005	12,649,000	3.00 - 4.75	12/01/04	12/01/19	10,145,000
Municipal Purpose FY 2005	6,827,000	3.25 - 4.20	06/01/05	06/01/25	5,325,000
Municipal Purpose FY 2006	3,346,000	3.24 - 3.66	12/15/05	02/15/15	2,125,000
Municipal Purpose FY 2007	5,525,000	3.75 - 4.50	11/01/06	11/11/19	5,780,000
Municipal Purpose FY 2007	11,970,000	3.75 - 4.50	11/01/06	11/01/26	10,470,000
Municipal Purpose FY 2008	4,470,000	4.05 - 5.00	06/15/07	06/15/12	3,945,000
Municipal Purpose FY 2008	3,205,000	3.25	12/01/07	06/01/12	2,580,000
Municipal Purpose FY 2009	12,600,000	3.25 - 5.00	06/03/08	12/01/26	12,600,000
					<u>\$ 69,434,411</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,206,421	\$ 2,098,175	\$ 8,304,596
2010	5,666,977	1,877,486	7,544,463
2011	4,517,979	1,679,310	6,197,289
2012	3,447,979	1,519,321	4,967,300
2013	3,172,979	1,399,631	4,572,610
2014-2018	15,738,169	5,201,377	20,939,546
2019-2023	12,710,051	2,226,926	14,936,977
2024-2027	<u>4,540,000</u>	<u>274,200</u>	<u>4,814,200</u>
Total	<u>\$ 56,000,555</u>	<u>\$ 16,276,426</u>	<u>\$ 72,276,981</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,901,635	\$ 528,986	\$ 2,430,621
2010	1,665,365	455,980	2,121,345
2011	1,249,476	395,118	1,644,594
2012	1,243,963	347,549	1,591,512
2013	922,128	350,067	1,272,195
2014-2018	4,693,488	916,154	5,609,642
2019-2023	<u>1,757,800</u>	<u>133,020</u>	<u>1,890,820</u>
Total	<u>\$ 13,433,855</u>	<u>\$ 3,126,874</u>	<u>\$ 16,560,729</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2008 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
2001	Rosemary Pool Complex - Design	\$ 72,500
2002	Pool Repair - Rosemary	23,000
2003	Parking Lot Dedham Avenue	46,500
2003	Sewer Pump Station - Richardson Dr.	500,000
2003	Water System Designs Webster	11,000
2003	Water Pump Station Designs - St. Mary's St.	180,000
2004	Library New Facility	3,086,000
2004	High School	16,300,000
2004	Sewer System Rehab - I/I Work	175,000
2006	High School	6,412,750
2006	Ridge Hill Rehabilitation	115,000
2006	Sewer Pump Station - Great Plain Ave.	500,000
2006	Water System Improvements - Warren St.	45,000
2006	Rte 128 Sewer System Improvements	655,000
2007	Water Service Connections	55,000
2007	Water System Improvements (Rte 128 area)	1,500,000
2007	High Rock and Pollard School Project	18,755,000
2007	Mitchell School Roof Repair	90,000
2008	RTS Construction Equipment	30,000
2008	Sewer System Rehabilitation I/I Work	1,756,800
2009	Administration Bldg. at DPW Complex	500,000
2009	Ambulance & EMS Reporting System	205,000
2009	Collection Packer Equipment	225,000
2009	Hillside & Mitchell School Parking & Play Area Improvements	160,000
2009	Municipal Parking Lot Improvements	105,000
2009	Public Safety Building Roof	535,000
2009	Road, Bridges, Sidewalks and Intersection Improvement	820,000
2009	Street & Traffic Light Improvements	105,000
2009	Wastewater Pump Station at GPA	770,000
2009	Water Main Improvements	1,900,000
2009	Water Storage Tank Cleaning & Painting	730,000
	Total	<u>\$ 56,363,550</u>

E. Changes in General Long-term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 07/01/07	Additions	Reductions	Total Balance 06/30/08	Less Current Portion	Equals Long-Term Portion 06/30/08
Governmental Activities						
Bonds payable	\$ 46,644	\$ 14,347	\$ (4,990)	\$ 56,001	\$ (6,206)	\$ 49,795
Other:						
Accrued employee benefits	2,503	31	-	2,534	(634)	1,900
Landfill closure	1,406	-	(47)	1,359	(48)	1,311
Totals	<u>\$ 50,553</u>	<u>\$ 14,378</u>	<u>\$ (5,037)</u>	<u>\$ 59,894</u>	<u>\$ (6,888)</u>	<u>\$ 53,006</u>

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
Business-Type Activities						
Bonds payable	\$ 13,960	\$ 1,458	\$ (1,984)	\$ 13,434	\$ (1,902)	\$ 11,532
Other:						
Accrued employee benefits	91	7	-	98	(98)	-
Totals	<u>\$ 14,051</u>	<u>\$ 1,465</u>	<u>\$ (1,984)</u>	<u>\$ 13,532</u>	<u>\$ (2,000)</u>	<u>\$ 11,532</u>

F. Advance and Current 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, 2008, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$ 5,250,000.

14. Landfill Closure and 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 \$ 1,358,550 reported as landfill closure and postclosure care liability at June 30, 2008 represents the estimated costs to maintain and monitor the site for thirty years. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. **Restricted Net Assets**

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

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

16. **Reserves of Fund Equity**

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2008:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Other Specific Purposes - Represents the amount of fund balance appropriated to be used for future debt service.

Reserved for Permanent Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

17. **General Fund Undesignated Fund Balance**

The undesignated 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). The following paragraphs summarize the major differences.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

18. **Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits 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.

19. Subsequent Events

A. Investments

During September and October, 2008, the stock market suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

B. Debt

Subsequent to June 30, 2008, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 5,600,000	3.00 - 5.00 %	11/01/08	08/01/25

20. Post-Employment Health Care and Life Insurance Benefits

In addition to the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits, in accordance with state statute, to participating retirees, their dependents, or their survivors. Approximately 670 retirees meet the eligibility requirements as set forth in Chapter 32B of Massachusetts General Laws. Presently, the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by GASB Statement No. 43 *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*.

GASB Statement No. 45, *Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* is effective June 30, 2009. The Town estimates that its unaudited OPEB actuarially determined unfunded liability as of June 30, 2008 to be approximately \$ 43,172,705. Based on these estimates, the Town unaudited actuarially determined annual required contribution (ARC) is estimated to be \$ 3,502,950. Expected benefit

payments were \$ 2,147,680 (fiscal year 2006), resulting in an increase in annual cost to fund the plan of \$ 1,355,270.

The Town plans to fully implement GASB 45 in fiscal year 2009.

21. Contributory Retirement System

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

A. Plan Description and Contribution Information

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

Membership of each plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	507
Terminated plan members entitled to but not yet receiving benefits	89
Active plan members	<u>665</u>
Total	<u><u>1,261</u></u>
Number of participating employers	2

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

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

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

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 3,979,000	100%
2007	3,835,000	100%
2006	3,696,000	100%
2005	3,525,000	100%
2004	2,392,000	100%
2003	2,353,000	100%
2002	2,315,000	100%
2001	2,754,000	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

C. Funded Status and Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
1/1/07	\$ 102,236	\$ 128,669	\$ 26,433	79.5%	\$ 26,121	101.2%

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

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 26.4 million was calculated. The actuarial assumptions included (a) 8.25 % investment rate of return and (b) a projected salary increase of 5.25 % per year. Liabilities for cost of living increases have been assumed at an annual increase of 3 %, on the first \$ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25 %) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2007, the unfunded actuarially accrued liability is being amortized over 13 years using 4.5 % increasing payment method.

E. Teachers

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

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

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

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

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

The Town's current year covered payroll for teachers and administrators was approximately \$ 29,000,000.

In fiscal year 2008, the Commonwealth of Massachusetts contributed \$ 10,072,462 to the MTRS on behalf of the Town. This is included in the

education expenditures and intergovernmental revenues in the general fund.

F. Other Employees

Certain retired employees of the Town were exempted from membership or elected not to participate in the System. The Town pays retirement benefits to these employees from the General Fund appropriations. These employees are not included in the Town's actuarial liability. The Town's fiscal 2008 pension expense relating to these employees was approximately \$ 121,166.

22. Self Insurance

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

As of June 30, 2008, the Town's workers compensation fund had a balance of \$ 476,120 in net assets (a component of Total Net Assets). This amount is generated from the remainder of the workers compensation budget voted each year by the Town Meeting. The Town appropriates approximately \$ 385,000 for workers compensation line item each year. These funds are used to pay workers compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from Midwest Employers Casualty Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$ 350,000 per accident to a 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, 2008 of \$ 228,070 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, 2008 are as follows:

	<u>Workers Compensation</u>
Claims liability, July 1, 2007	\$ 144,921
Claims incurred/recognized in fiscal year 2008	235,660
Claims paid in fiscal year 2008	<u>(152,511)</u>
Claims liability, June 30, 2008	<u>\$ 228,070</u>

23. Risk Management

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

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

December 31, 2007

(Unaudited)

Employees' Retirement System

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
01/01/07	\$ 102,235,876	\$ 128,668,586	\$ 26,432,710	79.50%	\$ 26,120,560	101.2%
01/01/05	\$ 89,965,920	\$ 119,994,011	\$ 30,028,091	75.00%	\$ 23,585,296	127.3%
01/01/04	\$ 82,910,726	\$ 113,426,667	\$ 30,515,941	73.10%	\$ 21,633,442	141.1%
01/01/03	\$ 76,356,568	\$ 108,537,756	\$ 32,181,188	70.40%	\$ 21,380,463	150.5%
01/01/00	\$ 80,624,013	\$ 88,236,491	\$ 7,612,478	91.40%	\$ 18,313,876	41.6%
01/01/97	\$ 50,591,567	\$ 69,604,902	\$ 19,013,335	72.70%	\$ 16,120,405	117.9%
01/01/95	\$ 41,448,079	\$ 66,617,237	\$ 25,169,158	62.20%	\$ 12,547,993	200.6%

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, 2008

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 7,413,565	\$ 8,266,569	\$ 853,004
Interest income	100,000	118,399	18,399
Other sources	<u>724,461</u>	<u>724,461</u>	<u>-</u>
Total Revenues and Other Sources	8,238,026	9,109,429	871,403
Expenditures:			
Sewer expenditures	1,227,690	1,225,290	2,400
Intergovernmental	5,205,317	4,911,005	294,312
Debt service	1,145,000	1,055,764	89,236
Transfers out	<u>660,019</u>	<u>660,019</u>	<u>-</u>
Total Expenditures and Other Uses	<u>8,238,026</u>	<u>7,852,078</u>	<u>385,948</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,257,351</u>	<u>\$ 1,257,351</u>

See Independent Auditors' Report.

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

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 4,623,697	\$ 6,398,324	\$ 1,774,627
Interest income	120,000	118,971	(1,029)
Other sources	<u>1,160,313</u>	<u>1,160,313</u>	<u>-</u>
Total Revenues	5,904,010	7,677,608	1,773,598
Expenditures:			
Water expenditures	2,809,417	2,602,551	206,866
Intergovernmental	977,545	958,624	18,921
Debt service	1,295,000	1,285,216	9,784
Transfers out	<u>822,048</u>	<u>822,048</u>	<u>-</u>
Total Expenditures and Other Uses	<u>5,904,010</u>	<u>5,668,439</u>	<u>235,571</u>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 2,009,169</u>	<u>\$ 2,009,169</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

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

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 1,556,000	1,598,984	\$ 42,984
Interest income	28,000	22,220	(5,780)
Transfer in	<u>727,289</u>	<u>727,289</u>	<u>-</u>
Total Revenues and Other Sources	2,311,289	2,348,493	37,204
Expenditures:			
Transfers station expenditures	2,037,555	1,908,361	129,194
Debt service	145,000	138,581	6,419
Transfers out	<u>128,734</u>	<u>128,734</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,311,289</u>	<u>2,175,676</u>	<u>135,613</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 172,817</u>	<u>\$ 172,817</u>

See Independent Auditors' Report.