

TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2009

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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, 2009, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2008), 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, 2009, (except the Needham Contributory Retirement system which is as of December 31, 2008), 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 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 57 - 59, 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 January 14, 2010 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.

Melanson, Heath + Company P.C.

Andover, Massachusetts
January 14, 2010

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, 2009.

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 accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 206,591,472 (i.e., net assets), a change of \$ 11,063,581 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 20,287,057, a change of \$ (10,756,754) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,140,369, a change of \$ (206,641) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 73,768,354, a change of \$ 4,333,963 in comparison to the prior year.
- Total notes payable at the close of the current fiscal year was \$ 15,169,400. The Town did not have any notes payable in 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 60,558	\$ 54,242	\$ 15,066	\$ 16,185	\$ 75,624	\$ 70,427
Capital assets	<u>183,860</u>	<u>158,426</u>	<u>52,186</u>	<u>48,661</u>	<u>236,046</u>	<u>207,087</u>
Total assets	244,418	212,668	67,252	64,846	311,670	277,514
Long-term liabilities outstanding	63,663	59,893	13,969	13,532	77,632	73,425
Notes payable	14,886	-	283	-	15,169	-
Other liabilities	<u>10,611</u>	<u>7,845</u>	<u>1,667</u>	<u>716</u>	<u>12,278</u>	<u>8,561</u>
Total liabilities	89,160	67,738	15,919	14,248	105,079	81,986
Net assets:						
Invested in capital assets, net	110,767	103,648	39,195	37,442	149,962	141,090
Restricted	875	929	-	-	875	929
Unrestricted	<u>43,616</u>	<u>40,353</u>	<u>12,138</u>	<u>13,156</u>	<u>55,754</u>	<u>53,509</u>
Total net assets	\$ <u>155,258</u>	\$ <u>144,930</u>	\$ <u>51,333</u>	\$ <u>50,598</u>	\$ <u>206,591</u>	\$ <u>195,528</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 8,150	\$ 8,859	\$ 14,756	\$ 16,883	\$ 22,906	\$ 25,742
Operating grants and contributions	21,944	20,992	27	69	21,971	21,061
Capital grants and contributions	4,700	6,574 (1)	-	-	4,700	6,574
General revenues:						
Property taxes	83,027	78,766	-	-	83,027	78,766
Excises	4,105	4,400	-	-	4,105	4,400
Penalties and interest on taxes	715	651	-	-	715	651
Grants and contributions not restricted to specific programs	2,929	3,531 (1)	-	-	2,929	3,531
Investment income	561	1,481	54	260	615	1,741
Other	684	576	-	-	684	576
Total revenues	<u>126,815</u>	<u>125,830</u>	<u>14,837</u>	<u>17,212</u>	<u>141,652</u>	<u>143,042</u>
Expenses:						
General government	4,448	4,332	-	-	4,448	4,332
Public safety	14,053	13,724	-	-	14,053	13,724
Education	69,342	65,633	-	-	69,342	65,633
Public works	6,723	6,129	-	-	6,723	6,129
Maintenance	8,292	7,435	-	-	8,292	7,435
Human services	1,418	1,294	-	-	1,418	1,294
Culture and recreation	2,828	2,748	-	-	2,828	2,748
Interest on long-term debt	2,326	2,281	-	-	2,326	2,281
Intergovernmental	1,043	1,032	-	-	1,043	1,032
Employee benefits	7,214	7,148	-	-	7,214	7,148
Sewer operation	-	-	6,218	6,596	6,218	6,596
Water operations	-	-	5,063	4,030	5,063	4,030
Solid waste operations	-	-	1,621	1,964	1,621	1,964
Total expenses	<u>117,687</u>	<u>111,756</u>	<u>12,902</u>	<u>12,590</u>	<u>130,589</u>	<u>124,346</u>
Change in net assets before transfers and payment to fiduciary fund	9,128	14,074	1,935	4,622	11,063	18,696
Transfers in	<u>1,200</u>	<u>884</u>	<u>(1,200)</u>	<u>(884)</u>	<u>-</u>	<u>-</u>
Change in net assets	10,328	14,958	735	3,738	11,063	18,696
Net assets - beginning 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>
Net assets - end of year	<u>\$ 155,258</u>	<u>\$ 144,930</u>	<u>\$ 51,333</u>	<u>\$ 50,598</u>	<u>\$ 206,591</u>	<u>\$ 195,528</u>

(1) as reclassified

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 \$ 149,962 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 \$ 875 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 55,754 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 \$ 10,328. Key elements of this change are as follows:

General fund excess of revenues over expenditures	\$ 606
Community Preservation fund excess of revenues over expenditures	2,133
General fund transfer in from Enterprise funds (indirect costs) less RTS subsidy	1,200
Capital grants and contribution revenue used to acquire capital assets	3,962
Debt service principal payment in excess of depreciation expense	2,553
Other	<u>(126)</u>
Total	<u>\$ 10,328</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 735. Strong revenue collections offset by credits applied to customer accounts was the major factor 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 \$ 20,287,057, a change of \$ (10,756,754) in comparison with the prior year. Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 605
General fund transfers in from Enterprise Funds for indirect costs, net	1,200
Community Preservation Fund excess of revenues over expenditures	2,132
Capital project funds expenditures in excess of revenues and bond proceeds	(14,914)
Other	<u>220</u>
Total	<u>\$ (10,757)</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 \$ 6,140,369, while total fund balance was \$ 13,272,534. 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 5 percent of total general fund expenditures, while total fund balance represents 12 percent of that same amount.

The fund balance of the general fund changed by \$ (3,413,656) 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	\$ (6,590)
Revenues less than budget	(27)
Expenditures less than budget	2,184
Excess property tax collections	700
Excess of current year carryforwards over expenditures of prior year carryforwards	234
Other	<u>85</u>
Total	<u>\$ (3,414)</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 \$ 12,139, a change of \$ (1,018) 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 \$ 46,273. 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.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education and employee benefits expenditures. The turn backs result from the City transferring cost to the ARRA major fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total capital assets for governmental and business-type activities at year end amounted to \$ 236,046,362 (net of accumulated depreciation), a change of \$ 28,959,140 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	\$	5,457
Chestnut Street and other infrastructure		4,325
Highway and other equipment		857
High Rock and Pollard Schools renovations		13,164
Police cruisers, ambulance, and other vehicles		533
Newman School renovations		621
Athletic facility		1,153
DPW building		2,186
Town Hall design		387

Business-Type Activities:

Sewer pump station	\$	1,283
Sewer main relocation		1,644
Sewer system rehab		452
Water tank		658

Debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 73,768,353, 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 fund balance declined in FY2009 as expected in part due to the weakening national economy and in part to the use of extraordinary funds received in a prior year for capital projects and transfer to appropriated reserves. Another contributing factor in the decline was the end of fiscal year cut of state aid (so-called Cherry Sheet aid) to communities by the Governor in order to address a large revenue shortfall at the State level. During FY2007 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 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 Town transferred another \$ 55,000 to the stabilization fund in FY2009 in anticipation of collective bargaining agreements in FY2010. The Town saw a cut in state aid revenue from that which was budgeted by the state to be sent to Needham, by more than \$ 900,000. The undesignated fund balance at the end of FY2009 (\$ 6,140,369) is comparable to FY2008 (\$ 6,347,010). The Town's overall fund balance decreased by \$ 3-million, for the aforementioned reasons, and fund balance ratio to general fund revenue (12.1%) is comparable to the Town's fund ratios during the last economic slow downs during the late 1990's early 2000's. 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, 2009 the Town received payments in the amount of \$ 28,071,018 for the High School Project. The close out audit and the final payment from the MSBA of approximately \$ 1.4 million is anticipated by the end of 2010.

The Town completed the renovation and expansion of the High Rock School which opened in September 2009. Funding was approved by the voters 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 was presented to the voters on the November 2008 election ballot. The operating override for \$ 1,887,929 was approved by voters.

The Town Meeting has also funded two other major capital facilities which were identified to be funded prior to 2012 in the Facility Master Plan (FMP) that was authorized at the May 2005 Annual Town Meeting. In May, 2008 Town Meeting approved 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 debt authorization for the construction of the Public Services Administration Building (PSAB) was approved in October 2008 in the amount of \$ 5,725,000. The project is to be completed and the building will open in February 2010. At the 2008 Annual Town Meeting \$ 1,000,000 from the Town's Community Preservation Act receipts was appropriated for the design and engineering costs to preserve and update the Town's Town Hall. The construction funding for the Town Hall project in the amount of \$ 18,155,746 was approved at the May 2009 Annual Town Meeting. The funding included \$ 6,829,233 in CPA cash, \$ 26,513 in other available funds, and \$ 11,300,000 in bond authorizations supported by CPA receipts and general fund receipts. All the departments will be moved temporarily to the PSAB facility while the renovation of Town Hall is done. The scheduled re-opening of Town Hall is the fall of 2011.

The Town funded a feasibility study to investigate options to modernize the heating and ventilation system at the Newman Elementary School and has settled on an approach that calls for abandonment of the entire H&V system and construction of a new system. Other system upgrades include code compliance, roof, electrical and information system infrastructure. Students will be moved to a temporary modular classroom structure that will be constructed in 2010/2011. The work on the school building is scheduled for 2011/2012. The total estimated cost is \$ 27,412,128. The Town sought and has received approval for partial funding from MSBA, due to the nature and magnitude of the project. The balance of the project will be funded by bonds. A debt exclusion question will be presented to the voters at a special election in December 8, 2009.

We still anticipate a decline in fund balance for FY2010 and possibly FY2011. The Town sees its general revenue growth, without overrides, to grow at a three percent level during the next 12 to 24 months. 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.

The outlook for the FY2010 year end results will be similar to FY2009, overall receipts will increase, but at a lower rate, fund balance will be flat. Actions that were taken by the Town over the past few years have and will help mitigate normal declines in resources. We have also taken steps to conserve budget, by delaying certain hiring, reviewing departmental expenses, and acting on some longer term cost containment strategies. The Town has zero cost of living increases agreements in place with many of the collective bargaining groups for FY2011, the other collective bargaining groups have not yet settled for FY2011. The Town has taken steps to restrict its health insurance offerings to higher out-of-pocket plans for new subscribers. We are also seeing benefits from the moderated energy prices which should help offset the impact of lower revenue growth during FY2010 and FY2011 and in anticipation of a state aid cut for FY2010 by the Governor. The Town has also adopted the local option meals excise increase of 0.75% that the State will allow local communities to implement. The Town has also amended its room excise from 4% to 6%. Both sources of revenue are more volatile with changes in the economy, and therefore, will not be a panacea for local finances for the Town or for communities across the Commonwealth.

The Town is maintaining a reserve for property tax abatement and exemption activity. The abatement applications filed in FY2009 were surprisingly lower than anticipated. This helps maintain a reserve for FY2010. The Town also took steps to further shore up reserves by appropriating another \$ 55,000 to its general 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.

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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 24,453,020	\$ 11,314,356	\$ 35,767,376
Investments	19,831,523	-	19,831,523
Receivables, net of allowance for uncollectibles:			
Property taxes	1,024,664	-	1,024,664
Excises	243,033	-	243,033
Utilities	-	3,751,136	3,751,136
Departmental	368,978	-	368,978
Intergovernmental	3,848,380	-	3,848,380
Other	4,053	-	4,053
Other assets	-	447	447
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,094,897	-	1,094,897
Intergovernmental	9,689,961	-	9,689,961
Capital assets:			
Non-depreciable capital assets	103,014,073	16,396,212	119,410,285
Depreciable assets, net of accumulated depreciation	<u>80,845,866</u>	<u>35,790,211</u>	<u>116,636,077</u>
TOTAL ASSETS	244,418,448	67,252,362	311,670,810
LIABILITIES			
Current:			
Warrants and accounts payable	6,343,647	1,098,886	7,442,533
Accrued liabilities	2,128,041	121,967	2,250,008
Retainage payable	1,628,423	310,135	1,938,558
Refunds payable	323,063	-	323,063
Notes payable	14,886,000	283,400	15,169,400
Unearned revenue	69,019	-	69,019
Other liabilities	119,034	135,165	254,199
Current portion of long-term liabilities:			
Bonds payable	6,636,977	2,012,364	8,649,341
Compensated absences	667,661	115,212	782,873
Other liabilities	51,350	-	51,350
Noncurrent:			
Bonds payable, net of current portion	53,277,158	11,841,855	65,119,013
Compensated absences, net of current portion	2,002,981	-	2,002,981
Other liabilities, net of current portion	<u>1,027,000</u>	<u>-</u>	<u>1,027,000</u>
TOTAL LIABILITIES	89,160,354	15,918,984	105,079,338
NET ASSETS			
Invested in capital assets, net of related debt	110,766,592	39,194,712	149,961,304
Restricted for:			
Permanent funds:			
Nonexpendable	168,357	-	168,357
Expendable	210,077	-	210,077
Grants and other statutory restrictions	496,928	-	496,928
Unrestricted	<u>43,616,140</u>	<u>12,138,666</u>	<u>55,754,806</u>
TOTAL NET ASSETS	\$ <u>155,258,094</u>	\$ <u>51,333,378</u>	\$ <u>206,591,472</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,447,976	\$ 359,860	\$ 80,080	\$ -	\$ (4,008,036)	\$ -	\$ (4,008,036)
Public safety	14,052,918	1,720,752	219,722	-	(12,112,444)	-	(12,112,444)
Education	69,341,783	4,745,469	21,280,880	-	(43,315,434)	-	(43,315,434)
Public works	6,722,707	551,592	8,074	-	(6,163,041)	-	(6,163,041)
Maintenance	8,291,975	-	-	4,695,081	(3,596,894)	-	(3,596,894)
Health and human services	1,418,733	74,341	257,931	-	(1,086,461)	-	(1,086,461)
Culture and recreation	2,828,516	697,824	86,300	5,000	(2,039,392)	-	(2,039,392)
Interest on debt service	2,325,860	-	-	-	(2,325,860)	-	(2,325,860)
Intergovernmental	1,043,179	-	-	-	(1,043,179)	-	(1,043,179)
Other unallocated costs	7,213,840	-	10,551	-	(7,203,289)	-	(7,203,289)
Total Governmental Activities	117,687,487	8,149,838	21,943,538	4,700,081	(82,894,030)	-	(82,894,030)
Business-Type Activities:							
Sewer services	6,217,760	7,551,203	26,546	-	-	1,359,989	1,359,989
Water services	5,062,914	5,747,991	-	-	-	685,077	685,077
Solid waste services	1,620,642	1,456,897	-	-	-	(163,745)	(163,745)
Total Business-Type Activities	12,901,316	14,756,091	26,546	-	-	1,881,321	1,881,321
Total	\$ 130,588,803	\$ 22,905,929	\$ 21,970,084	\$ 4,700,081	(82,894,030)	1,881,321	(81,012,709)
General Revenues and Transfers:							
Property taxes					83,026,913	-	83,026,913
Excise taxes					4,104,512	-	4,104,512
Penalties, interest, and other taxes					715,294	-	715,294
Grants and contributions not restricted to specific programs					2,929,373	-	2,929,373
Investment income					561,488	54,027	615,515
Miscellaneous					684,683	-	684,683
Total general revenues					92,022,263	54,027	92,076,290
Excess before transfers					9,128,233	1,935,348	11,063,581
Transfers, net					1,200,226	(1,200,226)	-
Change in Net Assets					10,328,459	735,122	11,063,581
Net Assets:							
Beginning of year					144,929,635	50,598,256	195,527,891
End of year					\$ 155,258,094	\$ 51,333,378	\$ 206,591,472

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	General	High Rock and Pollard Schools Renovation	Department of Public Works Administration Building	Town Hall Renovation	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 12,148,448	\$ 1,064,373	\$ 3,126,605	\$ -	\$ -	\$ 7,205,810	\$ 23,545,236
Investments	6,124,701	-	-	5,730,113	2,508,270	5,468,439	19,831,523
Receivables:							
Property taxes	2,324,649	-	-	-	12,753	-	2,337,402
Excises	403,967	-	-	-	-	-	403,967
Departmental	610,406	-	-	-	-	7,015	617,421
Intergovernmental	10,435,342	-	-	-	-	3,102,999	13,538,341
Other	-	-	-	-	-	4,053	4,053
TOTAL ASSETS	\$ 32,047,513	\$ 1,064,373	\$ 3,126,605	\$ 5,730,113	\$ 2,521,023	\$ 15,788,316	\$ 60,277,943
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants and accounts payable	\$ 3,264,886	\$ 632,328	\$ 530,918	\$ -	\$ 317	\$ 1,911,499	\$ 6,339,948
Deferred revenues	13,600,123	-	-	-	12,753	1,500,785	15,113,661
Accrued liabilities	1,472,630	-	-	-	386	107,741	1,580,757
Retainage payable	-	698,695	82,413	-	-	847,315	1,628,423
Refunds payable	323,063	-	-	-	-	-	323,063
Notes payable	-	9,000,000	4,456,000	-	-	1,430,000	14,886,000
Other liabilities	114,277	-	-	-	-	4,757	119,034
TOTAL LIABILITIES	18,774,979	10,331,023	5,069,331	-	13,456	5,802,097	39,990,886
Fund Balances:							
Reserved for encumbrances and continuing appropriations	2,347,165	-	-	-	-	-	2,347,165
Reserved for expenditures	3,714,789	-	-	-	-	-	3,714,789
Reserved for other specific purposes	1,070,211	-	-	-	-	-	1,070,211
Reserved for permanent funds	-	-	-	-	-	168,357	168,357
Unreserved:							
Undesignated, reported in:							
General fund	6,140,369	-	-	-	-	-	6,140,369
Special revenue funds	-	-	-	-	2,507,567	9,531,077	12,038,644
Capital project funds	-	(9,266,650)	(1,942,726)	5,730,113	-	76,708	(5,402,555)
Permanent fund	-	-	-	-	-	210,077	210,077
TOTAL FUND BALANCES	13,272,534	(9,266,650)	(1,942,726)	5,730,113	2,507,567	9,986,219	20,287,057
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,047,513	\$ 1,064,373	\$ 3,126,605	\$ 5,730,113	\$ 2,521,023	\$ 15,788,316	\$ 60,277,943

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, 2009

Total governmental fund balances	\$ 20,287,057
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	183,859,939
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	14,417,424
<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.	764,092
<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.	(407,291)
<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>(63,663,127)</u>
Net assets of governmental activities	<u><u>\$ 155,258,094</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, 2009

	General	ARRA Funds	High Rock and Pollard Schools Renovation	Department of Public Works Administration Building	Town Hall Renovation	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
Property taxes	\$ 81,525,742	\$ -	\$ -	\$ -	\$ -	\$ 1,384,981	\$ -	\$ 82,910,723
Excise taxes	4,129,367	-	-	-	-	-	-	4,129,367
Penalties, interest, and other taxes	713,231	-	-	-	-	2,063	-	715,294
Charges for services	948,713	-	-	-	-	-	5,209,204	6,157,917
Departmental	920,588	-	-	-	-	-	-	920,588
Licenses and permits	1,192,088	-	-	-	-	-	-	1,192,088
Intergovernmental	19,172,726	643,484	-	-	-	888,287	8,407,566	29,112,063
Investment income (loss)	718,000	-	-	-	-	276,497	(433,009)	561,488
Fines and forfeitures	264,567	-	-	-	-	-	-	264,567
Contributions	-	-	-	-	-	-	605,267	605,267
Other	67,043	-	-	-	-	-	77,421	144,464
Total Revenues	109,652,065	643,484	-	-	-	2,551,828	13,866,449	126,713,826
Expenditures:								
Current:								
General government	4,157,763	-	-	-	-	419,117	143,621	4,720,501
Public safety	13,559,276	-	-	-	-	-	128,296	13,687,572
Education	58,723,273	643,484	-	-	-	-	8,909,261	68,276,018
Public works	5,751,399	-	-	-	-	-	12,356	5,763,755
Maintenance	7,468,136	-	13,163,905	2,186,726	-	-	13,645,250	36,464,017
Health and human services	1,115,610	-	-	-	-	-	280,311	1,395,921
Culture and recreation	1,955,017	-	-	-	-	-	419,075	2,374,092
Employee benefits	6,911,134	-	-	-	-	-	-	6,911,134
Debt service:								
Principal	6,206,421	-	-	-	-	-	-	6,206,421
Interest	2,155,229	-	-	-	-	-	-	2,155,229
Intergovernmental	1,043,179	-	-	-	-	-	-	1,043,179
Total Expenditures	109,046,437	643,484	13,163,905	2,186,726	-	419,117	23,538,170	148,997,839
Excess (deficiency) of revenues over expenditures	605,628	-	(13,163,905)	(2,186,726)	-	2,132,711	(9,671,721)	(22,284,013)
Other Financing Sources (Uses):								
Issuance of bonds	-	-	5,000,000	120,000	-	-	5,000,000	10,120,000
Bond premium	207,033	-	-	-	-	-	-	207,033
Transfers in	1,735,496	-	145,000	124,000	5,730,113	-	5,254,543	12,989,152
Transfers out	(5,961,813)	-	-	-	-	(5,755,113)	(72,000)	(11,788,926)
Total Other Financing Sources (Uses)	(4,019,284)	-	5,145,000	244,000	5,730,113	(5,755,113)	10,182,543	11,527,259
Net change in fund balances	(3,413,656)	-	(8,018,905)	(1,942,726)	5,730,113	(3,622,402)	510,822	(10,756,754)
Fund Balances, at beginning of year, as reclassified	16,686,190	-	(1,247,745)	-	-	6,129,969	9,475,397	31,043,811
Fund Balances, at end of year	\$ 13,272,534	\$ -	\$ (9,266,650)	\$ (1,942,726)	\$ 5,730,113	\$ 2,507,567	\$ 9,986,219	\$ 20,287,057

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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (10,756,754)

- 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	29,272,254
Depreciation	(3,653,117)
Net effect of disposal of assets	(184,999)

- 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.

(430,420)

- 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	(10,120,000)
Repayments of debt	6,206,421

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

(170,631)

- 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.

143,129

- 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.

22,576

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 10,328,459

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 80,779,377	\$ 80,825,650	\$ 80,825,650	\$ -
Excise taxes	3,800,000	3,800,000	4,129,367	329,367
Penalties, interest, and other taxes	570,000	570,000	713,231	143,231
Charges for services	787,500	787,500	948,713	161,213
Departmental	854,000	854,000	920,588	66,588
Licenses and permits	1,300,500	1,300,500	1,192,088	(108,412)
Intergovernmental	9,511,852	9,511,852	8,572,912	(938,940)
Investment income	650,000	650,000	718,000	68,000
Fines and forfeits	193,000	193,000	264,567	71,567
Other revenue	80,843	80,843	67,043	(13,800)
Bond premium	12,451	12,451	207,033	194,582
Transfers in	1,735,496	1,735,496	1,735,496	-
Use of free cash	5,810,170	5,810,170	5,810,170	-
Use of bond premium	15,552	15,552	15,552	-
Use of MSBA receipts	364,686	364,686	364,686	-
Use of overlay surplus	399,781	399,781	399,781	-
Total Revenues and Other Sources	106,865,208	106,911,481	106,884,877	(26,604)
Expenditures and Other Uses:				
General government	5,235,470	3,788,909	3,663,464	125,445
Public safety	11,212,279	12,382,803	11,920,317	462,486
Education	43,029,143	43,026,721	42,355,347	671,374
Public works	5,130,449	4,950,197	4,892,487	57,710
Maintenance	6,905,074	7,220,585	7,089,906	130,679
Human services	962,235	975,279	935,874	39,405
Culture and recreation	1,795,152	1,827,309	1,806,112	21,197
Employee benefits	17,174,447	17,230,063	16,612,455	617,608
Debt service	9,562,263	9,562,263	9,551,750	10,513
Intergovernmental	1,103,256	1,090,639	1,043,179	47,460
Transfers out	4,755,440	4,856,713	4,856,713	-
Total Expenditures and Other Uses	106,865,208	106,911,481	104,727,604	2,183,877
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,157,273</u>	\$ <u>2,157,273</u>

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds			Total	Governmental
	Sewer Fund	Water Fund	Solid Waste Fund		Internal Service Funds
ASSETS					
Current:					
Cash and short-term investments	\$ 5,137,432	\$ 4,869,285	\$ 1,307,639	\$ 11,314,356	\$ 907,786
User fees receivable	2,051,206	1,599,702	100,228	3,751,136	-
Other current assets	-	-	447	447	-
Total current assets	7,188,638	6,468,987	1,408,314	15,065,939	907,786
Noncurrent:					
Land and construction in progress	6,853,050	4,535,719	5,007,443	16,396,212	-
Other capital assets, net of accumulated depreciation	10,409,989	23,608,130	1,772,092	35,790,211	-
Total noncurrent assets	17,263,039	28,143,849	6,779,535	52,186,423	-
TOTAL ASSETS	24,451,677	34,612,836	8,187,849	67,252,362	907,786
LIABILITIES					
Current:					
Accounts payable	619,399	462,911	16,576	1,098,886	3,703
Accrued payroll	15,067	33,867	16,027	64,961	1,523
Accrued liabilities	17,687	39,319	-	57,006	138,468
Retainage payable	310,135	-	-	310,135	-
Notes payable	-	235,000	48,400	283,400	-
Other liabilities	105,999	-	29,166	135,165	-
Current portion of long-term liabilities:					
Bonds payable	809,294	1,153,070	50,000	2,012,364	-
Compensated absences	48,927	33,961	32,324	115,212	-
Total current liabilities	1,926,508	1,958,128	192,493	4,077,129	143,694
Noncurrent:					
Bonds payable, net of current portion	5,384,963	6,406,892	50,000	11,841,855	-
Total noncurrent liabilities	5,384,963	6,406,892	50,000	11,841,855	-
TOTAL LIABILITIES	7,311,471	8,365,020	242,493	15,918,984	143,694
NET ASSETS					
Invested in capital assets, net of related debt	11,746,234	20,564,784	6,883,694	39,194,712	-
Unrestricted	5,393,972	5,683,032	1,061,662	12,138,666	764,092
TOTAL NET ASSETS	\$ 17,140,206	\$ 26,247,816	\$ 7,945,356	\$ 51,333,378	\$ 764,092

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, 2009

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 7,551,203	\$ 5,747,991	\$ 1,456,897	\$ 14,756,091	\$ -
Other	-	-	-	-	325,282
Total Operating Revenues	7,551,203	5,747,991	1,456,897	14,756,091	325,282
Operating Expenses:					
Personnel services	564,886	877,774	509,341	1,952,001	302,706
Non-personnel services	58,912	1,834,855	909,989	2,803,756	-
Depreciation	504,831	989,046	193,683	1,687,560	-
Intergovernmental assessments	4,893,374	1,061,719	-	5,955,093	-
Total Operating Expenses	6,022,003	4,763,394	1,613,013	12,398,410	302,706
Operating Income (Loss)	1,529,200	984,597	(156,116)	2,357,681	22,576
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	26,546	-	-	26,546	-
Investment income	24,435	26,157	3,435	54,027	-
Interest expense	(195,757)	(299,520)	(7,629)	(502,906)	-
Total Nonoperating Revenues (Expenses), Net	(144,776)	(273,363)	(4,194)	(422,333)	-
Income (Loss) Before Transfers	1,384,424	711,234	(160,310)	1,935,348	22,576
Transfers in	-	-	510,270	510,270	-
Transfers out	(580,923)	(994,683)	(134,890)	(1,710,496)	-
Change in Net Assets	803,501	(283,449)	215,070	735,122	22,576
Net Assets at Beginning of Year	16,336,705	26,531,265	7,730,286	50,598,256	741,516
Net Assets at End of Year	\$ 17,140,206	\$ 26,247,816	\$ 7,945,356	\$ 51,333,378	\$ 764,092

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	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	\$ 8,004,268	\$ 6,153,882	\$ 1,534,476	\$ 15,692,626	\$ -
Employer contributions	-	-	-	-	325,282
Payments of utility assessments	(4,893,374)	(1,061,719)	-	(5,955,093)	-
Payments to vendors and contractors	601,703	(1,552,072)	(994,430)	(1,944,799)	-
Payments of employee salaries, benefits, and related expenses	(553,311)	(868,480)	(496,374)	(1,918,165)	(404,159)
Net Cash Provided By (Used For) Operating Activities	3,159,286	2,671,611	43,672	5,874,569	(78,877)
<u>Cash Flows From Noncapital Financing Activities:</u>					
Operating grants received	26,546	-	-	26,546	-
Transfers from other funds	-	-	510,270	510,270	-
Transfers to other funds	(580,923)	(994,683)	(134,890)	(1,710,496)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	(554,377)	(994,683)	375,380	(1,173,680)	-
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(3,481,295)	(1,647,898)	(83,369)	(5,212,562)	-
Issuance of bonds and BANs	1,225,000	1,332,000	48,400	2,605,400	-
Principal payments on bonds and notes	(805,345)	(971,292)	(125,000)	(1,901,637)	-
Interest expense	(196,501)	(285,394)	(7,629)	(489,524)	-
Net Cash (Used For) Capital and Related Financing Activities	(3,258,141)	(1,572,584)	(167,598)	(4,998,323)	-
<u>Cash Flows From Investing Activities:</u>					
Investment income	24,435	26,157	3,435	54,027	-
Net Cash Provided By Investing Activities	24,435	26,157	3,435	54,027	-
Net Change in Cash and Short-Term Investments	(628,797)	130,501	254,889	(243,407)	(78,877)
Cash and Short-Term Investments, Beginning of Year	5,766,229	4,738,784	1,052,750	11,557,763	986,663
Cash and Short-Term Investments, End of Year	\$ 5,137,432	\$ 4,869,285	\$ 1,307,639	\$ 11,314,356	\$ 907,786
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>					
Operating income (Loss)	\$ 1,529,200	\$ 984,597	\$ (156,116)	\$ 2,357,681	\$ 22,576
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	504,831	989,046	193,683	1,687,560	-
Changes in assets and liabilities:					
User fees	396,454	405,892	72,890	875,236	-
Accounts payable	449,191	337,907	(84,441)	702,657	(12,047)
Accrued liabilities	430	10,950	5,296	16,676	195
Retainage payable	211,424	(55,124)	-	156,300	(89,601)
Other liabilities	56,611	-	4,690	61,301	-
Compensated absences	11,145	(1,657)	7,670	17,158	-
Net Cash Provided By (Used For) Operating Activities	\$ 3,159,286	\$ 2,671,611	\$ 43,672	\$ 5,874,569	\$ (78,877)

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2009

	Pension Trust Fund (As of <u>December 31, 2008</u>)	Private Purpose Trust Fund	Other Post- Employment Benefit Agency Fund	Other Agency Funds
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,395,539	\$ -	\$ -	\$ 185,975
Investments	82,961,175	1,599,598	5,008,484	-
Receivables	<u>23,726</u>	<u>-</u>	<u>-</u>	<u>354,992</u>
Total Assets	85,380,440	1,599,598	5,008,484	540,967
<u>LIABILITIES AND NET ASSETS</u>				
Other liabilities	<u>29,915</u>	<u>-</u>	<u>5,008,484</u>	<u>540,967</u>
Total Liabilities	<u>29,915</u>	<u>-</u>	<u>5,008,484</u>	<u>540,967</u>
<u>NET ASSETS</u>				
Total net assets held in trust for pension benefits and other purposes	\$ <u><u>85,350,525</u></u>	\$ <u><u>1,599,598</u></u>	\$ <u><u>-</u></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, 2009

	Pension Trust Fund (For the Year Ended <u>December 31, 2008</u>)	Private Purpose Trust Fund
Additions:		
Contributions:		
Employers	\$ 4,121,326	\$ -
Plan members	2,663,413	-
Other	<u>410,392</u>	<u>103,864</u>
Total contributions	7,195,131	103,864
Investment Income:		
Increase (decrease) in fair value of investments	(35,406,059)	(364,701)
Less: management fees	<u>(514,246)</u>	<u>-</u>
Net investment income	<u>(35,920,305)</u>	<u>(364,701)</u>
Total additions	(28,725,174)	(260,837)
Deductions:		
Benefit payments to plan members and beneficiaries	8,947,421	-
Refunds to plan members	259,226	-
Administrative expenses	177,834	-
Other	<u>449,670</u>	<u>55,545</u>
Total deductions	<u>9,834,151</u>	<u>55,545</u>
Net increase(decrease)	(38,559,325)	(316,382)
Net assets:		
Beginning of year	<u>123,909,850</u>	<u>1,915,980</u>
End of year	<u>\$ 85,350,525</u>	<u>\$ 1,599,598</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 *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal "stimulus" funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.
- The *High Rock and Pollard Schools Renovation* accounts for all financial resources and expenditures related to High Rock and Pollard Schools renovation costs.
- The *Department of Public Works Administration Building* accounts for all financial resources and expenditures related to the building.
- The *Town Hall Renovation* accounts for the financial resources and renovation relates to the Town Hall Renovation.
- 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 guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Property Tax Limitations

Legislation known as “Proposition 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 2009 tax levy reflected an excess capacity of approximately \$ 35,000.

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

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

H. Compensated Absences

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

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

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obliga-

tions 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)	\$ 109,652,065	\$ 109,046,437
Other financing sources/uses (GAAP basis, net of refunding)	<u>1,942,529</u>	<u>5,961,813</u>
Subtotal (GAAP Basis)	111,594,594	115,008,250
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,488,788)
Add end of year appropriation carryforwards to expenditures	-	1,722,956
Recognize use of free cash	5,810,170	-
Recognize use of bond premium	15,552	-
Recognize use of MSBA revenue appropriated for debt service	364,686	-
Recognize use of overlay surplus	399,781	-
Reverse GASB 24 MTRS	(10,599,814)	(10,599,814)
Other reconciling items	-	85,000
Adjust property tax revenue to the budgetary basis	<u>(700,092)</u>	<u>-</u>
Budgetary basis	<u>\$ 106,884,877</u>	<u>\$ 104,727,604</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, 2009:

Major Governmental Funds:	
High Rock and Pollard Schools Renovation	\$ 9,266,650
Department of Public Works Administration Building	1,942,726
Nonmajor Governmental Funds:	
Special Revenue Funds:	
2006 NCLB Title I	9,657
2007 SPED 94-142	2,913
2008 COA Formula Grant	3,625
Police Click it or Ticket	3,775
2009 Shine (COA)	20,887
2009 Coalition for Suicide Prevention	6,480
2009 Dept. PSAP and Recc Support	48,122
Capital Project Funds:	
Chapter 90	1,164,970
Library construction	3,926
High School Renovation	1,406,133
Other:	
Police outside detail	221,418
Fire outside detail	86,558

3. Cash and Short-Term Investments

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

As of June 30, 2009, out of Town's bank balance of \$ 36,811,910, \$ 13,207,937 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's

name. The Town manages some of this risk by Securities Investor Protection Corporation (SIPC) and excess SIPC coverage.

As of December 31, 2008, \$ 2,375,878 of the Contributory Retirement System's bank balance of \$ 2,487,571 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the System's name. Of the System's exposed risk, \$ 2,003,255 was invested in MMDT and \$ 372,623 was invested in PRIT.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	Fair <u>Value</u>	Average Rating as of <u>Year End</u>
U.S. Treasury notes	\$ 6,087,310	AAA
Certificates of deposits	5,507,667	N/R
Corporate equities	2,056,777	N/A
Mutual funds	1,262,636	N/A
Federal agency securities	8,637,638	AAA
Corporate bonds	<u>2,887,577</u>	A2
Total investments	\$ <u><u>26,439,605</u></u>	

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

At December 31, 2008, the System maintained its investments in the State Investment Pool* with a fair value of \$ 82,961,175. This investment type is not rated.

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

B. Custodial Credit Risk

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

The Town's investments of \$26,439,605 were exposed to custodial credit risk as uninsured and uncollateralized. The Town manages some of this risk by Securities Investor Protection Corporation (SIPC) and excess SIPC coverage.

The System's investments of \$ 82,961,175 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment pool (PRIT).

C. Concentration of Credit Risk

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

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Per Massachusetts general law,

investments of operating cash or bond paydown amounts should be placed in investments with a one year or less maturity date or in shares issued by money market funds registered with the Securities and Exchange Commission. The Town addresses interest rate risk by managing duration. The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. Treasury notes	\$ 6,087,310	\$ 6,087,310	\$ -	\$ -
Federal agency securities	8,637,638	1,932,175	6,651,494	53,969
Corporate bonds	2,887,577	-	2,887,577	-
Total	<u>\$ 17,612,525</u>	<u>\$ 8,019,485</u>	<u>\$ 9,539,071</u>	<u>\$ 53,969</u>

E. Foreign Currency Risk

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

5. Accounts Receivable

A. Property Taxes

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

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

Taxes receivable at June 30, 2009 consist of the following (in thousands):

Real Estate		
2009	\$ <u>570</u>	570
Personal Property		
2009	56	
2008	30	
2007	34	
2006	32	
2005	12	
Prior	<u>143</u>	
		307
Tax Liens		870
Deferred Taxes		<u>590</u>
Total		\$ <u><u>2,337</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):

	<u>Governmental</u>
Property taxes	\$ 218
Excises	161
Ambulance	248

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 2009 and future reimbursements from the MSBA.

6. Capital Assets

Capital asset activity for the year ended June 30, 2009 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	\$ 81,725	\$ 1,020	\$ -	\$ 82,745
Machinery, equipment, and furnishings	5,736	857	(1,262)	5,331
Vehicles	4,886	522	(1,219)	4,189
Infrastructure	<u>24,394</u>	<u>3,015</u>	<u>-</u>	<u>27,409</u>
Total capital assets, being depreciated	116,741	5,414	(2,481)	119,674
Less accumulated depreciation for:				
Buildings and improvements	(19,806)	(1,706)	-	(21,512)
Machinery, equipment, and furnishings	(4,631)	(499)	1,184	(3,946)
Vehicles	(3,340)	(471)	1,111	(2,700)
Infrastructure	<u>(9,693)</u>	<u>(976)</u>	<u>-</u>	<u>(10,669)</u>
Total accumulated depreciation	<u>(37,470)</u>	<u>(3,652)</u>	<u>2,295</u>	<u>(38,827)</u>
Total capital assets, being depreciated, net	79,271	1,762	(186)	80,847
Capital assets, not being depreciated:				
Land	18,494	-	-	18,494
Works of art	95	-	-	95
Construction in progress	<u>60,566</u>	<u>23,858</u>	<u>-</u>	<u>84,424</u>
Total capital assets, not being depreciated	<u>79,155</u>	<u>23,858</u>	<u>-</u>	<u>103,013</u>
Governmental activities capital assets, net	<u>\$ 158,426</u>	<u>\$ 25,620</u>	<u>\$ (186)</u>	<u>\$ 183,860</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,402	\$ -	\$ -	\$ 12,402
Machinery, equipment, and furnishings	4,015	229	(330)	3,914
Vehicles	559	212	(145)	626
Infrastructure	<u>57,308</u>	<u>907</u>	<u>-</u>	<u>58,215</u>
Total capital assets, being depreciated	74,284	1,348	(475)	75,157
Less accumulated depreciation for:				
Buildings and improvements	(4,538)	(149)	-	(4,687)
Machinery, equipment, and furnishings	(2,933)	(498)	-	(3,431)
Vehicles	(517)	(60)	330	(247)
Infrastructure	<u>(30,166)</u>	<u>(981)</u>	<u>145</u>	<u>(31,002)</u>
Total accumulated depreciation	<u>(38,154)</u>	<u>(1,688)</u>	<u>475</u>	<u>(39,367)</u>
Total capital assets, being depreciated, net	36,130	(340)	-	35,790
Capital assets, not being depreciated:				
Land	5,275	-	-	5,275
Construction in progress	<u>7,256</u>	<u>3,865</u>	<u>-</u>	<u>11,121</u>
Total capital assets, not being depreciated	<u>12,531</u>	<u>3,865</u>	<u>-</u>	<u>16,396</u>
Business-type activities capital assets, net	<u>\$ 48,661</u>	<u>\$ 3,525</u>	<u>\$ -</u>	<u>\$ 52,186</u>

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

Governmental Activities:	
General government	\$ 89
Public safety	385
Education	1,395
Public works	1,346
Human service	7
Culture and recreation	<u>431</u>
Total depreciation expense - governmental activities	<u>\$ 3,653</u>
Business-Type Activities:	
Sewer	\$ 505
Water	989
Solid Waste	<u>194</u>
Total depreciation expense - business-type activities	<u>\$ 1,688</u>

7. **Warrants and Accounts Payable**

Warrants payable represent 2009 expenditures paid by July 15, 2009 as permitted by law. Accounts payable represent additional 2009 expenditures paid after July 15, 2009.

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, 2009 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.

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

10. Refunds Payable

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

11. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2009:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ -	\$ 20,685,600	\$ (5,516,200)	\$ 15,169,400
Total	\$ -	\$ 20,685,600	\$ (5,516,200)	\$ 15,169,400

12. Long-Term Debt

A. Long-Term Debt Supporting Activities

General obligation bonds, issued by the town, are repaid with general and enterprise fund revenues and the use of 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:

	<u>Original Amount</u>	<u>Interest Rate(s)%</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding as of June 30, 2009</u>
MA Water Pollution Abatement Trust	\$ 310,656	Various	06/01/95	02/01/15	\$ 162,564
MA Water Pollution Abatement Trust	91,400	Various	12/09/98	08/01/18	50,300
MA Water Pollution Abatement Trust	243,300	Various	12/09/98	08/01/18	133,800
MA Water Pollution Abatement Trust	1,261,272	Various	12/09/98	08/01/18	756,764
MA Water Pollution Abatement Trust	175,500	Various	12/09/98	08/01/18	96,600
MA Water Pollution Abatement Trust	422,874	Various	12/09/98	08/01/18	281,687
MA Water Pollution Abatement Trust	85,894	Various	12/09/98	08/01/18	52,448
Municipal Purpose FY 2001	8,883,000	4.00	06/15/01	06/15/11	1,450,000
MA Water Resources Authority	257,304	0.00	07/19/01	08/15/11	77,191
Municipal Purpose FY 2003 Elementary School	5,590,000	1.87	05/15/03	11/15/10	655,000
Municipal Purpose FY 2005	14,000,000	3.00 - 4.70	11/01/03	11/01/23	10,500,000
Municipal Purpose FY 2005	12,649,000	3.00 - 4.75	12/01/04	12/01/19	8,955,000
Municipal Purpose FY 2005	6,827,000	3.25 - 4.20	06/01/05	06/01/25	4,825,000
Municipal Purpose FY 2006	3,346,000	3.24 - 3.66	12/15/05	02/15/15	1,525,000
Municipal Purpose FY 2007	5,525,000	3.75 - 4.50	11/01/06	11/11/19	5,360,000
Municipal Purpose FY 2007	11,970,000	3.75 - 4.50	11/01/06	11/01/26	9,470,000
Municipal Purpose FY 2008	4,470,000	4.05 - 5.00	06/15/07	06/15/12	3,445,000
Municipal Purpose FY 2008	3,205,000	3.25	12/01/07	06/01/12	1,660,000
Municipal Purpose FY 2009	12,600,000	3.25 - 5.00	06/03/08	12/01/26	11,870,000
Municipal Purpose FY 2009	5,600,000	4.61	11/01/08	08/01/27	5,600,000
Municipal Purpose FY 2010	6,842,000	2.94	06/01/09	06/01/28	6,842,000
					<u>\$ 73,768,354</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	6,636,977	\$ 2,306,302	\$ 8,943,279
2011		5,442,979	2,015,510	7,458,489
2012		4,152,979	1,828,046	5,981,025
2013		3,847,979	1,690,356	5,538,335
2014		3,632,979	1,556,573	5,189,552
2015-2019		17,982,717	5,714,061	23,696,778
2020-2024		14,117,524	2,373,844	16,491,368
2025-2028		4,100,000	283,319	4,383,319
Total	\$	<u>59,914,134</u>	<u>\$ 17,768,011</u>	<u>\$ 77,682,145</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,012,365	\$ 525,010	\$ 2,537,375
2011	1,594,476	448,781	2,043,257
2012	1,583,963	390,649	1,974,612
2013	1,257,128	385,542	1,642,670
2014	1,280,309	293,092	1,573,401
2015-2019	5,325,978	792,413	6,118,391
2020-2024	<u>800,000</u>	<u>67,000</u>	<u>867,000</u>
Total	<u>\$ 13,854,219</u>	<u>\$ 2,902,487</u>	<u>\$ 16,756,706</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2009 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
2001	Rosemary Pool Complex - Design	\$ 72,500
2001	Pool Repair - Rosemary	4,300
2002	Parking Lot Dedham Avenue	46,500
2003	Water System Designs Webster/Greendale/Brookline	11,000
2003	Water Pump Station Designs - St. Mary's St.	180,000
2002	Sewer System Improvements	497,000
2003	Sewer Rehab	175,000
2003	Public Library (exempt)	3,086,000
2003	High School (exempt)	16,300,000
2005	Water System Rehab	30,000
2005	Repairs to Ridge Hill	106,600
2006	Sewer Main Rehab	655,000
2006	High School	3,508,750
2006	Mitchell School Roof Replacement	11,400
2007	Water Service Connections	55,000
2006	Water System Improvements	1,000,000
2007	RTS Construction Equipment	14,300
2007	Sewer System Rehabilitation	900,000
2008	Water storage tank painting/cleaning	75,000
2008	High Rock renovation and repair	13,610,000
2009	Administration Bldg. at DPW Complex	256,000
2009	Collection Packer Equipment	223,400
2008	Hillside & Mitchell School Parking & Play Area Improvements	3,600
2009	Municipal Parking Lot Improvements	105,000
2008	Public Safety Building Roof	485,000
2008	Sewer pump station GPA	770,000
2008	Street & Traffic Light Improvements	25,000
2008	Water Main Improvements (WPAT)	1,900,000
2009	DPW admin bldg.	5,725,000
2009	Kendrick St. Bridge repair	125,000
2009	Stormwater master plan drainage (Lantern & Gayland)	200,000
2009	RTS Construction Equipment (FE loader)	230,000
2009	Newman School HVAC design and engineering	450,000
2009	Sewer pump station	577,500
2009	Road, Bridges Sidewalks and intersections	875,000
2009	Water Distrib system (Chapel and May Pickering)	1,000,000
2009	Town Hall (GF portion)	4,100,000
2009	Town Hall (CPA portion)	7,200,000
	Total	\$ <u>64,588,850</u>

E. Changes in General Long-term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>07/01/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>06/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>06/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 56,001	\$ 10,120	\$ (6,206)	\$ 59,915	\$ (6,637)	\$ 53,278
Other:						
Accrued employee benefits	2,534	137	-	2,671	(668)	2,003
Landfill closure	1,359	-	(281)	1,078	(51)	1,027
Totals	<u>\$ 59,894</u>	<u>\$ 10,257</u>	<u>\$ (6,487)</u>	<u>\$ 63,664</u>	<u>\$ (7,356)</u>	<u>\$ 56,308</u>

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 13,434	\$ 2,322	\$ (1,902)	\$ 13,854	\$ (2,012)	\$ 11,842
Other:						
Accrued employee benefits	98	17	-	115	(115)	-
Totals	<u>\$ 13,532</u>	<u>\$ 2,339</u>	<u>\$ (1,902)</u>	<u>\$ 13,969</u>	<u>\$ (2,127)</u>	<u>\$ 11,842</u>

F. Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2009, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$ 5,250,000.

13. 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 \$ 1,078,350 reported as landfill closure and postclosure care liability at June 30, 2009 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 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. 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.

15. 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, 2009:

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.

16. 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 paragraph summarize the major difference.

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

17. 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.

18. Subsequent Events

Debt

Subsequent to June 30, 2009, 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	\$ 15,815,000	2-4%	12/15/09	08/01/28
Bond anticipation note	2,000,800	1%	12/15/09	06/15/10

19. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired

employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2007, the actuarial valuation date, approximately 759 retirees and 764 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2007.

Annual Required Contribution (ARC)	\$ 3,102,311
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	3,102,311
Contributions made	<u>(3,102,311)</u>
	<hr/>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<hr/>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 3,102,311	100%	\$ -

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2007, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 46,672,308
Actuarial value of plan assets	<u>(3,075,317)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 43,596,991</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>7%</u>
Covered payroll (active plan members)	<u>\$ 59,616,565</u>
UAAL as a percentage of covered payroll	<u>73.1%</u>

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2007 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

20. 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, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	498
Terminated plan members entitled to but not yet receiving benefits	113
Active plan members	<u>636</u>
Total	<u><u>1,247</u></u>
Number of participating employers	2

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

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

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

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	\$ 4,121,326	100%
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 at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/07	\$ 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, 2008, the unfunded actuarially accrued liability is being amortized over 12 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 \$ 31,134,000.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 10,599,814 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 2009 pension expense relating to these employees was approximately \$ 91,508.

21. Self Insurance

Workers Compensation The Town's personnel Department administers a self-insured workers compensation program. In addition to in-house administration, the town utilizes a third party administrator, 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, 2009, the Town's workers compensation fund had a balance of \$ 479,697 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 \$ 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 per employee to an aggregate limit of \$ 1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is \$ 4,000,000. The Town has no excess liability coverage for public safety

employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2009 of \$ 138,468 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, 2009 are as follows:

	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 228,070
Claims incurred/recognized in fiscal year 2009	302,706
Claims paid in fiscal year 2009	<u>(392,308)</u>
Claims liability, end of year	<u>\$ 138,468</u>

22. 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.

23. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/08 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/08 (as reclassified)
Nonmajor Governmental Funds	\$ 10,329,292	\$ (853,895)	\$ 9,475,397
High School Project	(2,101,640)	2,101,640	-
High Rock and Pollard Renovation	<u>-</u>	<u>(1,247,745)</u>	<u>(1,247,745)</u>
Total	<u>\$ 8,227,652</u>	<u>\$ -</u>	<u>\$ 8,227,652</u>

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2008

(Unaudited)

Employees' Retirement System

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

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/07	\$ 3,075,317	\$ 46,672,308	\$ 43,596,991	6.6%	\$ 59,616,565	73.1%
07/01/05	\$ 2,131,044	\$ 43,172,705	\$ 41,041,661	4.9%	\$ 51,915,780	79.1%

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS

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

For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Adjusted Actual</u>	Variance Positive (Negative)
Revenues:			
Current service charges	\$ 7,568,316	\$ 7,944,636	\$ 376,320
Interest income	<u>70,000</u>	<u>24,435</u>	<u>(45,565)</u>
Total Revenues and Other Sources	7,638,316	7,969,071	330,755
Expenditures:			
Sewer expenditures	912,953	797,941	115,012
Intergovernmental	4,969,440	4,893,374	76,066
Debt service	1,175,000	1,110,101	64,899
Transfers out	<u>580,923</u>	<u>580,923</u>	<u>-</u>
Total Expenditures and Other Uses	<u>7,638,316</u>	<u>7,382,339</u>	<u>255,977</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 586,732</u>	<u>\$ 586,732</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, 2009

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 5,657,577	\$ 6,099,014	\$ 441,437
Interest income	84,000	26,157	(57,843)
Use of retained earnings	<u>682,500</u>	<u>682,500</u>	<u>-</u>
Total Revenues	6,424,077	6,807,671	383,594
Expenditures:			
Water expenditures	2,000,345	1,824,752	175,593
Intergovernmental	1,075,204	1,061,719	13,485
Debt service	1,350,000	1,330,121	19,879
Transfers out	<u>1,998,528</u>	<u>1,998,528</u>	<u>-</u>
Total Expenditures and Other Uses	<u>6,424,077</u>	<u>6,215,120</u>	<u>208,957</u>
Excess of revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ 592,551</u>	<u>\$ 592,551</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, 2009

	<u>Budget</u>	<u>Adjusted Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Current service charges	\$ 1,600,000	\$ 1,530,141	\$ (69,859)
Interest income	7,420	3,435	(3,985)
Transfer in	510,270	510,270	-
Use of retained earnings	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Total Revenues and Other Sources	2,143,690	2,069,846	(73,844)
Expenditures:			
Transfers station expenditures	1,832,800	1,631,519	201,281
Debt service	150,000	149,929	71
Transfers out	<u>160,890</u>	<u>160,890</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,143,690</u>	<u>1,942,338</u>	<u>201,352</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 127,508</u>	<u>\$ 127,508</u>

See Independent Auditors' Report.