

OFFICIAL STATEMENT DATED JUNE 2, 2010

Rating: See "Rating" herein.
Standard and Poor's Rating Group: AAA

New Issue

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

TOWN OF NEEDHAM, MASSACHUSETTS \$4,000,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 BONDS

DATED
June 15, 2010

DUE
December 1
(as shown below)

The Bonds are issuable only as fully registered Bonds, registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. See ("THE BONDS - Book-Entry Transfer System" herein.)

Principal of the Bonds will be paid on December 1 of the years in which the bonds mature. Interest on the Bonds will be payable June 1 and December 1, commencing December 1, 2010. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Needham, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the portion of the Bonds that the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

Due December 1	Principal Amount	Rate	Yield	Cusip 639846	Due December 1	Principal Amount	Rate	Yield	Cusip 639846
2010	\$ 530,000	2.00 %	0.40 %	ZH0	2018	\$ 205,000	3.00 %	2.45 %	ZR8
2011	530,000	2.00	0.60	ZJ6	2019	200,000	3.00	2.65	ZS6
2012	520,000	3.00	0.65	ZK3	2020	100,000	3.00	2.80	ZT4
2013	515,000	2.00	1.00	ZL1	2021	100,000	3.25	2.95	ZU1
2014	385,000	2.00	1.30	ZM9	2022	100,000	3.50	3.10	ZV9
2015	205,000	2.25	1.60	ZN7	2023	100,000	3.50	3.20	ZW7
2016	205,000	2.50	2.00	ZP2	2024	100,000	3.50	3.30	ZX5
2017	205,000	2.75	2.25	ZQ0					

(plus accrued interest to be added if any)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company has acted as Financial Advisor to the Town of Needham, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 15, 2010, against payment to the Town in Federal Reserve funds.

EASTERN BANK

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

SUMMARY STATEMENT

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

Date of Sale:	Wednesday, June 2, 2010, 11:00 a.m. (E.T).
Location of Sale:	First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Needham, Massachusetts.
Issue:	\$4,000,000 General Obligation Municipal Purpose Loan of 2010 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	June 2, 2010.
Dated Date of the Bonds:	June 15, 2010.
Principal Due:	Serially on December 1, 2010 through December 1, 2024, as set forth herein.
Purpose and Authority:	Bond proceeds will finance various municipal projects as authorized by the Town under provisions of Chapter 44, Sections 7 and 8 of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds are subject to redemption prior to their stated maturity dates as described herein.
Security:	The Bonds will be valid general obligations of the Town of Needham, Massachusetts, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the remaining portion of the Bonds that the Town has not voted to exempt from that limit.
Credit Rating:	Standard & Poor's Ratings Group has assigned AAA rating to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".
Bank Qualification:	The Bonds WILL BE designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts
Legal Opinion:	Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to the Depository Trust Company, or to its custodial agent, on or about June 15, 2010, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Ms. Evelyn M. Poness, Treasurer, Town of Needham, Massachusetts telephone (781) 455-7504 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

NOTICE OF SALE

TOWN OF NEEDHAM, MASSACHUSETTS

\$4,000,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 BONDS

The Town of Needham, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, June 2, 2010, for the purchase of the following described General Obligation Municipal Purpose Loan of 2010 Bonds of the Town (the "Bonds"):

\$4,000,000 General Obligation Municipal Purpose Loan of 2010 Bonds payable December 1 of the years and in the amounts as follows:

<u>Due December 1</u>	<u>Principal Amount</u>	<u>Due December 1</u>	<u>Principal Amount</u>
2010	\$ 530,000	2018	\$ 205,000
2011	530,000	2019	200,000
2012	520,000	2020	* 100,000
2013	515,000	2021	* 100,000
2014	385,000	2022	* 100,000
2015	205,000	2023	* 100,000
2016	205,000	2024	* 100,000
2017	205,000		

* Callable maturities. May be combined into one or two Term Bonds, as provided herein.

The Bonds will be dated June 15, 2010. Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable on December 1, 2010 and semi-annually thereafter on June 1 and December 1.

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

The Bonds are subject to redemption prior to their stated dates of maturity.

The Bonds maturing in the years 2010 through 2019 will not be subject to redemption prior to maturity. The Bonds maturing on and after December 1, 2020 shall be subject to redemption prior to maturity, at the option of the Town, on or after December 1, 2019, either in whole or in part on any interest payment date, and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

For Bonds maturing on December 1, 2020, and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on December 1 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

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

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par and accrued interest to date of delivery will be considered.

As between proposals which comply with this Notice, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of June 15, 2010, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Evelyn M. Pones, Treasurer, Town of Needham, Massachusetts c/o First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

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

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

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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he/she shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 26, 2010, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the

statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

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

The Bonds will be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code.

Additional information concerning the Town of Needham and the Bonds is contained in the Preliminary Official Statement dated May 26, 2010, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4409). Within seven (7) business days following the award of the Bonds in accordance herewith, 50 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of June 2, 2010 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

CUSIP identification numbers will be printed on the Bonds at the option of the purchaser, but neither the failure to print such numbers on any Bond, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on said Bonds shall be paid for by the issuer. The issuer assumes responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to the Depository Trust Company, or its custodial agent, on or about June 15, 2010 for settlement in Federal Reserve Funds.

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

May 26, 2010

OFFICIAL STATEMENT

TOWN OF NEEDHAM, MASSACHUSETTS

\$4,000,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Needham, Massachusetts (the "Town") in connection with the sale of \$4,000,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2010 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated June 15, 2010 and will bear interest payable semiannually on June 1 and December 1, commencing December 1, 2010. The Bonds shall mature on December 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

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

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

Redemption Provisions

The Bonds are subject to redemption as described below.

Optional Redemption

The Bonds maturing in the years 2010 through 2019 will not be subject to redemption prior to maturity. The Bonds maturing on and after December 1, 2020 shall be subject to redemption prior to maturity, at the option of the Town, on or after December 1, 2019, either in whole or in part on any interest payment date, and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on December 1 of the first year which has been combined to form such Term Bonds and continuing on June 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule in the schedule contained in the Notice of Sale dated May 26, 2010. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

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

Book-Entry Transfer System

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, statutory authorizations and dates of Town approval for the current offering of Bonds:

Date of Authorization	Article	Amount Originally Authorized	This Issue	Purpose	Law Cite	Notes Outstanding
11/7/2005	9	\$ 3,500,000	\$ 145,000	Sewer Mains - Rte. 128	Ch. 44 s. 7(1)	\$ -
5/15/2006	71	3,000,000	165,000	Water Mains - Rte. 128	Ch. 44 s. 8	-
5/19/2008	47	1,900,000	185,000	Water Main	Ch. 44 s. 8	235,000
5/18/2009	56	1,000,000	400,000	Water	Ch. 44 s. 8	-
5/19/2008	36	535,000	350,000	Roof Replacement	Ch. 44 s. 7(3A)	325,000
10/27/2008	5	5,725,000	1,000,000	Administration Building	Ch. 44 s. 7(3)	-
5/11/2009	3	450,000	225,000	School Feasibility Study	Ch. 44 s. 7(21) or 7(22)	-
5/18/2009	47	875,000	530,000	Road & Sidewalk	Ch. 44 s. 7(6)	-
11/2/2009 & 12/8/2009	14	26,962,128	1,000,000	Newman School Repairs	Ch. 44 s. 7(3A), Question 1	-
Total			<u>\$ 4,000,000</u>			<u>\$ 560,000</u>

Principal Maturities by Purpose

Calendar Year	Water and Sewer	General	Total
2011	\$ 120,000	\$ 410,000	\$ 530,000
2012	120,000	410,000	530,000
2013	115,000	405,000	520,000
2014	110,000	405,000	515,000
2015	110,000	275,000	385,000
2016	40,000	165,000	205,000
2017	40,000	165,000	205,000
2018	40,000	165,000	205,000
2019	40,000	165,000	205,000
2020	35,000	165,000	200,000
2021	25,000	75,000	100,000
2022	25,000	75,000	100,000
2023	25,000	75,000	100,000
2024	25,000	75,000	100,000
2025	25,000	75,000	100,000
Total	<u>\$ 895,000</u>	<u>\$ 3,105,000</u>	<u>\$ 4,000,000</u>

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The foregoing reflects the enactment of the American Recovery and Reinvestment Act of 2009 which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities and that modify Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding

dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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

Rating

Standard and Poor's Ratings Group has assigned AAA rating to the Bonds. The rating reflects only the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Security and Remedies

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

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

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

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

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

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

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

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws.

Use of State Distributions to Pay Debt Service

Section 19A of Chapter 44 of the General Laws provides in part that, if a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it shall notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraphs). See "State Distributions" above. If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

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

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

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

Financial Advisory Services of First Southwest Company

First Southwest Company serves as financial advisor to the Town of Needham, Massachusetts. The Town has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.

TOWN OF NEEDHAM, MASSACHUSETTS

General

The Town of Needham is located in Norfolk County, 10 miles southwest of Boston. It is bordered on the west and northwest by the Town of Wellesley, on the north and northeast by the City of Newton, on the east by the West Roxbury section of the City of Boston, on the southeast by the Town of Dedham, and on the south by the Towns of Westwood and Dover. Needham has a population of approximately 28,911 and occupies a land area of 12.75 square miles. Established as a town in 1711, Needham is governed by a limited form of town meeting and by a five-member Board of Selectmen. School affairs are administered by a seven-member School Committee and a Superintendent of Schools.

PRINCIPAL TOWN OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Expires</u>
Selectman, Chairman	John A. Bulian	Elected	2012
Selectman, Vice-Chair	Denise C. Garlick	Elected	2011
Selectman, Clerk	Gerald A. Wasserman	Elected	2012
Selectman	Daniel P. Matthews	Elected	2013
Selectman	Maurice Handel	Elected	2012
Town Manager	Kate Fitzpatrick	Appointed	2011
Director of Finance	David Davison	Appointed	Indefinite
Treasurer/Collector	Evelyn M. Poness	Appointed	Indefinite
Town Accountant	Michelle Vaillancourt	Appointed	Indefinite
Town Clerk	Theodora K. Eaton	Elected	2013
Town Counsel	David S. Tobin	Appointed	Indefinite
Superintendent of Schools	Daniel E. Gutekanst	Appointed	2011

Municipal Services

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

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

Gas and electric services are provided by established private utilities.

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

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

Education

The Town currently operates 1 pre-school, 5 elementary schools, 1 middle school, and a senior high school. Total capacity is sufficient to meet current enrollment. The Town's capital plan reflects the need for further renovations and expansions to meet projected program needs. The Town has recently completed the construction and/or reconstruction of 3 elementary schools. The Town has issued the bonds for these schools. The Town has previously renovated the middle school. The Town has also authorized a borrowing for the reconstruction of the high school which is under construction and the reconstruction of the High Rock and Pollard schools. The debt service on such borrowings has been exempted from the limits of Proposition 2 1/2. The Bonds are being issued to finance a portion of the Town's cost of such projects. The following table sets forth the trend in public school enrollments. This does not include pre-school or out of district students.

PUBLIC SCHOOL ENROLLMENTS - OCTOBER 1,

	Actual				
	2005	2006	2007	2008	2009
Elementary (K-5)	2,390	2,487	2,530	2,524	2,617
Middle/Junior High(6-8)	1,090	1,066	1,084	1,128	1,183
Senior High(9-12)	1,399	1,426	1,389	1,382	1,490
Totals	<u>4,879</u>	<u>4,979</u>	<u>5,003</u>	<u>5,034</u>	<u>5,290</u>

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

Industry and Commerce

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

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

Industry	Calendar Year Average			
	2005	2006	2007	2008
Construction	948	932	882	908
Manufacturing	2,393	2,135	2,011	917
Trade, Transportation and Utilities	2,837	2,632	2,565	2,438
Information	1,505	1,898	2,123	2327
Financial Activities	1,546	1,557	1,584	1,603
Professional and Business Services	4,173	4,300	4,300	5,372
Education and Health Services	3,800	3,970	4,159	4,332
Leisure and Hospitality	905	889	1,022	967
Other Services	704	788	804	829
Total Employment	<u>18,811</u>	<u>19,101</u>	<u>19,450</u>	<u>19,693</u>
Number of Establishments	1,337	1,337	1,338	1,337
Average Weekly Wages	\$ 1,356	\$ 1,522	\$ 1,499	\$ 1,576
Total Wages	<u>\$ 1,345,694,284</u>	<u>\$ 1,541,019,858</u>	<u>\$ 1,545,575,813</u>	<u>\$ 1,644,565,055</u>

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

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

LARGEST EMPLOYERS

Name	Product/Function	No. of Employees Approximate
Parametric Technology Corp.	Software Development	725
Coca Cola Of Boston	Bottling & Distributing	625
Beth Israel Deaconess Hospital- Needham Campus	Health Care	368
North Hill Living Care Center	Retirement Center	300
Walker Home and School	Education	250
Channel 5	WCVB-TV Channel 5	225
Wingate	Assited Living Facility	176
Muzi Ford	Car Dealer	150
Roche Brothers Supermarket, Inc.	Supermarket	145
Olin College	Engineering School	110

SOURCE: Individual Employers listed.

The Needham Business Center (formerly the New England Industrial Park) is a multi-million dollar business park located approximately 3 miles northeast of downtown Needham. The Center offers advantageous proximity to both Routes 9 and 128. The Center receives a consistent demand for space from both local and outside industry. The Center originally contained primarily warehouses and offices and now, over 20 years later, is an advanced site for both manufacturing and research. Present occupants include Coca Cola and Sheraton Hotel.

A project is currently underway to widen Route 95/128 through Needham. The project will expand the highway from three lanes to four lanes and add an additional ramp in Needham. The project is expected to be completed by 2014, and the Town anticipates that the roadway improvement will have an overall positive effect and economic benefit for the Needham Business Center, as well as the community.

The Beth Israel Deaconess/Needham Hospital expansion is now complete. The expansion increased the size of the facility from approximately 88,000 square feet to 124,000 square feet. The hospital and its partnerships have increased the amount of office and new clinical activity space in other locations in the town by approximately 40,000 square feet.

Labor Force, Employment and Unemployment

According to the Massachusetts Department of Employment and Training preliminary data, in March 2010, the Town had a total labor force of 14,103 of which 13,300 were employed and 803 or 5.7% were unemployed as compared with 9.3% for the Commonwealth and 9.7% for the United States (unadjusted).

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

UNEMPLOYMENT RATES

Calendar Year	Town of Needham				Massachusetts Unemployment Rate		United States Unemployment Rate	
	Labor Force	Employment	Unemployment Rate					
2009	14,234	13,350	6.2	%	9.3	%	10.1	%
2008	14,135	13,627	3.6		5.3		8.1	
2007	14,197	13,765	3.0		4.5		4.6	
2006	14,290	13,796	3.5		4.8		4.4	
2005	14,311	13,382	3.3		4.8		4.6	

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

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2005 through 2010. Permits are filed for both private construction as well as for Town projects.

BUILDING PERMITS

Calendar Year	New Construction				Additions/Alterations				Totals	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No.	Value	No.	Value	No.	Value	No.	Value		
2010 (3)	55	\$ 8,453,760	8	\$ 7,803,896.0	236	\$ 6,536,147	19	\$ 11,512,430	318	\$ 34,306,233
2009	113	22,712,299	12	6,602,782	650	21,728,991	104	4,740,806	879	55,784,878
2008	91	34,665,499	4	51,060,308 (2)	1,012	23,257,924	168	11,392,267	1,275	120,375,998
2007	107	29,998,400	8	2,916,363	819	34,390,517	149	21,255,076	1,083	88,560,356
2006	64	24,273,400	5	4,340,000	845	36,858,246	102	17,490,860	1,016	82,962,506
2005	68	26,998,500	2	983,500	680	31,403,079	81	68,761,019 (1)	831	128,146,098

SOURCE: Report of the Building Inspector.

(1) Includes High Rock School (\$14,000,000) and 500 Dedham Ave. (\$4,083,000).

(2) Approximately \$40,000,000 of this amount was for the Town High School.

(3) Through April 2010.

Transportation

The principal highways serving the Town are State Routes 9, 135 and 128 (I-95). There are three exits off Interstate 95 that provide direct access to Needham. A project is currently underway to widen Route 128 through Needham. This add-a-lane project is expected to be completed by 2014. The Massachusetts Bay Transportation Authority (MBTA) provides commuter rail service on a regular basis to Boston. There are four commuter rails stops physically located in Needham: Needham Heights, Needham Center, Needham Junction and Hersey. The MBTA also provides bus service between Needham and Boston, as well as to Watertown Square. Established trucking lines provide competitive service locally and to long distance points. The Town is within commuting distance of the airport facilities of Boston's Logan International Airport, the Norwood Municipal Airport, and Hanscom Field in Bedford, Massachusetts.

Population and Income

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

POPULATION AND INCOME

	Needham	Massachusetts	United States
Median Age:			
2000	40.8	36.5	35.3
1990	38.6	33.6	32.9
1980	35.1	31.2	30.0
Median Family Income:			
2000	\$107,570	\$61,664	\$50,046
1990	69,515	44,367	35,225
1980	31,793	21,166	19,908
Per Capita Income:			
2000	\$44,549	\$25,952	\$21,587
1990	27,935	17,224	14,420
1980	11,580	7,459	7,313

SOURCE: Federal Bureau of the Census.

On the basis of the 2000 Federal census, the Town has a population density of approximately 2,292 persons per square mile.

POPULATION TRENDS

<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
28,911	27,557	27,901	29,748	25,793

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

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

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

TAX LEVY COMPUTATION

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Total Appropriations(1)	\$ 101,146,109	\$ 123,254,181 (5)	\$ 115,759,980	\$ 123,464,684	\$ 132,000,100
Additions:					
State & County Assessments	981,582	1,045,299	1,057,780	1,103,256	1,068,405
Overlay Reserve	1,086,199	1,094,344	919,602	1,100,000	960,626
Other Additions	1,080,264	123,621	89,736	77,023	162,602
Total Additions	3,148,045	2,263,264	2,067,118	2,280,279	2,191,633
Gross Amount to be Raised	104,294,154	125,517,445	117,827,098	125,744,963	134,191,733
Deductions:					
Local Estimated Receipts: (2)	21,868,377	25,536,787	27,343,787	27,142,107	33,381,188
State Aid(3):					
Current Year	7,923,769	21,139,968 (5)	8,347,108	9,376,375	8,456,131
Prior Year's Overestimate	-	-	-	-	-
Available Funds(4)	2,259,742	1,017,751	918,532	1,490,661	1,376,871
Free Cash Used to Reduce Tax Rate	3,260,346	3,895,235	3,266,326	5,810,170	3,145,416
Total Deductions	35,312,234	51,589,741	39,875,753	43,819,313	46,359,606
Net Amount to be Raised	\$ 68,981,920	\$ 73,927,704	\$ 77,951,346	\$ 81,925,650	\$ 87,832,127

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.

(2) Includes CPA surcharge tax and state matching funds.

(3) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments. See "TOWN FINANCES--Revenues --State Aid". The state recently announced cuts in local aid for fiscal 2009 and fiscal 2010. For Needham, state aid in fiscal 2009 is being reduced by \$211,718. For fiscal 2010, the Town is planning on an additional 10% reduction or \$865,994 less than the FY2009 pre-9C reductions. The Commonwealth's House budget currently proposes state aid for Needham which is \$153,113 more than the Town is including in its balanced budget for fiscal 2010. State aid will be further reduced in fiscal 2011.

(4) Transfers from other available funds, generally made as an offset to a particular appropriation item.

(5) Reflects the receipt and expenditure of Massachusetts School Building Authority school construction aid.

Assessed Valuations and Tax Levies

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

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

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

A revaluation of all real and personal property in the Town to full and fair cash value was completed for use in fiscal year 2009.

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita(1)
2010	\$7,282,261,953	\$149,501,950	\$7,431,763,903	\$87,832,127	\$3,038
2009 (2)	7,196,623,363	134,678,840	7,331,302,203	81,925,650	2,834
2008	7,083,039,123	125,999,642	7,209,038,765	77,951,346	2,696
2007	7,013,876,433	106,936,960	7,120,813,393	73,927,704	2,557
2006 (2)	6,939,581,791	102,288,410	7,041,870,201	68,981,920	2,386

(1) 2000 Federal Census.

(2) Revaluation years.

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

Fiscal Year	Tax Rate per \$1,000 Valuation	
	Residential Property	Commercial, Industrial & Personal Property
2010	\$10.53	\$20.68
2009	9.96	19.56
2008	9.70	18.92
2007	9.35	18.17
2006	8.80	17.14

Classification of Property

The following is a breakdown of the Town's assessed valuation in fiscal years 2008, 2009 and 2010.

Property Type	2008		2009		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$6,338,792,593	87.9 %	\$6,403,606,329	87.3 %	\$6,488,349,842	87.3 %
Commercial	605,364,330	8.4	660,238,734	9.0	663,613,511	8.9
Industrial	138,882,200	1.9	132,778,300	1.8	130,298,600	1.8
Personal	125,999,642	1.7	134,678,840	1.8	149,501,850	2.0
Total Real Estate	<u>\$7,209,038,765</u>	<u>100.0 %</u>	<u>\$7,331,302,203</u>	<u>100.0 %</u>	<u>\$7,431,763,803</u>	<u>100.0 %</u>

LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2010. All of the largest taxpayers are current in their tax payments.

Name	Nature of Business	Total Assesed Valuation for Fiscal 2010	% of Total Assesed Value
General Dynamics	Data Communications Computers	\$55,201,900	0.74 %
Kendrick Street	Realty Trust (Commercial Operations)	47,614,700	0.64
Living Care Villages	Retirement Assisted Living	44,935,000	0.60
Sentinel Properties Needham, LLC	Office Complex	39,853,200	0.54
Intercontinental Fund III	Office Complex	31,088,300	0.42
Starwood Needham CMBS	Hotel	22,904,600	0.31
CFRI/Needham Portfolio LLC	Commercial Real Estate	22,444,200	0.30
Coca-Cola Bottling Co.	Bottling & Distributing	20,562,300	0.28
Teacher's Insurance & Annuity	Office Complex	17,236,600	0.23
75 Second Realty Trust	Realty Trust	15,830,500	0.21
Total		<u>\$317,671,300</u>	<u>4.27 %</u>

State Equalized Valuation

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

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

January 1,	State Equalized Valuation	% Change
2008	\$7,637,636,300	4.5 %
2006	7,307,708,400	16.3
2004	6,285,224,900	22.3
2002	5,139,824,700	28.7
2000	3,994,148,300	17.6
1998	3,395,354,400	8.4
1996	3,131,771,600	6.3

Abatements and Overlay

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

The following table sets forth the amount of the overlay reserve for the last five fiscal years and the amounts of abatements and exemptions granted as of April 30, 2010.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements and Exemptions Granted Through April 30, 2010
		Dollar Amount	As a % of Net Levy	
2010	\$87,832,127	\$960,626	1.1 %	\$278,887
2009	80,825,650	1,100,000	1.4	271,552
2008	77,031,744	919,602	1.2	462,964
2007	72,833,360	1,094,344	1.5	340,538
2006	67,895,721	1,086,199	1.6	489,557
2005	63,704,728	736,731	1.2	381,880

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

Tax Collections

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

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

Fiscal Year	Gross Tax Levy (2)	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of 5/10/2010 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2010	\$ 87,832,127	\$ 960,626	\$86,871,501	\$85,394,627	98.30 %	\$ 85,394,627	98.30 %
2009	81,925,650	1,100,000	80,825,650	80,654,781	99.79	81,172,550	100.43
2008	77,951,346	919,602	77,031,744	76,562,074	99.39	77,191,275	100.21
2007	73,927,704	1,094,344	72,833,360	72,653,512	99.75	73,192,377	100.49
2006	68,981,920	1,086,199	67,895,721	67,712,747	99.73	68,207,386	100.46

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

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

Tax Titles and Possessions

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

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

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

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>	<u>Deferred Taxes</u>
2010 (1)	\$580,553	\$594,803
2009	870,252	589,611
2008	679,059	597,972
2007	688,405	479,665
2006	527,551	384,432

(1) As of April 30, 2010

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2½", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

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

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

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

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

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

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

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

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

The Town of Needham has been in full compliance with Proposition 2 1/2 since its inception. The Town has voted to override Proposition 2 ½ for operating purposes and to exclude debt service on several occasions for capital projects. Most recently, the Town approved general overrides in 2003 (\$2,459,318), 2006 (\$597,370), 2007 (\$1,128,670) and 2009 (\$1,887,929). In addition, the Town voted to exclude \$15,700,000 principal and the interest thereon for library renovation and expansion, \$62,000,000 principal and the interest thereon for the high school renovation and expansion and \$21,000,000 principal and the interest thereon for the High Rock and Pollard School projects.

Unused Levy Capacity (1)

	2010	2009	2008	2007	2006
Primary Levy Limit (2)	\$ 185,794,098	\$ 183,282,555	\$ 180,225,969	\$ 178,020,335	\$ 176,046,755
Prior Fiscal Year Levy Limit	76,202,247	72,292,283	68,055,210	64,742,338	61,600,681
2.5% Levy Growth	1,905,056	1,807,307	1,703,006	1,618,558	1,540,017
New Growth (3)	1,870,805	2,102,657	1,376,465	1,096,944	1,601,640
Overrides	1,887,929	-	1,128,670	597,370	-
Growth Levy Limit	81,866,037	76,202,247	72,263,351	68,055,210	64,742,338
Debt Exclusions	6,004,469	5,758,430	5,741,620	5,878,925	4,318,355
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	87,870,506	81,960,677	78,004,971	73,934,135	69,060,693
Tax Levy	87,832,127	81,925,650	77,951,346	73,927,704	68,981,920
Unused Levy Capacity (4)	38,379	35,027	53,625	6,431	78,773
Unused Primary Levy Capacity (5)	\$ 103,928,061	\$ 107,080,308	\$ 107,962,618	\$ 109,965,125	\$ 111,304,417

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "*Tax Limitations*" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has accepted the Act and set the surcharge rate at 2%. The Town implemented the program in fiscal year 2006 and will utilize revenues to pay for a variety of municipal projects, including a \$19.2 million town hall preservation/restoration project.

Community Preservation Fund Revenues

	<u>Property Tax</u>	<u>State Contribution (1)</u>	<u>Total</u>
2010	\$ 1,493,734	\$ 481,111	\$ 1,974,845
2009	1,381,914	888,287	2,270,201
2008	1,313,639	1,253,524	2,567,163
2007	1,445,742	1,303,583	2,749,325
2006	1,303,032	-	1,303,032

(1) The State matching rate in fiscal 2010 for the fiscal 2009 surcharge will be 3%.

Pledged Taxes

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

TOWN FINANCES

Budget and Appropriation Process

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

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

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

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

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

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

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

Budget Trends

The following table sets forth the trend in operating budgets for fiscal years 2007 through 2011, as voted at town meeting. As such, said budgets reflect neither revenues nor certain mandatory items.

BUDGET COMPARISON (1)

	Fiscal 2007(5)	Fiscal 2008(6)	Fiscal 2009	Fiscal 2010(7)	Fiscal 2011
General Government	\$3,063,957	\$3,170,234	\$3,443,513	\$3,476,238	\$3,539,581
Land Use and Development	212,305	296,430	314,606	326,923	343,203
Public Safety	10,163,156	10,367,753	11,212,279	11,434,417	11,812,664
Education(2)	38,480,054	41,371,214	43,029,143	45,818,618	46,483,339
Public Works & Facilities	11,041,196	11,253,710	12,035,523	13,120,150	12,822,796
Health & Human Services	856,731	877,634	962,235	1,003,002	1,024,791
Culture & Recreation	1,656,298	1,737,890	1,795,152	1,858,108	1,889,547
Employee Benefits(3)	14,718,118	15,761,950	16,289,447	16,765,950	18,177,878
Other Operating Expenses	1,315,000	1,410,000	1,150,000	1,422,300	955,000
Debt Service(4)	9,803,028	9,425,551	9,562,263	9,886,980	11,379,319
Reserve Fund	725,000	1,255,313	1,199,851	1,256,508	1,251,363
Total Expenditures	<u>\$92,034,843</u>	<u>\$96,927,679</u>	<u>\$100,994,012</u>	<u>\$106,369,194</u>	<u>\$109,679,481</u>

- (1) Budget reflects only the amount appropriated by Town Meeting and thus does not include overlay or State assessments.
- (2) Includes regional vocational school assessment.
- (3) Includes pension and OPEB funding.
- (4) Includes debt excluded from Proposition 2 ½ as well as estimated debt service on authorized and unissued debt.
- (5) Includes the passage on April 11, 2006 of an operating override of \$597,370.
- (6) Includes operating override of \$1,128,670.
- (7) Fiscal 2010 budget was balanced with a \$1,887,929 override.

Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION-- Tax Limitations" above. In fiscal year 2009, property taxes totaled \$81,145,164.

State Aid: The Town's state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate. In fiscal year 2009, distributions from the state to the Town's general fund totaled \$7,436,317. State aid in fiscal 2009 was reduced by \$211,718. For fiscal 2010, the Town is planning on an additional 10% reduction or \$865,994 less than the FY2009 pre-9C reductions.

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In each fiscal year, the Town has appropriated at least the minimum expenditure requirement imposed by the Act.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for non-renewal of license and registration by the registrar of motor vehicles. In fiscal year 2009, motor vehicle excise totaled \$4,129,367.

Water and Sewer Rates and Services: The Town's Public Works Department provides water and sewer services, accounted for as enterprise funds, to all commercial, industrial and residential users within the Town and charges them on the basis of metered consumption. Water and sewer rates are set by the Board of Selectmen. In fiscal year 2009, water and sewer revenues totaled \$14,094,241 and expenditures totaled \$13,666,237 including debt service, retirement costs and overhead. The Town has an ascending block rate schedule ranging from \$2.50 to \$4.40 per 100 cubic feet for water and from \$7.70 to \$9.70 per 100 cubic feet for sewer. Water irrigation rates range from \$4.85 to \$5.34 per 100 cubic feet for water. The Town has not raised water and sewer rates since 2006 and does not anticipate the need to raise rates in 2010.

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

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

Interest and Dividends: Fiscal year 2009 interest and dividends totaled \$714,066.

State Distributions

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

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

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

State School Building Assistance Program

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

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

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

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

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Investment of Town Funds

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

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

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

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

Annual Audits

The Town of Needham's financial statements have been audited annually. Copies of audit reports are available at the office of the Town Accountant of the Town of Needham. The Town's financial statements are audited by Melanson, Heath & Company, P.C., Nashua, New Hampshire. The fiscal year 2009 audit is attached as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2009, June 30, 2008 and June 30, 2007 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balance--General Fund, for fiscal years ended June 30, 2005 through June 30, 2009. All said financials statements have been extracted from the Town's audited financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2009 (1)

	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 Cash Equivalents	\$ 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	<u>\$ 32,047,513</u>	<u>\$ 1,064,373</u>	<u>\$ 3,126,605</u>	<u>\$ 5,730,113</u>	<u>\$ 2,521,023</u>	<u>\$ 15,788,316</u>	<u>\$ 60,277,943</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants and Accounts Payable	\$ 3,264,886	\$ 632,328	\$ 530,918	\$ -	\$ 317	\$ 1,911,499	\$ 6,339,948
Deferred Revenue	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	<u>18,774,979</u>	<u>10,331,023</u>	<u>5,069,331</u>	<u>-</u>	<u>13,456</u>	<u>5,802,097</u>	<u>39,990,886</u>
Fund Balance:							
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 Funds	-	-	-	-	-	210,077	210,077
Total Fund Balances	<u>13,272,534</u>	<u>(9,266,650)</u>	<u>(1,942,726)</u>	<u>5,730,113</u>	<u>2,507,567</u>	<u>9,986,219</u>	<u>20,287,057</u>
Total Liabilities and Fund Balances	<u>\$ 32,047,513</u>	<u>\$ 1,064,373</u>	<u>\$ 3,126,605</u>	<u>\$ 5,730,113</u>	<u>\$ 2,521,023</u>	<u>\$ 15,788,316</u>	<u>\$ 60,277,943</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008 (1)

	General	High School Project	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,787,713	\$ -	\$ -	\$ 5,672,023	\$ 14,459,736
Investments	12,246,175	-	6,135,263	4,746,436	23,127,874
Receivables:					
Property Taxes	2,318,802	-	17,424	-	2,336,226
Excises	435,313	-	-	-	435,313
Departmental	961,742	-	-	7,015	968,757
Intergovernmental	11,180,723	747,509	-	601,264	12,529,496
Other	26,458	-	-	11,673	38,131
Due to other funds	315,923	-	-	-	315,923
Total Assets	<u>\$ 36,272,849</u>	<u>\$ 747,509</u>	<u>\$ 6,152,687</u>	<u>\$ 11,038,411</u>	<u>\$ 54,211,456</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Warrants and Accounts Payable	\$ 3,339,502	\$ 684,566	\$ 1,000	\$ 341,600	\$ 4,366,668
Deferred Revenue	14,539,404	747,509	17,424	169,625	15,473,962
Accrued Liabilities	1,303,536	-	-	66,420	1,369,956
Due to Other Funds	-	309,775	-	-	309,775
Retainage payable	-	1,107,299	-	126,717	1,234,016
Refunds Payable	274,207	-	-	-	274,207
Other Liabilities	110,010	-	4,294	4,757	119,061
Total Liabilities	<u>19,566,659</u>	<u>2,849,149</u>	<u>22,718</u>	<u>709,119</u>	<u>23,147,645</u>
Fund Equity:					
Reserved for Encumbrances					
and Continuing Appropriations	2,755,786	-	-	-	2,755,786
Reserved for Expenditures	6,268,758	-	-	-	6,268,758
Reserved for other Specific Purposes	1,314,636	-	-	-	1,314,636
Reserved for Permanent Funds	-	-	-	168,357	168,357
Unreserved:					
Undesignated, Reported In:					
General Fund	6,347,010	-	-	-	6,347,010
Special Revenue Funds	-	-	6,129,969	8,524,459	14,654,428
Capital Project Funds	-	(201,640)	-	1,317,054	1,115,414
Permanent Funds	-	-	-	319,422	319,422
Total Fund Equity	<u>16,686,190</u>	<u>(201,640)</u>	<u>6,129,969</u>	<u>10,329,292</u>	<u>32,943,811</u>
Total Liabilities and Fund Equity	<u>\$ 36,252,849</u>	<u>\$ 2,647,509</u>	<u>\$ 6,152,687</u>	<u>\$ 11,038,411</u>	<u>\$ 56,091,456</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007 (1)

	General	High School Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,309,836	\$ 4,998,487	\$ 14,253,410	\$ 21,561,733
Investments	17,787,196	-	1,318,666	19,105,862
Receivables:				
Property Taxes	1,960,489	-	-	1,960,489
Excises	386,168	-	-	386,168
Departmental	738,352	-	34,336	772,688
Intergovernmental	11,926,104	732,989	109,117	12,768,210
Other	192,175	-	-	192,175
Other Assets	74,427	-	-	74,427
Total Assets	<u>\$ 35,374,747</u>	<u>\$ 5,731,476</u>	<u>\$ 15,715,529</u>	<u>\$ 56,821,752</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants and Accounts Payable	\$ 1,781,715	\$ 448,441	\$ 559,813	\$ 2,789,969
Deferred Revenue	15,030,701	732,989	147,742	15,911,432
Accrued Liabilities	2,291,691	-	77,973	2,369,664
Due to other governments	28,130	-	-	28,130
Retainage payable	-	1,315,678	-	1,315,678
Tax Refunds Payable	665,810	-	-	665,810
Anticipation Notes Payable	-	12,520,000	480,000	13,000,000
Other Liabilities	100,663	-	4,757	105,420
Total Liabilities	<u>19,898,710</u>	<u>15,017,108</u>	<u>1,270,285</u>	<u>36,186,103</u>
Fund Equity:				
Reserved for Encumbrances and Continuing Appropriations	2,433,616	-	-	2,433,616
Reserved for Expenditures	3,714,156	-	-	3,714,156
Reserved for other Specific Purposes	1,576,473	-	-	1,576,473
Reserved for Permanent Funds	-	-	168,357	168,357
Unreserved:				-
Undesignated, Reported In:				-
General Fund	7,751,792	-	-	7,751,792
Special Revenue Funds	-	-	11,530,514	11,530,514
Capital Project Funds	-	(9,285,632)	2,427,250	(6,858,382)
Permanent Funds	-	-	319,123	319,123
Total Fund Equity	<u>15,476,037</u>	<u>(9,285,632)</u>	<u>14,445,244</u>	<u>20,635,649</u>
Total Liabilities and Fund Equity	<u>\$ 35,374,747</u>	<u>\$ 5,731,476</u>	<u>\$ 15,715,529</u>	<u>\$ 56,821,752</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND (1)

	2005	2006	2007	2008	2009
REVENUES:					
Property Taxes, net of Prov. For Abate.	\$ 64,160,578	\$ 68,795,948	\$ 73,633,270	\$ 77,308,742	\$ 81,525,742
Motor Vehicle Excise	4,300,135	4,301,184	4,124,378	4,392,444	4,129,367
Intergovernmental	15,774,843	15,879,955	17,649,134	18,600,195	19,172,726
Interest and Dividends	542,729	1,041,352	1,573,613	1,269,189	718,000
Departmental and Other	512,251	638,481	1,075,051	993,553	920,588
Charges for Services	966,846	848,998	852,281	846,261	948,713
Licenses and Permits	938,366	1,666,939	1,482,725	2,086,461	1,192,088
Fines and Forfeitures	170,811	189,137	220,641	253,127	264,567
Penalties, Interest & Other Income	892,212	708,198	750,023	649,643	713,231
Contributions	-	-	-	-	-
Other	833,571	183,719	221,336	298,934	67,043
Total Revenues	<u>\$ 89,092,342</u>	<u>\$ 94,253,911</u>	<u>\$ 101,582,452</u>	<u>\$ 106,698,549</u>	<u>\$ 109,652,065</u>
EXPENDITURES:					
General Government	4,206,238	3,366,835	3,659,648	3,756,182	4,157,763
Public Safety	10,702,885	12,151,641	12,549,886	13,185,701	13,559,276
Education	46,497,682	49,483,776	53,003,302	56,049,800	58,723,273
Public Works	5,250,546	4,251,600	4,155,763	4,968,015	5,751,399
Building Maintenance	5,284,195	6,002,464	6,264,977	6,770,648	7,468,136
Human Services	956,618	969,336	965,057	1,009,242	1,115,610
Culture and Recreation	1,743,680	1,661,342	1,846,589	1,912,175	1,955,017
Employee Benefits	5,083,687	6,123,100	6,436,525	6,897,381	6,911,134
Other	-	964,759	1,020,629	1,032,441	-
State and County Assessment	965,727	-	-	-	-
Debt Service	5,022,621	7,180,775	7,164,743	7,283,298	8,361,650
Intergovernmental	-	-	-	-	1,043,179
Total Expenditures	<u>85,713,879</u>	<u>92,155,628</u>	<u>97,067,119</u>	<u>102,864,883</u>	<u>109,046,437</u>
Excess (Deficiency) of Revenues Over Expenditures	3,378,463	2,098,283	4,515,333	3,833,666	605,628
Other Financing Sources (Uses)					
Refunding	-	-	5,525,000	-	-
Bond Premium	-	-	-	109,318	207,033
Payments to Escrow	-	-	(5,525,983)	-	-
Operating Transfers In	1,668,371	1,447,677	1,547,278	1,709,696	1,735,496
Operating Transfers Out	(2,415,473)	(3,821,559)	(3,328,511)	(4,442,527)	(5,961,813)
Contribution to OPEB Fund	(880,000)	-	-	-	-
Total Other Financing Sources - Net	<u>(1,627,102)</u>	<u>(2,373,882)</u>	<u>(1,782,216)</u>	<u>(2,623,513)</u>	<u>(4,019,284)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	1,751,361	(275,599)	2,733,117	1,210,153	(3,413,656)
Beginning Fund Balance	<u>11,267,158</u>	<u>13,018,519</u>	<u>12,742,920</u>	<u>15,476,037</u>	<u>16,686,190</u>
Adjustments	-	-	-	-	-
Ending Fund Balance	<u>\$13,018,519</u>	<u>\$12,742,920</u>	<u>\$15,476,037</u>	<u>\$16,686,190</u>	<u>\$13,272,534</u>

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

Free Cash

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

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

<u>Fiscal Year</u>	<u>Free Cash (July 1)</u>	<u>Undesignated General Fund Balance</u>
2009	\$3,568,037	\$6,140,369
2008	3,145,416	6,347,010
2007	5,810,170 (1)	7,751,792
2006	3,266,326	5,948,846
2005	3,895,235	6,284,759

- (1) The Town's Free Cash increased due to several one-time factors, insurance recoveries, investment income earned on some temporary higher cash balances resulting from several school projects, and favorable trends with the Town's health insurance program.

Stabilization Fund

The Town maintains a stabilization fund, which is accounted for in the Trust Funds. Funded by an appropriation, the Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any purpose. The balance in the fund as of April 30, 2010 is \$3,400,872.

<u>Fiscal Year</u>	<u>Stabilization Fund Balance (June 30)</u>
2009	\$3,296,042
2008	3,071,950
2007	2,968,774
2006	2,908,927
2005	2,770,479

Capital Improvement Fund

The Town continues to provide additional funding to its newly established capital improvement fund, which helps ensure the replacement of capital equipment, however there were no draws on the Town's Stabilization Fund to support any operating or capital expenditures. Effective as of April 30, 2010, the balance in the capital improvement fund was \$476,420.

Capital Facility Fund

The newly established Capital Facilities Fund exists primarily to fund building improvements. As of April 30, 2010, the balance in the fund was \$730,752.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has not established any such development districts.

INDEBTEDNESS

Authorization Procedure and Limitations

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

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

Debt Limits

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

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

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

Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects and certain small municipal renewable energy generating facilities projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first principal payment of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The

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

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

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

The Town has not issued revenue anticipation notes during the past twenty fiscal years.

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

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

DIRECT DEBT SUMMARY (1)
Projected as of June 30, 2010

Within the General Debt Limit:		
Sewers & Drains	\$ 5,600,161	
Land Acquisition	190,000	
Schools	53,750,000	
Other Buildings	12,640,000	
Streets, Sidewalks & Parking	975,000	
Departmental Equipment	255,000	
Water	20,000	
Total Within the General Debt Limit		\$ 73,430,161
Outside the General Debt Limit:		
Other Outside General	47,670	
Water	6,541,891	
Sewer	1,130,000	
Total Outside the General Debt Limit		7,719,561
Total Bonded Debt		81,149,722
This Issue of Bonds		4,000,000
Short-Term Debt:		
Bond Anticipation Notes Outstanding (2)	2,000,800	
Less:		
To Be Retired with This Bond Issue	(510,000)	
To Be Retired with Revenue Funds	(180,275)	
Bond Anticipation Notes, Series A - New Money (3)	335,000	
Bond Anticipation Notes, Series B - New Money (4)	172,475	
Bond Anticipation Notes, Series B - Renewal (4)	1,310,525	
Total Short-Term Debt Outstanding After These Issues		1,818,000
Total Direct Debt		\$ 86,967,722

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Payable June 15, 2010.

(3) To be issued simultaneously as this issue, Series A payable June 30, 2010.

(4) To be issued simultaneously as this issue, Series B payable October 15, 2010.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding (1)	Population (2000 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a% of Assessed Valuation
2010	\$ 81,149,722	28,911	\$ 7,431,763,903	\$2,807	1.09 %
2009	73,768,354	28,911	7,331,302,203	2,552	1.01
2008	69,434,410	28,911	7,209,038,765	2,402	0.96
2007	60,598,343	28,911	7,120,813,393	2,096	0.85
2006	50,190,632	28,911	7,041,870,201	1,736	0.71

(1) Projected for fiscal 2010.

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding bonds projected as of June 30, 2010.

GENERAL OBLIGATION BONDS Principal Payments by Purpose Projected as of June 30, 2010

Fiscal Year	Sewers & Drains (1)	Schools (2)	Streets & Sidewalks	Land Acquisition (3)	Water (4)	Other Building (5)	Departmental Equipment	Title V (6)	Total	Cumulative % Retired
2011	\$ 792,626	\$ 4,380,000	\$ 405,000	\$ 190,000	\$ 883,160	\$ 1,200,000	\$ 175,000	\$ 4,810	\$ 8,030,596	9.9%
2012	786,543	3,560,000	255,000	-	923,730	1,145,000	40,000	4,810	6,715,084	18.2%
2013	753,438	3,255,000	255,000	-	630,000	1,145,000	40,000	4,810	6,083,248	25.7%
2014	811,619	3,250,000	50,000	-	595,000	1,140,000	-	4,810	5,851,429	32.9%
2015	636,223	3,290,000	10,000	-	610,000	1,145,000	-	4,810	5,696,033	39.9%
2016	520,402	3,290,000	-	-	575,000	1,055,000	-	4,724	5,445,126	46.6%
2017	533,702	3,290,000	-	-	585,000	1,055,000	-	4,724	5,468,426	53.3%
2018	545,202	3,290,000	-	-	602,000	1,055,000	-	4,724	5,496,926	60.1%
2019	552,602	3,265,000	-	-	623,000	1,050,000	-	4,724	5,495,326	66.9%
2020	172,802	3,215,000	-	-	110,000	1,050,000	-	4,724	4,552,526	72.5%
2021	115,000	3,210,000	-	-	130,000	240,000	-	-	3,695,000	77.1%
2022	115,000	3,205,000	-	-	130,000	240,000	-	-	3,690,000	81.6%
2023	115,000	3,205,000	-	-	130,000	240,000	-	-	3,690,000	86.1%
2024	40,000	3,195,000	-	-	5,000	240,000	-	-	3,480,000	90.4%
2025	40,000	2,495,000	-	-	5,000	215,000	-	-	2,755,000	93.8%
2026	40,000	1,695,000	-	-	5,000	215,000	-	-	1,955,000	96.2%
2027	40,000	1,195,000	-	-	5,000	210,000	-	-	1,450,000	98.0%
2028	65,000	915,000	-	-	5,000	-	-	-	985,000	99.2%
2029	55,000	550,000	-	-	10,000	-	-	-	615,000	100.0%
TOTAL	\$ 6,730,161	\$ 53,750,000	\$ 975,000	\$ 190,000	\$ 6,561,891	\$ 12,640,000	\$ 255,000	\$ 47,670	\$ 81,149,722	

(1) Self-supporting. Does not reflect subsidy from MWPAT.

(2) Does not reflect reimbursement expected to be received from the Massachusetts School Building Authority. \$53,235,000 has been exempt from the limits of Proposition 2 ½.

(3) Exempt from the limits of Proposition 2 ½.

(4) Self-supporting. \$6,541,891 outside Town's general debt limit.

(5) \$8,580,000 is exempt from the limits of Proposition 2 ½.

(6) Exempt from the limits of Proposition 2 ½.

Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the Town of Needham projected as of June 30, 2010, including debt service subsidies expected to be received from the Massachusetts School Building Authority and Massachusetts Water Pollution Abatement Trust.

GENERAL OBLIGATION DEBT Projected as of June 30, 2010

Fiscal Year	Principal	Interest	This Issue		Less MSBA	Less MWPAT	Total	Cumulative % Retired
			Principal	Interest	Subsidies	Subsidies	Net Debt Service	
2011	\$ 8,030,596	\$ 2,964,654	\$ 530,000	\$ 45,685	\$ (745,381)	\$ (76,526)	\$ 10,749,028	10.1
2012	6,715,084	2,637,558	530,000	88,475	(745,381)	(70,412)	9,155,323	18.6
2013	6,083,248	2,483,927	520,000	77,875	(745,381)	(70,146)	8,349,523	26.3
2014	5,851,429	2,237,269	515,000	62,275	(745,381)	(65,639)	7,854,954	33.8
2015	5,696,033	2,039,284	385,000	51,975	(745,381)	(62,190)	7,364,721	40.9
2016	5,445,126	1,839,678	205,000	44,275	(745,381)	(57,718)	6,730,981	47.6
2017	5,468,426	1,638,377	205,000	39,663	(745,381)	(54,353)	6,551,731	54.2
2018	5,496,926	1,425,451	205,000	34,538	(745,381)	(49,722)	6,366,812	60.9
2019	5,495,326	1,215,719	205,000	28,900	(745,381)	(45,857)	6,153,707	67.6
2020	4,552,526	1,001,182	200,000	22,750	(745,381)	(9,583)	5,021,494	73.2
2021	3,695,000	842,069	100,000	16,750	(745,381)	-	3,908,438	77.7
2022	3,690,000	697,300	100,000	13,750	(745,381)	-	3,755,669	82.1
2023	3,690,000	550,363	100,000	10,500	(745,381)	-	3,605,482	86.6
2024	3,480,000	406,344	100,000	7,000	(745,381)	-	3,247,963	90.8
2025	2,755,000	281,969	100,000	3,500	-	-	3,140,469	94.1
2026	1,955,000	181,475	-	-	-	-	2,136,475	96.4
2027	1,450,000	100,650	-	-	-	-	1,550,650	98.1
2028	985,000	47,700	-	-	-	-	1,032,700	99.3
2029	615,000	12,300	-	-	-	-	627,300	100.0
Total	<u>\$ 81,149,722</u>	<u>\$ 22,603,268</u>	<u>\$ 4,000,000</u>	<u>\$ 547,910</u>	<u>\$ (10,435,334)</u>	<u>\$ (562,146)</u>	<u>\$ 97,303,420</u>	

Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the Town will have the following authorized unissued debt:

Amount	Purpose		Original Authorization	Authorized
\$ 72,500	Recreation Plans		100,000	2000
4,300	Rosemary Pool Repairs		300,000	2001
46,500	Repave Parking Lots		180,000	2002
281,290	Sewer	(1)	500,000	2002
11,000	Water	(1)	105,000	2002
180,000	Water	(1)	300,000	2002
3,086,000	Public Library	(2)	15,700,000	2003
16,300,000	High School	(2)	51,300,000	2003
175,000	Sewer	(1)	1,000,000	2003
1,808,750	High School	(2)	10,700,000	2005
106,600	Remodeling		126,875	2005
30,000	Water	(1)	913,500	2005
190,000	Sewer Mains	(1)	3,500,000	2005
735,000	Water Mains	(1)	3,000,000	2006
90,000	School Roof		700,000	2006
2,884,000	School	(2)	20,475,000	2007
14,300	Equipment		230,000	2007
900,000	Sewer	(1)	1,806,800	2007
650,294	Water Mains		1,900,000	2008
135,000	Roof		535,000	2008
21,400	Departmental Equipment		205,000	2008
3,600	Parking Lots - Schools		160,000	2008
105,000	Parking Lots-Business District		105,000	2008
25,000	Traffic Signal		105,000	2008
50,000	RTS Equipment		225,000	2008
220,000	Sewer Pump Station	(1)	770,000	2008
75,000	Water Tank	(1)	730,000	2008
525,000	Administration Building		5,725,000	2008
577,500	Sewer Pump Station	(1)	577,500	2009
200,000	Water Tank	(1)	200,000	2009
225,000	School Feasibility Study		450,000	2009
11,300,000	Town Hall Renovations		11,300,000	2009
600,000	Water	(1)	1,000,000	2009
180,000	Roads, Bridges, Sidewalks		875,000	2009
230,000	Departmental Equipment		230,000	2009
125,000	Bridge Renovation		125,000	2009
25,962,128	Newman School Repairs		26,962,128	2009
<u>\$68,125,162</u>			<u>\$164,921,353</u>	

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

(2) Debt service on these projects has been exempted from the limits of Proposition 2 ½.

Overlapping Debt

The Town of Needham is located in Norfolk County and is a member of the Massachusetts Water Resources Authority, the Massachusetts Bay Transportation Authority and the Minuteman Regional Vocational Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of Norfolk County, the Massachusetts Water Resources Authority, the Massachusetts Bay Transportation Authority and the Minuteman Regional Vocational Technical School District, and the Town of Needham's estimated gross share of such debt and the estimated fiscal year 2010 dollar assessment for each.

Overlapping Entity	Outstanding Debt	Needham's Estimated Share (1)	Fiscal 2010 Dollar Assessment (2)
Norfolk County(3)	\$ 1,000,000	6.50 %	\$ 305,444
Massachusetts Water Resources Authority(4)			
Water	1,950,750,000	0.2390	257,425
Sewer	3,867,095,000	1.3330	2,944,088
Massachusetts Bay Transportation Authority(5)	5,393,081,820	0.51	578,630
Minuteman Regional Vocational Technical School District(6)	0	N/A	435,733

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Norfolk County Treasurer. Debt as of June 30, 2009. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

(4) SOURCE: Massachusetts Water Resources Authority. Debt as of June 30, 2009. The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater, collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to \$6.1 billion for its corporate purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and special purpose entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(5) SOURCE: M.B.T.A. Debt as of June 30, 2009. The Massachusetts Bay Transportation Authority ("MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(6) SOURCE: Minuteman Regional Vocational Technical School District. Debt as of June 30, 2009. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993. The District has no short term debt outstanding and no authorized unissued debt.

Contractual Obligations

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

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

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

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

The Town currently has a twenty year contract expiring June 30, 2028 for transportation and disposal of solid waste. The tipping fee rate is \$83.50 per ton as of September 1, 2009 for fiscal year 2009. The total cost in fiscal year 2009 was \$616,000.

RETIREMENT PLAN

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

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

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

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described

above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

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

The following table sets forth the trend in pension appropriations.

<u>Year Ending</u>		<u>Contributory</u>	<u>Non-Contributory</u>
June 30, 2010	(Budgeted)	\$4,271,094	\$89,000
June 30, 2009		4,121,326	119,000
June 30, 2008		3,979,000	117,000
June 30, 2007		3,835,000	135,000
June 30, 2006		3,696,000	134,000
June 30, 2005		3,525,000	134,000

The unfunded actuarial accrued liability of the system as of January 1, 2009 was approximately \$36,633,390. The system is currently 73.7% funded according to the last actuarial study. As of January 1, 2009, an updated valuation of the system has been performed, and approved by PERAC.

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

For additional information see Appendix A.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been the following:

<u>Fiscal Year</u>	<u>OPEB Contribution</u>
2011 (Budgeted)	\$ 3,626,375
2010	3,446,556
2009	3,702,211
2008	3,502,950
2007	2,618,541

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has hired an outside firm which has completed the actuarial valuation of its post-employment benefit liability. The total liability for the Town is \$46,672,308 as of July 1, 2007.

In fiscal year 2002 the Town began funding its post retirement health insurance liability. The Town appropriated \$380,000 into the fund annually in fiscal years 2002 through 2007. The approximate balance as of June 30, 2008 is \$3,936,980. Beginning in fiscal year 2008 the Town will appropriate an amount into the fund sufficient to pay anticipated annual benefits as well as an additional amount towards the unfunded liability. The total appropriation into the fund for fiscal year 2009 is \$3,702,211 and the benefits cost for fiscal 2008 were \$2,874,357.

EMPLOYEE RELATIONS

The Town employs approximately 952 full-time full-time equivalent employees, 620 FTE's employed by the School Department, 89 by the Public Works Department, 58 by the Police Department, 74 by the Fire Department, 57 by Public Facilities, and the balance by various other Town Departments. Town employees (other than managerial and confidential employees) are entitled to join unions and bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 800 Town employees are represented by unions including public works, general government, police, fire, teachers, and school administrators. The police patrolman and the superior officers' contracts expire June 30, 2011. The public works union contract expires June 30, 2010 and the firefighters' contract expires on June 30, 2012. The building maintenance and custodial contracts expired on June 30, 2012. The other Town union contracts expire on June 30, 2010. Three of the five school unions, which include teachers and administrators, have contracts through June or August 2010; another school union is settled through June 2011, the school secretaries' contract expires on June 30, 2011.

LITIGATION

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

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

June 2, 2010

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TOWN OF NEEDHAM, MASSACHUSETTS

Annual Financial Report

For the Year Ended June 30, 2009

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Melanson Heath & Company, PC

Certified Public Accountants
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Andover, MA 01810
Tel (978) 749-0005 Fax (978) 749-0006
www.melansonheath.comINDEPENDENT AUDITORS' REPORTTo 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.

Additional Offices:

Greenfield, MA Ellsworth, ME Nashua, NH Manchester, NH

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><u>155,258</u></u>	\$ <u><u>144,930</u></u>	\$ <u><u>51,333</u></u>	\$ <u><u>50,598</u></u>	\$ <u><u>206,591</u></u>	\$ <u><u>195,528</u></u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
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	(126)
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

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
			Operating	Capital		Business-	
	Expenses	Charges for	Grants and	Grants and	Governmental	Type	Total
		Services	Contributions	Contributions	Activities	Activities	
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
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	183,859,939
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	14,417,424
• 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
• 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)
• 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		
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	\$ -	\$ -	\$ 2,157,273	\$ 2,157,273

See notes to financial statements.

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Solid Waste Fund	Total	Internal Service Funds
<u>ASSETS</u>					
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
<u>LIABILITIES</u>					
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
<u>NET ASSETS</u>					
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 Internal Service Funds
	Sewer Fund	Water Fund	Solid Waste Fund	Total	
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 Activities Internal Service Fund
	Sewer Fund	Water Fund	Solid Waste Fund	Total	
Cash Flows From Operating Activities :					
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)
Cash Flows From Noncapital Financing Activities:					
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)	-
Cash Flows From Capital and Related Financing Activities:					
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)	-
Cash Flows From Investing Activities:					
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
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:					
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 December 31, 2008)	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>85,350,525</u>	\$ <u>1,599,598</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 December 31, 2008)	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	<u>7,195,131</u>	<u>103,864</u>
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.

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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><u>106,884,877</u></u>	\$ <u><u>104,727,604</u></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>	<u>Fair Value</u>	<u>Average Rating as of 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	2,887,577	A2
Total investments	<u>\$ 26,439,605</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	\$ 570	
		570
Personal Property		
2009	56	
2008	30	
2007	34	
2006	32	
2005	12	
Prior	143	
		307
Tax Liens		870
Deferred Taxes		590
		<u>590</u>
Total		\$ <u>2,337</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	5,590,000	1.87	05/15/03	11/15/10	655,000
Elementary School	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	<u>4,100,000</u>	<u>283,319</u>	<u>4,383,319</u>
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	<u>1,359</u>	<u>-</u>	<u>(281)</u>	<u>1,078</u>	<u>(51)</u>	<u>1,027</u>
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	<u>98</u>	<u>17</u>	<u>-</u>	<u>115</u>	<u>(115)</u>	<u>-</u>
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	-
Annual OPEB cost	3,102,311
Contributions made	(3,102,311)
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

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 advance funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 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 June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage 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 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]
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 reported)	<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>

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

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

\$4,000,000
Town of Needham, Massachusetts
General Obligation Municipal Purpose Loan of 2010 Bonds
Dated June 15, 2010

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

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

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

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

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

continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

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

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

Edwards Angell Palmer & Dodge LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Needham, Massachusetts (the "Town") in connection with the issuance of its \$4,000,000 General Obligation Municipal Purpose Loan of 2010 Bonds dated June 15, 2010 (the "Bonds"). The Town covenants and agrees as follows:

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated _____ relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

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

SECTION 5. Reporting of Material Events.

(a) The Town shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Town shall promptly file a notice of such occurrence with the MSRB.

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

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

SECTION 9. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply

with this Disclosure Certificate shall be an action for specific performance of the Town's obligations hereunder and not for money damages in any amount.

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

Date: _____, 2010

TOWN OF NEEDHAM,
MASSACHUSETTS

By _____
Treasurer

Selectmen

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