



TOWN OF NEEDHAM, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2024

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

To the Select Board
Town of Needham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the Town), as of and for the year ended June 30, 2024, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2023), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts, as of June 30, 2024, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2023) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Boston, MA
October 4, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Needham, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee workers compensation, police and firefighter injured-on-duty leave (MGL Chapter 41, Section 111F), and property and casualty insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to Financial Statements

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

Required and Other Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$253,814,703, a change of \$25,725,023, and net position in business-type activities was \$64,131,233, a change of \$(576,272) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$100,617,200, a change of \$(3,136,501) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$33,772,204 a change of \$(1,955,352) in comparison to the prior year.

Government-Wide Financial Analysis

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

	Net Position Summary					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets						
Current and other assets	\$ 139,767,410	\$ 127,777,012	\$ 25,112,197	\$ 21,893,206	\$ 164,879,607	\$ 149,670,218
Capital assets	<u>394,088,346</u>	<u>381,836,667</u>	<u>57,560,749</u>	<u>58,216,072</u>	<u>451,649,095</u>	<u>440,052,739</u>
Total Assets	<u>533,855,756</u>	<u>509,613,679</u>	<u>82,672,946</u>	<u>80,109,278</u>	<u>616,528,702</u>	<u>589,722,957</u>
Deferred Outflows of Resources	16,440,697	34,550,392	556,327	1,032,106	16,997,024	35,582,498
Liabilities						
Long-term liabilities	249,054,136	285,986,307	10,962,142	11,758,710	260,016,278	297,745,017
Notes payable	6,532,350	420,000	4,394,650	2,640,000	10,927,000	3,060,000
Other liabilities	<u>23,916,983</u>	<u>17,156,322</u>	<u>3,239,177</u>	<u>1,704,515</u>	<u>27,156,160</u>	<u>18,860,837</u>
Total Liabilities	<u>279,503,469</u>	<u>303,562,629</u>	<u>18,595,969</u>	<u>16,103,225</u>	<u>298,099,438</u>	<u>319,665,854</u>
Deferred Inflows of Resources	16,978,281	12,511,762	502,071	330,654	17,480,352	12,842,416
Net Position						
Net investment in capital assets	278,600,080	259,235,761	48,489,452	48,425,010	327,089,532	307,660,771
Restricted	29,690,866	25,908,333	-	-	29,690,866	25,908,333
Unrestricted	<u>(54,476,243)</u>	<u>(57,054,414)</u>	<u>15,641,781</u>	<u>16,282,495</u>	<u>(38,834,462)</u>	<u>(40,771,919)</u>
Total Net Position	<u>\$ 253,814,703</u>	<u>\$ 228,089,680</u>	<u>\$ 64,131,233</u>	<u>\$ 64,707,505</u>	<u>\$ 317,945,936</u>	<u>\$ 292,797,185</u>

<u>Changes in Net Position Summary</u>						
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 17,086,695	\$ 17,621,565	\$ 16,308,218	\$ 16,172,853	\$ 33,394,913	\$ 33,794,418
Operating grants and contributions	44,945,811	40,396,897	152,180	-	45,097,991	40,396,897
Capital grants and contributions	622,247	495,511	-	-	622,247	495,511
General revenues:						
Property taxes	187,534,452	181,891,049	-	-	187,534,452	181,891,049
Excises	7,126,444	7,163,249	-	-	7,126,444	7,163,249
Penalties, interest and other taxes	2,822,490	3,081,612	-	-	2,822,490	3,081,612
Grants and contributions not restricted to specific programs	2,780,242	3,378,098	-	-	2,780,242	3,378,098
Investment income	4,283,286	2,593,799	328,597	9,995	4,611,883	2,603,794
Other	962,696	854,308	-	379	962,696	854,687
Total Revenues	268,164,363	257,476,088	16,788,995	16,183,227	284,953,358	273,659,315
Expenses						
General government	11,471,473	11,886,158	-	-	11,471,473	11,886,158
Public safety	30,026,341	32,985,312	-	-	30,026,341	32,985,312
Education	154,744,898	149,998,863	-	-	154,744,898	149,998,863
Public works	29,732,742	32,753,168	-	-	29,732,742	32,753,168
Building design and construction	369,344	360,042	-	-	369,344	360,042
Health and human services	5,001,552	4,962,963	-	-	5,001,552	4,962,963
Culture and recreation	5,460,341	5,288,710	-	-	5,460,341	5,288,710
Interest on long-term debt	2,956,862	3,109,326	-	-	2,956,862	3,109,326
Intergovernmental	1,642,017	1,555,971	-	-	1,642,017	1,555,971
Other unallocated costs	1,729,810	1,384,277	-	-	1,729,810	1,384,277
Sewer operations	-	-	10,081,945	9,256,075	10,081,945	9,256,075
Water operations	-	-	6,587,282	5,418,369	6,587,282	5,418,369
Total Expenses	243,135,380	244,284,790	16,669,227	14,674,444	259,804,607	258,959,234
Change in Net Position						
Before Transfers	25,028,983	13,191,298	119,768	1,508,783	25,148,751	14,700,081
Transfers in (Out)	696,040	96,543	(696,040)	(96,543)	-	-
Change in Net Position	25,725,023	13,287,841	(576,272)	1,412,240	25,148,751	14,700,081
Net Position - Beginning of Year	228,089,680	214,801,839	64,707,505	63,295,265	292,797,185	278,097,104
Net Position - End of Year	\$ 253,814,703	\$ 228,089,680	\$ 64,131,233	\$ 64,707,505	\$ 317,945,936	\$ 292,797,185

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$317,945,936, a change of \$25,148,751, in comparison to the prior year.

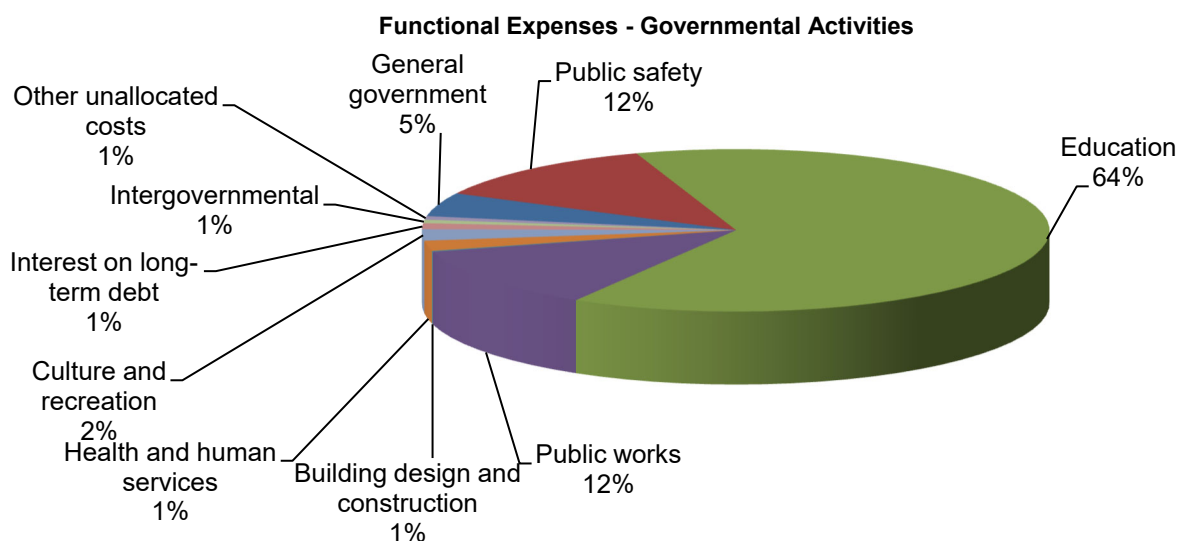
The largest portion of net position \$327,089,532 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, infrastructure, works of art, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$29,690,866 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(38,834,462) primarily resulting from unfunded pension and OPEB liabilities.

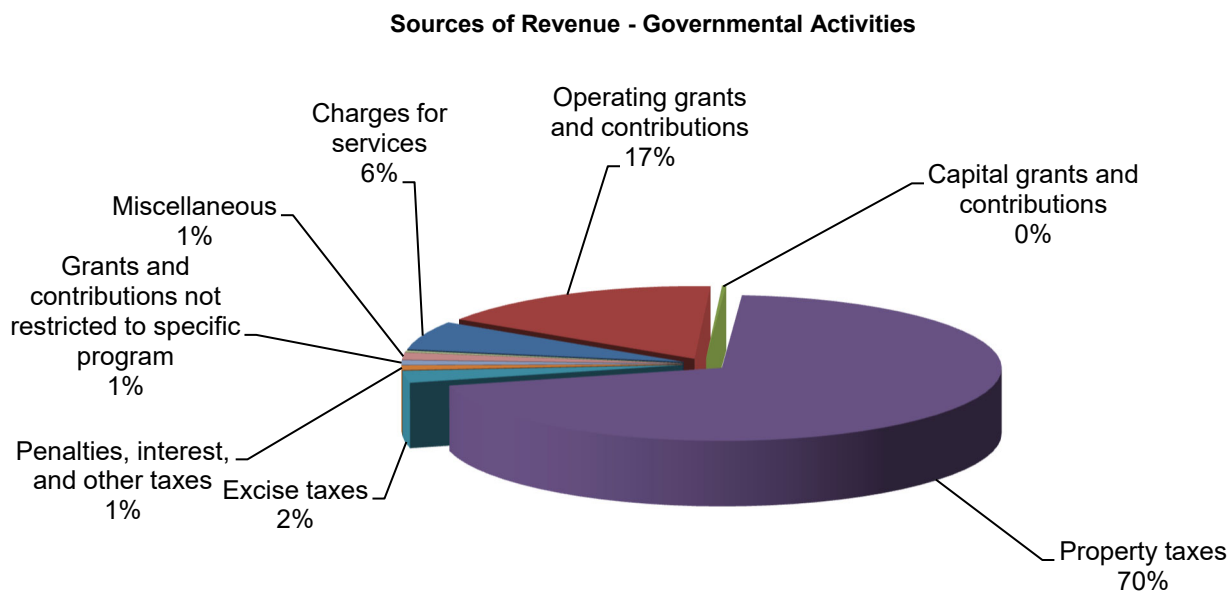
Governmental Activities

The overall net position of governmental activities increased by \$25,725,023, primarily from the Town's practice of funding capital acquisitions with current year raised revenues. The other most notable event was the decrease in pension and OPEB expense.

The following graph presents the users of resources of the governmental activities. The total cost of all governmental programs and services decreased by \$1.2 million, or (0.5)% over the previous year.



As presented in the following graph, most of the Town's revenue comes from property taxes. Total revenues (excluding transfers) increased by \$10.7 million, or 4.2% over the prior year.



Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(576,272). The decrease in net position is a result the Town's continued practice of financing capital improvements with revenues along with an increase in OPEB expense.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the Town's chief operating fund. The unassigned fund balance at June 30, 2024 was \$33,772,204, while total fund balance was \$72,377,727. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the following table:

<u>General Fund</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
Unassigned fund balance:	\$ 33,772,204	\$ 35,727,556	\$ 29,383,540
General Fund	28,877,716	31,062,457	24,833,428
Stabilization Fund	4,894,488	4,665,099	4,550,112
Total fund balance	72,377,727	64,604,349	56,348,359
	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
Unassigned fund balance as of % of total general fund expenditures	16.5%	18.1%	15.7%
Total fund balance as of % total general fund expenditures	35.4%	32.7%	30.1%

Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$15,291,933.

The total fund balance of the General Fund changed by \$7,773,378 during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus, and bond premium for FY2024 appropriations	\$ (14,239,591)
Revenues and transfers in excess of budget	9,405,092
Expenditures less than budget	6,895,656
Encumbrances carried forward	5,313,968
Stabilization account revenues	948,980
Other	<u>(550,727)</u>
Total	<u>\$ 7,773,378</u>

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

	<u>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>
Compensated absences	\$ 924,339	\$ 733,109	\$ 191,230
Continuing appropriations	4,853,091	3,863,857	989,234
Capital improvement stabilization	1,662,108	1,582,467	79,641
Capital facility stabilization	2,120,562	2,006,084	114,478
Athletic facility stabilization	1,202,392	1,104,008	98,384
Debt service stabilization	2,376,992	2,248,681	128,311
Opioid settlement stabilization	332,015	-	332,015
Stormwater stabilization	72,583	-	72,583
Subsequent year appropriations	<u>14,110,165</u>	<u>9,446,607</u>	<u>4,663,558</u>
Total	<u>\$ 27,654,247</u>	<u>\$ 20,984,813</u>	<u>\$ 6,669,434</u>

Community Preservation Fund

At the end of the current fiscal year, the community preservation fund had a total fund balance of \$14,359,100, a change of \$2,423,949 in comparison to the prior fiscal year. State legislation allows property taxes and state matching funds to finance projects such as preservation of historical buildings, creation of affordable housing, and purchase of open space.

Town Federal Grants Fund

At the end of the current fiscal year, the town federal grants fund had a total fund balance of \$1,111,343, a change of \$192,715 in comparison to the prior fiscal year primarily related to the timing differences between the receipt and disbursement of grant funds.

Emery Grover Building Fund

At the end of the current fiscal year, the Emery Grover building fund had a total fund balance of \$(7,639,289), a change of \$(9,284,779) in comparison to the prior fiscal year primarily related to the timing differences between the issuance of long-term financing and disbursement of project funds.

Nonmajor Governmental Funds

At the end of the current fiscal year, nonmajor governmental funds had a total fund balance of \$20,408,319, a change of \$(4,241,764) in comparison to the prior fiscal year primarily related to the timing differences between the receipt and disbursement of bond funds and transfers from other funds.

Proprietary Funds

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

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

	<u>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>
Sewer	\$ 5,766,218	\$ 5,959,969	\$ (193,751)
Water	<u>9,875,563</u>	<u>10,322,526</u>	<u>(446,963)</u>
Total	\$ <u>15,641,781</u>	\$ <u>16,282,495</u>	\$ <u>(640,714)</u>

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

General Fund Budgetary Highlights

Most all budgeted appropriations occur at the Annual Town Meeting which is held prior to the start of a fiscal year. Subsequent appropriations and line-item amendments are made at a special town meeting usually held in the fall. Often the subsequent actions are known or expected at the time of the Annual Town Meeting but are not presented or acted upon at that time because additional information or other requisite action is needed. Usually in May, prior to the June 30 fiscal year end, Town Meeting acts on other requests for budget line transfers and reallocation of operating resources to capital, other financial warrant articles, and formal reserves. The operating budget was approved at \$214,275,097 and inclusive of non-appropriated items, state and county charges, and other amounts to be provided totaled \$215,905,732. Other than line item transfers from one budget line to another, there was no change to the total operating budget for the year. The final state and county assessments decreased by \$7,219 from the Annual Town Meeting estimate to \$1,607,096 and there was no change for the other amounts to be provided (\$12,500). The total final General Fund budget was \$215,894,693 (Table 1). The Town approved a line item transfer of \$58,604 from the Finance Department to the Department of Public works to reflect the transfer of the Town GIS operations from the Finance Department Information Technology Center to the Engineering division of Public Works. The Town determined that those functions would be better matched with Public Works. The Town also approved a second line item transfer of \$14,525 from the Reserve Fund to Debt Service budget. The transfer to the Debt Service budget allowed the Town to pay off a \$2.7 million Bond Anticipation Note (BAN) which came due on June 14, 2024 in full rather than rolling the \$14,525 balance into the next fiscal year. This action was taken at the May 13, 2024 Special Town Meeting.

Table 1
General Fund

	Original	Final
Town Meeting Operating Budget Appropriation	\$214,275,097	\$214,275,097
State and County Assessments	\$1,618,135	\$1,607,096
Other Amounts to be Provided	<u>\$12,500</u>	<u>\$12,500</u>
Total	\$215,905,732	\$215,894,693

During fiscal year 2024, the Town realized revenue in excess of budget of \$9.1 million and realized budget returns of \$6.9 million. General Fund revenue in excess of budget was \$4.2 million lower than fiscal year 2023. The \$6.9 million budget return was also lower than the fiscal year 2023 return of \$8.3 million.

Table 2

	Actual FY2024	Actual FY2023	Change \$	Change %	Actual FY2022
Motor Vehicle Excise	\$7,316,406	\$6,779,778	\$536,628	7.9%	\$5,837,070
Other Taxes, Penalties, and PILOT	\$2,799,073	\$2,948,503	(\$149,430)	-5.1%	\$2,079,064
Investment Income	\$3,014,710	\$1,520,840	\$1,493,870	98.2%	\$194,651
Licenses & Permits Income	\$2,737,879	\$5,099,527	(\$2,361,648)	-46.3%	\$2,771,497
All Other General Revenue	<u>\$204,579,222</u>	<u>\$200,795,356</u>	<u>\$3,783,866</u>	1.9%	<u>\$189,553,492</u>
Total	\$220,447,290	\$217,144,004	\$3,303,286	1.5%	\$200,435,775

Motor vehicle excise tax revenue was up 7.9% from prior year's actual receipts (\$7,316,406 for FY2024 vs \$6,779,778 for FY2023) and was higher than the actual receipts for fiscal year 2022 (\$5,837,070) (Table 2). Motor vehicle excise revenue has increased year over year, but the actual rate of growth at 7.9% was lower than the 16.2% growth rate in fiscal year 2023, and the 13.8% growth rate in fiscal year 2022.

Other taxes, penalties, and payment in lieu of tax (PILOT) income was down 5.1% from the prior year (\$2,799,073 for FY2024 vs \$2,948,503 for FY2023) but was higher than the fiscal year 2022 revenue of \$2,079,064. The primary reason for the decline was due to a significant decrease in PILOT payments, from \$103,860 collected during fiscal year 2023 to just \$720 for fiscal year 2024. The decline was due to a delay in receiving payments from one of the primary tax exempt organizations. During fiscal year 2022 the Town received \$147,913 in PILOT payments. Another revenue source was also down with \$579,708 collected in penalties and interest during fiscal year 2024 compared to \$877,076 collected during fiscal year 2023. The number of delinquent accounts declined and hence penalties declined. The room and meal excise revenue were higher with a combined collection of \$2,218,645 during the year compared to \$1,967,568 received during fiscal year 2023.

Investment (interest) income earned on deposits was much higher with \$3,014,710 received during fiscal year 2024 compared to the \$1,520,840 earned during the prior year. Investment income was significantly higher than fiscal year 2022 when the Town received \$194,651. The interest income increase was due to the higher interest rates overall. The \$3 million collected represents more than a 98% increase over the prior year.

License and permit income declined by \$2,361,648 from the prior fiscal year, a drop of 46.3%. However, the total receipts for the year of \$2,737,879 were on par with the amount collected during fiscal year 2022 of \$2,771,497. The fiscal year 2023 revenue of \$5,099,527 was due to an exceptional amount of new permitted construction activity during that year, which included the permitting of the new Children's Hospital ambulatory surgery center, and not a precipitous fall in permitting activity.

General fund revenue from all other sources, including property taxes was \$3,783,866 more than the prior year (\$204,579,222 for FY2024 vs \$200,795,356 for FY2023), which was 1.9% more. Fiscal year 2022 the total collected from those sources was \$189,553,492. The property tax portion was \$182,678,092 for fiscal year 2024 vs \$179,124,962 for the prior year of 2.0% more. Overall, total general fund revenue (\$220,447,290) was 1.5% more than the prior year (\$217,144,004) or \$3,303,286 more, refer to Table 2.

Table 3

	Actual FY2024	Budget FY2024	Variance FY2024	Percentage of Total*
Motor Vehicle Excise	\$7,316,406	\$5,075,000	\$2,241,406	24.66%
Other Taxes, Penalties, and PILOT	\$2,799,073	\$1,800,000	\$999,073	10.99%
Investment Income	\$3,014,710	\$500,000	\$2,514,710	27.67%
All Other General Revenues	<u>\$207,317,101</u>	<u>\$203,984,102</u>	<u>\$3,332,999</u>	<u>36.67%</u>
Total	\$220,447,290	\$211,359,102	\$9,088,188	100.00%

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

The total General Fund revenue surplus for fiscal year 2024 (Table 3) was \$9,088,188 which was \$4,200,263 less than the \$13,288,451 surplus for fiscal year 2023. The combination of motor vehicle excise revenue, other local tax penalties, payment in lieu of tax, and investment income contributed approximately 63.3% of the total General Fund surplus for fiscal year 2024, up from the 37.8% that these sources comprised in fiscal year 2023.

The actual motor vehicle excise receipts for fiscal year 2024 were \$2.24 million over budget (Table 3), which compares to \$2.08 million for fiscal year 2023. Motor vehicle excise accounts for approximately 24.7% of the total surplus. Revenue generated from other taxes, penalties, and PILOT was approximately \$1.0 million over the budget for fiscal year 2024 which compares to \$1.7 million over the budget for fiscal year 2023 for the reasons noted earlier. This revenue category represents approximately 11% of the total surplus. Investment income was very high because of the jump in interest rates being paid on deposits. Investment income was \$2.51 million over the budget estimate for the fiscal year. The actual earnings were nearly double the amount earned in the previous fiscal year. Investment income represented approximately 27.7% of the total surplus for fiscal year 2024, the highest of any one category. All other general revenues produced \$3,332,999 more than the prior year; with \$207,317,101 collected during fiscal year 2024 compared to \$203,984,102 during fiscal year 2023. This represents approximately 36.7% of the total surplus.

Table 4

Operating Budget	Final Budget	Expended	Returned	% of Total	% of Final Budget
1) Needham Public Schools	\$92,155,973	(\$90,644,769)	\$1,511,204	21.8%	1.6%
2) Reserve Fund (transfers only)	\$1,151,958		\$1,151,958	16.7%	
3) Group Health Insurance, Employee Benefits & Administrative Costs	\$17,599,022	(\$16,553,594)	\$1,045,428	15.1%	5.9%
4) Department of Public Works	\$21,120,756	(\$20,495,074)	\$625,682	9.0%	3.0%
5) Fire Department	\$11,195,768	(\$10,654,343)	\$541,425	7.8%	4.8%
Balance of the Townwide and Department Budgets (26)	\$71,051,620	(\$69,009,031)	\$2,042,589	29.5%	2.9%
Totals	\$214,275,097	(\$207,356,811)	\$6,918,286	100.0%	3.2%

The fiscal year 2024 budget return was also lower than the prior year by \$1.3 million, primarily due to the lower percentage turnback from the operating budget. The General Fund appropriated operating budget, excluding county and state assessments and other amounts to be provided, accounts for most of the expenditures, returned \$6,918,286 or approximately 3.2% of the operating budget appropriation; the return for fiscal year 2023 was \$8,279,721 or approximately 4.0% of the appropriation for that year, refer to Table 4.

Needham Public Schools returned \$1,511,204, which compares to \$2,427,599 returned for fiscal year 2023. The return was \$916,395 less than the return for fiscal year 2023. The return was due to some expenditures coming in less than budget and some less than the prior year. However, most all the return was related to lower personnel costs than was budgeted, due in part to vacancies and long term leaves which were covered by less expensive substitutes. As a percentage of the school department budget, the return for fiscal year 2024 represents 1.6%. This compares to 2.8% return for the prior year. The return represents 21.8% of the total General Fund budget return (Table 4).

The budgetary reserve fund (Reserve Fund) returned \$1,151,958 which represents 16.7% of the total General Fund operating budget return for the fiscal year 2024. The reserve fund budget amount returned was less than fiscal year 2023 the reserve fund budget return (\$1,178,848), which was 14.2% of the total return in that year. The \$1,151,958 return of the reserve fund budget represents approximately 57.6% of the original voted reserve fund budget of \$2,000,000.

There were eight draws on the reserve fund during fiscal year 2024. The first transfer was for \$100,000 to the Department of Public Works to hire a consultant to conduct an updated feasibility study on the costs to make improvements to the railroad grade crossings so that the rail line running through Needham would be designated as a quiet zone so that the commuter

train does not need to blow the horn at each rail crossing. A \$20,000 transfer was made to the Finance Committee operating budget for professional services. The third transfer for \$37,809 was for the replacement and installation of the projector in Town Hall, which was found to be failing and no longer serviceable. The fourth transfer in the amount of \$28,930 to the Planning and Community Development Department was for professional services to conduct a traffic study on the proposed MBTA Communities Act zoning changes. A transfer of \$366,000 to the building maintenance division of the Public Works Department was approved by the Finance Committee to cover unanticipated expenses that might have been incurred above budget for contracted custodial services for three school buildings because of a contract dispute and subsequent termination. The sixth transfer was for \$26,500 to the Finance Department for additional expenses incurred during the fiscal year for outside professional services for technology support work. The seventh transfer for \$3,600 was to the Town Clerk budget to cover increased election related costs.

Lastly, there was a transfer from the Reserve Fund to cover snow and ice removal expenses that were above the base budget. The base budget for snow and ice removal was \$437,470 which was supplemented by a \$250,878 transfer from the reserve fund for a total available budget of \$688,348 to cover expenses. The Town usually incurs expenses for snow and ice removal that exceed the annual budgeted amount, and the overage is covered by a transfer from the reserve fund. The snow and ice removal expense for fiscal year 2023 was \$433,139, and the expense for fiscal year 2022 was \$763,967. As previously noted, there was also a Town Meeting line item transfer of \$14,525 from the Reserve Fund to the Debt Service budget in May 2024.

The employee benefits budget return of \$1,045,428 was 5.9% of its final budget (\$17,599,022). The return was \$1,253,421 less than the prior year. Health insurance premiums increased by 10% over the prior fiscal year, which resulted in a modest increase in the number of employees electing health insurance coverage (0.47%) than was assumed for the year, and a lower participation rate in the 401A match plan than was budgeted. The fiscal year budget plan provided for 870 employee health plans, but the number of plans as of the October 2023 measurement date was 854. For fiscal year 2023 there were 850 active plans as of the October 2022 measurement date. The return represents 15.1% of the total operating budget return for the year, last year the return represented 27.8% of the total.

The Department of Public Works had the fourth highest budget turnback returning \$625,682 or 3% of its revised budget which compares to \$471,633 or 2.5% of its fiscal year 2023 budget. Approximately half of the turnback (\$310,496) was from salary and wages. This was 2.8% of the total available public works budget for personnel. The balance of the turnback (\$315,186) was a combination of expenses and operating capital. The department budget turnback represented approximately 9.0% of the total operating budget return.

The fifth highest budget dollar return came from the Fire Department, with a return of \$541,425 of its \$11,195,768 final budget for fiscal year 2024. This represents 4.8% of the final budget. Most of the turnback (90%) was related to salary and wages (\$488,412) and the balance was from expenses (\$53,013). The department had three vacancies for most of the fiscal year because

hiring suitable candidates continued to be difficult. The Fire Department's return represents 7.8% of the total operating budget return for the year.

The other twenty-six (26) town wide-expense and departmental budgets returned in total \$2,042,589 or 2.9% of their combined amended budgets for the year. However, the general insurance budget was exceeded by \$1,282 because of the reserve for deductibles. Excluding the deficit, these budgets would have returned \$2,043,871. Last year the 26 budgets returned \$1,596,068 or 2.3% of their combined amended budgets for the year. The increase both in terms of dollars (\$446,521) and percentage of the combined budgets (2.9% vs 2.3%) returned to the General Fund was primarily due to the Classification Performance & Settlements (CPS) budget reserve which returned \$449,857 and was \$429,388 more than the return from this budget in fiscal year 2023. Due to the turnover in staff and longer lead time to fill some vacancies, some departments were able to cover wage increases from their base budget rather than requiring a transfer from the CPS line. The total return of those budgets represented 29.5% of the total return for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

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

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

Governmental Activities:

Emery Grover building renovations	\$ 11,900,000
Heavy equipment	1,875,000
McLeod Field construction	1,300,000
Eliot School rooftop unit replacement	1,081,000

Business-Type Activities:

Sewer interceptor improvements	\$ 457,000
Central Ave. water main replacement	555,000

Long-Term Debt

At the end of the current fiscal year, total long-term bonds and loans outstanding, including unamortized bond premium, were \$117,367,925. The bonds are backed by the full faith and credit of the Town. The Town's general obligation bond rating continues to carry the highest rating possible, AAA, a rating that has been assigned by Standard & Poor's to the Town debt since 2000.

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

Economic Factors and Next Year's Budgets And Rates

The total General Fund balance for fiscal year 2024 was higher than fiscal year 2023. Fund balance was \$72.4 million for fiscal year 2024 compared to \$64.6 million for fiscal year 2023, approximately a 12.0% change. The unassigned portion of the General Fund decreased from the prior fiscal year with a balance of \$33.8 million for fiscal year 2024 compared to \$35.7 million for fiscal year 2023, approximately 5.5% less. Starting with the fiscal year 2021 report, the unassigned portion includes the general stabilization fund. The State certified \$23,816,038 available as Free Cash for fiscal year 2024 of which the Town appropriated \$17,330,783 of that amount. Free Cash is essentially the portion of the unassigned General Fund balance that the Massachusetts Department of Revenue will allow the Town to appropriate. The amount of Free Cash certified in the prior year was \$17,356,938.

The Town allocated \$12,363,996 of the Free Cash for capital equipment and projects for fiscal year 2025, which was \$3,127,389 more than was appropriated for capital for fiscal year 2024. The Free Cash appropriated for capital included \$2,750,000 for a feasibility study to replace the Pollard Middle School, \$1,440,000 as partial funding for the design and engineering costs with the Phase 1 improvements to the Public Works Facilities, \$454,000 to fund improvements for the Public Library's young adult area, \$344,558 for design costs for the Newman School auditorium upgrades and improvements, \$100,000 for energy efficiency upgrades in Town facilities, and \$34,000 for design and engineering services to replace the boiler at the Eliot School. The Town provided supplemental funding of \$54,000 for the Newman School preschool playground. The Town also appropriated \$1,065,000 of the Free Cash for public roads and related infrastructure improvements, and \$800,000 to construct level three electric vehicle charging stations at the Newman School and other locations. The Town also funded engineering and other expenses in the amount of \$750,000 for the Quiet Zone project from Free Cash. The Town is working with the MBTA to implement a quiet zone along the commuter rail line in Needham to address residents' complaints about the sound level from the train horns. \$100,000 from Free Cash was appropriated to fund construction-related transportation safety projects which the Needham Transportation Committee identifies in response to resident requests.

Free Cash was also used to fund capital equipment which included \$2,415,887 in core fleet and special equipment, which includes the replacement of a fire engine. The Town appropriated \$785,590 from Free Cash for capital equipment, furnishings, and technology for the Needham Public Schools, \$600,000 for technology equipment for the data centers in municipal buildings, \$47,000 for library technology equipment, and \$40,000 for office and meeting room furniture replacements in the various administrative offices in town. Free Cash was also appropriated \$44,671 for the purchase of defibrillator/monitor systems for the ambulances and \$54,290 for personal protective gear for fire personnel. Funding from Free Cash in the amount of \$190,000 was approved for the replacement and upgrade of traffic cameras and security cameras at intersections and town buildings. The cameras installed on municipal buildings are high resolution and are used for maintaining the security of the buildings and surrounding properties. \$220,000 was appropriated to update the information technology and audio-visual systems in Town Hall. The funding covers the design, engineering, purchase and installation of the

equipment. Lastly, \$75,000 was appropriated to purchase global positional system equipment which will be installed in the public works fleet.

The Town also allocated \$4,081,603 of Free Cash to the fiscal year 2025 operating budget. The Town's use of Free Cash for funding the subsequent fiscal year operating budget was slightly more (\$82) than management's guidance of not more than two percent of the previous year's (2023) final budget (excluding the budgetary reserve fund) or the actual turnback, whichever is less. Two percent of the fiscal year 2023 operating budget excluding the budgetary reserve fund was \$4,084,521; the related budgetary return was \$7,099,273, which was more than the prior year turnback of \$6,354,076.

The Town also appropriated \$593,643 for onetime expenses related to the consolidation of the Town and School departments information technology services under a single umbrella. The Town had hired outside consultants to review the Town and School IT operations to see if there were benefits, efficiencies and service improvements that could be realized if departments were merged and managed by a single director and have enhanced cybersecurity and standardized practices. The study identified several opportunities which were endorsed by both the Select Board and School Committee. \$99,145 was appropriated from Free Cash plus \$102,740 was transferred from a prior appropriation for a total of \$201,885 to pay labor and expenses related to the removal of the fire alarm cable strung along the utility pole across town. The cable system was abandoned and replaced by wireless systems. The Town appropriated \$100,000 to continue for surveying of Town-owned property. The Town appropriated the same sum in the prior year. Town Meeting also funded \$23,653.42 of unpaid bills of a prior fiscal year from Free Cash.

The Town appropriated \$68,743 from Free Cash to be credited to the Athletic Facility Improvement Fund (AFIF). The \$6,485,255 balance in Free Cash was closed out at year end to fund balance. The prior year \$2,834,088 was closed out to fund balance. Management continues to recommend that the Free Cash certified be directed to cash capital investment, formal reserves, and other non-recurring expenses and that a limited amount be used for ongoing operating budget expenses. The Select Board has endorsed this best practice.

Table 5

Free Cash Uses	
Capital Equipment & Improvements	\$12,363,996
Operating Budget	\$4,081,603
Other Appropriations	\$816,441
Reserves/Stabilization Funds	<u>\$68,743</u>
Total Appropriations	\$17,330,783
Closed to Fund Balance	\$6,485,255

Town Meeting voted to authorize the Select Board to borrow up to \$3,600,000 for the reconstruction of Claxton Field. The project will rehabilitate the field, install a new geotextile fabric system to cap the old town dump, increase the barrier between the fabric and the playing

surfaces, upgrade the outdoor lighting to LEDs, and create an accessible looped pathway for passive recreation. The Town also approved a debt authorization of \$13,000,000 plus \$600,000 from cash to fund improvements to the Town's sewer system. The funding is for the second phase of a multiphase infrastructure capital improvement plan. The first phase was funded through the American Recovery Plan Act (ARPA). The second phase involves the replacement of a section of the sewer line that is under the commuter rail tracks and relining existing pipes in the area. The replacement includes larger piping to increase capacity and upgrade existing pipes to prevent collapse and infiltration of ground water. Approximately 2,900 feet of pipe will be replaced, and 3,400 feet of pipe will be relined.

Our outlook last year stated that the water and sewer rates may need to be modified. The Town had planned a multi-year phase in of rate changes to mitigate the revenue loss from the closure of the Coca Cola bottling production in Needham, and did make minor changes for fiscal year 2020, but chose not to change the rates for fiscal year 2021 or 2022 due to COVID. The Board began addressing the issue with rate changes for fiscal year 2023 and 2024. The Select Board also approved increases to the domestic water (primarily indoor use), irrigation water, and sewer rates effective October 2024, for fiscal year 2025, the rates effectively increase the average annual water and sewer bill by 5.9%. There will be a need to update the user rates again for the fiscal year 2026.

The outlook for the next couple of years is expected to be stable and tax revenues remain strong, but state revenue may be impacted negatively based on reports, which should not materially affect the Town's financial position in the next two years. We anticipate that local resources will grow at a four percent range during the next 12 to 24 months. The Town's longer-term outlook does assume reductions in Federal and State revenue as a share of resources beyond 2025 and is weighing options that may be available to address this situation. We again caution that actions at the Federal level can have national consequences and may impact on the regional economy and now the local economy.

Requests for Information

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

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and short-term investments	\$ 104,914,373	\$ 16,415,499	\$ 121,329,872
Investments	26,743,319	-	26,743,319
Receivables, net of allowance for uncollectibles:			
Property taxes	4,501,575	-	4,501,575
Excises	734,690	-	734,690
Utilities	-	8,696,698	8,696,698
Departmental	2,051,123	-	2,051,123
Intergovernmental	438,846	-	438,846
Other	<u>383,484</u>	<u>-</u>	<u>383,484</u>
Total Current Assets	<u>139,767,410</u>	<u>25,112,197</u>	<u>164,879,607</u>
Noncurrent Assets			
Capital assets non-depreciable	67,514,065	9,411,652	76,925,717
Capital assets depreciable, net	<u>326,574,281</u>	<u>48,149,097</u>	<u>374,723,378</u>
Total Noncurrent Assets	<u>394,088,346</u>	<u>57,560,749</u>	<u>451,649,095</u>
Total Assets	<u>533,855,756</u>	<u>82,672,946</u>	<u>616,528,702</u>
Deferred Outflows of Resources			
Related to pension	10,222,361	390,485	10,612,846
Related to OPEB	<u>6,218,336</u>	<u>165,842</u>	<u>6,384,178</u>
Total Deferred Outflows of Resources	<u>16,440,697</u>	<u>556,327</u>	<u>16,997,024</u>

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Warrants and accounts payable	4,671,811	167,041	4,838,852
Accrued liabilities	12,553,309	224,316	12,777,625
Unearned revenue	5,519,299	2,847,820	8,367,119
Refunds payable	83,334	-	83,334
Notes payable	6,532,350	4,394,650	10,927,000
Other liabilities	1,089,230	-	1,089,230
Current portion of long-term liabilities:			
Bonds payable	10,698,274	912,855	11,611,129
Compensated absences	1,671,908	75,518	1,747,426
Landfill liability	56,415	-	56,415
Total Current Liabilities	<u>42,875,930</u>	<u>8,622,200</u>	<u>51,498,130</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	100,335,431	5,421,365	105,756,796
Net pension liability	72,055,710	2,752,469	74,808,179
Net OPEB liability	58,995,011	1,573,380	60,568,391
Compensated absences, net of current portion	5,015,724	226,555	5,242,279
Landfill liability, net of current portion	225,663	-	225,663
Total Noncurrent Liabilities	<u>236,627,539</u>	<u>9,973,769</u>	<u>246,601,308</u>
Total Liabilities	<u>279,503,469</u>	<u>18,595,969</u>	<u>298,099,438</u>
Deferred Inflows of Resources			
Related to pension	4,475,346	170,955	4,646,301
Related to OPEB	12,415,438	331,116	12,746,554
Taxes paid in advance	87,497	-	87,497
Total Deferred Inflows of Resources	<u>16,978,281</u>	<u>502,071</u>	<u>17,480,352</u>
Net Position			
Net investment in capital assets	278,600,080	48,489,452	327,089,532
Restricted for:			
Permanent funds:			
Nonexpendable	262,277	-	262,277
Expendable	3,670,667	-	3,670,667
Grants and other statutory restrictions	25,757,922	-	25,757,922
Unrestricted	(54,476,243)	15,641,781	(38,834,462)
Total Net Position	<u>\$ 253,814,703</u>	<u>\$ 64,131,233</u>	<u>\$ 317,945,936</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues			Net (Expenses) Revenues
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 11,471,473	\$ 1,064,898	\$ 1,065,439	\$ -	\$ (9,341,136)
Public safety	30,026,341	6,010,095	344,564	-	(23,671,682)
Education	154,744,898	4,880,197	41,274,087	-	(108,590,614)
Public works	29,732,742	3,710,820	6,164	622,247	(25,393,511)
Building design and construction	369,344	-	-	-	(369,344)
Health and human services	5,001,552	354,229	1,997,027	-	(2,650,296)
Culture and recreation	5,460,341	1,066,456	258,530	-	(4,135,355)
Interest on debt service	2,956,862	-	-	-	(2,956,862)
Intergovernmental	1,642,017	-	-	-	(1,642,017)
Other unallocated costs	<u>1,729,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,729,810)</u>
Total Governmental Activities	243,135,380	17,086,695	44,945,811	622,247	(180,480,627)
Business-Type Activities					
Sewer services	10,081,945	9,704,833	152,180	-	(224,932)
Water services	<u>6,587,282</u>	<u>6,603,385</u>	<u>-</u>	<u>-</u>	<u>16,103</u>
Total Business-Type Activities	<u>16,669,227</u>	<u>16,308,218</u>	<u>152,180</u>	<u>-</u>	<u>(208,829)</u>
Total	\$ <u>259,804,607</u>	\$ <u>33,394,913</u>	\$ <u>45,097,991</u>	\$ <u>622,247</u>	(180,689,456)

(continued)

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

(continued)

TOWN OF NEEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in Net (Expenses) Revenues from Previous Page	(180,480,627)	(208,829)	(180,689,456)
General Revenues			
Property taxes	187,534,452	-	187,534,452
Excises	7,126,444	-	7,126,444
Penalties, interest, and other taxes	2,822,490	-	2,822,490
Grants and contributions not restricted to specific programs	2,780,242	-	2,780,242
Investment income	4,283,286	328,597	4,611,883
Miscellaneous	962,696	-	962,696
Transfers, net	<u>696,040</u>	<u>(696,040)</u>	<u>-</u>
Total General Revenues and Transfers	<u>206,205,650</u>	<u>(367,443)</u>	<u>205,838,207</u>
Change in Net Position	25,725,023	(576,272)	25,148,751
Net Position			
Beginning of year	<u>228,089,680</u>	<u>64,707,505</u>	<u>292,797,185</u>
End of year	<u>\$ 253,814,703</u>	<u>\$ 64,131,233</u>	<u>\$ 317,945,936</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2024

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Emery Grover Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 69,372,135	\$ 2,401,267	\$ 4,846,760	\$ -	\$ 25,110,283	\$ 101,730,445
Investments	11,495,388	11,957,833	-	-	3,290,098	26,743,319
Receivables:						
Property taxes	4,421,531	80,044	-	-	-	4,501,575
Excises	734,690	-	-	-	-	734,690
Departmental	1,364,915	-	-	-	686,208	2,051,123
Intergovernmental	-	-	36,216	-	402,630	438,846
Other	383,484	-	-	-	-	383,484
Due from other funds	912,457	-	-	-	-	912,457
Total Assets	\$ 88,684,600	\$ 14,439,144	\$ 4,882,976	\$ -	\$ 29,489,219	\$ 137,495,939
Liabilities						
Warrants and accounts payable	\$ 2,576,902	\$ -	\$ 39,202	\$ 113,316	\$ 1,898,096	\$ 4,627,516
Unearned revenue	-	-	3,687,055	-	1,832,244	5,519,299
Accrued liabilities	5,652,170	-	9,160	2,096,166	2,154,063	9,911,559
Notes payable	-	-	-	4,517,350	2,015,000	6,532,350
Refunds payable	83,334	-	-	-	-	83,334
Due to other funds	-	-	-	912,457	-	912,457
Other liabilities	994,775	-	-	-	94,455	1,089,230
Total Liabilities	9,307,181	-	3,735,417	7,639,289	7,993,858	28,675,745
Deferred Inflows of Resources:						
Unavailable revenues	6,912,195	80,044	36,216	-	1,087,042	8,115,497
Taxes paid in advance	87,497	-	-	-	-	87,497
Total Deferred Inflows of Resources	6,999,692	80,044	36,216	-	1,087,042	8,202,994
Fund Balances						
Nonspendable	-	-	-	-	262,277	262,277
Restricted	505,815	14,359,100	1,156,388	-	12,709,799	28,731,102
Committed	27,654,247	-	-	-	12,014,838	39,669,085
Assigned	10,445,461	-	-	-	-	10,445,461
Unassigned	33,772,204	-	(45,045)	(7,639,289)	(4,578,595)	21,509,275
Total Fund Balances	72,377,727	14,359,100	1,111,343	(7,639,289)	20,408,319	100,617,200
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 88,684,600	\$ 14,439,144	\$ 4,882,976	\$ -	\$ 29,489,219	\$ 137,495,939

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

JUNE 30, 2024

Total Governmental Fund Balances	\$ 100,617,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	394,088,346
Revenues are reported on the accrual basis of accounting and are not deferred until collection	8,115,497
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pension	10,222,361
Related to OPEB	6,218,336
Internal service funds are used by management to account for workers' compensation and property and casualty self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position	2,273,845
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due	(1,775,962)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and loans payable	(111,033,705)
Net pension liability	(72,055,710)
Net OPEB liability	(58,995,011)
Compensated absences payable	(6,687,632)
Landfill	(282,078)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pension	(4,475,346)
Related to OPEB	<u>(12,415,438)</u>
Net Position of Governmental Activities	\$ <u>253,814,703</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Emery Grover Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 182,678,092	\$ 3,223,294	\$ -	\$ -	\$ -	\$ 185,901,386
Excises	7,316,406	-	-	-	-	7,316,406
Penalties, interest, and other taxes	2,799,072	5,693	-	-	-	2,804,765
Charges for services	5,126,648	-	-	-	8,147,406	13,274,054
Departmental	949,520	-	-	-	-	949,520
Licenses and permits	2,737,881	-	-	-	-	2,737,881
Intergovernmental	30,805,749	656,397	1,899,871	-	12,225,057	45,587,074
Investment income	3,639,716	225,041	-	-	418,529	4,283,286
Fines and forfeitures	83,831	-	-	-	-	83,831
Contributions	-	-	-	-	365,936	365,936
Other	551,288	-	-	-	226,398	777,686
Total Revenues	236,688,203	4,110,425	1,899,871	-	21,383,326	264,081,825
Expenditures						
Current:						
General government	9,381,377	607,845	778,277	-	238,528	11,006,027
Public safety	25,822,171	-	4,028	-	1,738,736	27,564,935
Education	131,490,229	-	-	-	15,578,927	147,069,156
Public works	27,098,269	-	256,760	-	89,096	27,444,125
Building design and construction	243,772	-	-	-	-	243,772
Health and human services	3,309,801	-	351,217	-	1,212,140	4,873,158
Culture and recreation	4,123,838	-	-	-	866,677	4,990,515
Employee benefits	1,076,077	-	-	-	-	1,076,077
Other	870,055	-	-	-	-	870,055
Capital outlay	-	-	-	11,967,429	14,446,976	26,414,405
Debt service:						
Principal	10,685,000	-	-	-	-	10,685,000
Interest	4,035,124	-	-	-	-	4,035,124
Intergovernmental	1,642,017	-	-	-	-	1,642,017
Total Expenditures	219,777,730	607,845	1,390,282	11,967,429	34,171,080	267,914,366
Excess (deficiency) of revenues over expenditures	16,910,473	3,502,580	509,589	(11,967,429)	(12,787,754)	(3,832,541)
Other Financing Sources (Uses)						
Transfers in	3,373,578	-	-	2,682,650	9,399,865	15,456,093
Transfers out	(12,510,673)	(1,078,631)	(316,874)	-	(853,875)	(14,760,053)
Total Other Financing Sources (Uses)	(9,137,095)	(1,078,631)	(316,874)	2,682,650	8,545,990	696,040
Change in Fund Balance	7,773,378	2,423,949	192,715	(9,284,779)	(4,241,764)	(3,136,501)
Fund Balances, at Beginning of Year as previously reported	64,604,349	11,935,151	918,628	-	26,295,573	103,753,701
Adjustment - change from nonmajor to major fund	-	-	-	1,645,490	(1,645,490)	-
Fund Balances at End of Year	\$ 72,377,727	\$ 14,359,100	\$ 1,111,343	\$ (7,639,289)	\$ 20,408,319	\$ 100,617,200

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

TOWN OF NEEDHAM, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2024

Net Changes in Fund Balances - Total Governmental Funds \$ (3,136,501)

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	28,142,909
Depreciation	(15,891,230)

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

1,904,407

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

Repayments of general obligation bonds and loans	10,685,000
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In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

124,988

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

Change in pension expense from GASB 68	1,571,579
Change in OPEB expense from GASB 75	685,551
Change in compensated absences	412,309
Change in landfill liability	56,415
Bond premium amortization	953,274

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

216,322

Change in Net Position of Governmental Activities \$ 25,725,023

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2024

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	
Assets				
Current Assets				
Cash and short-term investments	\$ 5,978,517	\$ 10,436,982	\$ 16,415,499	\$ 3,183,928
User fees receivable	<u>4,953,435</u>	<u>3,743,263</u>	<u>8,696,698</u>	<u>-</u>
Total Current Assets	<u>10,931,952</u>	<u>14,180,245</u>	<u>25,112,197</u>	<u>3,183,928</u>
Noncurrent Assets				
Capital assets non-depreciable	3,852,162	5,559,490	9,411,652	-
Capital assets depreciable, net	<u>20,684,224</u>	<u>27,464,873</u>	<u>48,149,097</u>	<u>-</u>
Total Noncurrent Assets	<u>24,536,386</u>	<u>33,024,363</u>	<u>57,560,749</u>	<u>-</u>
Total Assets	<u>35,468,338</u>	<u>47,204,608</u>	<u>82,672,946</u>	<u>3,183,928</u>
Deferred Outflows of Resources				
Related to pension	153,405	237,080	390,485	-
Related to OPEB	<u>88,429</u>	<u>77,413</u>	<u>165,842</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>241,834</u>	<u>314,493</u>	<u>556,327</u>	<u>-</u>
Liabilities				
Current Liabilities				
Accounts payable	26,696	140,345	167,041	44,295
Accrued liabilities	178,274	46,042	224,316	865,788
Unearned revenue	2,847,820	-	2,847,820	-
Notes payable	-	4,394,650	4,394,650	-
Current portion of long-term liabilities:				
Bonds payable	427,222	485,633	912,855	-
Compensated absences	<u>38,913</u>	<u>36,605</u>	<u>75,518</u>	<u>-</u>
Total Current Liabilities	<u>3,518,925</u>	<u>5,103,275</u>	<u>8,622,200</u>	<u>910,083</u>
Noncurrent Liabilities				
Bonds payable, net of current portion	2,813,390	2,607,975	5,421,365	-
Compensated absences	116,740	109,815	226,555	-
Net pension liability	1,081,327	1,671,142	2,752,469	-
Net OPEB liability	<u>838,947</u>	<u>734,433</u>	<u>1,573,380</u>	<u>-</u>
Total Noncurrent Liabilities	<u>4,850,404</u>	<u>5,123,365</u>	<u>9,973,769</u>	<u>-</u>
Total Liabilities	<u>8,369,329</u>	<u>10,226,640</u>	<u>18,595,969</u>	<u>910,083</u>
Deferred Inflows of Resources				
Related to pension	67,161	103,794	170,955	-
Related to OPEB	<u>176,555</u>	<u>154,561</u>	<u>331,116</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>243,716</u>	<u>258,355</u>	<u>502,071</u>	<u>-</u>
Net Position				
Net investment in capital assets	21,330,909	27,158,543	48,489,452	-
Unrestricted	<u>5,766,218</u>	<u>9,875,563</u>	<u>15,641,781</u>	<u>2,273,845</u>
Total Net Position	<u>\$ 27,097,127</u>	<u>\$ 37,034,106</u>	<u>\$ 64,131,233</u>	<u>\$ 2,273,845</u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating Revenues				
Charges for services	\$ 9,704,833	\$ 6,603,385	\$ 16,308,218	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074,298</u>
Total Operating Revenues	<u>9,704,833</u>	<u>6,603,385</u>	<u>16,308,218</u>	<u>1,074,298</u>
Operating Expenses				
Personnel services	1,558,998	1,733,995	3,292,993	857,976
Non-personnel services	352,879	1,448,721	1,801,600	-
Depreciation	1,012,447	1,398,572	2,411,019	-
Intergovernmental assessments	<u>7,084,841</u>	<u>1,887,130</u>	<u>8,971,971</u>	<u>-</u>
Total Operating Expenses	<u>10,009,165</u>	<u>6,468,418</u>	<u>16,477,583</u>	<u>857,976</u>
Operating Income (Loss)	<u>(304,332)</u>	<u>134,967</u>	<u>(169,365)</u>	<u>216,322</u>
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	152,180	-	152,180	-
Investment income	113,633	214,964	328,597	-
Interest expense	<u>(72,780)</u>	<u>(118,864)</u>	<u>(191,644)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>193,033</u>	<u>96,100</u>	<u>289,133</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>(111,299)</u>	<u>231,067</u>	<u>119,768</u>	<u>216,322</u>
Transfers in	810,358	-	810,358	-
Transfers out	<u>(626,616)</u>	<u>(879,782)</u>	<u>(1,506,398)</u>	<u>-</u>
Change in Net Position	<u>72,443</u>	<u>(648,715)</u>	<u>(576,272)</u>	<u>216,322</u>
Net Position at Beginning of Year	<u>27,024,684</u>	<u>37,682,821</u>	<u>64,707,505</u>	<u>2,057,523</u>
Net Position at End of Year	\$ <u><u>27,097,127</u></u>	\$ <u><u>37,034,106</u></u>	\$ <u><u>64,131,233</u></u>	\$ <u><u>2,273,845</u></u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 10,704,201	\$ 5,688,715	\$ 16,392,916	\$ -
Employer contributions	-	-	-	1,074,298
Payments of utility assessments	(7,084,841)	(1,887,130)	(8,971,971)	-
Payments to vendors and contractors	(1,068,722)	(2,055,731)	(3,124,453)	-
Payments of employee salaries, benefits, and related expenses	(1,167,441)	(1,359,778)	(2,527,219)	(561,695)
Net Cash Provided By Operating Activities	1,383,197	386,076	1,769,273	512,603
Cash Flows From Noncapital Financing Activities				
Nonoperating grants received	152,180	-	152,180	-
Transfers from other funds	810,358	-	810,358	-
Transfers to other funds	(626,616)	(879,782)	(1,506,398)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	335,922	(879,782)	(543,860)	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(911,459)	(844,237)	(1,755,696)	-
Proceeds from issuance of notes	-	4,394,650	4,394,650	-
Principal payments on bonds and loans	(420,644)	(3,124,795)	(3,545,439)	-
Interest expense	(72,780)	(118,864)	(191,644)	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,404,883)	306,754	(1,098,129)	-
Cash Flows From Investing Activities				
Investment income	113,633	214,964	328,597	-
Net Cash Provided By Investing Activities	113,633	214,964	328,597	-
Net Change in Cash and Short-Term Investments	427,869	28,012	455,881	512,603
Cash and Short-Term Investments, Beginning of Year	5,550,648	10,408,970	15,959,618	2,671,325
Cash and Short-Term Investments, End of Year	\$ 5,978,517	\$ 10,436,982	\$ 16,415,499	\$ 3,183,928
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (304,332)	\$ 134,967	\$ (169,365)	\$ 216,322
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,012,447	1,398,572	2,411,019	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(1,848,452)	(914,658)	(2,763,110)	-
Deferred outflows - related to pension	183,604	283,753	467,357	-
Deferred outflows - related to OPEB	5,603	2,819	8,422	-
Warrants and accounts payable	(705,202)	(607,010)	(1,312,212)	44,295
Accrued liabilities	(7,325)	6,391	(934)	251,986
Unearned revenue	2,847,820	-	2,847,820	-
Refunds payable	-	(12)	(12)	-
Compensated absences	(3,018)	29,755	26,737	-
Net pension liability	(178,777)	(276,292)	(455,069)	-
Net OPEB liability	279,834	257,369	537,203	-
Deferred inflows - related to pension	(28,410)	(43,908)	(72,318)	-
Deferred inflows - related to OPEB	129,405	114,330	243,735	-
Net Cash Provided By Operating Activities	\$ 1,383,197	\$ 386,076	\$ 1,769,273	\$ 512,603

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2024

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 11,174,377	\$ -	\$ 417,171
Investments:			
Pooled investments:			
External investment pool (PRIT)	227,286,065	-	-
External investment pool (SRBT)	80,465,007	-	-
Other	<u>-</u>	<u>7,174,397</u>	<u>-</u>
TOTAL ASSETS	<u>318,925,449</u>	<u>7,174,397</u>	<u>417,171</u>
LIABILITIES			
Accounts payable	28,557	229,900	22,206
Accrued liabilities	<u>-</u>	<u>-</u>	<u>486</u>
TOTAL LIABILITIES	<u>28,557</u>	<u>229,900</u>	<u>22,692</u>
NET POSITION			
Total net position restricted for pension, other post employment benefits, and other purposes	\$ <u><u>318,896,892</u></u>	\$ <u><u>6,944,497</u></u>	\$ <u><u>394,479</u></u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2024

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employers	\$ 21,686,183	\$ -	\$ -
Plan members	6,016,041	-	-
Other	<u>264,557</u>	<u>69,436</u>	<u>823,943</u>
Total contributions	27,966,781	69,436	823,943
Investment income:			
Earnings and change in fair value of investments	31,574,812	717,851	1,014
Less: management fees	<u>(1,093,360)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>30,481,452</u>	<u>717,851</u>	<u>1,014</u>
Total Additions	58,448,233	787,287	824,957
Deductions			
Benefit payments to plan members and beneficiaries	21,029,926	-	-
Refunds to plan members	2,163,938	-	-
Administrative expenses	343,653	-	-
Other	<u>-</u>	<u>284,870</u>	<u>798,666</u>
Total Deductions	<u>23,537,517</u>	<u>284,870</u>	<u>798,666</u>
Change in Net Position	34,910,716	502,417	26,291
Restricted Net Position			
Beginning of year	<u>283,986,176</u>	<u>6,442,080</u>	<u>368,188</u>
End of year	\$ <u><u>318,896,892</u></u>	\$ <u><u>6,944,497</u></u>	\$ <u><u>394,479</u></u>

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

TOWN OF NEEDHAM, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Fiduciary Component Units

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

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

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

The Town reports the following major proprietary funds:

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

The self-insured employee workers compensation, police and firefighter injured-on-duty leave (MGL Chapter 41, Section 111F), and property and casualty insurance are reported as an *Internal Service Fund* in the accompanying financial statements.

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

The Town reports the following fiduciary funds:

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

Deposits and Investments

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

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

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

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

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

The Needham Retirement System invests in the Pension Reserve Investment Trust Fund (PRIT) which is managed by the Pension Reserves Investment Management (PRIM) Board. The OPEB Trust Fund invests in the Massachusetts State Retiree Benefits Trust Fund (SBRT). The SRBT is mandated by statute to invest all its assets in the PRIT Fund. As such, the PRIM investment policy disclosures in Note 4 apply equally to the Town's investments in the PRIT and SRBT funds.

Property Tax Limitations

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

Capital Assets

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 - 50
Machinery, equipment, and furnishings	5 - 10
Vehicles	5 - 15
Infrastructure	20 - 40

Compensated Absences

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

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Deficit Fund Equity

Certain individual funds reflect deficit balances as of June 30, 2024. The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other funds, and issuance of long-term debt.

New Pronouncements

In fiscal year 2024, the Town implemented GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. Management has determined this statement has a material effect on the financial statements relating to

the change in a fund's presentation as major or nonmajor. In fiscal year 2024 the *Emery Grover Building Fund* is presented as a major fund, a change from being a nonmajor fund in fiscal year 2023. A reconciliation has been provided on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

3. Deposits and Investments

Town (Excluding the Pension and OPEB Trust Fund)

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

As of June 30, 2024, \$27,648,150, of the Town's bank balance of \$128,519,067, was exposed to custodial credit risk as uninsured and uncollateralized, and \$59,748,107, was collateralized by securities held by the pledging financial institution's trust department or agent.

Investments

The following is a summary of the Town's investments, including private-purpose trust funds, as of June 30, 2024:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury notes	\$ 9,196,180
Federal agencies	875,916
Corporate bonds	11,901,063
Fixed income mutual funds	1,274,683
Corporate equities	1,870,809
Equity mutual funds	8,082,156
Market-linked certificates of deposits	<u>716,909</u>
Total investments	\$ <u><u>33,917,716</u></u>

Credit Risk

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

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

<u>Ratings as of Year End</u>							
<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Federal agencies	\$ 875,916	\$ -	\$ 875,916	\$ -	\$ -	\$ -	\$ -
Corporate bonds	11,901,063	892,186	263,322	605,806	6,076,932	4,062,817	-
Fixed income mutual funds	<u>1,274,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,683</u>
Total	<u>\$ 14,051,662</u>	<u>\$ 892,186</u>	<u>\$ 1,139,238</u>	<u>\$ 605,806</u>	<u>\$ 6,076,932</u>	<u>\$ 4,062,817</u>	<u>\$ 1,274,683</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy allows unlimited investments in U.S. agency obligations, certificates of deposits secured through a third party, and other investments allowable by MGL. Investments are held in the Town's name, except for \$6,800,245, which are held by counterparty.

Concentration of Credit Risk

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

As of June 30, 2024, the Town did not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury notes	\$ 9,196,180	\$ 2,793,644	\$ 6,176,841	\$ 225,695
Federal agencies	875,916	329,336	546,580	-
Corporate bonds	11,901,063	2,144,508	8,447,209	1,309,346
Fixed income mutual funds	1,274,683	1,274,683	-	-
Market-linked certificates of deposits	716,909	708,127	8,782	-
Total	<u>\$ 23,964,751</u>	<u>\$ 7,250,298</u>	<u>\$ 15,179,412</u>	<u>\$ 1,535,041</u>

Foreign Currency Risk

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

Fair Value

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

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

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

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

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

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

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

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

As of June 30, 2024, the Town had the following fair value measurements:

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Description	Total		
Investments by fair value level:			
U.S Treasury notes	\$ 9,196,180	\$ 9,196,180	\$ -
Federal agencies	875,916	-	875,916
Corporate bonds	11,901,063	-	11,901,063
Fixed income mutual funds	1,274,683	1,274,683	-
Market-linked certificates of deposit	716,909	-	716,909
Equity securities:			
Corporate equities	1,870,809	1,870,809	-
Equity mutual funds	8,082,156	8,082,156	-
Total	\$ 33,917,716	\$ 20,423,828	\$ 13,493,888

4. Investments – OPEB Trust Fund and Retirement System

As of June 30, 2024, the OPEB Trust Fund maintained its investments of \$80,465,007 in the State Retirees Benefits Trust Fund (SRBT), an external investment pool managed by PRIM. The OPEB Trust Fund's investments were valued at net asset value (NAV). There were no unfunded commitments, and the redemption frequency is monthly with a 30-day redemption notice period.

As of December 31, 2023, all of the System's investments of \$227,286,065, were invested in the PRIT fund. The System's investments were measured using NAV, there were no unfunded commitments, and the redemption frequency is monthly with a 30-day redemption notice period.

PRIT manages various risks including credit, interest rate, foreign currency and concentration risk as summarized below. See PRIT's Annual Comprehensive Financial

Report which is publicly available at mapension.com for complete description of its risk management policies.

Credit Risk

The PRIM Board establishes credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and role of its portfolio to the overall diversification of the PRIT fund. The weighted average quality rating of debt securities (excluding pooled investments, investments explicitly backed by the U.S. government and other nonrated investments) was BBB at June 30, 2024.

Interest Rate Risk

The PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. At June 30, 2024, the effective weighted average duration of the PRIT fund ranged from 1.99 to 14.42 years.

Foreign Currency Risk

The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-US denominated investments through forward foreign currency contracts.

Concentration of Credit Risk

The PRIM Board manages PRIT's exposure to concentration of credit risk by established guidelines with each investment manager that limit the percent of investment of investments in any single issue or issuer. PRIT has no investments, at fair value, that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2024.

5. Property Taxes and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. The actual fiscal year 2024 tax levy reflected an excess capacity of \$2,166,858.

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles

annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property tax and excises receivable at June 30, 2024 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Current:			
Real estate taxes	\$ 2,724,076	\$ -	\$ 2,724,076
Personal property taxes	603,760	(394,000)	209,760
CPA	80,044	-	80,044
Tax liens	673,845	-	673,845
Deferred taxes	813,850	-	813,850
Total property taxes	<u>\$ 4,895,575</u>	<u>\$ (394,000)</u>	<u>\$ 4,501,575</u>
Motor Vehicle Excise	\$ 1,106,690	\$ (372,000)	\$ 734,690

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

Departmental Receivables

Departmental receivables are primarily comprised of ambulance and waste removal receivables. Departmental receivables in the accompanying financial statements reflect an estimated allowance for doubtful accounts of \$219,000.

6. Interfund Transfers

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

Governmental Funds	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,373,578	\$ 12,510,673
Community Preservation Fund	-	1,078,631
Town Federal Grants	-	316,874
Emory Grover Building Fund	2,682,650	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Receipts reserved - PEG Access	-	471,675
Capital Project Funds:		
Fleet program	2,735,263	-
McLeod Field renovations	1,310,000	-
Public works infrastructure	2,581,500	-
Other capital project funds	<u>2,773,102</u>	<u>382,200</u>
Subtotal Nonmajor Governmental Funds	9,399,865	853,875
Internal Service Fund	-	-
Enterprise Funds		
Sewer Fund	810,358	626,616
Water Fund	<u>-</u>	<u>879,782</u>
Subtotal Enterprise Funds	<u>810,358</u>	<u>1,506,398</u>
Total	\$ <u><u>16,266,451</u></u>	\$ <u><u>16,266,451</u></u>

The \$1,506,398 from the sewer and water funds were transferred to the General Fund primarily for the operating budget and special articles.

The \$810,358 transfer from the General Fund into the enterprise funds represents a subsidy to the sewer fund to cover storm water expenses funded by general revenues. Most of the transfers out of the General Fund represent the Town's practice of using *free cash* (available unassigned fund balance as certified by the Massachusetts Department of Revenue) and overlay surplus to the various non-major capital project funds.

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

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

7. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, depreciable				
Buildings and improvements	\$ 412,212,996	\$ 4,797,931	\$ -	\$ 417,010,927
Machinery, equipment, and furnishings	25,278,606	2,585,833	(242,203)	27,622,236
Vehicles	8,079,920	702,350	(159,136)	8,623,134
Infrastructure	<u>55,157,264</u>	<u>2,048,688</u>	<u>-</u>	<u>57,205,952</u>
Total capital assets, depreciable	500,728,786	10,134,802	(401,339)	510,462,249
Less accumulated depreciation for:				
Buildings and improvements	(111,880,794)	(11,081,996)	-	(122,962,790)
Machinery, equipment, and furnishings	(18,320,548)	(2,564,028)	242,203	(20,642,373)
Vehicles	(7,331,479)	(529,750)	159,136	(7,702,093)
Infrastructure	<u>(30,865,256)</u>	<u>(1,715,456)</u>	<u>-</u>	<u>(32,580,712)</u>
Total accumulated depreciation	<u>(168,398,077)</u>	<u>(15,891,230)</u>	<u>401,339</u>	<u>(183,887,968)</u>
Capital assets, depreciable, net	332,330,709	(5,756,428)	-	326,574,281
Capital assets, non-depreciable				
Land	37,355,248	-	-	37,355,248
Works of art	119,773	-	-	119,773
Construction in progress	<u>12,030,937</u>	<u>19,575,303</u>	<u>(1,567,196)</u>	<u>30,039,044</u>
Total capital assets, non-depreciable	<u>49,505,958</u>	<u>19,575,303</u>	<u>(1,567,196)</u>	<u>67,514,065</u>
Governmental activities capital assets, net	<u>\$ 381,836,667</u>	<u>\$ 13,818,875</u>	<u>\$ (1,567,196)</u>	<u>\$ 394,088,346</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, depreciable				
Buildings and improvements	\$ 20,574,689	\$ -	\$ (46,402)	\$ 20,528,287
Plant	6,600,000	-	(241,992)	6,358,008
Machinery, equipment, and furnishings	3,521,500	708,337	(21,511)	4,208,326
Vehicles	986,453	-	-	986,453
Infrastructure	<u>82,802,396</u>	<u>-</u>	<u>-</u>	<u>82,802,396</u>
Total capital assets, depreciable	114,485,038	708,337	(309,905)	114,883,470
Less accumulated depreciation for:				
Buildings and improvements	(6,394,279)	(467,850)	46,402	(6,815,727)
Plant	(4,886,543)	(214,183)	241,992	(4,858,734)
Machinery, equipment, and furnishings	(2,812,099)	(239,699)	21,511	(3,030,287)
Vehicles	(939,072)	(23,391)	-	(962,463)
Infrastructure	<u>(49,601,266)</u>	<u>(1,465,896)</u>	<u>-</u>	<u>(51,067,162)</u>
Total accumulated depreciation	<u>(64,633,259)</u>	<u>(2,411,019)</u>	<u>309,905</u>	<u>(66,734,373)</u>
Capital assets, depreciable, net	49,851,779	(1,702,682)	-	48,149,097
Capital assets, non-depreciable				
Land	267,609	-	-	267,609
Construction in progress	<u>8,096,684</u>	<u>1,535,569</u>	<u>(488,210)</u>	<u>9,144,043</u>
Total capital assets, non-depreciable	<u>8,364,293</u>	<u>1,535,569</u>	<u>(488,210)</u>	<u>9,411,652</u>
Business-type activities capital assets, net	<u>\$ 58,216,072</u>	<u>\$ (167,113)</u>	<u>\$ (488,210)</u>	<u>\$ 57,560,749</u>

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

Governmental Activities:	
General government	\$ 1,623,794
Public safety	3,006,637
Education	7,384,608
Public works	3,047,595
Building design and construction	135,839
Health and human services	236,680
Culture and recreation	<u>456,077</u>
Total	<u>\$ 15,891,230</u>
Business-Type Activities:	
Sewer	\$ 1,012,447
Water	<u>1,398,572</u>
Total	<u>\$ 2,411,019</u>

8. Deferred Outflows of Resources

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

9. Accrued Liabilities

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

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

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. Notes Payable

The following summarizes activity in notes payable during fiscal year 2024:

<u>Governmental Activities</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/24</u>
Emery grover building addition and renovation	4.00	10/16/23	07/30/24	\$ 287,350
Emery grover building design	4.25	06/27/24	12/19/24	15,000
Emery grover building addition and renovation	4.25	06/27/24	12/19/24	4,230,000
Broadmeadow and Eliot school rooftop unit replacement	4.25	06/27/24	12/19/24	<u>2,000,000</u>
Total Governmental Activities				<u>\$ 6,532,350</u>
<u>Business Type Activities</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/24</u>
Water distribution improvements	4.00	10/16/23	07/30/24	1,994,650
Water distribution improvements	4.25	06/27/24	12/19/24	1,900,000
Water service connections	4.25	06/27/24	12/19/24	<u>500,000</u>
Total Business Type Activities				<u>\$ 4,394,650</u>
<u>Governmental Activities</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Emery grover building addition and renovation	\$ 420,000	\$ 287,350	(420,000)	\$ 287,350
Emery grover building design	-	15,000	-	15,000
Emery grover building addition and renovation	-	4,230,000	-	4,230,000
Broadmeadow and Eliot school rooftop unit replacement	-	<u>2,000,000</u>	-	<u>2,000,000</u>
Total Governmental Activities	<u>\$ 420,000</u>	<u>\$ 6,532,350</u>	<u>\$ (420,000)</u>	<u>\$ 6,532,350</u>
<u>Business Type Activities</u>				
Water distribution improvements	\$ 2,440,000	\$ 1,994,650	(2,440,000)	\$ 1,994,650
Water distribution improvements		1,900,000	-	1,900,000
Water service connections	<u>200,000</u>	<u>500,000</u>	<u>(200,000)</u>	<u>500,000</u>
Total Business Type Activities	<u>\$ 2,640,000</u>	<u>\$ 4,394,650</u>	<u>\$ (2,640,000)</u>	<u>\$ 4,394,650</u>

12. Long-Term Debt

General Obligation Bonds and Loans

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

<u>Governmental Activities</u>	<u>Original Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding</u>
General Obligation Bonds					
Public Offerings:					
Town Hall, Parking and Bridge	\$ 2,460,000	2.00 - 3.125	10/05/11	08/01/26	\$ 315,000
Municipal Purpose 2013	12,244,000	2.00 - 4.00	10/03/12	07/15/32	4,410,000
Municipal Purpose 2013	5,945,000	2.00 - 4.00	06/18/13	11/01/32	2,545,000
Municipal Purpose 2014	6,085,000	3.00 - 4.00	12/02/13	07/15/33	2,500,000
Municipal Purpose 2014	5,032,000	2.00 - 2.50	06/02/14	05/15/34	500,000
Municipal Purpose 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	1,850,000
GOB - Refunding 2016	6,645,000	2.00 - 4.00	06/16/16	08/01/27	1,910,000
Municipal Purpose 2017	10,945,000	3.00 - 4.00	01/05/17	01/15/42	5,875,000
Municipal Purpose 2018	31,000,000	3.00 - 4.00	07/17/18	07/15/38	21,725,000
Municipal Purpose 2020	27,500,000	2.625 - 5.00	10/01/19	08/01/44	20,460,000
Municipal Purpose 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/40	17,470,000
Municipal Purpose 2021	4,668,000	2.00 - 5.00	04/14/21	06/30/41	2,710,000
Municipal Purpose 2021	19,407,000	2.00 - 5.00	04/14/21	06/30/41	14,100,000
Municipal Purpose 2022	9,970,000	2.00 - 5.00	04/14/22	08/15/36	6,285,000
Total Governmental Activities					\$ <u>102,655,000</u>
<u>Business-Type Activities</u>	<u>Original Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding</u>
General Obligation Bonds					
Public Offerings:					
Municipal Purpose 2014	\$ 5,032,000	2.00 - 2.50	06/02/14	05/15/34	\$ 995,000
Municipal Purpose 2015	13,425,000	2.00 - 4.00	04/01/15	11/15/33	930,000
Municipal Purpose 2020	25,185,000	2.00 - 5.00	06/25/20	02/01/28	20,000
Municipal Purpose 2022	145,000	2.00 - 5.00	04/14/22	08/15/27	95,000
Total Public Offerings					<u>2,040,000</u>
Loans - Direct Borrowings					
Massachusetts Water Resources Authority:					
MA Water Resources Authority	765,335	2.00	06/01/12	07/15/30	316,102
MA Water Resources Authority	9,055,822	2.00	05/22/13	01/15/33	3,037,612
MA Water Resources Authority	2,310,813	3.00 - 4.00	05/11/17	01/15/28	852,506
MA Water Resources Authority	440,000	0.00	11/26/19	11/15/24	88,000
Total Loans - Direct Borrowings					<u>4,294,220</u>
Total Business-Type Activities					\$ <u>6,334,220</u>

Future Debt Service

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2024 are as follows:

<u>Governmental</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,745,000	3,534,775	\$ 13,279,775
2026	8,745,000	3,119,725	11,864,725
2027	8,280,000	2,755,172	11,035,172
2028	7,520,000	2,401,569	9,921,569
2029	7,150,000	2,077,809	9,227,809
2030 - 2034	29,560,000	6,760,116	36,320,116
2035 - 2039	21,125,000	2,935,113	24,060,113
2040 - 2044	10,070,000	703,228	10,773,228
2045 - 2046	460,000	6,900	466,900
Total	\$ <u>102,655,000</u>	\$ <u>24,294,407</u>	\$ <u>126,949,407</u>

<u>Business-Type</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 260,000	62,700	\$ 322,700
2026	220,000	54,550	274,550
2027	220,000	47,250	267,250
2028	215,000	40,350	255,350
2029	190,000	34,525	224,525
2030 - 2034	935,000	84,175	1,019,175
Total	\$ <u>2,040,000</u>	\$ <u>323,550</u>	\$ <u>2,363,550</u>

<u>Business-Type</u>	<u>MWRA Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 652,855	66,649	\$ 719,504
2026	572,430	59,606	632,036
2027	580,168	52,411	632,579
2028	588,073	45,062	633,135
2029	383,022	37,554	420,576
2030 - 2034	1,517,672	30,363	1,548,035
Total	\$ <u>4,294,220</u>	\$ <u>291,645</u>	\$ <u>4,585,865</u>

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2024, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
5/7/2018	Public Works Storage Facility Design & Consturction	\$ 35,000
5/7/2018	RTS Property Repairs	55,000
5/6/2019	Water Distribution Improvements	3,294,650
5/1/2021	Public Safety Building and Fire Station #2	1,340,000
5/1/2021	Sewer Main Replacement	204,500
5/1/2021	Water Service Connections	500,000
10/5/2021	Emery Grover Building Design	15,000
5/4/2022	Emery Grover Building Addition and Renovation	9,891,350
10/24/2022	Additional Emery Grover Building Addition	1,295,000
5/1/2023	Broadmeadow and Eliot School Rooftop Unit	8,970,000
5/1/2023	South Street Water System Distribution Improvements	4,000,000
	Total	<u>\$ 29,600,500</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/23</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/24</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/24</u>
Governmental Activities						
Bonds payable - public offerings	\$ 113,340,000	\$ -	\$ (10,685,000)	\$ 102,655,000	\$ (9,745,000)	\$ 92,910,000
Unamortized bond premium	<u>9,331,979</u>	<u>-</u>	<u>(953,274)</u>	<u>8,378,705</u>	<u>(953,274)</u>	<u>7,425,431</u>
Subtotal bonds and loans payable	122,671,979	-	(11,638,274)	111,033,705	(10,698,274)	100,335,431
Net pension liability	83,968,779	-	(11,913,069)	72,055,710	-	72,055,710
Net OPEB liability	71,907,115	-	(12,912,104)	58,995,011	-	58,995,011
Compensated absences	7,099,941	-	(412,309)	6,687,632	(1,671,908)	5,015,724
Landfill closure	<u>338,493</u>	<u>-</u>	<u>(56,415)</u>	<u>282,078</u>	<u>(56,415)</u>	<u>225,663</u>
Total Long-Term Liabilities	<u>\$ 285,986,307</u>	<u>\$ -</u>	<u>\$ (36,932,171)</u>	<u>\$ 249,054,136</u>	<u>\$ (12,426,597)</u>	<u>\$ 236,627,539</u>
Business-Type Activities						
Bonds payable - public offerings	\$ 2,300,000	\$ -	\$ (260,000)	\$ 2,040,000	\$ (260,000)	\$ 1,780,000
Loans - direct borrowings	<u>4,939,659</u>	<u>-</u>	<u>(645,439)</u>	<u>4,294,220</u>	<u>(652,855)</u>	<u>3,641,365</u>
Subtotal bonds and loans payable	7,239,659	-	(905,439)	6,334,220	(912,855)	5,421,365
Net pension liability	3,207,538	-	(455,069)	2,752,469	-	2,752,469
Net OPEB liability	1,036,177	537,203	-	1,573,380	-	1,573,380
Compensated absences	<u>275,336</u>	<u>26,737</u>	<u>-</u>	<u>302,073</u>	<u>(75,518)</u>	<u>226,555</u>
Total Long-Term Liabilities	<u>\$ 11,758,710</u>	<u>\$ 563,940</u>	<u>\$ (1,360,508)</u>	<u>\$ 10,962,142</u>	<u>\$ (988,373)</u>	<u>\$ 9,973,769</u>

Prior Year Refundings

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2024, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$3,120,000.

13. Landfill Postclosure Care Costs

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

The \$282,078 reported as postclosure care liability at June 30, 2024, represents the estimated costs to maintain and monitor the site for the remainder of the thirty years. These amounts are based on what it would cost to perform all postclosure care in fiscal year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

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

15. Governmental Funds - Balances

The Town's fund balances at June 30, 2024 were comprised of the following:

	General Fund	Community Preservation Fund	Town Federal Grants Fund	Emery Grover Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 262,277	\$ 262,277
Total Nonspendable	-	-	-	-	262,277	262,277
Restricted:						
Debt service	505,815	-	-	-	-	505,815
Community preservation	-	14,359,100	-	-	-	14,359,100
Town federal grants	-	-	1,156,388	-	-	1,156,388
Permanent funds	-	-	-	-	3,670,667	3,670,667
Capital projects	-	-	-	-	93,551	93,551
Special revenue funds:						
Circuit Breaker	-	-	-	-	600,729	600,729
School lunch	-	-	-	-	1,561,658	1,561,658
Parks and recreation revolving	-	-	-	-	859,099	859,099
RRFA - bond premiums	-	-	-	-	434,540	434,540
BOH immunization/education	-	-	-	-	358,340	358,340
Daycare revolving	-	-	-	-	373,942	373,942
Facility activity use	-	-	-	-	264,565	264,565
Insurance loss replacement	-	-	-	-	447,806	447,806
Other special revenue funds	-	-	-	-	4,044,902	4,044,902
Total Restricted	505,815	14,359,100	1,156,388	-	12,709,799	28,731,102
Committed:						
Continuing appropriations articles	4,853,091	-	-	-	-	4,853,091
Compensated absences	924,339	-	-	-	-	924,339
Capital improvement stabilization	1,662,108	-	-	-	-	1,662,108
Capital facility stabilization	2,120,562	-	-	-	-	2,120,562
Athletic facility stabilization	1,202,392	-	-	-	-	1,202,392
Debt service stabilization	2,376,992	-	-	-	-	2,376,992
Opioid settlement stabilization	332,015	-	-	-	-	332,015
Stormwater stabilization	72,583	-	-	-	-	72,583
Next year's appropriations	14,110,165	-	-	-	-	14,110,165
Capital projects	-	-	-	-	12,014,838	12,014,838
Total Committed	27,654,247	-	-	-	12,014,838	39,669,085
Assigned:						
Encumbrances	5,351,358	-	-	-	-	5,351,358
Next year's operating budget	5,081,603	-	-	-	-	5,081,603
Other	12,500	-	-	-	-	12,500
Total Assigned	10,445,461	-	-	-	-	10,445,461
Unassigned:						
Operating fund	28,877,716	-	-	-	-	28,877,716
General stabilization fund	4,894,488	-	-	-	-	4,894,488
Deficit funds	-	-	(45,045)	(7,639,289)	(4,578,595)	(12,262,929)
Total Unassigned	33,772,204	-	(45,045)	(7,639,289)	(4,578,595)	21,509,275
Total Fund Balances	\$ 72,377,727	\$ 14,359,100	\$ 1,111,343	\$ (7,639,289)	\$ 20,408,319	\$ 100,617,200

Stabilization Fund Arrangements

In accordance with Massachusetts General Laws, Section 5B of Chapter 40, as amended by Section 22 of Chapter 218 of the Acts of 2016, the Town maintains six stabilization funds. Per Chapter 218, balances in the stabilization funds can be expended only upon appropriation at Town Meeting. Additionally, transfers to the stabilization funds are required to be approved at Town Meeting. The Town maintains the following stabilization funds:

- General stabilization – established around 1970, for general purposes.
- Capital improvement stabilization – established in May 2004, to reserve funds for the acquisition of new equipment, and/or the replacement of existing equipment (in both cases relating to equipment for which the Town may borrow for 5 years, or more), and/or for building/facility improvements with a cost of less than \$250,000.
- Capital facility stabilization – established in May 2007, to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity of the capital facilities.
- Athletic facility stabilization – established in May 2012, to reserve funds for the renovation and reconstruction of the Town’s athletic facilities.
- Debt service stabilization – established in November 2015, to reserve funds to pay certain debt obligations, when necessary. The fund is intended to be part of the Town’s overall planning strategy for addressing capital facility needs.
- Opioid stabilization – established in May 2023, to reserve funds received from opioid settlements to address opioid recovery and mitigation programs.
- Stormwater stabilization – established in May 2023, to reserve stormwater mitigation assessments for stormwater maintenance, repair, and improvement programs.

16. Restricted Net Position

The Town's restricted net position at June 30, 2024 was comprised of the following:

Purpose	Governmental Activities
Community preservation	\$ 14,439,144
Permanent funds	3,932,944
Circuit breaker	600,729
School lunch	1,561,658
Park & recreation 53D	859,099
Debt service	505,815
RRFA - bond premiums	434,640
Insurance loss replacement	447,806
Other	<u>6,909,031</u>
Total	<u>\$ 29,690,866</u>

17. Needham Contributory Retirement System

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

Plan Description

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

Participant Retirement Benefits

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

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements; however, they must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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

Participant Refunds

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

Participants' Contributions

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

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

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2024, was \$12,154,582, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2024, the Town reported a liability of \$74,808,179 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating

employers, actuarially determined. At December 31, 2023, the Town's proportion was 98.66%, previously 98.74%.

For the year ended June 30, 2024, the Town recognized pension expense of \$10,522,973. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 2,197,776	\$ (4,563,801)
Changes of assumptions	3,338,204	-
Changes in proportion	92,314	(82,500)
Net difference between projected and actual earnings on pension plan investments	<u>4,984,552</u>	<u>-</u>
Total	<u>\$ 10,612,846</u>	<u>\$ (4,646,301)</u>

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

Year ended June 30:	Deferred Outflows (Inflows) of Resources
2025	\$ (543,402)
2026	1,454,575
2027	7,023,163
2028	(1,933,851)
2027	<u>(33,940)</u>
Total	<u>\$ 5,966,545</u>

Actuarial Assumptions

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

Valuation date	1/1/2024
Actuarial cost methods	Individual Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.25%
Projected salary increases	Ranging from 3.75% to 7.00%
Inflation rate	2.50% per year
Payroll growth	3.50% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$16,000

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

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

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	37.00%	4.90%
Private equity	16.00%	7.70%
Core fixed income	15.00%	2.20%
Real estate	10.00%	4.10%
Portfolio Completion (PCS)	10.00%	3.90%
Value-Added fixed income	8.00%	5.30%
Timberland	4.00%	4.60%
Total	<u>100.00%</u>	

Discount Rate

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

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

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

<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
\$ 112,365,613	\$ 74,808,179	\$ 43,340,597

Pension Plan Fiduciary Net Position

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

18. **Massachusetts Teachers' Retirement System (MTRS)**

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

Actuarial Assumptions

The net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023. This valuation used the following assumptions:

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

Mortality rates were as follows:

- Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).

- Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).

Target Allocation

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	37.00%	4.90%
Core fixed income	15.00%	1.90%
Private equity	16.00%	7.40%
Portfolio completion strategies	10.00%	3.80%
Real estate	10.00%	3.00%
Value added fixed income	8.00%	5.10%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

<u>1% Decrease to 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase to 8.00%</u>
\$ 33,378,000	\$ 26,290,271	\$ 20,292,000

Special Funding Situation

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

Town Proportions

In fiscal year 2023 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$187,105,482 based on a proportionate share of 0.711691%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as of \$15,291,933 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$17,470,064 as both a revenue and expense on the Statement of Activities.

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

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

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

payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2024.

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

At June 30, 2024, the following employees were covered by the benefit terms:

Retirees/Disabled	851
Active employees	<u>1,305</u>
Total	<u><u>2,156</u></u>

Investments

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

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.10%, as of June 2024 and future periods
Salary increases	3.50% annually as of June 2024 and future periods
Investment rate of return	6.25%, net of investment expenses, including inflation
Discount rate	6.25%, net of investment expenses, including inflation
Healthcare cost trend rates	7.50% for 2024, based on the Getzen Model updated through October 2023, to an ultimate rate of 4.54%
Participation rate	80% of eligible employees
Retirees' share of benefit-related costs	26%-50%, depending on the retiree's plan

Mortality rates were based on:

- SOA RP-2014 White Collar Mortality with Scale MP-2016
- SOA RP-2014 Blue Collar Mortality with Scale MP-2016, set forward 1 year for females
- SOA RP-2014 Disabled Retiree Mortality with Scape MP-2016

Target Allocations

The target allocation disclosures in Note 17 apply equally to the Town's OPEB investments in SRBT funds.

Contributions

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

Discount Rate

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

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

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2024, were as follows:

Total OPEB liability	\$ 142,739,342
Plan fiduciary net position	<u>(82,170,951)</u>
Net OPEB liability	<u>\$ 60,568,391</u>

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 143,077,747	\$ 70,134,455	\$ 72,943,292
Changes for the year:			
Service cost	4,728,355	-	4,728,355
Interest	8,541,761	-	8,541,761
Contributions - employer	-	9,366,518	(9,366,518)
Net investment income	-	7,611,161	(7,611,161)
Differences between expected and actual experience	(6,533,926)	-	(6,533,926)
Changes in assumptions or other inputs	(2,133,412)	-	(2,133,412)
Benefit payments	<u>(4,941,183)</u>	<u>(4,941,183)</u>	<u>-</u>
Net Changes	<u>(338,405)</u>	<u>12,036,496</u>	<u>(12,374,901)</u>
Balances, end of year	\$ <u>142,739,342</u>	\$ <u>82,170,951</u>	\$ <u>60,568,391</u>

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 77,396,270	\$ 60,568,391	\$ 46,308,583

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

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

	1%	Current Healthcare Cost Trend Rates	1%
	<u>Decrease</u>		<u>Increase</u>
\$	42,859,401	\$ 60,568,391	\$ 82,249,184

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

For the year ended June 30, 2024, the Town recognized an OPEB expense of \$9,279,773. At June 30, 2024, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (8,623,359)
Change in assumptions	6,384,178	(1,822,872)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(2,300,323)</u>
Total	\$ <u>6,384,178</u>	\$ <u>(12,746,554)</u>

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

Year Ended June 30:

2025	\$ (1,518,493)
2026	260,751
2027	(1,233,118)
2028	(1,665,019)
2029	(1,108,885)
Thereafter	<u>(1,097,612)</u>
Total	\$ <u>(6,362,376)</u>

20. Consolidation of Pension and OPEB Trust Funds

The Needham Contributory Retirement System and the Town's OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2023)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 9,468,433	\$ 1,705,944	\$ 11,174,377
Investments:			
Pooled investments:			
External investment pool (PRIT)	227,286,065	-	227,286,065
External investment pool (SRBT)	-	80,465,007	80,465,007
Total Investments	227,286,065	80,465,007	307,751,072
Total Assets	<u>236,754,498</u>	<u>82,170,951</u>	<u>318,925,449</u>
Liabilities			
Accounts payable	28,557	-	28,557
Total Liabilities	<u>28,557</u>	<u>-</u>	<u>28,557</u>
Net Position			
Restricted for pension	236,725,941	-	236,725,941
Restricted for OPEB	-	82,170,951	82,170,951
Total Net Position	<u>\$ 236,725,941</u>	<u>\$ 82,170,951</u>	<u>\$ 318,896,892</u>
	Pension Trust Fund (Year Ended December 31, 2023)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 12,319,665	\$ 9,366,518	\$ 21,686,183
Plan members	6,016,041	-	6,016,041
Other	264,557	-	264,557
Total contributions	<u>18,600,263</u>	<u>9,366,518</u>	<u>27,966,781</u>
Investment Income:			
Earnings and change in fair value of investments	23,963,651	7,611,161	31,574,812
Less: management fees	(1,093,360)	-	(1,093,360)
Net investment income	<u>22,870,291</u>	<u>7,611,161</u>	<u>30,481,452</u>
Total Additions	<u>41,470,554</u>	<u>16,977,679</u>	<u>58,448,233</u>
Deductions			
Benefit payments to plan members and beneficiaries	16,088,743	4,941,183	21,029,926
Refunds to plan members	2,163,938	-	2,163,938
Administrative expenses	343,653	-	343,653
Total Deductions	<u>18,596,334</u>	<u>4,941,183</u>	<u>23,537,517</u>
Change in Net Position	<u>22,874,220</u>	<u>12,036,496</u>	<u>34,910,716</u>
Net Position Restricted for Pension and OPEB Purposes			
Beginning of year	<u>213,851,721</u>	<u>70,134,455</u>	<u>283,986,176</u>
End of year	<u>\$ 236,725,941</u>	<u>\$ 82,170,951</u>	<u>\$ 318,896,892</u>

21. Self-Insurance

Workers' Compensation

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

As of June 30, 2024, the Town's workers' compensation fund had a balance of \$2,273,845 in unrestricted net position. This amount is generated from the remainder of the workers' compensation budget voted each year by Town Meeting, less accrual for outstanding claims. The Town appropriated \$938,670 for workers' compensation line item in fiscal year 2024. These funds are used to pay workers' compensation related expenses throughout the year, with the unexpended balance rolling into the trust fund noted above. The Town also purchases stop-loss reinsurance as part of its workers compensation program from Midwest Employers Casualty Company. Under the terms of its excess workers compensation coverage, the Town is liable for up to \$450,000 per accident per employee to an aggregate limit of \$1,000,000 per accident. The Town's maximum aggregate liability for all claims paid within one year is \$4,000,000. The Town has no excess liability coverage for public safety employees and no reasonable estimate of claims liability has been determined.

A liability for unpaid claims at June 30, 2024 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, 2024 and June 30, 2023 were as follows:

	<u>6/30/2024</u>	<u>6/30/2023</u>
Claims liability, beginning of year	\$ 548,316	\$ 553,982
Claims incurred/recognized	857,976	784,487
Claims paid	<u>(540,504)</u>	<u>(790,153)</u>
Claims liability, end of year	<u>\$ 865,788</u>	<u>\$ 548,316</u>

22. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Abatements

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

Encumbrances

At year-end, the Town's General Fund had \$5,351,358 of encumbrances that will be honored in the next fiscal year.

23. Subsequent Events

Short-Term Debt

The Town issued the following general obligation bond anticipation notes (BAN) after June 30, 2024:

<u>Purpose</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Water distribution improvements	4.00	12/19/2024	7/30/2025	\$ 1,900,000
Water service connections	4.00	12/19/2024	7/30/2025	196,550
Emery Grover building addition and renovation	4.00	12/19/2024	7/30/2025	3,103,450
Broadmeadow and Eliot School rooftop unit replacement	4.00	12/19/2024	7/30/2025	1,000,000
Athletic facility improvements - Claxton Field	4.00	12/19/2024	7/30/2025	460,000
Water distribution improvements	3.50	6/2/2025	10/30/2025	400,000
Emery Grover building addition and renovation	3.50	6/2/2025	10/30/2025	4,581,135
Broadmeadow and Eliot School rooftop unit replacement	3.50	6/2/2025	10/30/2025	2,200,000
Athletic facility improvements - Claxton Field	3.50	6/2/2025	10/30/2025	2,900,000
Public safety building and fire station #2	3.50	6/2/2025	10/30/2025	15,100
Additional Emery Grover building addition and renovation	3.50	6/2/2025	10/30/2025	1,030,000
Water distribution improvements	4.00	7/30/2025	10/30/2025	1,150,000
Emery Grover building addition and renovation	4.00	7/30/2025	10/30/2025	1,610,000

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2024

(UNAUDITED)

	<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				
Property taxes	\$ 181,958,970	181,958,970	182,678,092	\$ 719,122
Excises	5,075,000	5,075,000	7,316,406	2,241,406
Penalties, interest, and other taxes	1,800,000	1,800,000	2,799,072	999,072
Charges for services	3,499,500	3,499,500	5,054,065	1,554,565
Departmental	695,750	695,750	949,520	253,770
Licenses and permits	1,925,000	1,925,000	2,737,881	812,881
Intergovernmental	15,469,882	15,469,882	15,513,816	43,934
Investment income	500,000	500,000	3,014,710	2,514,710
Fines and forfeitures	-	-	83,831	83,831
Other revenue	<u>435,000</u>	<u>435,000</u>	<u>299,897</u>	<u>(135,103)</u>
Total Revenues	211,359,102	211,359,102	220,447,290	9,088,188
Expenditures				
General government	8,161,639	7,399,267	5,911,954	1,487,313
Land use	597,667	598,018	562,090	35,928
Public safety	20,353,397	20,853,607	19,905,909	947,698
Education	93,796,444	93,796,433	92,285,235	1,511,198
Public works	26,220,700	27,001,117	26,249,565	751,552
Building design and construction	348,176	351,771	243,772	107,999
Health and human services	2,550,302	2,554,452	2,553,788	664
Culture and recreation	3,730,215	3,733,673	3,317,033	416,640
Employee benefits	40,054,637	39,506,494	37,899,844	1,606,650
Debt service	17,543,250	17,557,775	17,557,775	-
Other appropriated expenses	934,990	934,990	870,055	64,935
Intergovernmental	<u>1,607,096</u>	<u>1,607,096</u>	<u>1,642,017</u>	<u>(34,921)</u>
Total Expenditures	<u>215,898,513</u>	<u>215,894,693</u>	<u>208,999,037</u>	<u>6,895,656</u>
Excess (deficiency) of revenues over expenditures	(4,539,411)	(4,535,591)	11,448,253	15,983,844
Other Financing Sources (Uses)				
Transfers in	2,435,029	2,435,029	2,751,933	316,904
Transfers out	(11,466,998)	(12,139,029)	(12,139,029)	-
Use of free cash:				
For capital projects and special articles	8,736,607	9,204,818	-	(9,204,818)
For operating budget	3,597,105	3,597,105	-	(3,597,105)
Use of bond premium	27,668	27,668	-	(27,668)
Use of overlay surplus:				
For capital projects and special articles	710,000	910,000	-	(910,000)
For operating budget	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses)	<u>4,539,411</u>	<u>4,535,591</u>	<u>(9,387,096)</u>	<u>(13,922,687)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,061,157</u>	\$ <u>2,061,157</u>

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

Notes to Required Supplementary Information for General Fund Budget

Budgetary Basis and Information

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 236,688,203	\$ 219,777,730
Other financing sources/uses (GAAP Basis)	<u>3,373,578</u>	<u>12,510,673</u>
Subtotal (GAAP Basis)	240,061,781	232,288,403
Add end-of-year appropriation carryforwards to expenditures	-	5,313,968
To reverse gross up for MTRS on behalf payment	(15,291,933)	(15,291,933)
To reflect other budgetary basis activity, net	<u>(1,570,625)</u>	<u>(1,172,372)</u>
Budgetary Basis	<u>\$ 223,199,223</u>	<u>\$ 221,138,066</u>

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

Needham Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2024	December 31, 2023	98.66%	\$ 74,808,179	\$ 45,704,966	163.68%	75.74%
June 30, 2023	December 31, 2022	98.74%	87,176,317	43,326,494	201.21%	70.80%
June 30, 2022	December 31, 2021	98.65%	45,865,454	40,549,126	113.11%	83.90%
June 30, 2021	December 31, 2020	98.47%	73,694,482	43,397,457	169.81%	73.09%
June 30, 2020	December 31, 2019	98.72%	84,371,092	41,193,710	204.82%	68.07%
June 30, 2019	December 31, 2018	98.43%	78,768,106	43,859,715	179.59%	66.48%
June 30, 2018	December 31, 2017	98.48%	64,280,887	44,684,936	143.85%	71.58%
June 30, 2017	December 31, 2016	98.41%	68,675,930	38,860,207	176.73%	67.10%
June 30, 2016	December 31, 2015	98.20%	63,877,775	39,406,655	162.10%	67.43%
June 30, 2015	December 31, 2014	98.27%	54,445,695	35,772,213	152.20%	71.09%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2024	June 30, 2023	0.71%	\$ -	\$ 187,105,482	\$ 187,105,482	\$ 59,968,766	0.00%	58.48%
June 30, 2023	June 30, 2022	0.73%	-	188,613,549	188,613,549	61,020,236	0.00%	57.75%
June 30, 2022	June 30, 2021	0.75%	-	168,708,472	168,708,472	55,875,071	0.00%	62.03%
June 30, 2021	June 30, 2020	0.71%	-	202,510,698	202,510,698	48,375,608	0.00%	50.67%
June 30, 2020	June 30, 2019	0.70%	-	175,678,243	175,678,243	50,620,405	0.00%	53.95%
June 30, 2019	June 30, 2018	0.69%	-	163,330,397	163,330,397	44,888,988	0.00%	54.84%
June 30, 2018	June 30, 2017	0.68%	-	156,266,130	156,266,130	46,022,868	0.00%	54.25%
June 30, 2017	June 30, 2016	0.67%	-	148,771,539	148,771,539	44,621,329	0.00%	52.73%
June 30, 2016	June 30, 2015	0.66%	-	135,373,423	135,373,423	39,867,330	0.00%	55.38%
June 30, 2015	June 30, 2014	0.63%	-	100,708,775	100,708,775	N/A	0.00%	61.64%

See Independent Auditors' Report.

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

(Unaudited)

Needham Contributory Retirement System					
Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2024	\$ 12,154,582	\$ 12,154,582	\$ -	\$ 45,704,966	26.59%
June 30, 2023	11,263,367	11,263,367	-	43,326,494	26.00%
June 30, 2022	10,417,439	10,417,439	-	40,549,126	25.69%
June 30, 2021	9,368,084	9,368,084	-	43,397,457	21.59%
June 30, 2020	8,577,048	8,577,048	-	41,193,710	20.82%
June 30, 2019	7,809,911	7,809,911	-	43,859,715	17.81%
June 30, 2018	7,203,059	7,203,059	-	44,684,936	16.12%
June 30, 2017	6,600,162	6,600,162	-	38,860,207	16.98%
June 30, 2016	6,039,115	6,039,115	-	39,406,655	15.33%
June 30, 2015	5,524,150	5,524,150	-	35,772,213	15.44%

Massachusetts Teachers' Retirement System					
<u>Fiscal Year</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2024	\$ 15,291,933	\$ 15,291,933	\$ -	\$ 61,450,589	24.88%
June 30, 2023	15,333,541	15,333,541	-	59,968,766	25.57%
June 30, 2022	12,990,950	12,990,950	-	61,020,236	21.29%
June 30, 2021	11,020,792	11,020,792	-	55,875,071	19.72%
June 30, 2020	10,059,024	10,059,024	-	48,375,608	20.79%
June 30, 2019	9,056,616	9,056,616	-	50,620,405	17.89%
June 30, 2018	8,436,349	8,436,349	-	44,888,988	18.79%
June 30, 2017	7,483,070	7,483,070	-	46,022,868	16.26%
June 30, 2016	6,751,809	6,751,809	-	44,621,329	15.13%
June 30, 2015	5,938,614	5,938,614	-	39,867,330	14.90%

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability								
Service cost	\$ 4,728,355	3,562,953	\$ 3,030,646	\$ 3,085,625	\$ 2,915,612	\$ 2,797,907	\$ 2,573,887	\$ 2,486,847
Interest	8,541,761	8,499,323	8,414,773	8,384,081	7,382,923	6,347,733	6,913,177	6,544,745
Plan amendments	-	-	-	-	-	-	(4,090,587)	-
Differences between expected and actual experience	(6,533,926)	(1,166,068)	(3,714,901)	(293,339)	159,645	(21,193,711)	1,798,808	-
Changes of assumptions	(2,133,412)	2,666,428	3,950,140	3,893,113	8,438,164	31,054,380	(4,589,355)	-
Benefit payments	<u>(4,941,183)</u>	<u>(5,735,280)</u>	<u>(5,626,770)</u>	<u>(5,034,735)</u>	<u>(4,502,453)</u>	<u>(4,174,262)</u>	<u>(4,463,145)</u>	<u>(3,958,395)</u>
Net Change in Total OPEB Liability	(338,405)	7,827,356	6,053,888	10,034,745	14,393,891	14,832,047	(1,857,215)	5,073,197
Total OPEB Liability - Beginning	<u>143,077,747</u>	<u>135,250,391</u>	<u>129,196,503</u>	<u>119,161,758</u>	<u>104,767,867</u>	<u>89,935,820</u>	<u>91,793,035</u>	<u>86,719,838</u>
Total OPEB Liability - Ending (a)	<u>142,739,342</u>	<u>143,077,747</u>	<u>135,250,391</u>	<u>129,196,503</u>	<u>119,161,758</u>	<u>104,767,867</u>	<u>89,935,820</u>	<u>91,793,035</u>
Plan Fiduciary Net Position								
Contributions - employer	9,175,964	10,909,594	9,213,019	8,650,376	8,032,252	7,800,967	7,389,578	6,317,042
Net investment income	7,801,715	3,576,485	(2,379,071)	13,820,192	873,725	1,831,609	3,117,203	3,020,230
Benefit payments, including refunds of member contributions	(4,941,183)	(5,735,280)	(5,626,770)	(5,034,735)	(4,502,453)	(4,174,262)	(4,463,145)	(3,958,395)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,093</u>
Net Change in Plan Fiduciary Net Position	12,036,496	8,750,799	1,207,178	17,435,833	4,403,524	5,458,314	6,043,636	5,635,970
Plan Fiduciary Net Position - Beginning	<u>70,134,455</u>	<u>61,383,656</u>	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>	<u>21,199,201</u>
Plan Fiduciary Net Position - Ending (b)	<u>82,170,951</u>	<u>70,134,455</u>	<u>61,383,656</u>	<u>60,176,478</u>	<u>42,740,645</u>	<u>38,337,121</u>	<u>32,878,807</u>	<u>26,835,171</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 60,568,391</u>	<u>72,943,292</u>	<u>\$ 73,866,735</u>	<u>\$ 69,020,025</u>	<u>\$ 76,421,113</u>	<u>\$ 66,430,746</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

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

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability								
Total OPEB liability	\$ 142,739,342	\$ 143,077,747	\$ 135,250,391	\$ 129,196,503	\$ 119,161,758	\$ 104,767,867	\$ 89,935,820	\$ 91,793,035
Plan fiduciary net position	<u>(82,170,951)</u>	<u>(70,134,455)</u>	<u>(61,383,656)</u>	<u>(60,176,478)</u>	<u>(42,740,645)</u>	<u>(38,337,121)</u>	<u>(32,878,807)</u>	<u>(26,835,171)</u>
Net OPEB Liability	<u>\$ 60,568,391</u>	<u>\$ 72,943,292</u>	<u>\$ 73,866,735</u>	<u>\$ 69,020,025</u>	<u>\$ 76,421,113</u>	<u>\$ 66,430,746</u>	<u>\$ 57,057,013</u>	<u>\$ 64,957,864</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	57.57%	49.02%	45.39%	46.58%	35.87%	36.59%	36.56%	29.23%
Covered Employee Payroll	\$ 123,606,693	\$ 118,576,875	\$ 105,734,622	\$ 102,654,973	\$ 99,665,022	\$ 93,645,807	\$ 94,042,382	\$ 94,042,382
Net OPEB Liability as a Percentage of Covered Employee Payroll	49.00%	61.52%	69.86%	67.23%	76.68%	70.94%	60.67%	69.07%
Schedule of Contributions								
Actuarially determined contribution	\$ 9,819,045	\$ 8,844,474	\$ 7,426,237	\$ 7,197,713	\$ 6,906,705	\$ 6,906,705	\$ 6,072,283	\$ 5,568,923
Contributions in relation to the actuarially determined contribution	<u>4,941,183</u>	<u>8,844,474</u>	<u>7,426,237</u>	<u>7,426,237</u>	<u>6,906,705</u>	<u>6,906,705</u>	<u>6,115,455</u>	<u>5,568,923</u>
Contribution Deficiency (Excess)	<u>\$ 4,877,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (228,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,172)</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 123,606,693	\$ 118,576,875	\$ 105,734,622	\$ 102,654,973	\$ 99,665,022	\$ 93,645,807	\$ 94,042,382	\$ 94,042,382
Contributions as a Percentage of Covered Employee Payroll	4.00%	7.46%	7.02%	7.23%	6.93%	7.38%	6.50%	5.92%
Schedule of Investment Returns								
Annual money weighted rate of return, net of investment expenses	9.22%	5.28%	-6.25%	28.97%	4.65%	4.93%	11.62%	14.25%

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

See Independent Auditors' Report.

TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>	<u>Budgetary Basis</u>	Variance Positive (Negative)
Revenues			
Current service charges	\$ 8,954,570	\$ 9,447,604	\$ 493,034
Interest income	7,700	113,633	105,933
Other revenue	<u>21,740</u>	<u>13,585</u>	<u>(8,155)</u>
Total Revenues	8,984,010	9,574,822	590,812
Expenditures			
Sewer expenditures	2,217,911	1,884,201	333,710
Intergovernmental	7,084,841	7,084,841	-
Debt service	<u>610,000</u>	<u>493,424</u>	<u>116,576</u>
Total Expenditures	<u>9,912,752</u>	<u>9,462,466</u>	<u>450,286</u>
Excess of revenues over expenditures	(928,742)	112,356	1,041,098
Other Financing Sources and (Uses)			
Transfers in	810,358	907,520	97,162
Use of retained earnings	1,234,641	-	(1,234,641)
Transfers out	<u>(1,116,257)</u>	<u>(1,116,257)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>928,742</u>	<u>(208,737)</u>	<u>(1,137,479)</u>
(Deficiency) of revenues and other sources (under) expenditures and other uses	\$ <u>-</u>	\$ <u>(96,381)</u>	\$ <u>(96,381)</u>

TOWN OF NEEDHAM, MASSACHUSETTS
SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>	<u>Budgetary Basis</u>	Variance Positive (Negative)
Revenues			
Current service charges	\$ 6,755,373	\$ 6,492,206	\$ (263,167)
Interest income	15,000	214,964	199,964
Other revenue	<u>38,300</u>	<u>6,976</u>	<u>(31,324)</u>
Total Revenues	6,808,673	6,714,146	(94,527)
Expenditures			
Water expenditures	3,216,761	2,807,464	409,297
Intergovernmental	1,887,130	1,887,130	-
Debt service	<u>1,250,000</u>	<u>1,249,009</u>	<u>991</u>
Total Expenditures	<u>6,353,891</u>	<u>5,943,603</u>	<u>410,288</u>
Excess of revenues over expenditures	454,782	770,543	315,761
Other Financing Sources and (Uses)			
Transfers in	-	26,724	26,724
Use of retained earnings	3,771,633	-	(3,771,633)
Transfers out	<u>(4,226,415)</u>	<u>(4,262,562)</u>	<u>(36,147)</u>
Total Other Financing Sources and (Uses)	<u>(454,782)</u>	<u>(4,235,838)</u>	<u>(3,781,056)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>(3,465,295)</u>	\$ <u>(3,465,295)</u>

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Select Board
Town of Needham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Needham, Massachusetts (the "Town"), as of and for the year ended June 30, 2024, (except for the Needham Contributory Retirement System which is as of and for the year ended December 31, 2023) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item MW-2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

CBIZ CPAs P.C
Boston, MA
October 4, 2025

FINANCIAL STATEMENT FINDINGS

RECONCILE CASH AND RECEIVABLE ON A TIMELY BASIS - MATERIAL WEAKNESS

MW-2024-001

Criteria

Effective internal controls require that management have procedures in place to reconcile cash as reported in the general ledger with the Treasurer's cash book, as well as receivables reported in the general ledger with detail balances reported by the Tax Collector.

Condition and Context

During fiscal year 2024, the Town did not reconcile its cash and receivable accounts until approximately 10 months after year-end.

Cause

Turnover in the Treasurer/Collector position, and a computer system conversion caused the delay in reconciliation.

Effect or Potential Effect

Interim financial reports could have been materially misstated. Additionally, certain audit procedures could not be completed until complete reconciliations were available for testing.

Recommendation

The Town should reconcile all key accounts monthly to ensure the reliability of financial reporting. Completed reconciliations should be forwarded to the Finance Director for approval. If the Town falls behind in preparing reconciliations, the Town should consider outsourcing this function.

Views of Responsible Official

Management of the Town agrees with the finding. Personnel turnover and a computer system conversion contributed to the breakdown of internal controls. Management has hired an external consultant to restore the internal control structure.