

# ***City of Newton, Massachusetts***

## **Comprehensive Annual Financial Report**

*Fiscal Year Ended June 30, 2001*

David C. Wilkinson  
*City Comptroller*

*Prepared by the City Comptroller's Office*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2001

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# ***Introductory Section***

# CITY OF NEWTON, MASSACHUSETTS COMPTROLLER'S OFFICE

1000 Commonwealth Avenue  
Newton, Massachusetts 02159  
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December 31, 2001

To the Honorable Members of the Board of Aldermen and Mayor David Cohen  
Newton City Hall  
1000 Commonwealth Avenue  
Newton, Massachusetts 02159

Dear Members of the Board and Mayor Cohen:

I am pleased to transmit to you the City of Newton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. This report was prepared by the City Comptroller's Office in conformity with generally accepted accounting principals (GAAP) as prescribed in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City Comptroller's Office is responsible for the accuracy of the data presented and the fairness of the presentation, including all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial condition and results of operations.

The CAFR is broken down into the following sections:

1. The **Introductory Section**, which contains this letter of transmittal, provides an overview of the City's organizational structure and financial operations.
2. The **Financial Section** contains the City's independent auditors' report, general purpose financial statements and accompanying footnotes, and combining level financial statements.
3. The **Statistical Section** contains ten-year historical financial, economic, social and demographic data about the City.

## History and Proximity

The City of Newton was settled in 1639 and incorporated as a City in 1873. The City is located approximately seven miles from downtown Boston and is bordered by the Cities of Boston and Waltham, and the Towns of Wellesley, Needham, and Watertown. The City's 18.33 square miles of land is principally suburban residential in character and consists of 13 distinct villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. Open space comprises 19.6% of the City's total land area, of which 55% is publicly owned.

Of the 23,906 residential structures accounted for by the City's Board of Assessor's, 70.7% are listed as single family dwellings; 13.8% as two family dwellings; 1.3% as three family dwellings; 0.7% as dwellings of four or more units; and 13.5% as condominiums.

Commercial uses occupy 4.1% of the City's land area. Nearly 24% of commercial land parcels are office uses; 21% are small retail uses; and 6% are storage or warehouse uses. Only 1.1% of the City's land area is industrial. Newton is a desirable community to live and work in due to its proximity to Boston; an excellent public school system; multiple transportation systems; attractive neighborhoods; high property values; and well managed local government. Newton has an award winning public library and a City museum that was a stop on the Underground Railroad.

## **Organizational Structure**

The City is governed under a home-rule charter, which vested executive authority and responsibility in an elected Mayor, who serves a four-year term. Legislative authority is vested in a 24-member Board of Aldermen, of which eight members are elected from the City's eight wards and sixteen are elected at large. Members of the Board of Aldermen are elected every two years. An eight member school committee is elected every two years and is responsible for appointing the Superintendent of Schools, who has responsibility for the daily administration of the Newton Public Schools.

## **Services**

The City provides a complete range of municipal services including public education, public safety, public works, recreation, library, cultural and health and human services. Although the MBTA has primary responsibility for providing public transportation services, the City supplements this service with a local bus transit system. The Massachusetts Water Resources Authority provides public water supply and sewerage treatment services.

## **Reporting Entity**

The general purpose financial statements along with the combining statements and schedules included in this report relate to the activities under the direction and control of the Mayor, Board of Aldermen and School Committee. Accordingly, the activity of the Newton Community Development Authority and Newton Commonwealth Foundation are included in this report as they are considered Blended Component Units as prescribed by GAAP. The Newton Housing Authority is excluded from this report because it falls outside the direction and control of the Mayor and Board of Aldermen.

## **Financial Management**

The Mayor is responsible for the preparation of the City's financial plan, which includes a multiyear financial forecast and capital improvement plan, and annually recommended capital and operating budgets. The Board of Aldermen is responsible for reviewing and approving financial policy recommendations from the Mayor. An eight-member Finance Committee of the Board of Aldermen oversees financial policy and serves as the City's Audit Committee.

The City's senior financial management team consists of the Chief Administrative Officer and Chief Budget Officer who serve on the Mayor's staff, the Treasurer/Collector and Chief Assessor who are appointed by the Mayor and approved by the Board of Aldermen, and the Comptroller who is appointed by the Board of Aldermen.

The City's three-member Board of Assessors, appointed by the Mayor, is responsible for maintaining accurate real estate and personal property values. Property values are adjusted annually to capture changes in the local real estate market and to make certain the City's assessed valuations are fair and accurate.

The Treasurer/Collector is responsible for revenue collections, cash and debt management, and the administration of parking violations. Real estate and personal property taxes are billed quarterly, thereby eliminating the need to borrow in anticipation of revenue. A lock-box system is used for the majority of real estate, personal property, motor vehicle and utility cash collections.

The Comptroller is responsible for maintaining the City's accounting records, auditing the City's financial activity, and reporting the City's financial activity and position. Detailed monthly revenue and expenditure information is provided on-line to operating departments. Quarterly comparative financial management reports are issued to the Mayor, Board of Aldermen and public. Unaudited year-end financial reports are issued within 60 days of the close of the fiscal year, and audited financial statements are issued prior to the end of the calendar year.

### **Economic Condition and Outlook**

While Newton is not immune to regional and national economic development trends, the City is characterized as a self-sustaining and stable local economy. Historically, Newton has housed a myriad of economic activities ranging from manufacturing to high-tech industries that have served not only local residents, but also the Greater Boston area, and in some cases national and international markets. Among the characteristics that make Newton one of the healthier local economies are its June 2001 unemployment rate of 2.4% (compared to a state-wide average of 3.5%); a AAA bond rating; the 3,608 firms that employ 48,105 individuals; and the high education level of City residents. Other factors include the City's proximity to Boston; location on major regional highway systems; existing building stock; and solid and extensive physical infrastructure make Newton an attractive place for metro-area regional and national investments ranging from corporate headquarters to light manufacturing and regional retail.

The majority of the City's business establishments are located in the 13 village centers, as well as in some of the principal traffic corridors such as Needham, Boylston, and California Streets. There are two major concentrations of light manufacturing and non-service related industries, both of which are located on the edges of the City; one in Nonantum along the Watertown line, and a second in Newton Upper Falls, along the Needham line.

Over the years, the City's economy has steadily shifted toward the service sector. The largest employment sectors are services (51.6%); followed by wholesale and retail trade (22.1%); manufacturing (7.1%); and government (6.5%).

While employment in retail trade declined slightly in the mid-1990's, it remains a significant sector of the City's economy. Indeed, at the close of the decade, Newton's retail sector has grown and stabilized in tandem with the strong national economy. Despite national and local trends in this sector, Newton stands out from area community's because of its vibrant and distinct village centers, which are served as historic focal points for local retail needs. These village centers also represent a potential for future development inasmuch as there is a growing trend towards specialized and small-scale retail. Within this sector, Newton has also forged different types of models of partnerships and programs between the public sector and business community to promote not only local businesses, but also a greater sense of local community and neighborhood.

The City's five largest employers, excluding the City itself, are:

Boston College	5,717 employees
Newton-Wellesley Hospital	2,053 employees
Marcam Corporation	965 employees
C&K Components	556 employees
Cahners Publishers Corp.	475 employees

### **Accounting System and Budgetary Control**

The management of the City is responsible for establishing and maintaining adequate internal controls to:

- Properly safeguard assets.
- Provide reasonable assurance on the accuracy and reliability of the accounting records used in the preparation of the general purpose financial statements.
- Provide reasonable assurance relative to compliance with legal and contractual constraints on the custody and use of assets.



Departmental expenditure budgets are prepared and accounted for on a line item basis. However, legally binding appropriations are made for Personal Services, Expenditures, Debt Service and Capital Outlay. Line item transfers within an expenditure category may be made with the approval of the Department Head and Comptroller. Transfers between expenditure categories require the approval of the Mayor and Board of Aldermen.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation, is employed in the Governmental Funds to maintain budgetary control.

**Governmental Fund Types**

The accounting records of the City’s Governmental Funds, as reported in the General Fund, Special Revenue Fund and Capital Projects Fund, are maintained on the modified accrual basis of accounting. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred.

*General Fund*

The majority of the City’s general governmental activity occurs in the General Fund. Total revenues and operating transfers in totaled \$217,785,789, an increase of \$12,852,701, or 6.3%, over the previous fiscal year.

<u>Source</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Real Estate and Property Taxes	\$155,560,537	71.4%	\$ 5,767,401	3.9%
Motor Vehicle and Other Excise Taxes	10,820,581	5.0%	81,358	0.8%
Intergovernmental	38,214,345	17.5%	6,194,094	19.3%
Investment Income	2,510,035	1.2%	362,973	16.9%
Departmental and Other	<u>7,764,151</u>	<u>3.6%</u>	<u>( 373,608)</u>	<u>( 4.6%)</u>
 Total Revenues	 214,869,649	 98.7%	 12,032,218	 5.9%
 Operating Transfers In	 <u>2,916,140</u>	 <u>1.3%</u>	 <u>820,483</u>	 <u>( 39.2%)</u>
 Total Revenues and Operating Transfers In	 <u>\$217,785,789</u>	 <u>100.0%</u>	 <u>\$12,852,701</u>	 <u>6.3%</u>

Property tax revenue growth represents a combination of the 2.5% annual increase allowed under Proposition 2½ and new growth. Property tax revenue from new growth amounted to \$2,931,316 for fiscal year 2001. This represented 1.9% of total taxes levied for the year and is significantly more than the \$1,524,760 average annual amount of new growth revenue that has been billed over the past 10 year period. Total property taxes levied for the fiscal year were \$3,564 less than the City’s Proposition 2 ½ Levy Limit.

A total of \$1,195,057, or 19.3%, of the increase in intergovernmental revenue growth is related to first year implementation of the GASB Statement #24 requirement that we gross up our operating statement for public school special education tuition payments that the Commonwealth of Massachusetts made on behalf of Newton special needs students. Another \$1,072,982, or 17.3% of the increase is related to pension contributions that the Commonwealth of Massachusetts made on behalf of Newton public school retirees who participate in the Massachusetts Teachers’ Retirement plan. Excluding the Commonwealth’s contribution to the cost of Newton teacher retirement and special education costs, intergovernmental revenue increased by \$3,926,055, or 21.1%, during fiscal year 2001. Growth in Chapter 70 School Aid; School Building Assistance reimbursements; and Lottery distributions accounted for approximately \$3,818,458 or 97.3% of this increase.

Total General Fund expenditures and operating transfers out totaled \$217,446,036, an increase of \$11,430,117, or 5.5%, over the previous fiscal year.

<u>Function</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Public Education	\$ 108,146,558	49.7%	\$ 13,112,427	13.8%
Public Safety	26,569,863	12.2%	3,202,983	13.7%
Public Works	17,243,309	7.9%	1,725,109	11.1%
General Government	11,859,900	5.5%	2,122,885	21.8%
Health and Human Services	2,568,941	1.2%	277,808	12.1%
Culture and Recreation	8,231,510	3.8%	846,958	11.5%
Pension and Employee Benefits	27,287,117	12.6%	( 9,001,867)	(24.8%)
Debt Service	5,955,645	2.7%	( 633,102)	( 9.6%)
Capital Outlay	1,522,105	0.7%	( 1,599,191)	(51.2%)
State, County and MWRA Charges	<u>5,174,256</u>	<u>2.4%</u>	<u>( 221,681)</u>	<u>( 4.1%)</u>
Total Expenditures	214,559,204	98.7%	9,832,329	4.8%
Operating Transfers Out	<u>2,886,832</u>	<u>1.3%</u>	<u>1,597,788</u>	<u>123.9%</u>
Total Expenditures and Operating Transfers Out	<u>\$217,446,036</u>	<u>100.0%</u>	<u>\$11,430,117</u>	<u>5.5%</u>

A total of \$1,195,057 or 9.1% of the \$13,112,427 in growth in public education spending is related to first year recognition of special education tuition payments by the Commonwealth on behalf of Newton special needs students. The remaining \$11,917,370 represents growth in the local public school budget. This compares with total public school expenditure growth of \$5,178,631 in fiscal year 2000; \$8,264,450 in fiscal year 1999; and \$5,182,098 in fiscal year 1998.

Excluding public education, the remainder of the City's budget experienced a \$1,682,310, or 1.5%, reduction in overall spending. The reduction in over all spending for the non education portion of the budget occurred entirely in the debt service and capital outlay spending, while other areas of the budget were essentially level funded.

The reduction in debt service spending is the result of a decision to delay the sale of \$4,293,000 in elementary school building renovation debt from the spring of 2000 until August of 2000, thereby delaying one year of maturities on this debt. The decline in "pay-as-you-go" capital outlay spending represents the continuation of a trend that began in fiscal year 1997.

Beginning July 1, 2000, the City began appropriating and accounting for group health/life and medicare payroll tax employee benefit obligations in individual departmental budgets, except for retiree health and life benefits, which continue to be appropriated and accounted for under the pension and employee benefit function. This permits a more meaningful comparison of functional expenditures, since the public education budget has always included these costs

A total of \$1,180,993, or 73.9%, of the reported increase in operating transfers out activity is related to the transfer of certain Commonwealth of Massachusetts school building assistance reimbursements that are related to prior year middle school renovation projects to the City's Capital Stabilization Fund. It is the City's plan to use these resources to finance improvements to the City's two high schools in future years.

The City's total General Fund fund balance increased by 2.1%, from \$16,458,671 in fiscal year 2000 to \$16,798,424 at June 30, 2001. This represents a positive reversal of what had been a two year trend in declining total General Fund fund balance. A total of \$3,978,233, or 23.7%, of this balance is reserved for encumbrances and continued appropriations, which have been brought forward into fiscal year 2002. A total of \$2,200,000, or 13.1%, is designated for funding the fiscal year 2002 operating budget.

The General Fund Unreserved Fund Balance, or that portion of fund balance that is available for future appropriation, stands at \$10,620,191 as of June 30, 2001. This amount represents 4.9% of total fiscal year 2001 General Fund revenues and operating transfers in and is slightly less than the City's June 30, 2000, Unreserved Fund Balance of \$10,768,302. The Massachusetts Department of Revenue, Division of Local Services, has certified \$5,480,582 of the City's Unreserved Fund Balance as Free Cash. This sum is available for appropriation by the Mayor and Board of Aldermen.

### *Special Revenue Funds*

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts or Capital Projects) that are restricted by law or administrative action to expenditures for specified purposes.

Total Special Revenue Fund revenues and operating transfers in amounted to \$52,201,582, which is \$3,874,993 or 6.9% less than the previous fiscal year. \$2,721,151, or 70.2%, of the revenue decline was in the highway improvement fund. The City tends to accumulate chapter 90 highway improvement grants for major projects, which serves to result in fluctuations in fund revenues and expenditures. Total Special Revenue Fund expenditures and operating transfers out amounted to \$53,276,337, which is \$362,093 more than the previous fiscal year.

The City's Nexus Transportation Fund ended the fiscal year with a \$4,503 fund balance – an 89.2% reduction from the June 30, 2000, fund balance. Revenues and operating transfers in totaled \$302,297, of which \$250,000 represented a General Fund subsidy. Total fare income from the operation of the local transportation system was \$11,047, or 3.3%, of the cost of operations. Effective July 1, 2001, the City has implemented an increase in certain on-street parking meter charges in order to generate additional income to support the operations of the Nexus transportation program. The City is also attempting to more effectively coordinate other local public transportation services in an effort to reduce the overall cost of all local transit services.

The Water Utility Fund ended the fiscal year with a \$2,647,865 fund balance, of which \$284,473, or 10.7%, is reserved for encumbrances and continuing appropriations. A total of \$731,707 of the fund balance has been designated by the Board of Aldermen to support the fiscal year 2002 water budget, leaving a remaining \$1,631,685 undesignated and unreserved fund balance. This amount represents a 40.8% decrease from the June 30, 2000, undesignated fund balance and amounts to 17.3% of total fiscal year 2001 revenues. The reduction in fund balance results primarily from the appropriation and transfer of \$2,235,000 in water fund resources to the Public Works Capital Projects Fund for purposes of financing water tank improvements.

The Sewer Utility Fund ended the fiscal year with a \$4,266,129 fund balance, of which \$307,508, or 7.2%, is reserved for encumbrances and continuing appropriations. A total of \$635,925 of the fund balance has been designated by the Board of Aldermen to support the fiscal year 2002 sewer budget, leaving a remaining \$3,322,696 undesignated and unreserved fund balance. This represents a \$557,541, or 14.4%, decrease over the June 30, 2000, undesignated fund balance and represents slightly more than 19.2% of total fiscal year 2001 revenues.

### *Capital Projects Funds*

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds). The City accounts for its major construction projects and capital purchases in the Capital Projects Fund and maintains a five-year capital improvement plan for such purpose.

The City embarked on a major renovation and expansion project for the City's two high schools during fiscal year 2001. The project is budgeted to cost \$95 million. Adding the interest cost of the debt to be used for the project, the total cost will be approximately \$132 million. The Commonwealth of Massachusetts School Building Assistance Program (SBAP) will pay 60% of these costs. The City estimates that those payments will begin in fiscal year 2006.

In order to fund the projects, the City has undertaken three initiatives. First, it has committed to continue to spend approximately 3% of annual General Fund revenue on debt service costs. Second, because the large size of the high school projects will mean that in some years total debt costs will exceed that 3% target, the City has established a special capital fund into which SBAP reimbursements are being deposited from previous school renovation projects. This fund will grow, until the time when the City issues permanent debt to pay for the high school project costs, then it will be used to pay for any debt costs in excess of the 3% target. Third, the City has begun issuing Bond Anticipation Notes (BANs) to delay the necessity of selling permanent debt for the high school project, until the state reimbursement funds flow to the City. Through these measures, the City believes it can finance the high school renovation projects without adversely affecting the tax rate or the operating budgets of any of the City's departments. A new capital project fund was established during fiscal year 2001 to account for this multi-year project.

During fiscal year 2001, the City issued \$16,573,703 in long-term debt for capital project financing, \$4,293,000 for elementary school renovations; \$9,694,684 from the Massachusetts Water Pollution Abatement Trust for sewer line improvements; and \$2,586,019 from the Massachusetts Water Resource Authority for water main improvements. A total of \$5,700,000 in bond anticipation notes were issued during the year to provide interim financing for high school renovations.

On August 15, 2001, the City issued \$4,910,000 in additional long term debt to fund additional elementary school renovations.

### **Proprietary Fund Types**

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

#### *Internal Service Fund*

The Internal Service Fund is used to account for the financing of services provided by one department to other departments or governmental units. The City is accounting for its risk financing activities related to health, workers' compensation, general liability and building insurance in its Internal Service Fund.

The City's Health Insurance Internal Service Fund ended the fiscal year with a \$2,177,995 fund balance, \$1,433,047 of which belongs to the Tufts plan, and \$744,948 belongs to the Harvard-Pilgrim plan, which the City began self insuring during fiscal year 2001. This represents a continuation of the improvement in the funded status of the plan, which began during fiscal year 2000.

Prior to fiscal year 1994, the City funded and accounted for its workers' compensation financial exposures on a pay-as-you-go basis. In fiscal year 1994, the City determined to adopt a self-insurance fund to account for its workers' compensation liability, and shortly thereafter arranged for an annual actuarial valuation of plan liabilities and professional management of Fund assets.

As of June 30, 2001, the Workers Compensation Self Insurance Fund has an accumulated deficit of (\$1,071,207). This deficit results from a 1999 decision by the City to discontinue participation in the Commonwealth of Massachusetts' Workers Compensation Trust Fund, under which the Commonwealth had financial responsibility for the payment of all cost of living adjustments granted to long-term workers' compensation beneficiaries. The City is now responsible for the cost of these benefits. The City intends to fund this deficit through General Fund contributions and investment earnings on the assets of the Fund, however the lackluster condition of the investment markets during fiscal year 2001 and continued growth in fund expenditures contributed to the declining fund balance. It is our hopes that the City can develop a more formalized long term plan for eliminating the accumulated actuarial deficit during fiscal year 2002.

### **Fiduciary Fund Types**

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the City under the terms of a trust agreement.

#### *Expendable Trust Fund*

The Expendable Trust Fund is accounted for in essentially the same manner as Governmental Fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds are used to account for trusts where both principal and earnings may be spent.

#### *Pension Trust Fund*

The Pension Trust Fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Pension Trust Fund is used to account for the Newton Contributory Retirement System (the System).

The System's assets decreased by \$1,961,512, or slightly less than 1%, between calendar year 1999 and calendar year 2000. Based upon the January 1, 2001, actuarial valuation, the plan is now 82% funded. The funding plan for the System anticipates full funding by December 2020. Retirement system funding requirements are expected to grow in future years as a result of enhanced retirement benefits granted to public school and public safety employees through recent collective bargaining agreements.

For the year ended December 31, 2000, the total fund returned 1.89% against a policy index of (2.54%). Over the past three and five year period, the portfolio's average annual return has been 10.67% and 13.61%, respectively, against policy indices of 9.98% and 12.84%, respectively.

### **Cash Management**

Quarterly billing of real estate and personal property taxes coupled with timely water and sewer utility billing has eliminated the need to borrow in anticipation of revenue. Idle cash is invested by the Treasurer/Collector and governed by the Municipal Finance Laws of the Commonwealth of Massachusetts.

Trust Fund and Internal Service Fund assets, which the City does not expect to liquidate for current operations, are invested in U.S. Government, fixed income and/or equity securities. Professional investment managers oversee the City's long-term investments.

The System's assets are segregated from other City assets and are managed by a variety of professional investment managers who have been selected by the Retirement Board in order to achieve the Board's asset allocation policy. An independent custodian bank holds all of the System's investments.

## **Capital Financing and Debt Management**

The City Charter requires the preparation and adoption of an annual capital improvement plan.

The Mayor submitted the fiscal year 2002 through 2006 capital improvement plan on October 16, 2000. This plan provided for a total of \$173,907,870 in capital spending between fiscal years 2002 and 2006. The Mayor and Board of Aldermen authorized a total of \$98,918,543 in new capital spending during fiscal year 2001. The new funding included \$94,970,527 in new public school bond authorizations; \$1,557,118 in pay as you go capital financing from the General Fund, and \$2,235,000 in water tank improvements.

The City's total bonded indebtedness amounted to \$50,045,970 on June 30, 2001. This amount represents \$10,907,823, or 27.9%, more than the City's June 30, 2000, bonded debt.

Total bonds authorized and unissued at June 30, 2001, total \$109,443,678. Of this amount, \$94,970,527, or 86.8%, was authorized during fiscal year 2001 for high school renovations.

## **Risk Management**

The City is self-insured for group health, workers' compensation, and general liability insurance. Individual Internal Service Funds are maintained for purposes of accumulating sufficient assets to meet fund liabilities. The City purchases property insurance from a commercial insurance company, but funds annual premiums from earnings on the Public Building Internal Service Fund.

## **Collective Bargaining Agreements**

At June 30, 2001, the City had concluded collective bargaining agreements with all employee groups except for firefighters; police officers; engineers; and certain non instructional public school staff. The firefighter contract was settled during the summer of 2001. All existing contracts expire on June 30, 2003.

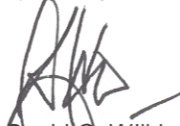
## **Independent Audit**

The public accounting firm of Powers & Sullivan performed the independent audit of the City's general purpose financial statements for the fiscal year ended June 30, 2001. Powers & Sullivan have completed its fourth audit of a five-year contract with the City, which expires after the fiscal year 2002 audit.

## **Acknowledgments**

Before concluding, I would like to take this opportunity to acknowledge the exceptional work and professional commitment of the staff of the Comptroller's Office and the Retirement Office: Kelly Byrne; Donna Cadman; Ann-Marie Daley; Eileen Frail; Tracy Mead; Gail Paglia; Bob Perruzzi; Julie Zakak; and Regina Zegarelli. Special thanks also go to Chris Rogers and Stacie Ward, from Powers & Sullivan, for all of their assistance in the timely and efficient completion of the City's annual audit and preparation of the fiscal year 2001 Comprehensive Annual Financial Report.

Respectfully transmitted,



David G. Wilkinson  
City Comptroller

# ***Financial Section***



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## Independent Auditors' Report

To the Honorable Board of Aldermen and Mayor  
City of Newton, Massachusetts

We have audited the accompanying general purpose financial statements of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2001 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation which are as of and for the year ended December 31, 2000), as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Newton, Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Newton, Massachusetts, as of June 30, 2001 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation which are as of December 31, 2000), and the results of its operations and cash flows of its Proprietary Fund Types and Nonexpendable Trust Fund and the changes in net assets available for employees' pension benefits of its Pension Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has presented a General Fixed Asset Account Group for the first time in fiscal year 2001.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2001, on our consideration of the City of Newton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the City of Newton, Massachusetts. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

November 16, 2001



# ***General Purpose Financial Statements***

**ALL FUND TYPES AND ACCOUNT GROUPS  
COMBINED BALANCE SHEET**

JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>								
Cash and short-term investments	\$ 26,183,232	\$ 13,155,637	\$ 12,281,775	\$ 6,470,020	\$ 6,796,945	\$ -	\$ -	\$ 64,887,609
Investments	-	-	-	7,531,919	239,891,158	-	-	247,423,077
Receivables, net of allowance for uncollectibles:								
Real estate and personal property taxes	5,835,918	-	-	-	-	-	-	5,835,918
Motor vehicle excise	1,464,444	-	-	-	-	-	-	1,464,444
Tax and utility liens	1,285,375	255,122	-	-	-	-	-	1,540,497
User charges	-	4,870,782	-	-	-	-	-	4,870,782
Departmental and other	4,835,158	366,059	-	-	567,361	-	-	5,768,578
Special assessments	753,571	104,445	-	-	-	-	-	858,016
Interest and dividends	11,452	421,735	-	395	76,510	-	-	510,092
Structured settlement contract	2,850,000	-	-	-	-	-	-	2,850,000
Notes	-	360,000	-	-	-	-	-	360,000
Loans	-	3,634,082	-	-	355,196	-	-	3,989,278
Intergovernmental	12,944,449	7,594,715	3,181,934	16,268	-	-	-	23,737,366
Direct financing leases	-	-	-	-	-	-	-	-
Due from other funds	331,859	-	38,551	-	-	-	-	370,410
Fixed assets, net of accumulated depreciation	-	-	-	-	-	87,533,608	-	87,533,608
Other assets	23,082	1,350	-	329,117	11,115	-	-	364,664
Amounts to be provided for retirement of long-term obligations	-	-	-	-	-	-	58,851,311	58,851,311
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 56,518,540</b>	<b>\$ 30,763,927</b>	<b>\$ 15,502,260</b>	<b>\$ 14,347,719</b>	<b>\$ 247,698,285</b>	<b>\$ 87,533,608</b>	<b>\$ 58,851,311</b>	<b>\$ 511,215,650</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>								
<b>LIABILITIES:</b>								
Warrants payable	\$ 2,949,010	\$ 885,090	\$ 2,252,710	\$ 71,616	\$ 34,922	\$ -	\$ -	\$ 6,193,348
Accrued liabilities	1,165,023	1,362,317	2,579,785	10,043,738	1,740	-	-	15,152,603
Accrued payroll	5,017,413	152,444	-	-	-	-	-	5,169,857
Reserve for abatements	3,758,304	-	-	-	-	-	-	3,758,304
Liabilities due depositors	-	802,727	-	-	3,700	-	-	806,427
Abandoned property	1,086,787	-	-	-	-	-	-	1,086,787
Payroll withholdings	-	-	-	-	778,087	-	-	778,087
Other liabilities	791,027	243,080	-	-	1,115,129	-	-	2,149,236
Deferred revenues	24,434,245	10,079,978	-	-	-	-	-	34,514,223
Due to other funds	-	320,410	-	50,000	-	-	-	370,410
Retroactive wage settlement payable	518,307	-	-	-	-	-	-	518,307
Claims and judgments	-	-	-	335,000	-	-	-	335,000
Landfill closure	-	-	-	-	-	-	675,000	675,000
Accrued compensated absences	-	-	-	-	-	-	8,130,341	8,130,341
Bonds and notes payable	-	-	5,700,000	-	-	-	50,045,970	55,745,970
<b>TOTAL LIABILITIES</b>	<b>39,720,116</b>	<b>13,846,046</b>	<b>10,532,495</b>	<b>10,500,354</b>	<b>1,933,578</b>	<b>-</b>	<b>58,851,311</b>	<b>135,383,900</b>
<b>FUND EQUITY AND OTHER CREDITS:</b>								
Investment in general fixed assets	-	-	-	-	-	87,533,608	-	87,533,608
Retained earnings:								
Reserved for employees' benefits and municipal insurance	-	-	-	3,847,365	-	-	-	3,847,365
Reserved for:								
Encumbrances	688,442	117,194	-	-	-	-	-	805,636
Continuing appropriations	3,289,791	474,787	-	-	-	-	-	3,764,578
Loans	-	3,634,082	-	-	355,196	-	-	3,989,278
Nonexpendable trusts	-	-	-	-	2,424,029	-	-	2,424,029
Stabilization	-	-	1,425,953	-	-	-	-	1,425,953
Employees' pension benefits	-	-	-	-	235,825,039	-	-	235,825,039
Designated for:								
Subsequent year's expenditures	2,200,000	2,157,632	-	-	-	-	-	4,357,632
Unreserved	10,620,191	10,534,186	3,543,812	-	7,160,443	-	-	31,858,632
<b>TOTAL FUND EQUITY AND OTHER CREDITS</b>	<b>16,798,424</b>	<b>16,917,881</b>	<b>4,969,765</b>	<b>3,847,365</b>	<b>245,764,707</b>	<b>87,533,608</b>	<b>-</b>	<b>375,831,750</b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b>\$ 56,518,540</b>	<b>\$ 30,763,927</b>	<b>\$ 15,502,260</b>	<b>\$ 14,347,719</b>	<b>\$ 247,698,285</b>	<b>\$ 87,533,608</b>	<b>\$ 58,851,311</b>	<b>\$ 511,215,650</b>

See notes to general purpose financial statements.

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**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum only)
	General	Special Revenue	Capital Projects	Expendable Trusts	
<b>REVENUES:</b>					
Real estate and personal property taxes, net of reserve for abatements	\$ 155,560,537	\$ -	\$ -	\$ -	\$ 155,560,537
Motor vehicle and other excise taxes	10,820,581	-	-	-	10,820,581
Other taxes	1,127,443	-	-	-	1,127,443
Charges for services	1,215,965	34,934,338	-	44,400	36,194,703
Departmental and other	5,420,743	1,265,239	69,694	401,205	7,156,881
Intergovernmental	38,214,345	14,308,533	-	-	52,522,878
Investment income	2,510,035	196,620	181,694	(94,784)	2,793,565
<b>TOTAL REVENUES</b>	<b>214,869,649</b>	<b>50,704,730</b>	<b>251,388</b>	<b>350,821</b>	<b>266,176,588</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	11,859,900	117,369	-	-	11,977,269
Public Safety	26,569,863	1,831,194	-	-	28,401,057
Education	108,146,558	11,341,457	-	203,588	119,691,603
Public Works	17,243,309	5,256,676	-	-	22,499,985
Health and Human Services	2,568,941	5,814,584	-	97,490	8,481,015
Culture and recreation	8,231,510	924,888	-	327,176	9,483,574
Pension benefits	27,287,117	-	-	-	27,287,117
Employee benefits	-	1,307,415	-	-	1,307,415
State, County and MWRA charges	5,174,256	18,475,096	-	-	23,649,352
Capital outlay	1,522,105	1,333,568	15,654,422	-	18,510,095
Debt service:					
Principal	4,474,600	1,191,280	-	-	5,665,880
Interest	1,481,045	551,680	-	-	2,032,725
<b>TOTAL EXPENDITURES</b>	<b>214,559,204</b>	<b>48,145,207</b>	<b>15,654,422</b>	<b>628,254</b>	<b>278,987,087</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>310,445</b>	<b>2,559,523</b>	<b>(15,403,034)</b>	<b>(277,433)</b>	<b>(12,810,499)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds of bonds and notes	-	-	16,573,703	-	16,573,703
Operating transfers in	2,916,140	1,496,852	4,254,674	-	8,667,666
Operating transfers out	(2,886,832)	(5,131,130)	(647,504)	(2,200)	(8,667,666)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>29,308</b>	<b>(3,634,278)</b>	<b>20,180,873</b>	<b>(2,200)</b>	<b>16,573,703</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>339,753</b>	<b>(1,074,755)</b>	<b>4,777,839</b>	<b>(279,633)</b>	<b>3,763,204</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>16,458,671</b>	<b>17,992,636</b>	<b>191,926</b>	<b>7,795,272</b>	<b>42,438,505</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 16,798,424</b>	<b>\$ 16,917,881</b>	<b>\$ 4,969,765</b>	<b>\$ 7,515,639</b>	<b>\$ 46,201,709</b>

See notes to general purpose financial statements.

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**GENERAL AND BUDGETED SPECIAL REVENUE FUNDS**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGETARY BASIS - BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2001

	General Fund			Budgeted Special Revenue Funds			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>									
Real estate and personal property taxes, net of reserve for abatements	\$ 153,949,624	\$ 155,869,401	\$ 1,919,777	\$ -	\$ -	\$ -	\$ 153,949,624	\$ 155,869,401	\$ 1,919,777
Motor vehicle and other excise taxes	10,621,339	11,178,581	557,242	-	-	-	10,621,339	11,178,581	557,242
Other taxes	1,310,000	1,127,443	(182,557)	-	-	-	1,310,000	1,127,443	(182,557)
Charges for services	1,108,079	1,215,965	107,886	27,362,183	26,551,154	(811,029)	28,470,262	27,767,119	(703,143)
Departmental and other	4,312,109	5,420,743	1,108,634	-	8,779	8,779	4,312,109	5,429,522	1,117,413
Intergovernmental	21,692,237	22,293,984	601,747	-	-	-	21,692,237	22,293,984	601,747
Investment income	2,350,000	2,510,035	160,035	-	-	-	2,350,000	2,510,035	160,035
<b>TOTAL REVENUES</b>	<b>195,343,388</b>	<b>199,616,152</b>	<b>4,272,764</b>	<b>27,362,183</b>	<b>26,559,933</b>	<b>(802,250)</b>	<b>222,705,571</b>	<b>226,176,085</b>	<b>3,470,514</b>
<b>EXPENDITURES:</b>									
Current:									
General Government	12,914,112	11,859,900	1,054,212	-	-	-	12,914,112	11,859,900	1,054,212
Public Safety	26,332,774	26,064,683	268,091	-	-	-	26,332,774	26,064,683	268,091
Education	107,171,249	106,951,501	219,748	-	-	-	107,171,249	106,951,501	219,748
Public Works	17,705,304	17,230,182	475,122	5,622,363	4,741,487	880,876	23,327,667	21,971,669	1,355,998
Health and Human Services	2,639,136	2,568,941	70,195	-	-	-	2,639,136	2,568,941	70,195
Culture and recreation	8,264,720	8,231,510	33,210	-	-	-	8,264,720	8,231,510	33,210
Pension benefits	12,865,879	12,803,487	62,392	-	-	-	12,865,879	12,803,487	62,392
Other	636,699	636,699	-	-	-	-	636,699	-	636,699
State, County and MWRA charges	5,156,792	5,174,256	(17,464)	19,025,919	18,475,096	550,823	24,182,711	23,649,352	533,359
Capital outlay	3,851,188	1,522,105	2,329,083	-	-	-	3,851,188	1,522,105	2,329,083
Debt service:									
Principal	4,889,947	4,456,947	433,000	1,253,989	1,143,132	110,857	6,143,936	5,600,079	543,857
Interest	1,433,381	1,257,025	176,356	183,865	183,833	32	1,617,246	1,440,858	176,388
<b>TOTAL EXPENDITURES</b>	<b>203,861,181</b>	<b>198,120,537</b>	<b>5,740,644</b>	<b>26,738,994</b>	<b>25,155,476</b>	<b>1,583,518</b>	<b>230,600,175</b>	<b>223,276,013</b>	<b>7,324,162</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,517,793)</b>	<b>1,495,615</b>	<b>10,013,408</b>	<b>623,189</b>	<b>1,404,457</b>	<b>781,268</b>	<b>(7,894,604)</b>	<b>2,900,072</b>	<b>10,794,676</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating transfers in	2,906,663	2,916,140	9,477	18,101	18,101	-	2,924,764	2,934,241	9,477
Operating transfers out	(2,886,832)	(2,886,832)	-	(3,148,810)	(3,148,810)	-	(6,035,642)	(6,035,642)	-
Use of overlay surplus	350,000	350,000	-	-	-	-	350,000	350,000	-
Use of unreserved fund balance	8,147,962	8,147,962	-	2,507,520	2,507,520	-	10,655,482	10,655,482	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,517,793</b>	<b>8,527,270</b>	<b>9,477</b>	<b>(623,189)</b>	<b>(623,189)</b>	<b>-</b>	<b>7,894,604</b>	<b>7,904,081</b>	<b>9,477</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 10,022,885</b>	<b>\$ 10,022,885</b>	<b>\$ -</b>	<b>\$ 781,268</b>	<b>\$ 781,268</b>	<b>\$ -</b>	<b>\$ 10,804,153</b>	<b>\$ 10,804,153</b>

See notes to general purpose financial statements.

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**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**

FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Internal Service	Nonexpendable Trusts	
<b>OPERATING REVENUES:</b>			
Employer contributions	\$ 19,906,304	\$ -	\$ 19,906,304
Employee contributions	4,914,903	-	4,914,903
Departmental and other	710	1,467	2,177
<b>TOTAL OPERATING REVENUES</b>	<b>24,821,917</b>	<b>1,467</b>	<b>24,823,384</b>
<b>OPERATING EXPENSES:</b>			
Settlements paid	573,200	-	573,200
Employee benefits paid	22,658,126	-	22,658,126
Change in incurred but not reported liability	1,316,329	-	1,316,329
<b>TOTAL OPERATING EXPENSES</b>	<b>24,547,655</b>	<b>-</b>	<b>24,547,655</b>
<b>OPERATING INCOME</b>	<b>274,262</b>	<b>1,467</b>	<b>275,729</b>
<b>NONOPERATING REVENUES:</b>			
Investment income	526,295	-	526,295
<b>NET INCOME</b>	<b>800,557</b>	<b>1,467</b>	<b>802,024</b>
<b>RETAINED EARNINGS/FUND BALANCES</b>			
Beginning of year	3,046,808	2,422,562	5,469,370
<b>RETAINED EARNINGS/FUND BALANCES</b>			
End of year	\$ 3,847,365	\$ 2,424,029	\$ 6,271,394

See notes to general purpose financial statements.



**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS**  
**COMBINED STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Internal Service</u>	<u>Nonexpendable Trusts</u>	<u>Total (Memorandum Only)</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Operating income	\$ 274,262	\$ 1,467	\$ 275,729
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Changes in assets and liabilities:			
Accounts receivable	157,924	-	157,924
Interest and dividends receivable	(395)	-	(395)
Loans receivable	-	(5,200)	(5,200)
Other assets	(13,123)	-	(13,123)
Warrants payable	41,009	-	41,009
Accrued liabilities	1,345,388	-	1,345,388
Due to other funds	50,000	-	50,000
Claims and judgments	335,000	-	335,000
Total adjustments	<u>1,915,803</u>	<u>(5,200)</u>	<u>1,910,603</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>2,190,065</u>	<u>(3,733)</u>	<u>2,186,332</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u></b>			
Purchase and sales of investments, net	(727,383)	3,733	(723,650)
Investment income	526,295	-	526,295
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>(201,088)</u>	<u>3,733</u>	<u>(197,355)</u>
<b>NET INCREASE IN CASH</b>	1,988,977	-	1,988,977
<b>CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR</b>	<u>4,481,043</u>	<u>-</u>	<u>4,481,043</u>
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR</b>	<u>\$ 6,470,020</u>	<u>\$ -</u>	<u>\$ 6,470,020</u>
<b><u>RECONCILIATION TO COMBINED BALANCE SHEET:</u></b>			
Cash and short-term investments at end of year	\$ 6,470,020	\$ -	\$ 6,470,020
Cash and short-term investments at end of year, Pension Trust, Expendable Trust and Agency	<u>-</u>	<u>6,796,945</u>	<u>6,796,945</u>
<b>CASH AND SHORT-TERM INVESTMENTS PER THE COMBINED BALANCE SHEET</b>	<u>\$ 6,470,020</u>	<u>\$ 6,796,945</u>	<u>\$ 13,266,965</u>

See notes to general purpose financial statements.

**PENSION TRUST FUND**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR EMPLOYEES' PENSION BENEFITS**

YEAR ENDED DECEMBER 31, 2000

ADDITIONS:

Employer contributions	\$	7,334,010
Employee contributions		<u>4,567,534</u>
Total contributions		<u>11,901,544</u>
Net investment income:		
Net depreciation in fair value of investments		(1,466,284)
Interest		4,535,265
Dividends		<u>1,466,185</u>
Total investment income		4,535,166
Less: investment expense		<u>(1,147,275)</u>
Net investment income		<u>3,387,891</u>
Intergovernmental		1,587,709
Transfers from other systems		<u>453,187</u>
Total additions		<u>17,330,331</u>
<u>DEDUCTIONS:</u>		
Administration		178,493
Retirement benefits and refunds		18,113,536
Transfers to other systems		<u>899,269</u>
Total deductions		<u>19,191,298</u>
Net (decrease)		(1,860,967)
Net assets available for employees' pension benefits at beginning of year (fund balance reserved for employees' pension benefits)		<u>237,686,006</u>
Net assets available for employees' pension benefits at end of year (fund balance reserved for employees' pension benefits)	\$	<u><u>235,825,039</u></u>

See notes to general purpose financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying general purpose financial statements of the City of Newton, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected Mayor and 24 member Board of Alderman (the Board).

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential Component Units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's general purpose financial statements to be misleading or incomplete. As required by GAAP, these general purpose financial statements present the City (the Primary Government) and its Component Units. The City has included three entities as Component Units in the reporting entity, because of the significance of their operational and/or financial relationships with the City.

*Blended Component Units* – Blended Component Units are entities that are legally separate from the City, but are so related to the City that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City. The following Component Units are blended within the Primary Government:

In the Special Revenue Funds:

- (1) The Newton Community Development Authority (the Authority) was established in 1975 pursuant to Chapter 705 (special legislation) of the Massachusetts General Laws to develop housing programs for low and moderate income families, the elderly and handicapped residents within the City. The Authority is governed solely by the City's Planning and Development Director appointed by the Mayor.
- (2) The Newton Commonwealth Foundation, Inc. (the Foundation) was established for the preservation of the Newton Commonwealth Golf Course and other recreational facilities on the site formerly known as the Chestnut Hill Country Club. The Foundation is governed by a 15 member board appointed by the Mayor and confirmed by a majority vote of the Board.

In the Trust Funds:

- (1) The Newton Contributory Retirement System (the System) was established to provide retirement benefits to City employees and their beneficiaries. The System is governed by a five member board comprised of the City Comptroller (ex-officio), an appointee of the Mayor, two members elected by the active and retired members of the System and one member appointed by the other four board members. The System is presented using the accrual basis of accounting and is reported as a Pension Trust Fund.

**Availability of Financial Information for Component Units**

Complete financial statements of the individual Component Units can be obtained directly from their respective administrative offices.

**The following Blended Component Units issued separately audited financial statements:**

Newton Community Development Authority  
Newton City Hall  
Department of Planning and Development  
1000 Commonwealth Avenue  
Newton, Massachusetts 02159

Newton Commonwealth Foundation  
Newton City Hall  
Comptroller's Office  
1000 Commonwealth Avenue  
Newton, Massachusetts 02159

**The following blended component unit did not issue separate audited financial statements:**

Newton Contributory Retirement System

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the City are organized and operated on the basis of Funds and Account Groups. A Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of Funds is maintained consistent with legal and managerial requirements. Account Groups are a reporting device to account for certain assets and liabilities of Governmental Funds not recorded directly in those Funds.

The City has the following Fund Types and Account Group:

**Governmental Funds** are used to account for the City's general governmental activity. Governmental Fund Types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related Fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, landfill closure liabilities, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The City considers property tax, motor vehicle excise, water and sewer fees available if they are collected within 60-days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received by the City, and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

Governmental Funds include the following Fund Types:

The *General Fund* is the general operating Fund of the City. It is used to account for all financial resources, except those required to be accounted for in another Fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than Expendable Trusts or Capital Projects) that are restricted by law or administrative action to expenditures for specified purposes.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds).

**Proprietary Funds** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. For Proprietary Fund accounting, the City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The *Internal Service Fund* is used to account for the financing of services provided by one department to other departments or governmental units. The City is accounting for its risk financing activities related to health insurance, workers' compensation, municipal liability insurance and municipal building insurance in its Internal Service Fund.

**Fiduciary Funds** account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the City under the terms of a trust agreement.

The *Expendable Trust Fund* is accounted for in essentially the same manner as Governmental Fund Types, using the same measurement focus and basis of accounting. Expendable Trust Funds are used to account for trusts where both principal and earnings may be spent.

The *Nonexpendable Trust Fund* and *Pension Trust Fund* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Nonexpendable Trust Fund is used to account for trusts that stipulate that only earnings, and not principal, may be spent.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This Fund is used to account for assets that the City holds for others in an agency capacity.

The **General Fixed Assets Account Group** accounts for the general fixed assets of the City.

The **General Long-Term Obligations Account Group** is used to account for general long-term bonds and notes issued by the City, compensated absences and estimated landfill postclosure care costs that will be financed in future fiscal years from Governmental Funds.

C. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

D. Securities Lending Program

The Pension Trust Fund participates in a securities lending program that is administered by the System's custodian bank. Participation in this program has been authorized by Supplemental Regulation 20.08 of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). The System currently participates in a non-cash collateral based program that was implemented in order to eliminate the risks associated with the investment of cash collateral. Under the terms of this program, only U.S. Government Securities may be held as collateral for loaned securities. Instead of a percentage of investment income earnings on cash collateral, the System receives a flat fee for each lending transaction. Collateral is maintained at 102% of the market value of loaned securities that is adjusted daily. The System cannot pledge or sell collateral securities received unless the borrower defaults.

E. Property Taxes

Property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed during the fourth quarter of every fiscal year on delinquent properties. Property taxes levied are recorded as receivables in the fiscal year of the levy and are recorded under the modified accrual basis of accounting.

F. Inventories

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the general purpose financial statements and therefore are not reported.

G. Fixed Assets

*Governmental Funds*

For Governmental Funds, general fixed asset acquisitions are recorded as expenditures in the acquiring Fund and capitalized in the General Fixed Assets Account Group in the fiscal year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of donation. In addition, interest is not capitalized on constructed general fixed assets and general fixed assets are shown net of depreciation.

Fixed assets are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Buildings & Improvements.....	20 - 50
Machinery and Equipment.....	3 - 20
Infrastructure.....	50
Intangibles.....	5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenditures/expenses when incurred. Improvements are capitalized.

The City capitalizes all purchases and construction costs in excess of \$15,000 at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

The City has not capitalized infrastructure assets.

#### H. Interfund/Intrafund Transactions

During the course of its operations, the City records transactions between Funds and/or between departments. Transactions of a buyer/seller nature between departments within a Fund are not eliminated from the individual Fund statements. Receivables and payables resulting from transactions between Funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

#### I. Fund Equity

The City reports fund balances and retained earnings as reserved and designated where legally restricted for a specific future use. Otherwise, these balances are considered unreserved.

Fund balances and retained earnings have been "reserved for" the following:

"Employees' benefits and municipal insurance" represents the amounts accumulated for the specific purpose of providing health insurance and workers' compensation coverage for the City's employees and paying municipal liability and building insurance claims for the City.

"Encumbrances" represent amounts obligated under purchase orders, contracts and other commitments for expenditure.

"Continuing appropriations" represent unencumbered appropriations that are carried over to the ensuing fiscal year. These amounts were appropriated for specific purposes that were not completed during the current fiscal year.

"Loans" represents the Authority's, Chaffin Education Trust Fund and Gorin Trust Fund's outstanding loans receivable balance.

"Nonexpendable trusts" represents amounts held by the City for which only investment earnings may be expended.

"Stabilization" represents the amount accumulated for capital purposes upon approval of the Board.

"Employees' pension benefits" represents the net assets available to the System's participants that cannot be used for any other purpose.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents the amount of unreserved fund balance that has been voted to balance the fiscal year 2002 operating budget.

J. Long-Term Debt

Long-term financing is recorded in the General Long-Term Obligations Account Group. Principal and interest expenditures on long-term debt are recorded in the General Fund and Water and Sewer Special Revenue Funds.

K. Investment Income

Investment income from Special Revenue and Capital Projects Funds is legally assigned to the General Fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from the Nonexpendable Trust Fund is legally assigned to the Expendable Trust Fund.

L. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. For Governmental Funds, vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and Fund liabilities. Amounts that are not expected to be so liquidated are reported in the General Long-Term Obligations Account Group.

M. Post Retirement Benefits

In addition to providing pension benefits, the City provides health and life insurance coverage for retired employees and their survivors. The City recognizes the cost of providing health and life insurance by recording its share of insurance premiums in the General Fund in the fiscal year paid. For the fiscal year ended June 30, 2001, this expenditure totaled approximately \$8,190,000. There were approximately 2,300 participants eligible to receive benefits at June 30, 2001.

Subsequent to June 30, 2001, the City obtained an actuarial valuation of their obligations for postretirement health and life insurance benefits. As of June 30, 2001, this actuarially determined liability totaled approximately \$174,292,000.

N. Use of Estimates

The preparation of general purpose financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the general purpose 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.

O. Total Column (Memorandum Only)

The Total column used on the Combined General Purpose Financial Statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.



**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Municipal Law requires the City to adopt a balanced budget that is approved by the Mayor and the Board. The Mayor presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted for each department by three major appropriation units, which are personal services, expenses, and debt service and capital outlay that are mandated by Municipal Law. The Board, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Amendments to the originally adopted budget, transfers between departments and transfers between appropriation units within a department require the approval of the Mayor and the Board. Transfers within a departmental appropriation unit require the City Comptroller's approval.

The majority of the City's appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the City is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgements may exceed the level of spending authorized by two-thirds majority vote of the Board.

The City adopts an annual budget for the General Fund and certain Special Revenue Funds in conformity with the guidelines described above. The original fiscal year 2001 approved budget for the General Fund and budgeted Special Revenue Funds authorized \$189,728,955 and \$26,749,129, respectively, in appropriations and other amounts to be raised. During fiscal year 2001, the Board also approved supplemental appropriations in these funds for \$17,019,058 and \$3,138,675, respectively.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the City's accounting system.

**B. Budgetary - GAAP Reconciliation**

Accounting principles followed for purposes of preparing general purpose financial statements on a budgetary basis differ from those used to present general purpose financial statements in conformity with GAAP. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund and budgeted Special Revenue Funds for the fiscal year ended June 30, 2001, is presented below:

**Budget to GAAP Reconciliation**

	<u>General Fund</u>	<u>Special Revenue</u>
Excess of revenues and other financing sources (uses) over expenditures – budgetary basis.....	\$ 10,022,885	\$ 781,268
<u>Perspective difference:</u>		
Excess of revenues and other financing sources (uses) over expenditures – non-budgeted special revenue funds.....		793,090
<u>Basis of accounting differences:</u>		
Net increase in revenues.....	15,253,497	200,996
Use of overlay surplus.....	( 350,000)	
Use of unreserved fund balance.....	( 8,147,962)	( 2,507,520)
Net (increase) in recording expenditures, encumbrances and continuing appropriations....	( 16,438,667)	( 342,589)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures – GAAP basis.....	<u>\$ 339,753</u>	<u>(\$1,074,755)</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2001, actual expenditures and encumbrances exceeded appropriations for State, County and MWRA charges. This over-expenditure will be funded by available fund during fiscal year 2002.

D. Individual Fund Deficits

The High School Renovations Fund (Capital Projects Fund) had an accumulated deficit of (\$3,599,766) at June 30, 2001. The City intends to fund this deficit during fiscal year 2002 through the issuance of general obligation bonds.

The Workers' Compensation Internal Service Fund has an accumulated deficit of (\$1,071,207) at June 30, 2001. The City intends to fund this deficit through General Fund contributions and investment earnings on the assets of the Fund.

**NOTE 3 - CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all Funds. Each Fund Type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments". The deposits and investments of the Trust Funds are held separately from those of other City funds.

At fiscal year-end, the carrying amount of the City's deposits totaled \$47,297,021 and the bank balance was \$52,673,248. Of the bank balance, \$16,213,280 was covered by Federal Depository Insurance and the Depository Insurance Fund, and \$36,459,968 was uninsured and uncollateralized. The carrying amount of cash at June 30, 2001, consists of the following:

Checking, Savings, and NOW accounts.....	\$ 1,145,305
Money Market Deposits.....	40,400,682
Certificates of Deposit.....	<u>5,751,034</u>
 Total carrying amount of cash.....	 <u>\$47,297,021</u>

At December 31, 2000, the carrying amount of the System's deposits totaled \$195,263 and the bank balance of \$179,901 was covered by Federal Depository Insurance.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The City participates in the Pool, which meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Pension Trust Fund includes real estate fund investments representing 5.1% of the assets of the Pension Trust Fund. The structure, risk profile, return potential and marketability differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgement because the actual market value can be determined only by negotiation between the parties in a sales transaction. Management has determined the value of these alternative investments with input from investment advisors.

Investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City's name.

Investments for the City subject to categorization are classified as category three and summarized as follows:

U.S. Government Securities.....	\$ 6,742,825
Equity Securities.....	7,153,654
Fixed Income Securities.....	<u>710,601</u>
Sub-total.....	\$ 14,607,080

Investments not subject to categorization:

Money Market Investments.....	961,400
State Treasurer's Investment Pool (MMDT)...	<u>13,662,616</u>
Total Investments.....	<u>\$ 29,231,096</u>

Investments for the System at December 31, 2000, subject to categorization are classified as category three and summarized as follows:

U.S. Government Securities.....	\$ 33,413,430
Equity Securities.....	117,083,830
Fixed Income Securities.....	<u>25,286,699</u>
Sub-total.....	175,783,959

Investments not subject to categorization:

International Equity Securities.....	43,757,291
International Fixed Income Securities.....	1,328,817
Real Estate Investments.....	11,945,930
Money Market Investments.....	1,400,910
State Treasurer's Investment Pool (MMDT)....	<u>1,370,399</u>
Total Investments.....	<u>\$235,587,306</u>

The following is a reconciliation of the City's investments as summarized above to the balance as recorded in the combined balance sheet:

Investments of the City as summarized above.....	\$29,231,096
Less: Short-term investments reported in the combined balance sheet as cash and short-term investments.....	<u>14,624,016</u>
Investments of the City as reported on the combined balance sheet.....	<u>\$14,607,080</u>

The following is a reconciliation of the City's balance of cash and short-term investments as reported on the combined balance sheet at June 30, 2001:

Carrying amount of cash.....	\$ 47,297,021
Add: Short-term investments.....	<u>14,624,016</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 61,921,037</u>

The following is a reconciliation of the System's investments as summarized above to the balance as recorded in the combined balance sheet:

Investments of the System as summarized above.....	\$235,587,306
Less: Short-term investments reported in the combined balance sheet as cash and short-term investments.....	<u>2,771,309</u>
Investments of the System as reported on the combined balance sheet.....	<u>\$232,815,997</u>

The following is a reconciliation of the System's balance of cash and short-term investments as reported on the combined balance sheet:

Carrying amount of cash.....	\$ 195,263
Add: Short-term investments.....	<u>2,771,309</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 2,966,572</u>

**NOTE 4 - PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Newton Contributory Retirement Board (NCRB). Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Commonwealth of Massachusetts' Teachers Retirement System (MTRS) to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are funded by the Commonwealth of Massachusetts (the Commonwealth). The amount of these on-behalf payments totaled approximately \$14,484,000 for the fiscal year ended June 30, 2001, and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Pension Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 1000 Commonwealth Avenue, Newton, Massachusetts, 02159.

Massachusetts' contributory benefits are uniform from system to system. The System provides retirement, disability and death benefits to plan members and beneficiaries up to a maximum of 80% of a members highest three year average rate of regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 except for certain hazardous duty and public safety employees who attain normal retirement at age 55.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total retirement deductions, plus interest, constitute the annuity. The difference between the total retirement benefit and the annuity is the pension. At December 31, 2000, the System membership consisted of the following:

Retirees and beneficiaries currently receiving benefits.....	<u>1,260</u>
Terminated (inactive) employees:	
Vested.....	8
Non-vested.....	<u>390</u>
Sub-total.....	<u>398</u>
Current employees:	
Vested.....	894
Non-vested.....	<u>829</u>
Sub-total.....	<u>1,723</u>
Total Members.....	<u>3,381</u>

*Funding Policy* – In 1984, the City began funding the System on an actuarial reserve basis. This funding includes both current year service and the amortization of past service costs over a 40-year period. It is the NCRB's policy to contract for an annual actuarial valuation of the System to determine whether the contributions are proving sufficient to meet accruing liabilities and to show what adjustments, if any, are necessary on the basis of the actual experience to keep the System fiscally sound.

Active members are required to contribute at rates ranging from 5% to 11% of annual compensation, depending upon their date of hire. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the NCRB and are borne by the System.

*Annual Pension Cost* – The City's contributions to the System for the fiscal years ended June 30, 2001, 2000 and 1999 were \$7,861,415, \$7,154,015 and \$6,752,406, respectively, which equaled its required contribution for each fiscal year. At June 30, 2001, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.50% investment rate of return, (b) projected salary increases of 5.00% per year, and (c) an inflation rate of 5.00%. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2001, was 19 years.

**Schedule of Funding Progress  
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value Of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage Of Covered Payroll ((B-A)/C)
01/01/01	\$219,102	\$268,660	\$49,558	82%	\$60,769	82%
01/01/00 *	201,766	256,096	54,330	79%	54,975	99%
01/01/99	176,284	239,946	63,622	74%	50,845	125%
01/01/98	158,714	233,458	74,744	68%	47,955	156%
01/01/97	146,399	217,128	70,729	67%	46,540	152%
01/01/96	135,696	207,976	72,280	65%	45,553	159%
01/01/95	128,080	199,832	71,752	64%	43,191	166%
01/01/94	121,454	195,976	74,522	62%	42,201	177%
01/01/93	115,167	181,416	66,249	63%	40,810	162%
01/01/92	107,862	172,662	64,800	62%	40,150	161%

\* Change in asset valuation method, which resulted in a reduction of the amortization period from 22 to 20 years.

*Investment Policy* – The NCRB is responsible for the adoption of a formal asset allocation policy, the selection of professional investment managers to execute the NCRB's investment policies, the appointment of an investment consultant to assist with the evaluation of investment manager performance, and the appointment of a custodian bank to value and maintain custody of all System assets. All investment activities of the NCRB are subject to the oversight of the Commonwealth's PERAC.

Up to 70% of the portfolio may be invested in equity securities, including international equities, which may not exceed 15% of the market value of the portfolio. At least 30% of the portfolio must be invested in both domestic and foreign fixed income securities. High yield fixed income securities may be purchased and held up to 5% of the total portfolio.

*Noncontributory Retirement Allowance* – City employees with military veteran status and at least 30 years of service to the City, who began work prior to July 1, 1939, are entitled to a noncontributory pension benefit equal to

72% of their highest rate of pay. Employees covered by this section of the plan are not included in the actuarial valuation and there is no available estimate of the related actuarial liability. The City funds these benefits from an annual General Fund appropriation. The fiscal year 2001 General Fund expenditure for these employees totaled approximately \$842,000.

H.C. Starck, Inc. Industrial Explosion

During 1996, the Governor and State Legislature approved Chapter 204, Section 146 of the Acts of 1996, a "home rule petition" of the City of Newton, which authorized the immediate retirement of 11 Newton firefighters who were injured in a 1993 industrial explosion at H.C. Starck, Inc. (Starck). In addition to providing for the immediate retirement of these members, the legislation authorized an enhanced level of benefits, not otherwise available to injured public safety employees, which has increased the System's liabilities by approximately \$4,400,000.

The legislation also granted the City a ten-year, interest free loan from the Commonwealth for \$2,600,000 for the specific purpose of lessening the burden of the additional retirement benefits. The City has subsequently provided the System with a \$2,600,000 special contribution. The net financial impact of House Bill 6209 is an increase of the System's accrued unfunded liability of approximately \$1,800,000. This additional liability is included in the System's unfunded actuarial liability amortization schedule.

In fiscal year 1997, the City and Starck entered into an out of court Settlement Agreement and General Release (the Agreement). The Agreement required Starck to purchase a structured settlement annuity contract that pays the City \$2,850,000 on August 31, 2006. Starck's assignee purchased the annuity contract for \$1,600,000 the same day the Agreement was entered into and consequently released Starck from any future liability. Starck's assignee has full rights of ownership until August 31, 2006, at which time the annuity contract will expire and the proceeds will be distributed to the City. The \$2,850,000 has been recorded as a General Fund receivable that is fully deferred at June 30, 2001.

Management intends to liquidate the Commonwealth's \$2,600,000 interest free note with the proceeds of the annuity contract receivable. The remaining \$250,000 will be used for operating and/or capital purposes.



**NOTE 5 - FIXED ASSETS**

General Fixed Assets Account Group – Changes in general fixed assets by category at June 30, 2001, are as follows:

	<u>Balance at July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Depreciation</u>	<u>Balance at June 30, 2001</u>
Land.....	\$ 9,712,122	\$ -	\$ -	\$ -	\$ 9,712,122
Building and improvements.....	61,918,986	3,668,790	-	( 2,487,206)	63,100,570
Machinery and equipment.....	8,837,179	1,404,330	( 4,700)	( 2,050,624)	8,186,185
Construction in progress.....	<u>3,410,871</u>	<u>3,123,860</u>	<u>-</u>	<u>-</u>	<u>6,534,731</u>
Total General Fixed Assets.....	<u>\$83,879,158</u>	<u>\$8,196,980</u>	<u>(\$4,700)</u>	<u>(\$4,537,830)</u>	<u>\$87,533,608</u>

**NOTE 6 - SHORT-TERM FINANCING**

The City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations of the City and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the General Fund and Water and Sewer Special Revenue Funds.

At June 30, 2001, the City had one BAN outstanding for various capital projects totaling \$5,700,000. The BAN bears an interest rate of 4.40% and matures December 21, 2001.

On August 29, 2001, the City issued a \$16,950,000 BAN for various school projects. The BAN bears an interest rate of 3.10% and matures on August 29, 2002.

**NOTE 7 - LONG-TERM DEBT**

State law permits the City, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 2 1/2% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a City may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the City's outstanding indebtedness at June 30, 2001, and the debt service requirements are as follows.

**Bonds and Notes Payable Schedule**

<u>Project</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2000</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2001</u>
Sewer.....	06/15/91	5.00-7.75	\$ 225,000	\$ -	\$ 225,000	\$ -
Street.....	04/16/92	4.40-5.50	250,000	-	250,000	-
School repairs.....	04/16/92	4.40-5.50	562,000	-	190,000	372,000
Storm drain.....	04/16/92	4.40-5.50	188,000	-	60,000	128,000
Remodeling.....	04/13/93	3.50-4.50	1,825,000	-	625,000	1,200,000
Remodeling.....	06/08/94	4.00-5.20	920,000	-	230,000	690,000
Remodeling.....	03/29/95	4.70-5.25	1,885,000	-	380,000	1,505,000
Remodeling.....	03/27/96	4.25-4.70	775,000	-	155,000	620,000
School construction.....	03/27/96	4.25-4.70	2,745,000	-	445,000	2,300,000
House Bill 6209.....	08/01/96	-	2,600,000	-	-	2,600,000
MWRA loan.....	02/26/97	-	60,030	-	30,015	30,015
School construction.....	02/26/97	4.50-4.80	3,913,750	-	560,000	3,353,750
Sewer.....	02/26/97	4.50-4.50	356,250	-	50,000	306,250
MWRA loan.....	06/05/97	-	240,192	-	120,096	120,096
MWPAT landfill bond...	02/05/98	-	2,511,200	-	109,600	2,401,600
School construction.....	03/10/98	4.23	2,400,000	-	300,000	2,100,000
School laboratories.....	03/10/98	4.23	400,000	-	50,000	350,000
MWRA loan.....	05/10/98	-	668,982	-	222,994	445,988
Sewer.....	03/15/99	4.01	90,000	-	10,000	80,000
Garage.....	03/15/99	3.89	295,000	-	35,000	260,000
Oak Hill School.....	03/15/99	3.91	4,230,000	-	470,000	3,760,000
Carr School.....	03/15/99	3.91	1,890,000	-	210,000	1,680,000
Bowen School.....	03/15/99	3.91	3,035,000	-	340,000	2,695,000
Science Labs.....	03/15/99	3.91	2,070,000	-	230,000	1,840,000
MWRA Loan.....	05/27/99	-	17,064	-	4,266	12,798
MWRA Loan.....	11/19/98	-	322,380	-	80,595	241,785
MWRA Loan.....	09/26/00	-	122,925	-	24,585	98,340
MWPAT sewer bond...	10/06/00	-	4,540,374	1,972,059	258,729	6,253,704
Williams Tier I.....	07/15/00	4.40-4.85	-	4,008,000	-	4,008,000
Bowen Tier I.....	07/15/00	4.40-4.85	-	285,000	-	285,000
MWRA Loan.....	09/28/00	-	-	1,074,826	-	1,074,826
MWRA Loan.....	02/15/01	-	-	1,511,193	-	1,511,193
MWPAT sewer.....	11/10/00	-	-	7,722,625	-	7,722,625
Total bonds and notes payable.....			<u>\$39,138,147</u>	<u>\$16,573,703</u>	<u>\$5,665,880</u>	<u>\$50,045,970</u>

Debt service requirements for principal and interest for bonds and notes payable in future fiscal years are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002.....	\$ 6,417,338	\$ 1,919,238	\$ 8,336,576
2003.....	5,768,855	1,772,894	7,541,749
2004.....	4,958,900	1,550,410	6,509,310
2005.....	4,660,133	1,352,200	6,012,333
2006.....	4,183,340	1,161,026	5,344,366
2007.....	6,280,440	988,188	7,268,628
2008.....	3,091,483	834,701	3,926,184
2009.....	2,762,311	708,770	3,471,081
2010.....	1,490,938	595,196	2,086,134
2011.....	1,512,432	532,391	2,044,823
2012.....	847,700	468,844	1,316,544
2013.....	806,500	484,460	1,290,960
2014.....	903,200	373,708	1,276,908
2015.....	927,700	323,405	1,251,105
2016.....	957,300	272,078	1,229,378
2017.....	987,000	218,641	1,205,641
2018.....	1,026,800	162,433	1,189,233
2019.....	1,061,600	104,239	1,165,839
2020.....	906,000	50,347	956,347
2021.....	<u>496,000</u>	<u>13,020</u>	<u>509,020</u>
Total.....	<u>\$50,045,970</u>	<u>\$13,886,189</u>	<u>\$63,932,159</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. During fiscal year 2001, the City received a non-interest bearing loan in the amount of \$2,586,019, and is payable in five equal annual installments. At June 30, 2001, the outstanding principal amount of these loans totaled \$3,535,041.

The City is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$3,905,875 and interest costs for \$7,585,741. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$14,960,114. The interest subsidies are guaranteed. The principal subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying general purpose financial statements. The fiscal year 2001 principal and interest subsidies totaled approximately \$66,000 and \$397,000, respectively.

The Commonwealth has approved construction assistance to the City. The assistance program, which is administered by the School Building Assistance Bureau, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2001, the City received approximately \$2,000,000 of such assistance and approximately \$16,800,000 will be received in future fiscal years. Of this amount, approximately \$4,408,000 represents reimbursement of long-term interest costs, and approximately \$12,392,000 represents reimbursement of approved construction costs. Accordingly, an intergovernmental receivable and corresponding deferred revenue have been reported in these general purpose financial statements in the amount of \$12,392,000.

Subsequent to June 30, 2001, the City issued the following long-term debt:

<u>Project</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount Issued</u>
School construction.....	08/15/01	3.90	\$4,910,000
MWRA Phase 4.....	08/30/01	-	<u>61,170</u>
Total.....			<u>\$4,971,170</u>

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. As of June 30, 2001, the City had the following authorized and unissued debt:

<u>Description</u>	<u>Balance at July 1, 2000</u>	<u>Authorizations/ (Rescinded) Debt</u>	<u>Bonds Sold</u>	<u>Balance at June 30, 2001</u>
Wastewater facilities.....	\$ 1,178,328	\$ -	\$ -	\$ 1,178,328
Water system.....	13,055,285	-	2,586,019	10,469,266
Landfill closure.....	350,000	-	-	350,000
School renovations.....	9,203,615	94,970,527	9,993,000	94,181,142
Sewer reconstruction.....	<u>12,959,626</u>	<u>-</u>	<u>9,694,684</u>	<u>3,264,942</u>
Total.....	<u>\$36,746,854</u>	<u>\$94,970,527</u>	<u>\$22,273,703</u>	<u>\$109,443,678</u>

Overlapping debt

The City pays assessments that include debt service payments to other local governmental units providing services within the City's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to the Massachusetts Bay Transportation Authority (MBTA) and the MWRA. Details related to the City's overlapping debt at June 30, 2001, are as follows:

<u>Governmental Unit</u>	<u>Long-term debt Outstanding (Unaudited)</u>	<u>Newton's Estimated Share</u>	<u>Newton's Estimated Indirect Debt</u>
MBTA.....	\$3,505,090,020	0.35%	\$ 12,127,611
MWRA.....	<u>4,461,318,000</u>	4.60%	<u>205,220,628</u>
Total.....	<u>\$7,966,408,020</u>		<u>\$217,348,239</u>

General Long-Term Obligations Account Group

The City records its liability for long-term bonds and notes in the General Long-Term Obligations Account Group. Other general long-term obligations recognized by the City are its obligations for compensated absences and landfill postclosure care costs. These liabilities will be liquidated in the future from Governmental Funds. During the fiscal year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group:

	Balance July 1, <u>2000</u>	Bonds and Notes <u>Issued</u>	Bonds and Notes <u>Redeemed</u>	Other Net Increase <u>(Decrease)</u>	Balance June 30, <u>2001</u>
Long-term notes and bonds.....	\$39,138,147	\$16,573,703	(\$5,665,880)	\$ -	\$50,045,970
Landfill closure.....	700,000	-	-	( 25,000)	675,000
Compensated absences.....	<u>5,141,461</u>	-	-	<u>2,888,880</u>	<u>8,130,341</u>
Total.....	<u>\$44,979,608</u>	<u>\$16,573,703</u>	<u>(\$5,665,880)</u>	<u>\$2,863,880</u>	<u>\$58,851,311</u>

**NOTE 8 - RISK FINANCING**

The City is self-insured for its health, workers' compensation (including public safety employees injured on duty), municipal liability and municipal building insurance activities. These activities are accounted for the City's Internal Service Funds where revenues are recorded when earned and expenses are recorded when the liability is incurred.

(a) *Health Insurance*

The City estimates it's Incurred But Not Reported (IBNR) claims based on a two-month claims paid average. The City purchases individual stop loss insurance for claims in excess of the coverage provided by the City in the amount of \$200,000. During fiscal year 2001, there were no settled claims in excess of the above deductible.

At June 30, 2001, the amount of the liability for health insurance claims totaled \$3,284,316. This liability is the City's best estimate based on available information. Changes in the reported liability since July 1, 1999, are as follows:

	Balance at Beginning of <u>Fiscal Year</u>	Current Year Claims and Changes in <u>Estimate</u>	Claims <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
Fiscal Year 2000.....	\$2,447,091	\$15,213,230	(\$15,281,377)	\$2,378,944
Fiscal Year 2001.....	2,378,944	21,943,770	( 21,038,398)	3,284,316

(b) *Workers' Compensation*

Workers' compensation claims are administered by the City's Personnel Department and are funded on a pay-as-you-go basis from annual appropriations. The City contracts for an annual actuarial valuation of the workers' compensation program and based on this study the City has recorded a liability of \$6,730,363 at June 30, 2001, for these claims. This liability includes an estimate of the IBNR claims.

Changes in the reported liability since July 1, 1999, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
Fiscal Year 2000.....	\$3,413,793	\$4,263,260	(\$1,357,647)	\$6,319,406
Fiscal Year 2001.....	6,319,406	2,030,685	( 1,619,728)	6,730,363

(c) *Municipal Liability*

Subsequent to June 30, 2001, two municipal claims were settled for a total amount of \$335,000. Accordingly, these amounts have been reported as Claims and Judgments payable in these general purpose financial statements.

The City's IBNR claims for municipal building insurance are not material at June 30, 2001, and therefore not reported.

**NOTE 9 - CAPITAL STABILIZATION FUND**

The City has \$1,425,953 in a Capital Stabilization Fund classified in the Capital Projects Fund. The City transferred \$1,754,305 into the fund during fiscal year 2001, and transferred \$448,357 out of the fund during fiscal year 2001 for various capital projects. The Capital Stabilization Fund may only be used for capital purposes upon approval of the Board.

**NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the City to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. On June 28, 1996, the City signed a consent agreement with the Commonwealth's Department of Environmental Protection that established a schedule for the closure of the Rumford Avenue Landfill. This landfill ceased operations in fiscal year 1976 and was capped during fiscal year 1998, which was in compliance with the consent agreement. The City has reflected \$675,000 as the estimate of the landfill postclosure care liability at June 30, 2001, in the General Long-Term Obligations Account Group. This amount is based upon estimates of what it would cost to perform all postclosure care in fiscal year 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 - COMMITMENTS**

The City is currently engaged in renovating portions of the Newton School system. Consequently, the City has entered into, or is planning to enter into, contracts totaling approximately \$94,000,000 to complete the School renovation project. As of June 30, 2001, the City spent approximately \$3,600,000 in relation to these projects.

The City has also entered into, or is planning to enter into, contracts totaling approximately \$15,000,000 for various water and sewer projects.

**NOTE 12 - CONTINGENCIES**

Subsequent to fiscal year-end, the City settled the Newton Firefighters retroactive wage negotiation totaling approximately \$300,000. It is also reasonably probable that the City will settle the Newton Police Officers and Newton Engineers retroactive wage negotiations for an amount totaling approximately \$218,000. Accordingly, these liabilities are reported as Retroactive Wage Settlements payable in these general purpose financial statements.

The City participates in a number of federal award programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2001, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Various other legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2001, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2001.

# ***Combining and Individual Fund Statements and Account Group Schedules***



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# ***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts or Capital Projects) that are restricted by law or administrative action to expenditures for specified purposes. The City has grouped its Special Revenue Funds into the following categories:

***School Lunch:*** This Fund is used to account for the operation of the School Department's student lunch program. Revenues are generated from the sale of lunches, state and federal grants and investment income. A formal budget is not adopted for this fund, however the level of expenditures cannot exceed revenues plus beginning fund balance.

***Highway Improvement:*** This Fund is used to account for the revenues and expenditures of State Chapter 90 highway construction grant funds. Grant budgets are recorded based upon annual grant awards from the Commonwealth, Board of Aldermen authorization of the grant spending plan and approval of specific construction projects by the Massachusetts Highway Department. Chapter 90 highway construction grants are paid to the City on a reimbursement basis. The City finances grant expenditures internally until reimbursements are received from the Commonwealth. Grant revenues are recognized when approved expenditures are incurred and submitted to the Commonwealth for reimbursement.

***Revolving:*** The Revolving Fund is used to account for a variety of functions that are expected to be self supporting, such as departmental private duty detail activities, school athletics, summer school, drivers education, creative arts, pre-school and creative arts. These funds are authorized annually by vote of the Board of Aldermen under General Law Chapter 44, Section 53E ½. This Fund is also used to account for departmental insurance and damage recoveries of less than \$20,000 and for Police Department asset forfeitures. Revolving Fund expenditures are limited to available revenues.

***Receipts Reserved:*** This Fund is used to account for a variety of local revenues whose use is legally restricted to a specific purpose and can only be spent with the approval of an appropriation of the Board of Aldermen. The Fund is used to account for proceeds from the sale of surplus City real estate, parking meter receipts and major insurance recoveries. No expenditures are made directly from this Fund. Resources are transferred from this Fund to the General Fund for expenditure, based upon a vote of the Board of Aldermen.

***Federal Community Development:*** This Fund is used to account for activities undertaken with federal Community Development Block Grant funds. The Mayor and Board of Aldermen approve an annual expenditure budget for the Fund.

***City Federal Grants:*** The Federal Grant Fund is used to account for categorical municipal federal grants which are unrelated to either the Community Development Block Grant program or the operation of the Nexus Transportation System. The Board of Aldermen approves expenditure budgets for all federal grants.

***City State Grants:*** The State Grant Fund is used to account for categorical municipal state grants. The Board of Aldermen approves expenditure budgets for all state grants.

***School Federal Grants:*** This Fund is used to account for all categorical federal public education grants received by the Newton School Department. The School Committee approves expenditure budgets for each grant award.

***School State Grants:*** This Fund is used to account for all categorical state public education grants received by the Newton School Department. The School Committee approves expenditure budgets for each grant award.

**NEXUS Transportation:** This Fund was established in 1997 to account for the operation of the Nexus Transportation System. Revenues are derived from grants, gifts and bus fares. The City of Newton's General Fund and the Newton Community Development Block Grant Fund provide operating subsidies for this Fund.

**Water:** The Water Fund is used to account for the operation and maintenance of the City's water system, including charges paid to the MWRA for the purchase of water. The Board of Aldermen adopts a fixed annual operating budget for this Fund. The year-end fund balance available for appropriation is to be used to finance operating and/or capital expenditures or to offset future rates.

**Sewer:** The Sewer Fund is used to account for the operation and maintenance of the City's sanitary sewer system, including charges paid to the MWRA for treatment and disposal of sewerage. The Board of Aldermen adopts a fixed annual operating budget for this Fund. The year-end fund balance available for appropriation is to be used to finance operating and/or capital expenditures or to offset future rates.

**Newton Community Development Authority:** This Fund is used to account for the housing and economic development activities of the Newton Community Development Authority (the Authority). The Director of Planning and Development serves as Chairman of the Authority, which is staffed entirely by members of the City's Planning and Development Department.

**Newton Commonwealth Foundation:** This Fund is used to account for the operation and maintenance of the Newton Commonwealth Golf Course, located in the Chestnut Hill section of the City. The Fund is managed by a Board of Directors, who are appointed by the Mayor. The Foundation's Board of Directors has contracted with a professional golf course management firm for the day-to-day maintenance and operation of the golf course.

**Gift:** The Gift Fund is used to account for small restricted purpose revenues, which are not to be accounted for in another Fund. Expenditures from this Fund require the approval of the Board of Aldermen.

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2001

ASSETS	School Lunch	Highway Improvement	Revolving	Receipts Reserved	Federal Community Development	City Federal Grants	City State Grants	School Federal Grants	School State Grants	NEXUS Transportation	Water	Sewer	Newton Community Development Authority	Newton Commonwealth Foundation		Total
														December 31, 2000	Gift	
Cash and short-term investments	\$ 254,557	\$ 107,029	\$ 1,755,051	\$ 1,518,311	\$ 250	\$ 29,016	\$ 698,540	\$ 435,008	\$ 546,065	\$ 27,881	\$ 2,595,915	\$ 3,371,910	\$ 406,752	\$ 629,205	\$ 780,147	\$ 13,155,637
Receivables, net of allowance for uncollectibles:																
Tax and utility liens	-	-	-	-	-	-	-	-	-	-	96,120	159,002	-	-	-	255,122
User charges	-	-	-	-	-	-	-	-	-	-	1,557,048	3,313,734	-	-	-	4,870,782
Departmental and other	2,944	-	269,287	42,291	-	-	-	-	-	-	-	2,804	47,696	-	1,037	366,059
Special assessments	-	-	-	-	-	-	-	-	-	-	-	104,445	-	-	-	104,445
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-	-	421,735	-	-	421,735
Notes	-	-	-	360,000	-	-	-	-	-	-	-	-	-	-	-	360,000
Loans	-	-	-	-	-	-	-	-	-	-	-	-	3,634,082	-	-	3,634,082
Intergovernmental	44,505	1,422,267	-	-	3,779,583	2,329,700	18,410	-	-	-	-	1,250	-	-	-	7,594,715
Other assets	-	-	-	-	-	-	-	-	-	-	1,350	-	-	-	-	1,350
<b>TOTAL ASSETS</b>	<b>\$ 302,006</b>	<b>\$ 1,529,296</b>	<b>\$ 2,024,338</b>	<b>\$ 1,920,602</b>	<b>\$ 3,779,833</b>	<b>\$ 2,358,716</b>	<b>\$ 716,950</b>	<b>\$ 435,008</b>	<b>\$ 546,065</b>	<b>\$ 27,881</b>	<b>\$ 4,250,433</b>	<b>\$ 6,953,145</b>	<b>\$ 4,510,265</b>	<b>\$ 629,205</b>	<b>\$ 781,184</b>	<b>\$ 30,763,927</b>
<b>LIABILITIES AND FUND EQUITY</b>																
<b>LIABILITIES:</b>																
Warrants payable	\$ 22,995	\$ -	\$ 189,635	\$ -	\$ 13,257	\$ 16,516	\$ 241,982	\$ 29,448	\$ 21,451	\$ 21,285	\$ 190,209	\$ 130,297	\$ -	\$ -	\$ 8,015	\$ 885,090
Accrued liabilities	153,386	195,997	57,932	-	89,024	13,510	34,487	131,978	133,952	2,093	265,675	62,082	221,423	-	778	1,362,317
Accrued payroll	118,695	-	6,958	-	-	5,526	-	-	-	-	728	390	-	20,147	-	152,444
Liabilities due depositors	-	-	-	-	-	-	-	-	-	-	351,982	450,745	-	-	-	802,727
Other liabilities	-	-	-	-	-	-	27,762	-	-	-	15,259	15,259	184,800	-	-	243,080
Deferred revenues	-	1,200,840	126,095	402,291	3,618,355	1,925,439	-	-	-	-	778,715	2,028,243	-	-	-	10,078,979
Due to other funds	-	-	-	-	57,947	262,463	-	-	-	-	-	-	-	-	-	329,410
<b>TOTAL LIABILITIES</b>	<b>295,076</b>	<b>1,396,837</b>	<b>380,620</b>	<b>402,291</b>	<b>3,779,583</b>	<b>2,217,928</b>	<b>309,757</b>	<b>161,426</b>	<b>155,403</b>	<b>23,378</b>	<b>1,602,568</b>	<b>2,687,016</b>	<b>406,223</b>	<b>-</b>	<b>28,940</b>	<b>13,846,046</b>
<b>FUND EQUITY:</b>																
<b>Reserved for:</b>																
Encumbrances	-	-	-	-	-	-	-	-	-	-	95,668	21,526	-	-	-	117,194
Continuing appropriations	-	-	-	-	-	-	-	-	-	-	199,805	285,982	-	-	-	474,787
Loans	-	-	-	-	-	-	-	-	-	-	-	-	3,634,082	-	-	3,634,082
<b>Designated for:</b>																
Subsequent year's expenditures	-	-	-	790,000	-	-	-	-	-	-	731,707	635,925	-	-	-	2,157,632
Unreserved	6,930	132,459	1,643,718	728,311	250	140,789	407,193	273,582	390,662	4,503	1,631,685	3,322,696	469,960	629,205	752,244	10,534,186
<b>TOTAL FUND EQUITY</b>	<b>6,930</b>	<b>132,459</b>	<b>1,643,718</b>	<b>1,518,311</b>	<b>250</b>	<b>140,789</b>	<b>407,193</b>	<b>273,582</b>	<b>390,662</b>	<b>4,503</b>	<b>2,647,865</b>	<b>4,266,129</b>	<b>4,104,042</b>	<b>629,205</b>	<b>752,244</b>	<b>16,917,891</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 302,006</b>	<b>\$ 1,529,296</b>	<b>\$ 2,024,338</b>	<b>\$ 1,920,602</b>	<b>\$ 3,779,833</b>	<b>\$ 2,358,716</b>	<b>\$ 716,950</b>	<b>\$ 435,008</b>	<b>\$ 546,065</b>	<b>\$ 27,881</b>	<b>\$ 4,250,433</b>	<b>\$ 6,953,145</b>	<b>\$ 4,510,265</b>	<b>\$ 629,205</b>	<b>\$ 781,184</b>	<b>\$ 30,763,927</b>

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**SPECIAL REVENUE FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2001  
 (Except for the Newton Commonwealth Foundation which is for the year ended December 31, 2000)

	School Lunch	Highway Improvement	Revolving	Receipts Reserved	Federal Community Development	City Federal Grants	City State Grants	School Federal Grants	School State Grants	NEXUS Transportation	Water	Sewer	Newton Community Development Authority	Newton Commonwealth Foundation	Gift	Total
<b>REVENUES:</b>																
Charges for services	\$ 2,537,364	\$ -	\$ 4,938,378	\$ 769,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,047	\$ 9,367,139	\$ 16,969,015	\$ -	\$ 341,844	\$ -	\$ 34,934,338
Departmental and other	-	-	55,559	492,181	-	-	-	-	-	41,250	5,379	3,400	926	10,311	656,233	1,265,239
Intergovernmental	496,194	1,222,295	14,489	-	2,952,249	2,139,741	1,289,925	2,209,135	3,131,632	-	51,944	364,052	436,877	-	-	14,308,533
Investment income	6,441	-	1,277	388	-	2,158	1,124	-	-	-	-	-	139,912	41,162	4,158	196,620
<b>TOTAL REVENUES</b>	<b>3,039,999</b>	<b>1,222,295</b>	<b>5,009,703</b>	<b>1,262,120</b>	<b>2,952,249</b>	<b>2,141,899</b>	<b>1,291,049</b>	<b>2,209,135</b>	<b>3,131,632</b>	<b>52,297</b>	<b>9,424,462</b>	<b>17,336,467</b>	<b>577,715</b>	<b>393,317</b>	<b>660,391</b>	<b>50,704,730</b>
<b>EXPENDITURES:</b>																
Current:																
General Government	-	-	53,899	-	-	8,257	30,903	-	-	-	-	-	-	-	24,310	117,369
Public Safety	-	-	1,536,845	-	-	125,490	165,859	-	-	-	-	-	-	-	-	3,000
Education	3,109,205	-	3,025,166	-	-	-	-	2,087,946	2,834,934	-	-	-	-	-	-	294,206
Public Works	-	-	264,199	-	-	215,654	102,082	-	-	-	2,706,045	1,962,036	-	-	6,660	5,256,676
Health and Human Services	-	-	46,763	-	2,812,133	1,703,032	664,468	-	-	334,727	-	-	238,979	-	14,482	5,814,584
Culture and recreation	-	-	712,959	-	-	17,672	194,257	-	-	-	-	-	-	-	-	924,888
Employee benefits	304,762	-	64,170	-	140,116	418	2,525	121,117	57,762	4,617	412,594	199,334	-	-	-	1,307,415
State, County and MWRA charges	-	-	-	-	-	-	-	-	-	-	4,594,483	13,880,613	-	-	-	18,475,096
Capital outlay	-	1,210,874	-	-	-	-	-	-	-	-	-	-	-	122,694	-	1,333,568
Debt service:																
Principal	-	-	-	-	-	-	-	-	-	-	435,094	756,186	-	-	-	1,191,280
Interest	-	-	-	-	-	-	-	-	-	-	88,149	463,531	-	-	-	551,680
<b>TOTAL EXPENDITURES</b>	<b>3,413,967</b>	<b>1,210,874</b>	<b>5,704,001</b>	<b>-</b>	<b>2,952,249</b>	<b>2,070,523</b>	<b>1,160,094</b>	<b>2,209,063</b>	<b>2,892,696</b>	<b>339,344</b>	<b>8,236,365</b>	<b>17,261,700</b>	<b>238,979</b>	<b>122,694</b>	<b>332,658</b>	<b>48,145,207</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(373,968)</b>	<b>11,421</b>	<b>(694,298)</b>	<b>1,262,120</b>	<b>-</b>	<b>71,376</b>	<b>130,955</b>	<b>72</b>	<b>238,936</b>	<b>(287,047)</b>	<b>1,188,097</b>	<b>74,767</b>	<b>338,736</b>	<b>270,623</b>	<b>327,733</b>	<b>2,559,523</b>
<b>OTHER FINANCING SOURCES (USES):</b>																
Operating transfers in	304,762	-	866,139	1,100	-	54,550	-	-	-	250,000	-	18,101	-	-	2,200	1,496,852
Operating transfers out	-	-	(10,687)	(1,536,996)	-	(38,551)	(346,086)	-	-	-	(2,521,895)	(626,915)	-	(50,000)	-	(5,131,130)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>304,762</b>	<b>-</b>	<b>855,452</b>	<b>(1,535,896)</b>	<b>-</b>	<b>15,999</b>	<b>(346,086)</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>(2,521,895)</b>	<b>(608,814)</b>	<b>-</b>	<b>(50,000)</b>	<b>2,200</b>	<b>(3,634,278)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>(69,206)</b>	<b>11,421</b>	<b>161,154</b>	<b>(273,776)</b>	<b>-</b>	<b>87,375</b>	<b>(215,131)</b>	<b>72</b>	<b>238,936</b>	<b>(37,047)</b>	<b>(1,333,798)</b>	<b>(534,047)</b>	<b>338,736</b>	<b>220,623</b>	<b>329,933</b>	<b>(1,074,755)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>76,136</b>	<b>121,038</b>	<b>1,482,564</b>	<b>1,792,087</b>	<b>250</b>	<b>53,413</b>	<b>622,324</b>	<b>273,510</b>	<b>151,726</b>	<b>41,550</b>	<b>3,981,663</b>	<b>4,800,176</b>	<b>3,765,306</b>	<b>408,582</b>	<b>422,311</b>	<b>17,992,636</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 6,830</b>	<b>\$ 132,459</b>	<b>\$ 1,643,718</b>	<b>\$ 1,518,311</b>	<b>\$ 250</b>	<b>\$ 140,788</b>	<b>\$ 407,193</b>	<b>\$ 273,582</b>	<b>\$ 390,662</b>	<b>\$ 4,503</b>	<b>\$ 2,647,865</b>	<b>\$ 4,266,129</b>	<b>\$ 4,104,042</b>	<b>\$ 629,205</b>	<b>\$ 752,244</b>	<b>\$ 16,917,881</b>

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**BUDGETED SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGETARY BASIS - BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2001

	Water			Sewer			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>									
Charges for services	\$ 9,340,808	\$ 9,408,139	\$ 67,331	\$ 18,021,375	\$ 17,143,015	\$ (878,360)	\$ 27,362,183	\$ 26,551,154	\$ (811,029)
Departmental and other		5,379	5,379		3,400	3,400	-	8,779	8,779
<b>TOTAL REVENUES</b>	<b>9,340,808</b>	<b>9,413,518</b>	<b>72,710</b>	<b>18,021,375</b>	<b>17,146,415</b>	<b>(874,960)</b>	<b>27,362,183</b>	<b>26,559,933</b>	<b>(802,250)</b>
<b>EXPENDITURES:</b>									
Current:									
Public Works	3,147,624	2,779,451	368,173	2,474,739	1,962,036	512,703	5,622,363	4,741,487	880,876
Employee benefits	441,034	412,594	28,440	211,824	199,334	12,490	652,858	611,928	40,930
State, County and MWRA charges	4,747,848	4,594,483	153,365	14,278,071	13,880,613	397,458	19,025,919	18,475,096	550,823
Debt service:									
Principal	435,095	435,095	-	818,894	708,037	110,857	1,253,989	1,143,132	110,857
Interest	36,204	36,204	-	147,661	147,629	32	183,865	183,833	32
<b>TOTAL EXPENDITURES</b>	<b>8,807,805</b>	<b>8,257,827</b>	<b>549,978</b>	<b>17,931,189</b>	<b>16,897,649</b>	<b>1,033,540</b>	<b>26,738,994</b>	<b>25,155,476</b>	<b>1,583,518</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>533,003</b>	<b>1,155,691</b>	<b>622,688</b>	<b>90,186</b>	<b>248,766</b>	<b>158,580</b>	<b>623,189</b>	<b>1,404,457</b>	<b>781,268</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating transfers in			-	18,101	18,101	-	18,101	18,101	-
Operating transfers out	(2,521,895)	(2,521,895)	-	(626,915)	(626,915)	-	(3,148,810)	(3,148,810)	-
Use of unreserved fund balance	1,988,892	1,988,892	-	518,628	518,628	-	2,507,520	2,507,520	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(533,003)</b>	<b>(533,003)</b>	<b>-</b>	<b>(90,186)</b>	<b>(90,186)</b>	<b>-</b>	<b>(623,189)</b>	<b>(623,189)</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 622,688</b>	<b>\$ 622,688</b>	<b>\$ -</b>	<b>\$ 158,580</b>	<b>\$ 158,580</b>	<b>\$ -</b>	<b>\$ 781,268</b>	<b>\$ 781,268</b>



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# ***Capital Projects Funds***

Capital Projects Funds are used to account for financial resources to be used in the acquisition or construction of major capital facilities (other than those financed by Trust Funds). The City has grouped its Capital Projects Funds into the following categories:

***Public Building Improvements:*** This Fund is used to account for the acquisition, construction, reconstruction and/or major renovation to the City's public buildings. The Fund has two sub-funds, one for public school projects and a second for municipal buildings. The Board of Aldermen adopts a fixed budget for all projects. The Public Buildings Commissioner is responsible for all projects accounted for in this Fund.

***Public Works Improvements:*** This Fund is used to account for major public works improvement projects, such as water and sewer system improvements, street reconstruction, landfill closure and park development. Similar to the Public Building Improvements Fund, fixed budgets are adopted for all projects by the Board of Aldermen. The Public Works Commissioner is responsible for all projects in this Fund, with the exception of parks and recreation development and improvement projects, which fall under the Commissioner of Parks and Recreation.

***Technology Improvements:*** This Fund is used to account for major technology improvement projects that benefit more than a single department. The Board of Aldermen adopts a fixed budget for each project, which are managed by the Director of Information Technology.

***Capital Stabilization:*** The Capital Stabilization Fund is used to accumulate resources for future capital project financing. No expenditures are made directly from the Fund. Funds are instead appropriated and transferred to another Capital Projects Fund or to the General Fund for capital purposes. Completed capital improvement and maintenance budget balances are closed out to this account along with certain state and federal reimbursement grants for capital projects that have been funded from City resources.

**CAPITAL PROJECTS FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2001

<b>ASSETS</b>	Public Building Improvements	High School Renovations	Public Works Improvements	Technology Improvements	Capital Stabilization	Total
Cash and short-term investments	\$ 1,814,095	\$ 4,724,364	\$ 4,306,885	\$ 49,029	\$ 1,387,402	\$ 12,281,775
Receivables, net of allowance for uncollectibles:						
Intergovernmental	-	-	3,181,934	-	-	3,181,934
Due from other funds	-	-	-	-	38,551	38,551
<b>TOTAL ASSETS</b>	<b>\$ 1,814,095</b>	<b>\$ 4,724,364</b>	<b>\$ 7,488,819</b>	<b>\$ 49,029</b>	<b>\$ 1,425,953</b>	<b>\$ 15,502,260</b>
 <b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Warrants payable	\$ 327,612	\$ 1,756,430	\$ 168,668	\$ -	\$ -	\$ 2,252,710
Accrued liabilities	178,084	867,700	1,485,820	48,181	-	2,579,785
Bonds and notes payable	-	5,700,000	-	-	-	5,700,000
<b>TOTAL LIABILITIES</b>	<b>505,696</b>	<b>8,324,130</b>	<b>1,654,488</b>	<b>48,181</b>	<b>-</b>	<b>10,532,495</b>
<b>FUND EQUITY (DEFICIT):</b>						
Reserved for:						
Stabilization	-	-	-	-	1,425,953	1,425,953
Unreserved	1,308,399	(3,599,766)	5,834,331	848	-	3,543,812
<b>TOTAL FUND EQUITY (DEFICIT)</b>	<b>1,308,399</b>	<b>(3,599,766)</b>	<b>5,834,331</b>	<b>848</b>	<b>1,425,953</b>	<b>4,969,765</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,814,095</b>	<b>\$ 4,724,364</b>	<b>\$ 7,488,819</b>	<b>\$ 49,029</b>	<b>\$ 1,425,953</b>	<b>\$ 15,502,260</b>

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**CAPITAL PROJECTS FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2001

	Public Building Improvements	High School Renovations	Public Works Improvements	Technology Improvements	Capital Stabilization	Total
<b>REVENUES:</b>						
Departmental and other	\$ 28,380	\$ -	\$ -	\$ -	\$ 41,314	\$ 69,694
Investment income	-	-	181,694	-	-	181,694
<b>TOTAL REVENUES</b>	<b>28,380</b>	<b>-</b>	<b>181,694</b>	<b>-</b>	<b>41,314</b>	<b>251,388</b>
<b>EXPENDITURES:</b>						
Capital outlay	2,933,414	3,599,766	9,121,242	-	-	15,654,422
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,905,034)</b>	<b>(3,599,766)</b>	<b>(8,939,548)</b>	<b>-</b>	<b>41,314</b>	<b>(15,403,034)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds of bonds and notes	4,293,000	-	12,280,703	-	-	16,573,703
Operating transfers in	-	-	2,500,369	-	1,754,305	4,254,674
Operating transfers out	(199,147)	-	-	-	(448,357)	(647,504)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,093,853</b>	<b>-</b>	<b>14,781,072</b>	<b>-</b>	<b>1,305,948</b>	<b>20,180,873</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>1,188,819</b>	<b>(3,599,766)</b>	<b>5,841,524</b>	<b>-</b>	<b>1,347,262</b>	<b>4,777,839</b>
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>	<b>119,580</b>	<b>-</b>	<b>(7,193)</b>	<b>848</b>	<b>78,691</b>	<b>191,926</b>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<b>\$ 1,308,399</b>	<b>\$ (3,599,766)</b>	<b>\$ 5,834,331</b>	<b>\$ 848</b>	<b>\$ 1,425,953</b>	<b>\$ 4,969,765</b>

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# ***Internal Service Funds***

Internal Service Funds are used to account for the financing of services provided by one department to other departments or governmental units. The City is accounting for its risk financing activities related to health, workers' compensation, liability, and building insurance in its Internal Service Fund and are categorized as follows:

***Health Insurance:*** This Fund is used to account for group health benefits for active and retired employees of the City. The City funds 80% of the cost of group health benefits and employees contribute 20% of the cost through payroll deductions. Tufts Associated Health Plan serves as the plan administrator.

***Workers' Compensation:*** This Fund is used to account for workers' compensation benefits, both replacement wages and medical benefits. The Fund is also used to account for the cost of providing medical benefits to police officers and firefighters that are injured in the line of duty. Replacement wages are charged to the Police and Fire budgets in the General Fund.

***Liability Insurance:*** This Fund is used to accumulate resources to pay liability claims in excess of \$50,000. Liability claims less than \$5,000 are funded from an appropriation in the City Solicitor's budget and claims greater than \$5,000, but less than \$50,000, are funded from a transfer from the Reserve Fund appropriation in the General Fund budget.

***Building Insurance:*** For many years the City purchased property insurance with high deductibles. This Fund was established to fund the difference between actual property losses and commercial insurance. Approximately five years ago insurance markets softened sufficiently so that the City was able to purchase insurance with low deductibles, currently \$1,000 per loss. At this time the City changed the investment strategy of this Fund and it is now used to generate sufficient annual income to finance property insurance premiums paid from the General Fund.

**INTERNAL SERVICE FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2001

<b>ASSETS</b>	Health Insurance	Workers' Compensation	Liability Insurance	Building Insurance	Total
Cash and short-term investments	\$ 5,144,281	\$ 1,112,515	\$ 89,219	\$ 124,005	\$ 6,470,020
Investments	-	4,619,961	595,991	2,315,967	7,531,919
Receivables, net of allowance for uncollectibles:					
Interest and dividends	-	-	151	244	395
Intergovernmental	-	16,268	-	-	16,268
Other assets	326,029	3,088	-	-	329,117
<b>TOTAL ASSETS</b>	<b>\$ 5,470,310</b>	<b>\$ 5,751,832</b>	<b>\$ 685,361</b>	<b>\$ 2,440,216</b>	<b>\$ 14,347,719</b>
<b>LIABILITIES AND FUND EQUITY</b>					
LIABILITIES:					
Warrants payable	\$ -	\$ 71,616	\$ -	\$ -	\$ 71,616
Accrued liabilities	3,292,315	6,751,423	-	-	10,043,738
Due to other funds	-	-	50,000	-	50,000
Claims and judgments	-	-	335,000	-	335,000
<b>TOTAL LIABILITIES</b>	<b>3,292,315</b>	<b>6,823,039</b>	<b>385,000</b>	<b>-</b>	<b>10,500,354</b>
FUND EQUITY (DEFICIT):					
Retained earnings:					
Reserved for health insurance benefits	2,177,995	-	-	-	2,177,995
Reserved for workers' compensation	-	(1,071,207)	-	-	(1,071,207)
Reserved for liability insurance	-	-	300,361	-	300,361
Reserved for building insurance	-	-	-	2,440,216	2,440,216
<b>TOTAL FUND EQUITY (DEFICIT)</b>	<b>2,177,995</b>	<b>(1,071,207)</b>	<b>300,361</b>	<b>2,440,216</b>	<b>3,847,365</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 5,470,310</b>	<b>\$ 5,751,832</b>	<b>\$ 685,361</b>	<b>\$ 2,440,216</b>	<b>\$ 14,347,719</b>

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**INTERNAL SERVICE FUNDS**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2001

	Health Insurance	Workers' Compensation	Liability Insurance	Building Insurance	Total
<u>OPERATING REVENUES:</u>					
Employer contributions	\$ 18,468,304	\$ 1,438,000	\$ -	\$ -	\$ 19,906,304
Employee contributions	4,914,903	-	-	-	4,914,903
Departmental and other	-	710	-	-	710
<b>TOTAL OPERATING REVENUES</b>	<b>23,383,207</b>	<b>1,438,710</b>	<b>-</b>	<b>-</b>	<b>24,821,917</b>
<u>OPERATING EXPENSES:</u>					
Settlements paid	-	-	465,000	108,200	573,200
Employee benefits paid	21,038,398	1,619,728	-	-	22,658,126
Change in incurred but not reported liability	905,372	410,957	-	-	1,316,329
<b>TOTAL OPERATING EXPENSES</b>	<b>21,943,770</b>	<b>2,030,685</b>	<b>465,000</b>	<b>108,200</b>	<b>24,547,655</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,439,437</b>	<b>(591,975)</b>	<b>(465,000)</b>	<b>(108,200)</b>	<b>274,262</b>
<u>NONOPERATING REVENUES:</u>					
Investment income (loss)	224,659	126,360	21,513	153,763	526,295
<b>NET INCOME (LOSS)</b>	<b>1,664,096</b>	<b>(465,615)</b>	<b>(443,487)</b>	<b>45,563</b>	<b>800,557</b>
RETAINED EARNINGS (DEFICIT) Beginning of year	513,899	(605,592)	743,848	2,394,653	3,046,808
<b>RETAINED EARNINGS (DEFICIT) End of year</b>	<b>\$ 2,177,995</b>	<b>\$ (1,071,207)</b>	<b>\$ 300,361</b>	<b>\$ 2,440,216</b>	<b>\$ 3,847,365</b>

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**INTERNAL SERVICE FUNDS**  
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2001

	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Liability Insurance</u>	<u>Building Insurance</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Operating income (loss)	\$ 1,439,437	\$ (591,975)	\$ (465,000)	\$ (108,200)	\$ 274,262
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Changes in assets in liabilities:					
Accounts receivable	-	157,924	-	-	157,924
Interest and dividends receivable	-	-	(151)	(244)	(395)
Other assets	(10,035)	(3,088)	-	-	(13,123)
Warrants payable	-	41,009	-	-	41,009
Accrued liabilities	913,371	432,017	-	-	1,345,388
Due to other funds	-	-	50,000	-	50,000
Claims and judgments	-	-	335,000	-	335,000
Total adjustments	<u>903,336</u>	<u>627,862</u>	<u>384,849</u>	<u>(244)</u>	<u>1,915,803</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>2,342,773</u>	<u>35,887</u>	<u>(80,151)</u>	<u>(108,444)</u>	<u>2,190,065</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u></b>					
(Purchases) and sales of investments, net	-	(763,698)	62,164	(25,849)	(727,383)
Investment income	<u>224,659</u>	<u>126,360</u>	<u>21,513</u>	<u>153,763</u>	<u>526,295</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>224,659</u>	<u>(637,338)</u>	<u>83,677</u>	<u>127,914</u>	<u>(201,088)</u>
NET INCREASE (DECREASE) IN CASH	2,567,432	(601,451)	3,526	19,470	1,988,977
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR	<u>2,576,849</u>	<u>1,713,966</u>	<u>85,693</u>	<u>104,535</u>	<u>4,481,043</u>
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	<u>\$ 5,144,281</u>	<u>\$ 1,112,515</u>	<u>\$ 89,219</u>	<u>\$ 124,005</u>	<u>\$ 6,470,020</u>

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# ***Fiduciary Funds***

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a trust agreement. The City has grouped its Fiduciary Funds into the following categories:

## ***Expendable Trust***

*Public Library:* This Fund is used to account for the purchase of library supplies and enhancements of library services. The activity of this Fund is at the discretion of the Library Trustees.

*Chaffin Education:* This Fund is used to account for higher education loans and grants issued to Newton High School, or any other school of higher grade, graduates who are unable to afford the cost of college. Revenues primarily consist of investment income from the nonexpendable portion of this trust.

*Scovell Education:* This Fund is used to account for prizes to students for distinguished scholarships awarded at Newton High School. These prizes are subject to the approval of the School Committee. Revenues primarily consist of investment income from the nonexpendable portion of this trust.

*Cousen's Welfare:* This Fund is used to account for loans and/or grants to the City's residents who qualify as poor. At least 90% of the annual income of the Fund is to be distributed to the deserving poor and not more than 20% of this sum may be loaned to individuals who are temporarily in financial need. The Fund's Trustees approve all distributions from the Fund. Revenues primarily consist of investment income from the nonexpendable portion of this trust.

*Other:* This Fund is used to account for various gifts, bequests and contributions held by the City of which both principal and investment earnings may be expended for purposes specified by the donor.

## ***Nonexpendable Trust***

*Nonexpendable Trust:* This Fund is used to account for various gifts, bequests and contributions held by the City of which only earnings may be expended for purposes specified by the donor. Investment income earned on Nonexpendable Trust Fund balances is credited to the Expendable Trust Fund, unless the trust agreement requires otherwise.

## ***Pension Trust***

*Pension Trust:* This Fund is used to account for the net assets held in trust for the Newton Contributory Retirement System (the System) for the payment of retirement, disability and survivor benefits to members of the System.

## ***Agency***

*Agency:* The Agency Fund is used primarily to account for payroll deductions and other cash collections that are due third parties such as the state or federal government.

**FIDUCIARY FUND TYPES**  
**COMBINING BALANCE SHEET**

JUNE 30, 2001

<b>ASSETS</b>	Expendable Trust	Nonexpendable Trust	Pension Trust December 31, 2000	Agency	Total
Cash and short-term investments	\$ 1,657,175	\$ 846,200	\$ 2,966,572	\$ 1,326,998	\$ 6,796,945
Investments	5,502,602	1,572,559	232,815,997	-	239,891,158
Receivables, net of allowance for uncollectibles:					
Departmental and other	-	-	5,356	562,005	567,361
Interest and dividends	35,793	70	40,647	-	76,510
Loans	355,196	-	-	-	355,196
Other assets	-	5,200	5,915	-	11,115
<b>TOTAL ASSETS</b>	<b>\$ 7,550,766</b>	<b>\$ 2,424,029</b>	<b>\$ 235,834,487</b>	<b>\$ 1,889,003</b>	<b>\$ 247,698,285</b>
<b>LIABILITIES AND FUND EQUITY</b>					
LIABILITIES:					
Warrants payable	\$ 1,505	\$ -	\$ 9,448	\$ 23,969	\$ 34,922
Accrued liabilities	1,740	-	-	-	1,740
Liabilities due depositors	3,700	-	-	-	3,700
Payroll withholdings	-	-	-	778,087	778,087
Other liabilities	28,182	-	-	1,086,947	1,115,129
<b>TOTAL LIABILITIES</b>	<b>35,127</b>	<b>-</b>	<b>9,448</b>	<b>1,889,003</b>	<b>1,933,578</b>
FUND EQUITY:					
Reserved for:					
Loans	355,196	-	-	-	355,196
Nonexpendable trusts	-	2,424,029	-	-	2,424,029
Employees' pension benefits	-	-	235,825,039	-	235,825,039
Unreserved	7,160,443	-	-	-	7,160,443
<b>TOTAL FUND EQUITY</b>	<b>7,515,639</b>	<b>2,424,029</b>	<b>235,825,039</b>	<b>-</b>	<b>245,764,707</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 7,550,766</b>	<b>\$ 2,424,029</b>	<b>\$ 235,834,487</b>	<b>\$ 1,889,003</b>	<b>\$ 247,698,285</b>

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**EXPENDABLE TRUST FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2001

ASSETS	Public Library	Chaffin Education	Scovell Education	Cousen's Welfare	Other	Total
Cash and short-term investments	\$ 131,747	\$ 480,971	\$ 36,338	\$ 129,158	\$ 878,961	\$ 1,657,175
Investments	748,279	4,023,277	352,920	86,106	292,020	5,502,602
Receivables, net of allowance for uncollectibles:						
Interest and dividends	3,766	377	63	24,634	6,953	35,793
Loans	-	353,796	-	-	1,400	355,196
	-	353,796	-	-	1,400	355,196
<b>TOTAL ASSETS</b>	<b>\$ 883,792</b>	<b>\$ 4,858,421</b>	<b>\$ 389,321</b>	<b>\$ 239,898</b>	<b>\$ 1,179,334</b>	<b>\$ 7,550,766</b>
 <b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ 1,505	\$ 1,505
Accrued liabilities	-	-	-	-	1,740	1,740
Liabilities due depositors	-	-	-	-	3,700	3,700
Other liabilities	-	28,182	-	-	-	28,182
	-	28,182	-	-	6,945	35,127
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>28,182</b>	<b>-</b>	<b>-</b>	<b>6,945</b>	<b>35,127</b>
<b>FUND EQUITY:</b>						
Reserved for:						
Loans	-	353,796	-	-	1,400	355,196
Unreserved	883,792	4,476,443	389,321	239,898	1,170,989	7,160,443
	883,792	4,476,443	389,321	239,898	1,170,989	7,160,443
<b>TOTAL FUND EQUITY</b>	<b>883,792</b>	<b>4,830,239</b>	<b>389,321</b>	<b>239,898</b>	<b>1,172,389</b>	<b>7,515,639</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 883,792</b>	<b>\$ 4,858,421</b>	<b>\$ 389,321</b>	<b>\$ 239,898</b>	<b>\$ 1,179,334</b>	<b>\$ 7,550,766</b>

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**EXPENDABLE TRUST FUNDS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2001

	Public Library	Chaffin Education	Scovell Education	Cousen's Welfare	Other	Total
<b>REVENUES:</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 44,400	\$ 44,400
Departmental and other	285,641	-	-	3,210	112,354	401,205
Investment income	(122,967)	(184,723)	43,188	99,092	70,626	(94,784)
<b>TOTAL REVENUES</b>	<b>162,674</b>	<b>(184,723)</b>	<b>43,188</b>	<b>102,302</b>	<b>227,380</b>	<b>350,821</b>
<b>EXPENDITURES:</b>						
Current:						
Education	-	59,946	23,000	-	120,642	203,588
Health and Human Services	-	-	-	95,520	1,970	97,490
Culture and recreation	310,139	-	-	-	17,037	327,176
<b>TOTAL EXPENDITURES</b>	<b>310,139</b>	<b>59,946</b>	<b>23,000</b>	<b>95,520</b>	<b>139,649</b>	<b>628,254</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(147,465)</b>	<b>(244,669)</b>	<b>20,188</b>	<b>6,782</b>	<b>87,731</b>	<b>(277,433)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers out	-	-	-	-	(2,200)	(2,200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,200)</b>	<b>(2,200)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>(147,465)</b>	<b>(244,669)</b>	<b>20,188</b>	<b>6,782</b>	<b>85,531</b>	<b>(279,633)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>1,031,257</b>	<b>5,074,908</b>	<b>369,133</b>	<b>233,116</b>	<b>1,086,858</b>	<b>7,795,272</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 883,792</b>	<b>\$ 4,830,239</b>	<b>\$ 389,321</b>	<b>\$ 239,898</b>	<b>\$ 1,172,389</b>	<b>\$ 7,515,639</b>

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**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2001

<b>ASSETS</b>	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
Cash and short-term investments	\$ 1,534,335	\$ 89,440,126	\$ (89,647,463)	\$ 1,326,998
Receivables, net of allowance for uncollectibles:				
Departmental and other	521,402	40,603	-	562,005
<b>TOTAL ASSETS</b>	<b>\$ 2,055,737</b>	<b>\$ 89,480,729</b>	<b>\$ (89,647,463)</b>	<b>\$ 1,889,003</b>
 <b>LIABILITIES</b>				
LIABILITIES:				
Warrants payable	\$ 64,165	\$ 23,969	\$ (64,165)	\$ 23,969
Payroll withholdings	1,281,279	88,181,851	(88,685,043)	778,087
Other liabilities	710,293	1,274,908	(898,254)	1,086,947
<b>TOTAL LIABILITIES</b>	<b>\$ 2,055,737</b>	<b>\$ 89,480,728</b>	<b>\$ (89,647,462)</b>	<b>\$ 1,889,003</b>



# ***General Fixed Assets Account Group***

The General Fixed Assets Account Group accounts for the land, buildings (which includes improvements), machinery and equipment and the construction in progress of the City.

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**

JUNE 30, 2001

GENERAL FIXED ASSETS:

Land	\$ 9,712,122
Buildings	63,100,570
Machinery and equipment	8,186,185
Construction in progress	<u>6,534,731</u>
Total general fixed assets	<u>\$ 87,533,608</u>

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

General Fund	\$ 8,129,685
Special Revenue Funds	3,361,260
Capital Projects Funds	75,846,663
Trust Funds	<u>196,000</u>
Total investment in general fixed assets	<u>\$ 87,533,608</u>

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION**

JUNE 30, 2001

<u>Function:</u>	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 459,797	\$ 667,546	\$ 547,183	\$ -	\$ 1,674,526
Public safety	192,085	2,537,787	2,112,083	-	4,841,955
Education	1,831,028	53,876,781	386,981	6,488,115	62,582,905
Public works	411,432	5,164,666	2,990,818	46,616	8,613,532
Health and human services	3,710	630,000	-	-	633,710
Culture and recreation	6,814,070	223,790	2,149,120	-	9,186,980
Total by function	<u>\$ 9,712,122</u>	<u>\$ 63,100,570</u>	<u>\$ 8,186,185</u>	<u>\$ 6,534,731</u>	<u>\$ 87,533,608</u>

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION**

FISCAL YEAR ENDED JUNE 30, 2001

<u>Function:</u>	General Fixed Assets				General Fixed Assets
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Depreciation</u>	<u>June 30, 2001</u>
General government	\$ 1,857,043	\$ 70,777	\$ -	\$ (253,294)	\$ 1,674,526
Public safety	5,052,491	387,276	(4,700)	(593,112)	4,841,955
Education	58,322,930	6,970,611	-	(2,710,636)	62,582,905
Public works	8,831,148	326,960	-	(544,576)	8,613,532
Health and human services	648,710	-	-	(15,000)	633,710
Culture and recreation	9,166,836	441,356	-	(421,212)	9,186,980
Total general fixed assets by function	<u>\$ 83,879,158</u>	<u>\$ 8,196,980</u>	<u>\$ (4,700)</u>	<u>\$ (4,537,830)</u>	<u>\$ 87,533,608</u>

# ***Statistical Section***

**GENERAL FUND**  
TEN-YEAR SCHEDULE OF EXPENDITURES AND REVENUES - BUDGETARY BASIS

JUNE 30, 2001

**EXPENDITURES/  
TRANSFERS {1}**

Fiscal Year Ended June 30,	Public Education	Public Safety	Public Works	General Government	Health & Human Services	Culture & Recreation	Debt & Interest	Pension & Employee Benefits	State/County Charges	Capital Outlay	Totals
2001	\$ 108,071,192	\$ 26,119,233	\$ 17,230,182	\$ 11,859,900	\$ 2,818,941	\$ 8,231,510	\$ 5,713,972	\$ 12,803,487	\$ 5,174,256	\$ 2,984,696	\$ 201,007,369
2000	95,801,468	23,394,572	15,518,200	9,737,015	2,391,133	7,384,552	6,362,607	22,888,984	5,395,937	3,415,311	192,289,779
1999	90,708,182	22,420,850	16,026,438	9,387,430	2,285,889	6,959,975	5,436,586	22,254,735	5,281,663	4,075,363	184,837,111
1998	82,306,417	22,908,674	15,718,981	8,953,450	2,079,753	6,714,518	5,512,543	21,525,889	5,133,700	4,256,512	175,110,437
1997	77,244,531	19,416,966	16,365,993	8,579,197	1,922,244	6,876,684	4,987,776	22,751,279	4,956,379	5,975,697	169,076,746
1996	69,715,265	19,579,461	16,414,068	8,466,746	1,763,881	6,628,792	4,720,240	20,167,648	4,933,508	7,261,463	159,651,072
1995	65,948,293	19,733,388	14,503,820	7,848,096	1,648,740	5,807,826	4,296,916	20,842,057	4,853,274	3,337,824	148,820,234
1994	64,468,551	20,392,583	15,406,916	7,626,146	1,551,940	5,792,639	4,035,726	20,726,631	4,655,551	5,408,626	150,065,309
1993	65,022,049	19,292,441	15,055,740	7,392,088	1,454,029	5,717,483	3,620,265	16,221,113	4,491,702	3,318,714	141,585,624
1992	61,880,814	18,401,110	14,818,346	8,070,174	1,420,394	5,265,143	3,662,105	16,071,035	4,501,160	971,147	135,061,428

{1} Transfers reported functionally

**REVENUES/  
TRANSFERS**

Fiscal Year Ended June 30,	Property Taxes	Excise Taxes	Other Taxes & Penalties	Charges for Services	Licenses & Permits	Fines & Forfeitures	Investment Income	Other Miscellaneous Local Revenue	State/Federal Assistance	Transfers From Other Funds	Totals
2001	\$ 155,869,401	\$ 11,178,581	\$ 1,127,443	\$ 1,215,965	\$ 3,478,180	\$ 1,561,976	\$ 2,510,035	\$ 380,587	\$ 22,293,984	\$ 2,916,140	\$ 202,532,292
2000	149,406,169	10,690,223	1,327,055	1,147,383	3,425,039	1,595,826	2,147,062	642,456	18,394,110	2,095,657	190,870,980
1999	143,053,463	9,901,461	1,098,767	1,099,717	3,208,308	1,489,623	2,496,364	728,481	15,440,186	1,834,111	180,350,481
1998	138,328,591	9,519,611	1,277,891	1,161,169	4,007,197	1,343,897	3,371,449	763,132	13,761,733	2,995,754	176,530,424
1997	134,830,446	8,646,498	2,478,196	1,265,368	2,301,111	1,419,060	2,670,625	333,711	12,190,280	1,882,007	168,017,302
1996	128,833,581	6,998,507	2,255,515	1,189,754	2,376,067	1,410,841	2,892,713	710,329	11,138,787	2,514,645	160,320,739
1995	124,545,481	7,283,961	2,102,101	1,314,561	1,980,361	1,672,978	1,891,625	402,897	9,766,333	2,607,124	153,567,422
1994	120,427,857	5,738,323	1,934,117	1,474,722	2,104,047	1,419,128	1,343,752	408,806	9,259,410	2,464,946	146,575,108
1993	115,067,378	5,887,885	1,890,528	1,747,360	1,511,377	1,569,348	1,564,461	305,109	7,615,880	3,490,193	140,649,519
1992	112,322,180	5,707,579	1,840,077	1,848,826	1,826,729	1,824,455	2,234,405	192,295	7,729,896	1,182,944	136,709,386

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**TEN-YEAR SCHEDULE OF PROPERTY TAX LEVY AND BASE TREND**

JUNE 30, 2001

**PROPERTY TAX COLLECTIONS**

Fiscal Year Ended June 30,	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Total Tax Collections (1)	Total Collections as a % of Net Tax Levy	Outstanding Taxes	Outstanding as a % of Net Tax Levy	Outstanding Tax Title & Possessions
2001	\$ 156,140,738	\$ 2,191,114	\$ 153,949,624	\$ 154,626,979	100.44%	\$ 3,259,376	2.12%	\$ 1,285,375
2000	149,411,520	2,000,817	147,410,703	148,405,107	100.67%	2,688,207	1.82%	1,375,663
1999	144,105,992	2,011,777	142,094,215	142,212,683	100.08%	2,660,703	1.87%	1,591,026
1998	138,923,156	2,489,459	136,433,697	136,902,723	100.34%	1,803,216	1.32%	2,599,462
1997	134,082,167	2,406,769	131,675,398	131,936,218	100.20%	1,547,455	1.18%	2,812,517
1996	129,682,983	3,619,523	126,063,460	126,217,388	100.12%	1,454,042	1.15%	3,811,140
1995	125,293,531	3,255,166	122,038,365	122,012,350	99.98%	1,592,786	1.31%	4,327,717
1994	121,079,222	4,061,914	117,017,308	117,747,413	100.62%	2,044,680	1.75%	4,484,587
1993	116,941,920	4,800,312	112,141,608	113,692,642	101.38%	2,322,007	2.07%	4,430,417
1992	112,689,184	3,268,413	109,420,771	108,743,870	99.38%	5,856,463	5.35%	1,284,261

{1} Excludes tax title and chapter 41c collections and accrued revenues and liabilities

**TAXABLE VALUATION**

Fiscal Year Ended June 30,	Residential Real Estate	Commercial Real Estate	Total Real Estate	Personal Property	Total Valuation	Residential Tax Rate	Commercial and Personal Property Tax Rate
2001	\$ 10,857,798,128	\$ 1,239,695,672	\$ 12,097,493,800	\$ 151,823,400	\$ 12,249,317,200	11.57	\$ 21.93
2000	9,885,690,995	1,171,451,405	11,057,142,400	142,875,400	11,200,017,800	12.06	22.97
1999	8,978,253,758	1,126,244,342	10,104,498,100	135,370,600	10,239,868,700	12.65	24.20
1998	7,922,932,998	1,000,745,102	8,923,678,100	135,829,100	9,059,507,200	13.75	26.38
1997	7,526,156,935	989,788,965	8,515,945,900	128,835,228	8,644,781,128	13.85	26.68
1996	7,186,395,214	992,813,786	8,179,209,000	120,869,900	8,300,078,900	13.88	26.88
1995	6,685,626,193	994,163,207	7,679,789,400	123,145,400	7,802,934,800	14.18	27.29
1994	6,511,601,620	1,000,550,180	7,512,151,800	121,199,815	7,633,351,615	13.95	26.96
1993	6,494,951,529	1,011,276,371	7,506,227,900	112,718,420	7,618,946,320	13.49	26.09
1992	6,867,816,432	1,257,314,868	8,125,131,300	103,576,020	8,228,707,320	11.93	22.60



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**PROPERTY TAX HIGHLIGHTS**

JUNE 30, 2001

Property Tax Valuation and Levy by Class	Taxable Valuation	% of Total Value	Tax Rate	Tax Levy	% of Total Taxes
Residential Property	\$ 10,857,798,128	88.6%	\$11.57 / \$1,000	\$ 125,624,724	80.5%
Commercial Property	1,132,963,372	9.2%	\$21.93 / \$1,000	24,845,887	17.0%
Industrial Property	<u>106,732,300</u>	<u>0.9%</u>	\$21.93 / \$1,000	<u>2,340,639</u>	<u>1.5%</u>
Sub Total - Real Estate	12,097,493,800	98.8%		152,811,250	97.9%
Personal Property	<u>151,823,400</u>	<u>1.2%</u>	\$21.93 / \$1,000	<u>3,329,487</u>	<u>2.1%</u>
Total Taxable Real Estate & Personal Property	\$ <u><u>12,249,317,200</u></u>	<u><u>100.0%</u></u>		\$ <u><u>156,140,738</u></u>	<u><u>100.0%</u></u>

Top 10 Real Estate Taxpayers	Nature of Business	FY 2001 Taxable Value	FY 2001 Tax	% of Total Tax Levy
Riverside Project, LLC	Office Buildings	\$ 66,926,000	\$ 1,467,687	0.94%
Mayflower Atrium, LLC	Atrium Mall	55,000,000	1,206,150	0.77%
Rotenberg, Daniel	Chestnut Hill Mall	38,684,700	848,355	0.54%
Cohen, Julian	Chestnut Hill Mall	36,951,200	810,340	0.52%
Chesapeake Hotel Lmt Partnership	Marriott Hotel	35,000,000	767,550	0.49%
Schroder Newton Limited Partnership	Office Buildings	33,165,000	727,308	0.47%
Wells Avenue Senior Holding LLC	Office Buildings	32,773,900	718,732	0.46%
Thomas White Trust	Office Building/Hotel	26,663,100	584,722	0.37%
Newton-Wellesley Hospital	Medical Office Bldg	16,755,100	367,439	0.24%
Two Newton Place Acquisition LLC	Office Building	<u>16,000,000</u>	<u>350,880</u>	<u>0.22%</u>
		\$ <u><u>357,919,000</u></u>	\$ <u><u>7,849,164</u></u>	<u><u>5.03%</u></u>

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**TEN-YEAR SCHEDULE OF DEBT RATIOS AND TRENDS**

JUNE 30, 2001

**DEBT RATIOS**

Fiscal Year Ended June 30,	General Obligation Debt (1)	Estimated Population	Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation	Authorized & Unissued Debt	Total Maturing Debt	Total Interest on Issued Debt	Total Debt Service
2001	\$ 47,445,970	77,350	\$ 12,249,317,200	\$ 613	0.39%	\$ 109,443,678	\$ 5,665,880	\$ 2,032,725	\$ 7,698,605
2000	36,538,147	79,642	11,200,017,800	459	0.33%	36,746,854	5,988,465	1,889,552	7,878,017
1999	37,863,313	80,831	10,239,868,700	468	0.37%	29,021,253	5,155,083	1,672,965	6,828,048
1998	29,687,091	81,179	9,059,507,200	366	0.33%	17,257,558	4,895,936	1,266,240	6,162,176
1997	27,263,304	84,045	8,644,781,128	324	0.32%	13,639,940	4,535,825	1,216,175	5,752,000
1996	24,948,574	82,450	8,300,078,900	303	0.30%	18,064,775	4,305,825	1,168,337	5,474,162
1995	23,334,399	81,968	7,802,934,800	285	0.30%	9,431,293	3,869,726	1,137,296	5,007,022
1994	22,663,630	83,226	7,633,351,615	272	0.30%	5,788,395	3,420,000	1,215,540	4,635,540
1993	23,020,000	84,267	7,618,946,320	273	0.30%	6,637,650	3,300,000	1,180,307	4,480,307
1992	20,120,000	83,528	8,228,707,320	241	0.24%	6,403,900	3,480,000	1,090,685	4,570,685

{1} Does not include House Bill 6209 Note from the Commonwealth of Massachusetts

**FUNCTIONAL DEBT**

Fiscal Year Ended June 30,	Public Schools	Public Works	Sanitary Sewer System	Water System	Public Buildings	Total Bonded Debt
2001	\$ 25,117,100	\$ 2,772,600	\$ 15,037,214	\$ 3,640,406	\$ 878,650	\$ 47,445,970
2000	24,393,275	3,266,200	6,098,715	1,489,482	1,290,475	36,538,147
1999	28,006,142	3,787,600	2,013,449	1,930,514	2,125,608	37,863,313
1998	18,027,459	4,292,753	2,047,218	2,001,370	3,318,291	29,687,091
1997	16,935,676	2,102,000	2,707,804	1,066,850	4,450,974	27,263,304
1996	13,190,243	2,856,000	2,071,374	1,247,300	5,583,657	24,948,574
1995	10,150,167	3,691,000	2,254,499	540,000	6,698,733	23,334,399
1994	8,363,127	3,505,000	2,871,730	630,000	7,293,773	22,663,630
1993	7,525,194	3,695,000	2,998,100	720,000	8,081,706	23,020,000
1992	4,852,586	4,525,000	3,823,100	810,000	6,109,314	20,120,000

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**TEN-YEAR SCHEDULE OF DEMOGRAPHIC AND BUILDING CONSTRUCTION ACTIVITY**

JUNE 30, 2001

**DEMOGRAPHIC TRENDS (1)**

Year	City Census Population	Median Age	Median Family Income	Per Capita Income	Unemployment	Public School Enrollment (2)
2001	77,350					11,246
2000	79,642	38.7	{3}	{3}	1.3%	11,248
1999	80,831				1.7%	11,166
1998	81,179				1.7%	10,944
1997	84,045				2.3%	10,850
1996	82,450				2.2%	10,680
1995	81,968				3.2%	10,571
1994	83,226				3.2%	10,360
1993	84,267				3.7%	10,010
1992	83,528				4.9%	9,278
1991	82,585				4.8%	9,488
1990	82,585	35.7	70,071	28,840	3.3%	9,276

(1) Calendar year average

(2) As of October 1st

(3) 2000 Per Capital & Median Family Income Data Will Not Be Available Until Spring 2002.

**BUILDING PERMITS**

Year	New Construction Residential		New Construction Non-Residential		Additions/ Alterations Residential		Total Permits	Total Permits Value
		Value		Value		Value		
2000	42	\$ 13,020,660	3	\$ 5,140,000	1,932	\$ 128,943,503	1,977	\$ 147,104,163
1999	74	19,745,163	5	4,078,700	1,993	117,498,358	2,072	141,322,221
1998	58	11,107,695	8	30,067,000	1,631	161,528,874	1,697	202,703,569
1997	73	15,864,856	8	2,121,080	1,522	75,232,482	1,603	93,218,418
1996	44	9,569,134	-	-	1,323	55,215,469	1,367	64,784,603
1995	26	11,800,869	1	251,000	1,485	90,420,042	1,512	102,471,911
1994	47	13,826,223	4	2,254,520	1,474	55,376,278	1,525	71,457,021
1993	36	13,661,200	1	250,000	1,501	102,381,448	1,538	116,292,648
1992	19	6,729,680	-	-	1,425	52,452,715	1,444	59,182,395
1991	13	5,016,450	2	8,350,000	1,400	43,415,076	1,415	56,781,526
1990	20	5,232,150	7	2,969,010	1,296	42,155,105	1,323	50,356,265

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**MISCELLANEOUS STATISTICS**

JUNE 30, 2001

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Year of Incorporation: 1873

Form of Government: Mayor, 24 Member Board of Aldermen,

First Charter Adopted: 1873

Present Charter Amended: 1971

Land Area: 18.33 square miles

<u>Public Education:</u>	<u>Schools</u>	<u>Students</u>
(8) Member Elected School Committee, Appointed Superintendent		
Elementary School (K-5)	15	5,097
Middle Schools (6-8)	4	2,672
High School (9-12)	2	3,477
Total	21	11,246

<u>Public Safety:</u>	
Appointed Police and Fire Chiefs	2
Uniformed Police Officers	159
Uniformed Firefighters	185
Fire Stations	6

<u>Public Works:</u>	
Miles of Street	310
Parking Meters	1,681
Street Lights	8,595
Miles of Storm Drains	324

<u>Parks &amp; Recreation:</u>	
Outdoor Swimming Facilities	2
Indoor Swimming Facilities	1
Acres - Park and Playgrounds	590.2



**PRINCIPAL FINANCIAL OFFICIALS AND OFFICERS**

JUNE 30, 2001

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**Elected Officials:**

Chief Executive Officer (Mayor)	David B. Cohen
Legislative (Board of Aldermen)	Brooke K. Lipsitt, President of the Board of Aldermen George E. Mansfield, Vice President of the Board of Aldermen Robert K. Antonellis R. Lisle Baker Susan M. Basham, Land Use Committee Chairman D. Pauline Bryson Richard J. Bullwinkle Allan L. Ciccone Paul E. Coletti, Finance Committee Chairman Leonard J. Gentile Robert E. Gerst Marcia T. Johnson Michael Lipof Richard A. Lipof Amy Mah Sangiolo Carleton P. Merrill, Post Audit Committee Chairman Teresa M. O'Halloran Kenneth R.L. Parker, Programs & Services Committee Chairman Anthony J. Salvucci Christine Snow-Samuels, Public Safety Committee Chairman Sydra Schnipper, Public Facilities Committee Chairman Myra Tattenbaum Brian E. Yates, Zoning & Planning Committee Chairman

**Appointed Officers:**

Chief Administrative Officer	Michael J. Rourke
Director of Assessment, Administration & Chairman of the Board of Assessors	Elizabeth Dromey
Chief Budget Officer	Sanford M. Pooler
City Clerk/Clerk of the Board of Aldermen	Edward G. English
Comptroller	David C. Wilkinson
Treasurer/Collector	Edward Spellman
Chief Procurement Officer	Re Capoli
Information Technology Director	Richard T. Walsh

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