

City of Newton, Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004



Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	v
Elected Officials and Department Heads	vi
II. FINANCIAL SECTION	
A. INDEPENDENT AUDITORS' REPORT	1
B. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
C. BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	23
Community Preservation Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	24
Proprietary Funds	
Statement of Fund Net Assets	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	26
Statement of Cash Flows	27
Fiduciary Funds	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Notes to the Basic Financial Statements	30

CITY OF NEWTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

D. COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds	
Narrative	59
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	65
Internal Service Funds	
Narrative	69
Combining Statement of Fund Net Assets	70
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	71
Combining Statement of Cash Flows	72
Fiduciary Funds	
Private Purpose Trust Funds - Narrative	73
Private Purpose Trust Funds - Combining Statement of Fiduciary Net Assets	74
Private Purpose Trust Funds - Combining Statement of Changes in Fiduciary Net Assets	76
Agency Fund - Narrative	78
Agency Fund - Statement of Changes in Assets and Liabilities	79
General Fund	
Narrative	80
Schedule of Expenditures and Transfers Out - Budget to Actual - Legal Level of Control	81
Community Preservation Fund	
Narrative	91
Schedule of Expenditures and Transfers Out - Budget to Actual - Legal Level of Control	92

E. ADDITIONAL INFORMATION

Capital Projects Fund	
Schedule of Expenditures and Transfers Out - Budget to Actual	96
Sewer Enterprise Fund	
Schedule of Expenditures and Transfers Out - Budget to Actual	98
Water Enterprise Fund	
Schedule of Expenditures and Transfers Out - Budget to Actual	100

III. STATISTICAL SECTION

General Fund Expenditures by Function	102
General Fund Revenues by Source	104
Schedule of Property Tax Levy and Tax Base Trends	106
Property Tax Highlights	107
Schedule of Debt Ratios and Trends	108
Schedule of Demographic and Building Permit Activity	110
Miscellaneous Statistics	111



This page left intentionally blank.

INTRODUCTORY SECTION



CITY OF NEWTON, MASSACHUSETTS

1000 COMMONWEALTH AVENUE
NEWTON CENTRE, MA 02459-1449
TELEPHONE (617) 796-1305
FAX (617) 796-1196
dwilkinson@newton.ma.gov

DAVID C. WILKINSON
COMPTROLLER

December 3, 2004

Members of the Board of Aldermen
Mayor David B. Cohen
Citizens & Taxpayers of the City of Newton

I am pleased to transmit to you the City of Newton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This report has been prepared by the Comptroller's Office of the City in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the assets of the City from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Sullivan, Rogers & Company, LLC, a firm of licensed certified public accountants, who are hired by and report to the City's Board of Aldermen. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Report on Federal Award Programs.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

History and Profile

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 23,962 residential structures accounted for by the City's Board of Assessors, 70.5% are listed as single family dwellings; 13.6% as two family dwellings; 1.3% as three family dwellings; 0.7% as dwellings of four or more units; and 13.9% 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 education, public safety, public works, recreation, library, cultural and health and human services. The Massachusetts Water Resources Authority provides public water supply and sewerage treatment services.

Reporting Entity

The basic 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 activities of the Newton Contributory Retirement System, 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. Pursuant to the new reporting requirements of Governmental Accounting Standards Board statement 39, the Newton School Foundation, Inc. has been added as a discretely presented component unit.

Financial Management

The Mayor is responsible for the preparation of the City's financial plan, which includes a multi-year 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 and Budget Officers, 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, 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 budgetary basis year-end financial reports are issued within 60 days of the close of the fiscal year, and audited financial statements are generally 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. 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.

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 basic 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, Expenses, Fringe Benefits, 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.

An analysis of all legally adopted governmental operating and capital budgets are presented on pages 81 – 95 of this report.

On October 5, 2004 the Massachusetts Department of Revenue certified the City's July 1, 2004 free cash position at \$4,832,778. The City's previous year free cash certification was \$6,153,294

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, Permanent 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 Retirement 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.

Risk Management

The City is self-insured for group health, workers' compensation, building and general liability insurance. Individual Internal Service Funds are maintained for purposes of accumulating sufficient assets to meet fund liabilities. At June 30, 2004 the City had accumulated assets sufficient to meet all actuarial liabilities of the workers compensation self insurance fund.

Earlier this year the GASB issued new financial reporting guidance (Statement #45) for post retirement health benefits. Although it has been the City's policy to fund these benefits on a pay-as-you-go basis, the new reporting requirements will require us to reexamine this policy, since beginning in fiscal year 2007, we will be required to recognize the cost of these benefits as they are being earned instead of when they are being paid. In order to prepare for the implementation of statement 45 we have arranged for an actuarial valuation of our current post retirement health benefit plan and have included information to help assess the impact of the new reporting requirements in note 1 on page 36 of this report.

The City purchases property insurance from a commercial insurance company but funds annual premiums from earnings on the building self insurance fund assets.

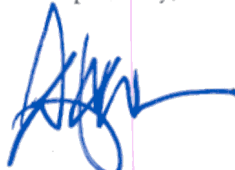
Collective Bargaining Agreements

All collective bargaining contracts expired on either June 30, 2004 or August 31, 2004

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; Helen Ho; Bob Perruzzi; Julie Zakak; and Regina Zegarelli. Special thanks also go to the public accounting firm of Sullivan, Rogers & Company for the efficient completion of this year's audit and for all of their advice and assistance in the preparation of this report.

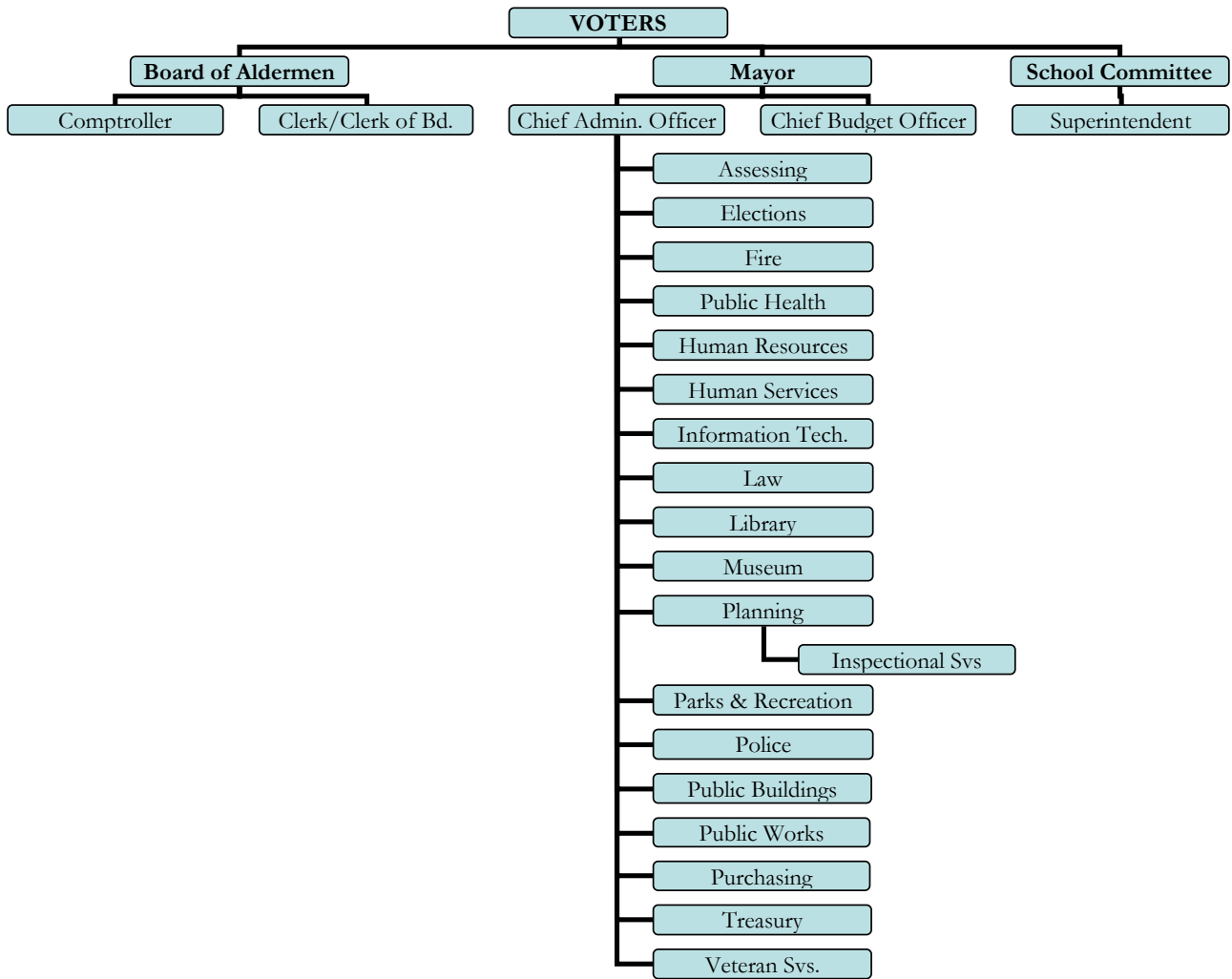
Respectfully,



David C. Wilkinson
Comptroller

CITY OF NEWTON, MASSACHUSETTS

ORGANIZATIONAL CHART



CITY OF NEWTON, MASSACHUSETTS

ELECTED OFFICIALS AND DEPARTMENT HEADS

BOARD OF ALDERMEN

R. Lisle Baker, President
Any Mah Sangiolo, Vice President
Robert E. Gerst
Carleton P. Merrill
Scott Lennon
Marcia T. Johnson
Susan Albright
Stephen M. Linsky
Ted Hess-Mahan
Leonard J. Gentile
Anthony J. Salvucci
John Stewart, Finance Committee Vice Chairman
Jay Harney
Paul E. Coletti, Finance Committee Chairman
Brian E. Yates
Christine Samuelson
George Mansfield
Kenneth R.L. Parker
Victoria Danberg
Sydra Schnipper
Vern Vance
Mitchell L. Fishman
Richard A. Lipoff
Cheryl Lipoff Lappin

SCHOOL COMMITTEE

Ann Larner, Chairman
Gail Glick
Reenie Murphy
Nancy Levine
Susan Heyman
Patty Kellogg
Mark Laredo
Dori Zaleznik
Jeffrey Young, Superintendent of Schools
Sandra Guryan, Assistant Supt. Budget & Finance

EXECUTIVE

Mayor David B. Cohen
Michael J. Rourke, Chief Administrative Officer
Sanford Pooler, Chief Budget Officer
Jeremy Solomon, Chief of Policy & Communications
Maureen Grimaldi, Citizen Assistance Officer

DEPARTMENT HEADS

Accounting: David Wilkinson, Comptroller of Accounts
Assessing: Elizabeth Dromey, Director
City Clerk/Clerk of Board: Edward English, City Clerk/Clerk of the Board
Civil Defense: Jay Moskow, Director
Elections: Peter Karg, Executive Secretary Election Commission
Fire: Joe LaCroix, Fire Chief
Health: David Naparstek, Commissioner
Human Services: Beverly Stachowicz, Director
Information Technology: Ann Cornaro, Director
Inspection Services: Mark Gilroy, Commissioner
Jackson Homestead Museum: David Olson, Director
Law: Daniel Funk, City Solicitor
Library: Kathy Glick Weil, Librarian
Parks & Recreation: Fran Towle, Commissioner
Personnel: Dolores Hamilton, Director
Planning & Development: Michael Kruse, Director
Police: Jose Cordero, Police Chief
Public Buildings: A. Nicholas Parnell, Commissioner
Public Works: Robert Rooney, Commissioner
Purchasing: Rere Cappoli, Purchasing Agent
Treasury: Edward Spellman, Treasurer & Collector
Veteran Services: Fred Guzzi, Veterans Agent

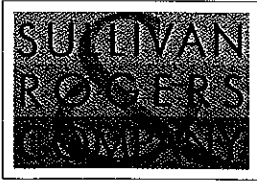
CONTRIBUTORY RETIREMENT BOARD

Nunzio Piselli, Chairman & Mayor's appointee
Francis Capello, Vice Chairman & Elected member
David Wilkinson, Ex Officio Member (Comptroller of Accounts)
Paul Bianci, Elected Member
Richard Heidlage, Appointed Member
Kelly Byrne, Executive Director



This page left intentionally blank.

FINANCIAL SECTION



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2004 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which is as of and for the fiscal year ended December 31, 2003, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended September 30, 2003), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Newton Commonwealth Foundation, Inc., which represents 38.7% and 99.0% of the assets and revenues, respectively, of the major enterprise golf fund and 0.7% and 1.4% of the assets and revenues, respectively, of the business-type activities. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Commonwealth Foundation, Inc. are based on the report of the other auditors. We did not audit the financial statements of the Newton Schools Foundation, Inc., which represents 100% of the assets and revenues, respectively, of the discretely presented component unit. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Schools Foundation, Inc. are based on the report of the other auditors. The financial statements of the City of Newton, Massachusetts, as of June 30, 2003, were audited by other auditors' whose opinion dated June 18, 2004, on those financial statements was unqualified. As more fully described in Note 14, the City has restated the beginning fund balances/net assets of several funds and its governmental and business-type activities. The other auditors reported on the June 30, 2003, financial statements before the restatement.

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

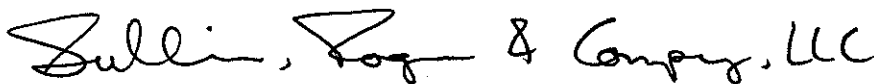
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of June 30, 2004 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which is as of and for the fiscal year ended December 31, 2003, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended September 30, 2003), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and community preservation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, the City has restated the beginning fund balances/net assets of several funds and its governmental and business-type activities. We have audited the adjustments as described in Note 14 that were applied to restate the fiscal year 2003 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The management's discussion and analysis (located on pages 3 through 14) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004, 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, additional information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 24, 2004

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Newton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$196.6 million (*net assets*). Of this amount, \$55.8 million is considered unrestricted (*unrestricted net assets*). The unrestricted net assets of the City's governmental activities are \$36.6 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities are \$19.2 million and may be used to meet the ongoing obligations of the city's water; sewer; and golf course business-type activities.
- The City's total net assets increased by \$12 million or 6.5% in fiscal year 2004. Net assets of governmental activities increased by \$12.8 million, a 9.5% increase from fiscal year 2003. Net assets of business-type activities decreased by \$830,659 or 1.7% from fiscal year 2003.
- Unrestricted governmental net assets increased by \$10 million to \$36.6 million at June 30, 2004.
- Although the City's governmental activities unrestricted net assets have no restrictions on them from parties external to the City, \$27 million or 73.8% of these resources have been internally earmarked by the City for specific future uses. These earmarkings consist of: year end encumbrances and continued appropriations - \$5.6 million; fund balances appropriated to support the fiscal year 2005 general fund budget - \$3.7 million; revolving fund and receipts reserved fund resources designated by vote of the board of alderman or school committee for specific services - \$3.8 million; capital stabilization fund balances designated for future high school renovations - \$5.5 million; self-insurance funds - \$5.8 million and an insurance structured settlement designated for retirement of state pension loan - \$2.6 million.
- The total cost of all City services for fiscal year 2004 was \$292.3 million, \$264.5 million (90.5%) of which was for governmental services, and \$27.8 million (9.5%) of which was for business-type activities.
- A total of \$64.6 million or 23.4% of governmental services were financed from program revenue, leaving 76.6% to be financed from general revenues and interfund transfers of the City. Property taxes and property tax surcharge revenue represented the single largest source of general revenue - financing 71.5% of governmental service expenses.
- At June 30, 2004, the City's governmental funds reported a combined fund deficit totaling (\$5.3) million. The combined governmental funds fund balance decreased by \$13.7 million or 163% from the prior year's ending fund balance as a result of the use of temporary financing for the renovation of the City's two high schools. The High School Renovation Fund ended the year with a \$46 million fund deficit. All governmental funds, except for the High School Renovations fund, have a combined fund balance of \$40.7 million.
- The City's general fund reported a fund balance of \$17.3 million at the end of fiscal year 2004. The undesignated fund balance for the general fund was \$9 million or 3.6% of total general fund revenues and transfers from other funds. There was a \$125,946 increase in total general fund balance for the year. A total of \$2.7 million of the unreserved fund balance was designated for funding the fiscal year 2005 budget, an increase of \$538,000 or 24.5% from the prior year.
- The City's total debt increased by \$18.1 million or 22% during the year, primarily as a result of the issuance of \$16.7 million in new bond anticipation notes for high school renovations.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The *statement of net assets* (pages 15 and 16) presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (pages 17 and 18) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include the broad functions of general government; public safety; education; public works; health & human services; culture and recreation; debt service – interest and the major services provided within each functional category. The business-type activities of the City include three enterprise activities: the water system; the sanitary sewer system; and the Newton Commonwealth golf course.

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

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

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

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the community preservation fund and the high school renovation fund, all of which are considered to be major funds. Data from the other 16 funds are combined into a single, aggregated presentation under the caption *non-major governmental funds*. A brief description and individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* on pages 61 - 68 of this report. The governmental funds financial statements can be found on pages 19 – 22 of this report.

Proprietary funds: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sanitary sewer, and golf course activities. *Internal service funds* are an accounting device used to accumulate and allocate the costs internally among the City's various functions, including employee health benefits; workers' compensation; public building insurance; and general liability self-insurance activities. The services provided by these funds predominately benefit the governmental rather than the business-type functions. Accordingly, the internal service funds have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, and golf course activities, all of which are considered major funds of the City. Conversely, all internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. A brief description of each fund and individual fund data for the internal service funds is provided in the form of *combining statements* on pages 70 – 72 of this report. The basic proprietary fund financial statements can be found on pages 25 – 27 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* included in the government-wide financial statements because the resources of the funds are *not* available to support the City's own functions and activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds financial statements provide separate information for the pension trust fund of the City. All other fiduciary funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively. A brief description of each fund and individual fund data for the private purpose trust funds and agency funds are provided in the form of *combining statements* on pages 74 – 79 of this report. The fiduciary funds financial statements can be found on pages 28 and 29 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 58 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension benefits to its employees. Such information is located on page 56 of this report.

The combining statements previously referred to are presented immediately following the basic financial statements.

Government-wide Financial Analysis:

Net Assets: The City's total assets exceeded total liabilities by \$196.6 million at June 30, 2004. This represents a \$12 million or 6.5% increase over the restated total net assets at June 30, 2003. Please refer to note 14 on page 57 of this report for detailed information on the nature of the restatements.

**City of Newton, Massachusetts
Net Assets**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2004	2003 (restated)	2004	2003 (restated)	2004	2003 (restated)
Assets						
Current assets.....	\$ 76,541,061	\$ 78,305,817	\$ 14,777,587	\$ 21,665,801	\$ 91,318,648	\$ 99,971,618
Noncurrent assets (excluding capital assets).....	33,057,845	25,866,512	9,476,566	4,131,012	42,534,411	29,997,524
Capital assets (net).....	158,641,869	134,820,829	49,391,797	49,073,212	208,033,666	183,894,041
Total assets.....	<u>268,240,775</u>	<u>238,993,158</u>	<u>73,645,950</u>	<u>74,870,025</u>	<u>341,886,725</u>	<u>313,863,183</u>
Liabilities						
Current liabilities (excluding debt).....	27,632,916	31,141,696	1,575,758	2,687,762	29,208,674	33,829,458
Noncurrent liabilities (excluding debt).....	14,587,641	12,071,072	220,775	188,682	14,808,416	12,259,754
Current debt.....	30,118,200	4,281,100	2,092,308	1,899,525	32,210,508	6,180,625
Noncurrent debt.....	48,765,350	57,183,550	20,307,430	19,813,718	69,072,780	76,997,268
Total liabilities.....	<u>121,104,107</u>	<u>104,677,418</u>	<u>24,196,271</u>	<u>24,589,687</u>	<u>145,300,378</u>	<u>129,267,105</u>
Net Assets						
Invested in capital assets (net of related debt).....	95,006,298	92,639,519	30,030,771	34,443,175	125,037,069	127,082,694
Restricted.....	15,543,141	15,043,594	214,757	732,707	15,757,898	15,776,301
Unrestricted.....	36,587,229	26,632,627	19,204,151	15,104,456	55,791,380	41,737,083
Total net assets.....	<u>\$ 147,136,668</u>	<u>\$ 134,315,740</u>	<u>\$ 49,449,679</u>	<u>\$ 50,280,338</u>	<u>\$ 196,586,347</u>	<u>\$ 184,596,078</u>

The largest portion of the City's total net assets (63.6%) represents the investment in capital assets (e.g., land, buildings and improvements, equipment and machinery, infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (8.0%) represents resources that are subject to restrictions placed on how they may be used by parties external to the City. A summary of the major components of the restricted net assets may be found on page 16 of this report.

The remaining balance of unrestricted net assets, \$55.8 million (28.4% of total net assets) may be used to meet the government's on-going obligations to citizens and creditors. A total of \$19.2 million or 34.4% of this sum may only be used for the support of the City's business-type activities - water, sewer, and golf course activities.

Total unrestricted net assets available for the support of governmental activities amounted to \$36.6 million at June 30, 2004, an increase of \$10 million or 37.4% from the re-stated June 30, 2003 balance. The increase in unrestricted net assets is primarily the result of the City's long standing policy of financing most long-term capital assets with debt having terms of not more than ten years.

Changes in net assets: The City's total revenues increased by \$5.3 million or 1.8%, to \$304.3 million during the past fiscal year. Of this sum, 61.6% of total revenue was derived from property taxes; another 3.7% came from other taxes (motor excise and hotel room occupancy); 15.3% was realized from charges for service; 1.8% came from miscellaneous local sources; and the remaining 17.6% from grants and contributions.

**City of Newton, Massachusetts
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2004	2003 (restated)	2004	2003 (restated)	2004	2003 (restated)
	Revenues					
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 19,253,150	\$ 19,697,646	\$ 27,416,421	\$ 28,775,807	\$ 46,669,571	\$ 48,473,453
Operating grants and contributions.....	43,501,432	44,359,902	764,107	910,623	44,265,539	45,270,525
Capital grants and contributions.....	1,810,615	2,686,298	51,994	609,076	1,862,609	3,295,374
<i>General Revenues:</i>						
Real estate and personal property taxes.....	187,446,868	178,891,217	-	-	187,446,868	178,891,217
Motor vehicle and other excise taxes.....	10,537,142	10,006,839	-	-	10,537,142	10,006,839
Hotel room occupancy taxes.....	851,157	1,151,838	-	-	851,157	1,151,838
Penalties and interest on taxes.....	957,072	1,027,184	-	-	957,072	1,027,184
Payments in lieu of taxes.....	340,010	449,556	-	-	340,010	449,556
Community preservation surcharges.....	1,829,757	1,813,888	-	-	1,829,757	1,813,888
Grants and contributions not restricted to specific programs.....	7,572,440	6,447,414	-	-	7,572,440	6,447,414
Unrestricted investment income.....	949,028	1,485,848	-	-	949,028	1,485,848
Premium from issuance of bonds and notes.....	375,267	320,864	-	-	375,267	320,864
Loss on disposal of capital assets.....	(48,600)	-	-	-	(48,600)	-
Other.....	689,905	344,748	-	-	689,905	344,748
Total revenues.....	276,065,243	268,683,242	28,232,522	30,295,506	304,297,765	298,978,748
Expenses						
General government.....	20,594,439	20,149,255	-	-	20,594,439	20,149,255
Public safety.....	40,102,814	40,635,284	-	-	40,102,814	40,635,284
Education.....	162,268,826	157,020,633	-	-	162,268,826	157,020,633
Public works.....	18,738,735	18,987,391	-	-	18,738,735	18,987,391
Health and human services.....	8,470,667	9,119,333	-	-	8,470,667	9,119,333
Culture and recreation.....	12,252,669	11,805,253	-	-	12,252,669	11,805,253
Debt service - interest.....	2,121,882	2,055,115	-	-	2,121,882	2,055,115
Water.....	-	-	9,465,285	9,138,695	9,465,285	9,138,695
Sewer.....	-	-	18,167,283	17,749,399	18,167,283	17,749,399
Newton Commonwealth Golf Course.....	-	-	124,896	158,753	124,896	158,753
Total expenses.....	264,550,032	259,772,264	27,757,464	27,046,847	292,307,496	286,819,111
Change in net assets before transfers.....	11,515,211	8,910,978	475,058	3,248,659	11,990,269	12,159,637
Transfers, net.....	1,305,717	1,230,245	(1,305,717)	(1,230,245)	-	-
Change in net assets.....	12,820,928	10,141,223	(830,659)	2,018,414	11,990,269	12,159,637
Net assets - beginning of year, as restated.....	134,315,740	124,174,517	50,280,338	48,261,924	184,596,078	172,436,441
Net assets - end of year.....	\$ 147,136,668	\$ 134,315,740	\$ 49,449,679	\$ 50,280,338	\$ 196,586,347	\$ 184,596,078

Total expenses increased by \$5.5 million or 1.9% during the year. Education represented the largest single category of spending, at 55.5% of total expenses, slightly more than the 54.7% of total expenditures for the previous fiscal year.

Governmental activities – Governmental activities increased the City’s net assets by \$12.8 million or 9.5% during fiscal 2004. A summary of revenues and major functional expenses is presented in the table presented above.

In order to assist the reader in understanding more completely the full cost of the specific major services provided by the City within each of the broad functional classifications identified above, the Statement of Activities, presented on pages 17 and 18 of this report, provides a detailed accounting of all major services.

All governmental activity services, except for inspectional services, relied on subsidies from general revenues to one degree or another during fiscal year 2004. Inspectional service department revenues exceeded total program expenses by \$2.2 million for the year as a result of strong permit revenue performance.

Business-type activities – Business-type activities decreased the City’s net assets by \$830,659 during fiscal year 2004. This is primarily the result of a decrease in consumption/usage.

Financial Analysis of Governmental Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2004, the City’s governmental funds reported a combined fund deficit totaling (\$5.3) million, a decrease of \$13.7 million or 163% in comparison with the prior year. This decline in total governmental funds fund balance is directly the result of the City’s increased use of bond anticipation note financing for \$17.1 million in high school renovation expenditures. Excluding the High School Renovations Fund, all other governmental funds ended the fiscal year with positive fund balances.

The general fund is the chief operating fund of the City. At June 30, 2004 the general fund reported a total fund balance of \$17.3 million – a \$125,946 increase over the total fund balance for the previous fiscal year. The unreserved and undesignated portion of fund balance decreased, however, by \$1.9 million or 17.8% to \$9 million. Undesignated fund balance represents 3.6% of total general fund revenues and transfers from other funds.

City of Newton, Massachusetts
General Fund
Fund Trends – Fiscal year 2004 and (5) previous fiscal years

	2004	2003	2002	2001	2000	1999
Total fund balance	\$ 17,286,448	\$ 17,160,502	\$ 15,438,743	\$ 16,798,424	\$ 16,458,671	\$ 17,541,502
Less: Fund balance reserved for:						
Encumbrances.....	1,186,735	772,599	1,301,183	688,442	509,074	774,165
Continued appropriations.....	4,390,237	3,255,408	2,760,972	3,289,791	2,481,295	3,991,663
Other purposes.....	-	21,307	27,141	-	-	-
Unreserved fund balance.....	<u>11,709,476</u>	<u>13,111,188</u>	<u>11,349,447</u>	<u>12,820,191</u>	<u>13,468,302</u>	<u>12,775,674</u>
Less: Fund balance designated to support following year budget.....	2,738,000	2,200,000	1,700,000	2,200,000	2,700,000	3,200,000
Undesignated fund balance.....	<u>8,971,476</u>	<u>10,911,188</u>	<u>9,649,447</u>	<u>10,620,191</u>	<u>10,768,302</u>	<u>9,575,674</u>
Total revenue & other financing sources.....	\$ 250,012,404	\$ 243,859,374	\$ 221,622,942	\$ 217,785,789	\$ 204,933,088	\$ 180,830,635
Total fund balance as % total revenue.....	<u>6.9%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.7%</u>	<u>8.0%</u>	<u>9.7%</u>
Unreserved fund balance as % total revenue.....	<u>4.7%</u>	<u>5.4%</u>	<u>5.1%</u>	<u>5.9%</u>	<u>6.6%</u>	<u>7.1%</u>
Undesignated fund balance as % total revenue.....	<u>3.6%</u>	<u>4.5%</u>	<u>4.4%</u>	<u>4.9%</u>	<u>5.3%</u>	<u>5.3%</u>

Total fiscal year 2004 general fund revenues and other financing sources increased by \$6.1 million or 2.5%, to \$250 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 187,056,486	74.8%	\$ 8,031,344	5.0%
Motor vehicle excise taxes.....	10,258,795	4.1%	(386,655)	-3.9%
Hotel room occupancy taxes.....	851,157	0.3%	(300,681)	-23.3%
Penalties and interest on taxes.....	957,072	0.4%	(70,112)	-8.9%
Licenses, permits and fees.....	3,956,514	1.6%	(351,224)	-8.5%
Intergovernmental.....	36,685,402	14.7%	(1,050,686)	-2.8%
Charges for services.....	1,565,136	0.6%	(295,782)	-22.7%
Fines and forfeitures.....	1,900,512	0.8%	194,315	12.3%
Investment income.....	879,801	0.4%	(170,742)	-9.7%
Payments in lieu of taxes.....	340,010	0.1%	(37,857)	-12.2%
Miscellaneous.....	<u>351,131</u>	<u>0.1%</u>	<u>(465,169)</u>	<u>-61.6%</u>
Total revenues.....	<u>244,802,016</u>	<u>97.9%</u>	<u>5,096,751</u>	<u>2.1%</u>
Premium from issuance of bonds/notes.....	375,267	0.2%	54,403	17.6%
Transfers from other funds.....	<u>4,835,121</u>	<u>1.9%</u>	<u>1,001,876</u>	<u>40.1%</u>
Total revenues and other financing sources.....	<u>\$ 250,012,404</u>	<u>100.0%</u>	<u>\$ 6,153,030</u>	<u>2.5%</u>

With the exception of property taxes and fines and forfeitures, all major revenue sources declined from fiscal year 2003 experience. Property tax growth resulted from a combination of the 2.5% annual increase allowed in the levy under Proposition 2 ½ and \$2.7 million in “new growth.”

Motor vehicle excise tax revenue declined by 3.6% for the year, primarily as a result of delays in excise tax billings during the year.

The continued decline in hotel room occupancy tax revenues is a result of declining business travel.

Total general fund expenditures and transfers to other funds totaled \$249.9 million, an increase of \$7.7 million or 3.2% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	12,378,601	5.0%	280,270	2.3%
Public safety.....	30,500,370	12.2%	572,932	1.9%
Education.....	125,566,649	50.2%	2,455,757	2.0%
Public works.....	18,406,548	7.4%	197,995	1.1%
Health and human services.....	3,028,235	1.2%	113,267	3.9%
Culture and recreation.....	9,213,194	3.7%	90,745	1.0%
Retirement benefits.....	32,609,146	13.0%	3,414,289	11.7%
Workers' compensation insurance.....	1,385,046	0.6%	182,176	15.1%
Property and liability insurance.....	252,034	0.1%	(9,724)	-3.7%
Claims and judgements.....	289,727	0.1%	171,695	145.5%
State assessments and charges.....	5,086,760	2.0%	5,338	2.7%
Debt service				
Principal.....	4,281,100	1.7%	(597,800)	-12.3%
Interest.....	2,678,953	1.1%	749,831	38.9%
Total expenditures.....	245,676,363	98.3%	7,626,771	3.2%
Transfers to other funds.....	4,210,095	1.7%	122,072	3.0%
Total expenditures and transfers..... \$	<u>249,886,458</u>	<u>100.0%</u>	<u>\$ 7,748,843</u>	<u>3.2%</u>

Retirement benefits (including post retirement health and life) funding accounted for the largest single component of expenditure growth - 44.1% of the total increase in general fund expenditures and transfers to other funds. Massachusetts Teachers' Retirement System on-behalf contributions account for \$2.3 million or 67.6% of the growth in retirement spending, while Newton Contributory Retirement System funding increased by \$1.1 million.

Education spending increased by \$2.5 million or 32.5% of total expenditure growth. This level of expenditure growth is a reflection of the priority that the City places on public education services.

Debt service interest expenditure growth is related to interest on temporary borrowings for the high school renovation project being undertaken in the High School Renovation Fund.

In excess of 90% of the increase in General government expenditures (\$258,608) is related to the replacement of the City's voting machines. A total of \$179,800 or 69.5% of this capital cost was reimbursed with a federal grant.

The voters of the City elected to implement the Community Preservation Act (CPA), with a 1% surcharge on all real estate tax bills, in November 2001. During the fiscal year ended June 30, 2004, the City realized \$3.7 million in CPA fund revenue, half of which came from property tax surcharges and the other half from the Commonwealth of Massachusetts matching funds for property tax surcharges billed during the previous fiscal year. A total of \$3.2 million in fund balance was unreserved at year end.

The high school renovation fund ended fiscal year 2004 with a negative fund balance of \$46 million, a decline of \$16.5 million from the previous fiscal year, due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$45,950,000 in bond anticipation notes were outstanding at June 30, 2004.

Proprietary funds - The City's proprietary funds provide the same information found in the government-wide statements, but in slightly more detail. Total net assets amounted to \$27.7 million for the sewer fund; \$20.4 million for the water fund; and \$1.4 million for the commonwealth golf fund. Restricted proprietary net assets represent capital grant funds whose purposes are restricted for improvements to the physical infrastructure of the City's water and sewer systems. Proprietary fund net assets invested in capital assets, net of related debt represents principally the City's water supply and distribution system and the sanitary sewer collection system.

Water and sewer utility operating activity for the year was in line with City plans. Sewer fund total net assets decreased by \$1.8 million (6%). Water fund total net assets increased by \$713,087 (3.6%). Golf fund total assets increased by \$215,048 (19%).

Fiduciary funds – The net assets of the City's contributory retirement system increased by \$30.2 (15.9%) to \$221 million during the system's fiscal year that ended December 31, 2003.

The composite investment return for this period was 20.33%, however, the funded status of the plan declined from 67.2% to 66.7% as a result of the asset valuation methodology used by the System to smooth out investment gains and losses over several years.

Information on the City's Retirement System funding progress and the major assumptions used for purposes of the most recent actuarial valuation may be found on pages 55 – 56 of this report.

General Fund Budgetary Highlights:

The difference between the original budget of \$230.1 million and the final amended budget of \$239.2 million amounts to 4% and can be summarized as follows:

Municipal operating budgets:	
Police salaries & wages.....	\$ 184,000
Fire salaries & wages.....	280,000
Library - overtime.....	50,000
DPW - snow and ice.....	381,000
DPW - street lighting.....	144,168
DPW - solid waste collection & removal.....	290,000
Group health insurance.....	772,167
Workers compensation benefits.....	140,000
Other miscellaneous municipal operating budgets.....	140,393
School operating budget.....	400,000
Property tax revaluation.....	500,000
Legal settlements.....	310,227
Capital - municipal departments.....	2,608,890
Capital - School department.....	<u>2,942,257</u>
Total supplemental appropriations.....	<u>\$ 9,143,102</u>

Of this increase, \$2.7 million was funded with revenue in excess of available estimates at the time that the original budget was adopted; and the balance was funded with a combination of transfers from other funds and available fund balances in the general fund.

It is the City's long standing policy to approach the annual budget in two cycles each year – one for operations and the other for capital purposes. For this reason, the \$5.5 million in pay-as-you-go capital outlay and improvement funding was not included in the original budget. Other supplemental appropriations were not anticipated at the time that the original budget was adopted.

Capital Asset and Debt Administration

Capital assets – The City’s investment in capital assets for governmental and business-type activities, net of accumulated depreciation of \$102.7 million, as of June 30, 2004, amounts to \$208.0 million. The investment in capital assets includes land, buildings and improvements, equipment and machinery, infrastructure and construction in progress. Governmental activity infrastructure includes only those improvements that were put in service after the fiscal year ended June 30, 2001.

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2004	2003	2004	2003	2004	2003
Land and improvements.....	\$ 14,615,819	\$ 9,559,101	\$ 634,625	\$ 284,785	\$ 15,250,444	\$ 9,843,886
Buildings and improvements.....	74,420,739	77,017,808	2,909,066	3,329,214	77,329,805	80,347,022
Machinery and equipment.....	11,812,125	9,741,934	1,969,836	1,789,334	13,781,961	11,531,268
Infrastructure.....	4,611,958	2,553,688	43,878,270	43,669,879	48,490,228	46,223,567
Construction in progress.....	53,181,228	35,948,298	-	-	53,181,228	35,948,298
Total capital assets.....	\$ <u>158,641,869</u>	\$ <u>134,820,829</u>	\$ <u>49,391,797</u>	\$ <u>49,073,212</u>	\$ <u>208,033,666</u>	\$ <u>183,894,041</u>

Total capital assets, net of accumulated depreciation, increased by \$24.1 million or 13.1%. Major capital asset events during 2004 included the following:

- Business-type activity net capital assets increased by \$318,585 due to water and sewer system improvements.
- Governmental activity capital assets (net) increased by \$23.8 million. \$22.3 million, or 93.7%, was related to high school renovation project improvements (\$17.2 million) and the acquisition of conservation land under the Community Preservation Fund (\$5.1 million).

Additional information on the City’s capital assets may be found in Note 5 on pages 43 – 45 of this report.

Debt outstanding – At June 30, 2004, the City had total long and short-term debt outstanding of \$101.3 million, \$78.9 million for governmental activities and \$22.4 million for business-type activities. The governmental activity debt includes \$32.9 million in bonds and \$46 million in bond anticipation notes. All debt is a general obligation of the City, although water and sewer debt service payments are made from the resources of the enterprise funds and community preservation fund project debt service payments are made from resources of the community preservation fund.

City of Newton, Massachusetts
General Obligation Bonds and Notes Outstanding – by Purpose

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2004	2003	2004	2003	2004	2003
Education buildings.....	\$ 69,158,750	\$ 56,478,750	\$ -	\$ -	\$ 69,158,750	\$ 56,478,750
Municipal buildings.....	40,000	105,000	-	-	40,000	105,000
Public safety equipment.....	-	30,000	-	-	-	30,000
Landfill closure.....	2,084,800	2,225,900	-	-	2,084,800	2,225,900
Street reconstruction.....	-	25,000	-	-	-	25,000
Land acquisition.....	5,000,000	-	-	-	5,000,000	-
State pension funding loan.....	2,600,000	2,600,000	-	-	2,600,000	2,600,000
Water system.....	-	-	9,034,565	7,346,451	9,034,565	7,346,451
Sanitary sewer system.....	-	-	13,365,173	14,366,792	13,365,173	14,366,792
Total bonds and notes.....	<u>\$ 78,883,550</u>	<u>\$ 61,464,650</u>	<u>\$ 22,399,738</u>	<u>\$ 21,713,243</u>	<u>\$ 101,283,288</u>	<u>\$ 83,177,893</u>

During the year just ended, the City added \$7.6 million in new bonds and \$16.7 million in new education building bond anticipation notes, and retired \$6.2 million in existing bonds. General fund interest and principal payments amounted to \$7.0 million or 2.8% of total revenues and other financing sources.

All existing long term debt, except for subsidized landfill closure and sanitary sewer obligations to the Massachusetts Water Pollution Abatement Trust, will be retired within the next ten years. All landfill and sanitary sewer debt will be repaid in full by the year 2023.

At June 30, 2004 the City's authorized and unissued long term debt amounted to \$98.7 million.

A total of \$46 million of the high school renovation authorization was outstanding in the form of bond anticipation notes at June 30, 2004. Subsequent to year end, an additional \$9.8 million in short term debt was issued for high school renovations. Total general fund interest expenditures on short-term debt were \$1.5 million.

The City's bonds are rated Aaa by Moody's Investor Services Inc.

Additional information on the City's long-term debt can be found in Note 9 on pages 48 – 53 of this report.

Economic Factors and Next Year's Budget and Rates

- According to the U.S. Census Bureau, the median family income for the City for calendar year 2000 was \$105,289. This compares with the state and national median family incomes of \$61,664 and \$50,046, respectively. The City's 2000 per capita income was \$45,708, compared with \$25,952 for the state and \$21,587 for the nation as a whole.
- According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for the City for calendar year 2003 was 3.4%, which also compares with state and national unemployment rates of 5.8% and 6.0% respectively.
- According to the City's Board of Assessors, the average 2004 single family home in Newton was valued at \$669,688 (median value is \$591,900); the average two-family home is valued at \$504,745 (median value is \$486,850); the average commercial property is valued at \$1,743,473 (median value is \$569,500); and the average industrial property is valued at \$1,686,873 (median value is \$654,000).

The Mayor and Board of Aldermen have approved a fiscal year 2005 general fund operating budget of \$243.4 million, \$5.6 million of which consists of appropriations brought forward from the fiscal year ended June 30, 2004. This represents a \$4.2 million or 1.8% increase from the final fiscal year 2004 budget.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, City of Newton, 1000 Commonwealth Avenue, Newton, Massachusetts 02459 or dwilkinson@newtonma.gov.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(as of 09/30/03)
				Newton Schools
				Foundation, Inc.
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 52,665,044	\$ 5,680,767	\$ 58,345,811	\$ 24,710
Restricted cash and cash equivalents.....	607,591	330,975	938,566	-
Investments.....	7,521,617	-	7,521,617	1,181,600
Interest and dividends.....	477,693	-	477,693	-
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	3,703,084	-	3,703,084	-
Tax and utility liens.....	1,171,750	189,536	1,361,286	-
Motor vehicle excise.....	1,116,384	-	1,116,384	-
Community preservation surcharges.....	55,656	-	55,656	-
Charges for service.....	311,322	8,421,563	8,732,885	-
Departmental and other.....	1,470,070	30,161	1,500,231	-
Intergovernmental.....	5,859,436	118,781	5,978,217	-
Special assessments.....	7,263	2,329	9,592	-
Loans.....	116,952	-	116,952	-
Notes.....	1,100,000	-	1,100,000	-
Other assets.....	-	-	-	73,410
Prepaid expenses.....	16,827	3,475	20,302	2,695
Working capital deposit.....	340,372	-	340,372	-
Total current assets.....	76,541,061	14,777,587	91,318,648	1,282,415
Noncurrent assets:				
Restricted cash and cash equivalents.....	8,440,098	6,409,483	14,849,581	-
Restricted investments.....	803,228	-	803,228	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	2,557,326	-	2,557,326	-
Departmental and other.....	3,589,671	-	3,589,671	-
Intergovernmental.....	10,347,325	2,919,931	13,267,256	-
Special assessments.....	500,147	147,152	647,299	-
Structured settlement contract.....	2,850,000	-	2,850,000	-
Loans.....	3,970,050	-	3,970,050	-
Capital assets:				
Nondepreciable.....	67,797,047	284,785	68,081,832	-
Depreciable, net of accumulated depreciation.....	90,844,822	49,107,012	139,951,834	2,925
Total noncurrent assets.....	191,699,714	58,868,363	250,568,077	2,925
Total assets.....	268,240,775	73,645,950	341,886,725	1,285,340
LIABILITIES				
Current liabilities:				
Warrants payable.....	4,380,193	249,492	4,629,685	252,058
Accrued liabilities.....	3,988,845	323,685	4,312,530	-
Accrued payroll.....	7,618,836	16,233	7,635,069	-
Revenue refunds payable.....	1,925,125	-	1,925,125	-
Health claims payable.....	4,726,107	-	4,726,107	-
Other liabilities.....	1,315,016	364,018	1,679,034	-
Accrued interest.....	826,414	273,986	1,100,400	-
Abandoned property.....	761,074	-	761,074	-
Liabilities payable from restricted assets.....	607,591	330,975	938,566	-
Bond anticipation notes payable.....	25,000,000	-	25,000,000	-
Bonds payable.....	5,118,200	2,092,308	7,210,508	-
Landfill closure and other environmental liabilities.....	143,400	-	143,400	-
Compensated absences.....	158,638	17,369	176,007	-
Workers' compensation benefits.....	903,000	-	903,000	-
Capital lease obligations.....	223,677	-	223,677	-
Claims & judgments.....	55,000	-	55,000	-
Total current liabilities.....	57,751,116	3,668,066	61,419,182	252,058

STATEMENT OF NET ASSETS (Continued)

JUNE 30, 2004

	Primary Government			Component Unit <i>(as of 09/30/03)</i>
	Governmental Activities	Business-type Activities	Total	Newton Schools Foundation, Inc.
Noncurrent liabilities:				
Bond anticipation notes payable.....	\$ 20,950,000	\$ -	\$ 20,950,000	\$ -
Bonds payable.....	27,815,350	20,307,430	48,122,780	-
Landfill closure and other environmental liabilities.....	1,113,200	-	1,113,200	-
Compensated absences.....	7,928,498	220,775	8,149,273	-
Workers' compensation benefits.....	4,930,943	-	4,930,943	-
Claims & judgments.....	615,000	-	615,000	-
Total noncurrent liabilities.....	63,352,991	20,528,205	83,881,196	-
Total liabilities.....	121,104,107	24,196,271	145,300,378	252,058
NET ASSETS				
Invested in capital assets, net of related debt.....	95,006,298	30,030,771	125,037,069	2,925
Restricted for:				
Water & sewer system improvements.....	-	214,757	214,757	-
Community development activities.....	3,734,635	-	3,734,635	-
Community preservation activities.....	8,759,581	-	8,759,581	-
Education activities.....	494,118	-	494,118	-
Perpetual funds:				
Expendable.....	868,171	-	868,171	-
Nonexpendable.....	396,933	-	396,933	755,560
Other specific purposes.....	1,289,703	-	1,289,703	-
Unrestricted.....	36,587,229	19,204,151	55,791,380	274,797
Total net assets.....	\$ 147,136,668	\$ 49,449,679	\$ 196,586,347	\$ 1,033,282

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/Revenue
Primary government:					
Governmental activities:					
General government					
Legislative & executive.....	\$ 1,696,267	\$ 148,676	\$ -	\$ 54,657	\$ (1,492,934)
Elections.....	979,030	5,240	17,669	179,800	(776,321)
Financial administration.....	3,054,137	274,256	-	-	(2,779,881)
Administrative support.....	3,779,028	287,368	24,233	-	(3,467,427)
Planning & development.....	7,900,826	1,039,634	4,982,059	-	(1,879,133)
Public building maintenance & operation.....	3,185,151	700	13,541	-	(3,170,910)
Public safety					
Police.....	21,018,626	3,533,180	1,555,117	-	(15,930,329)
Fire.....	17,894,295	529,097	34,773	-	(17,330,425)
Inspectional services.....	1,115,775	3,279,953	-	-	2,164,178
Other public safety.....	74,118	18,871	4,578	-	(50,669)
Education.....	162,268,826	6,543,943	34,667,612	-	(121,057,271)
Public works					
Streets & sidewalks.....	8,856,614	1,193,400	-	1,576,158	(6,087,056)
Control of snow & ice.....	2,109,196	-	464,187	-	(1,645,009)
Collection & disposal of solid waste.....	6,825,696	319,711	147,207	-	(6,358,778)
Engineering.....	947,229	9,644	14,309	-	(923,276)
Health & human services					
Public health.....	2,167,774	127,883	209,902	-	(1,829,989)
Human services.....	6,092,704	99,221	370,942	-	(5,622,541)
Veteran services.....	210,189	-	135,117	-	(75,072)
Culture and recreation					
Libraries.....	5,767,552	529,142	113,489	-	(5,124,921)
Parks & recreation.....	6,234,003	1,275,641	15,365	-	(4,942,997)
Jackson Homestead museum.....	251,114	37,590	-	-	(213,524)
Debt service - interest.....	2,121,882	-	731,332	-	(1,390,550)
Total governmental activities.....	264,550,032	19,253,150	43,501,432	1,810,615	(199,984,835)
Business-type activities:					
Water.....	9,465,285	10,751,702	231,410	42,902	1,560,729
Sewer.....	18,167,283	16,280,381	527,091	9,092	(1,350,719)
Newton Commonwealth Golf Course.....	124,896	384,338	5,606	-	265,048
Total business-type activities.....	27,757,464	27,416,421	764,107	51,994	475,058
Total Primary Government.....	\$ 292,307,496	\$ 46,669,571	\$ 44,265,539	\$ 1,862,609	\$ (199,509,777)
Component unit (as of 09/30/03):					
Newton Schools Foundation, Inc.....	\$ 484,227	\$ -	\$ 448,559	\$ -	\$ (35,668)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Primary Government			Component Unit (as of 09/30/03)
	Governmental Activities	Business-type Activities	Total	
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (199,984,835)	\$ 475,058	\$ (199,509,777)	\$ (35,668)
<i>General revenues:</i>				
Real estate and personal property taxes:				
levied for general purposes.....	187,446,868	-	187,446,868	-
levied for community preservation purposes.....	1,829,757	-	1,829,757	-
Motor vehicle and other excise taxes.....	10,537,142	-	10,537,142	-
Hotel room occupancy taxes.....	851,157	-	851,157	-
Penalties and interest on taxes.....	957,072	-	957,072	-
Payments in lieu of taxes.....	340,010	-	340,010	-
Grants and contributions not restricted to specific programs.....	7,572,440	-	7,572,440	-
Unrestricted investment income.....	949,028	-	949,028	-
Premium from issuance of bonds and notes.....	375,267	-	375,267	-
Loss on disposal of assets.....	(48,600)	-	(48,600)	-
Other.....	689,905	-	689,905	-
<i>Transfers, net</i>	1,305,717	(1,305,717)	-	-
Total general revenues and transfers.....	212,805,763	(1,305,717)	211,500,046	-
Change in net assets.....	12,820,928	(830,659)	11,990,269	(35,668)
Net assets - beginning of year, as restated.....	134,315,740	50,280,338	184,596,078	1,068,950
Net assets - end of year.....	\$ 147,136,668	\$ 49,449,679	\$ 196,586,347	\$ 1,033,282

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2004

ASSETS	General	Community Preservation	High School Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 30,687,458	\$ -	\$ -	\$ 13,916,274	\$ 44,603,732
Interest and dividends.....	-	-	-	445,251	445,251
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	3,703,084	-	-	-	3,703,084
Real estate tax deferrals.....	2,557,326	-	-	-	2,557,326
Tax and utility liens.....	1,171,750	-	-	-	1,171,750
Motor vehicle excise.....	1,116,384	-	-	-	1,116,384
Community preservation surcharges.....	-	55,656	-	-	55,656
Charges for services.....	43,768	-	-	267,554	311,322
Departmental and other.....	4,544,273	-	-	14,130	4,558,403
Intergovernmental.....	12,790,992	1,935,872	-	1,479,897	16,206,761
Special assessments.....	507,410	-	-	-	507,410
Structured settlement contract.....	2,850,000	-	-	-	2,850,000
Notes.....	-	1,100,000	-	-	1,100,000
Loans.....	-	-	-	4,087,002	4,087,002
Due from other funds.....	446,555	-	-	-	446,555
Prepaid expenses.....	16,827	-	-	-	16,827
Restricted assets:					
Cash and cash equivalents.....	607,591	5,668,869	2,220,548	550,681	9,047,689
Investments.....	-	-	-	803,228	803,228
TOTAL ASSETS.....	\$ 61,043,418	\$ 8,760,397	\$ 2,220,548	\$ 21,564,017	\$ 93,588,380
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 3,535,969	\$ 442	\$ 137,280	\$ 653,497	\$ 4,327,188
Accrued liabilities.....	1,250,819	10,610	2,121,847	589,678	3,972,954
Accrued payroll.....	7,083,794	-	-	535,042	7,618,836
Revenue refunds payable.....	1,925,125	-	-	-	1,925,125
Other liabilities.....	185,965	-	-	1,129,051	1,315,016
Abandoned property.....	761,074	-	-	-	761,074
Liabilities due depositors.....	607,591	-	-	-	607,591
Deferred revenue.....	27,936,425	3,081,292	-	474,962	31,492,679
Due to other funds.....	-	-	-	446,555	446,555
Accrued short-term interest.....	470,208	-	-	-	470,208
Notes payable.....	-	-	45,950,000	-	45,950,000
TOTAL LIABILITIES.....	43,756,970	3,092,344	48,209,127	3,828,785	98,887,226
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	5,576,972	2,494,486	-	-	8,071,458
Loans.....	-	-	-	3,727,002	3,727,002
Perpetual permanent funds.....	-	-	-	396,933	396,933
Other specific purposes.....	-	-	-	1,783,821	1,783,821
Unreserved:					
Designated for subsequent year's expenditures.....	2,738,000	-	-	1,002,832	3,740,832
Undesignated, reported in:					
General fund.....	8,971,476	-	-	-	8,971,476
Special revenue funds.....	-	3,173,567	-	3,940,139	7,113,706
Capital projects funds.....	-	-	(45,988,579)	6,016,334	(39,972,245)
Permanent funds.....	-	-	-	868,171	868,171
TOTAL FUND BALANCES.....	17,286,448	5,668,053	(45,988,579)	17,735,232	(5,298,846)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 61,043,418	\$ 8,760,397	\$ 2,220,548	\$ 21,564,017	\$ 93,588,380

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Total governmental fund balances (page 19).....	\$	(5,298,846)
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		158,641,869
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		31,492,679
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(356,206)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....		(32,933,550)
Capital lease obligations.....		(223,677)
Court judgments.....		(670,000)
Landfill closure and other environmental liabilities.....		(1,256,600)
Compensated absences.....		(8,087,136)
Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets.....		5,828,135
Net assets of governmental activities (page 16).....	\$	147,136,668

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	Community Preservation	High School Renovations	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes.....	\$ 187,056,486	\$ -	\$ -	\$ -	\$ 187,056,486
Motor vehicle excise taxes.....	10,258,795	-	-	-	10,258,795
Hotel room occupancy taxes.....	851,157	-	-	-	851,157
Community preservation surcharges.....	-	1,830,144	-	-	1,830,144
Penalties and interest on taxes.....	957,072	-	-	-	957,072
Licenses, permits and fees.....	3,956,514	-	-	940,207	4,896,721
Intergovernmental.....	36,685,402	1,758,952	-	16,653,252	55,097,606
Charges for services.....	1,565,136	-	-	10,282,527	11,847,663
Fines and forfeitures.....	1,900,512	-	-	15,727	1,916,239
Investment income.....	879,801	69,227	-	177,680	1,126,708
Contributions and donations.....	-	-	-	645,007	645,007
Payments in lieu of taxes.....	340,010	-	-	-	340,010
Miscellaneous.....	351,131	-	-	327,263	678,394
TOTAL REVENUES.....	244,802,016	3,658,323	-	29,041,663	277,502,002
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	1,574,437	-	-	1,006	1,575,443
Elections.....	875,317	-	-	3,192	878,509
Financial administration.....	2,714,710	-	-	-	2,714,710
Administrative support.....	3,592,180	-	-	3,233	3,595,413
Planning & development.....	1,320,055	7,484,746	-	4,938,560	13,743,361
Public building maintenance & operations.....	2,301,902	4,960	-	14,791	2,321,653
Public safety:					
Police.....	15,442,122	-	-	2,750,953	18,193,075
Fire.....	14,038,442	-	-	191,013	14,229,455
Inspectional services.....	946,024	-	-	-	946,024
Other public safety.....	73,782	-	-	-	73,782
Education.....	125,566,649	-	17,056,305	16,076,110	158,699,064
Public works:					
Streets & sidewalks.....	6,079,320	-	-	1,733,543	7,812,863
Control of snow & ice.....	1,877,905	-	-	-	1,877,905
Collection & disposal of solid waste.....	5,985,283	-	-	178,183	6,163,466
Vehicle maintenance.....	2,172,531	-	-	-	2,172,531
Engineering.....	709,866	-	-	5,189	715,055
Administration & support.....	1,581,643	-	-	-	1,581,643
Health and human services:					
Public health.....	1,895,772	-	-	19,321	1,915,093
Human services.....	954,212	-	-	167,913	1,122,125
Veteran services.....	178,251	-	-	-	178,251
Culture and recreation:					
Libraries.....	4,464,475	-	-	650,284	5,114,759
Parks & recreation.....	4,552,711	263,710	-	881,201	5,697,622
Jackson Homestead museum.....	196,008	34,275	-	1,425	231,708
Retirement benefits.....	32,609,146	-	-	-	32,609,146
Workers' compensation insurance.....	1,385,046	-	-	1,268	1,386,314
Property and liability insurance.....	252,034	-	-	-	252,034
Claims and judgments.....	289,727	-	-	500	290,227
State assessments & charges.....	5,086,760	-	-	-	5,086,760
Debt service:					
Principal.....	4,281,100	-	-	-	4,281,100
Interest.....	2,678,953	65,375	-	-	2,744,328
TOTAL EXPENDITURES.....	245,676,363	7,853,066	17,056,305	27,617,685	298,203,419
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(874,347)	(4,194,743)	(17,056,305)	1,423,978	(20,701,417)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	4,835,121	-	599,024	3,845,576	9,279,721
Proceeds of general obligation bonds.....	-	5,000,000	-	-	5,000,000
Premium from issuance of bonds and notes.....	375,267	-	-	-	375,267
Transfers out.....	(4,210,095)	-	-	(3,487,520)	(7,697,615)
TOTAL OTHER FINANCING SOURCES (USES).....	1,000,293	5,000,000	599,024	358,056	6,957,373
NET CHANGE IN FUND BALANCES.....	125,946	805,257	(16,457,281)	1,782,034	(13,744,044)
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED.....	17,160,502	4,862,796	(29,531,298)	15,953,198	8,445,198
FUND BALANCES AT END OF YEAR.....	\$ 17,286,448	\$ 5,668,053	\$ (45,988,579)	\$ 17,735,232	\$ (5,298,846)

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds (page 21)..... \$ (13,744,044)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.

Capital outlays.....	29,546,126
Depreciation.....	(5,676,486)

In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds there is no use of financial resources.

As a result, the change in net assets differs from the change in fund balance by the net book value of the disposed capital assets..... (48,600)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (526,992)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.

Bond proceeds.....	(5,000,000)
Bond maturities.....	4,281,100
Capital lease proceeds.....	(223,677)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable..... 622,446

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

These amounts represent the net changes in accruals:

Court judgments.....	101,389
Landfill closure and other environmental liabilities.....	(421,600)
Compensated absences.....	209,712

Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of the internal service funds is reported with governmental activities.....

3,701,554

Changes in net assets of governmental activities (page 18)..... \$ 12,820,928

See notes to basic financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes.....	\$ 183,527,666	\$ 184,772,348	\$ 187,068,889	\$ 2,296,541
Motor vehicle excise taxes.....	10,045,530	10,645,565	10,258,795	(386,770)
Hotel room occupancy taxes.....	1,345,000	1,345,000	851,157	(493,843)
Penalties and interest on taxes.....	800,000	800,000	957,072	157,072
Licenses, permits and fees.....	2,883,815	3,028,728	3,956,514	927,786
Intergovernmental.....	17,635,540	18,742,588	18,927,380	184,792
Charges for services.....	1,390,211	1,590,211	1,565,136	(25,075)
Fines and forfeitures.....	1,623,887	1,623,887	1,900,512	276,625
Investment income.....	1,700,000	1,100,000	879,801	(220,199)
Payments in lieu of taxes.....	310,000	310,000	340,010	30,010
Miscellaneous.....	503,354	491,314	351,131	(140,183)
TOTAL REVENUES.....	221,765,003	224,449,641	227,056,397	2,606,756
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	1,589,687	1,644,063	1,574,437	69,626
Elections.....	925,790	953,934	875,317	78,617
Financial administration.....	3,177,292	3,781,400	2,714,710	1,066,690
Administrative support.....	3,727,569	4,887,026	3,592,180	1,294,846
Planning & development.....	1,303,047	1,401,235	1,320,055	81,180
Public building maintenance & operations.....	2,938,513	3,650,231	2,624,902	1,025,329
Public safety:				
Police.....	14,573,652	15,514,050	15,442,122	71,928
Fire.....	12,949,840	14,451,817	13,640,548	811,269
Inspectional services.....	1,103,951	1,103,268	958,270	144,998
Other public safety.....	83,331	85,448	73,782	11,666
Education.....	126,701,033	126,290,982	126,023,092	267,890
Public works:				
Streets & sidewalks.....	6,949,626	6,693,813	6,079,320	614,493
Control of snow & ice.....	625,856	1,914,600	1,877,905	36,695
Collection & disposal of solid waste.....	5,761,992	6,026,217	5,985,283	40,934
Vehicle maintenance.....	2,115,282	2,256,699	2,172,531	84,168
Engineering.....	732,166	745,953	709,866	36,087
Administration & support.....	1,493,662	1,673,152	1,581,643	91,509
Health and human services:				
Public health.....	1,911,859	2,020,691	1,895,772	124,919
Human services.....	1,089,294	1,109,779	1,018,679	91,100
Veteran services.....	171,293	182,815	178,251	4,564
Culture and recreation:				
Libraries.....	4,259,218	4,482,347	4,479,919	2,428
Parks & recreation.....	4,465,323	5,088,942	4,552,711	536,231
Jackson Homestead museum.....	213,764	219,562	196,008	23,554
Retirement benefits.....	14,514,963	15,137,602	15,085,053	52,549
Workers' compensation insurance.....	1,172,870	1,385,046	1,385,046	-
Property and liability insurance.....	171,130	271,330	252,034	19,296
Claims and judgments.....	80,000	290,227	289,727	500
Reserve fund.....	3,349,144	452,116	-	452,116
Other.....	50,000	50,000	-	50,000
State assessments & charges.....	5,010,295	5,008,262	5,086,760	(78,498)
Debt service:				
Principal.....	4,260,439	4,260,439	4,260,439	-
Interest.....	1,722,186	1,995,477	1,995,477	-
TOTAL EXPENDITURES.....	229,194,067	235,028,523	227,921,839	7,106,684
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(7,429,064)	(10,578,882)	(865,442)	9,713,440
OTHER FINANCING SOURCES (USES)				
Transfers in.....	2,103,211	4,370,934	4,835,121	464,187
Premium from issuance of bonds and notes.....	-	375,267	375,267	-
Transfers out.....	(902,154)	(4,210,800)	(4,210,095)	705
TOTAL OTHER FINANCING SOURCES (USES).....	1,201,057	535,401	1,000,293	464,892
NET CHANGE IN FUND BALANCE.....	(6,228,007)	(10,043,481)	134,851	10,178,332
FUND BALANCE AT BEGINNING OF YEAR.....	19,876,024	19,876,024	19,876,024	-
FUND BALANCE AT END OF YEAR.....	\$ 13,648,017	\$ 9,832,543	\$ 20,010,875	\$ 10,178,332

See notes to basic financial statements.

COMMUNITY PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 1,832,804	\$ 1,832,804	\$ 1,830,144	\$ (2,660)
Intergovernmental	1,758,952	1,758,952	1,758,952	-
Investment income.....	-	-	69,227	69,227
TOTAL REVENUES.....	3,591,756	3,591,756	3,658,323	66,567
EXPENDITURES				
Current:				
General government:				
Planning & development.....	3,181,553	8,689,803	7,484,746	1,205,057
Public building maintenance & operations.....	586,389	606,389	4,960	601,429
Culture and recreation:				
Parks & recreation.....	678,454	812,692	263,710	548,982
Jackson Homestead museum.....	188,277	188,277	34,275	154,002
Reserve fund.....	3,534,858	2,941,233	-	2,941,233
Debt service:				
Interest.....	-	65,375	65,375	-
TOTAL EXPENDITURES.....	8,169,531	13,303,769	7,853,066	5,450,703
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(4,577,775)	(9,712,013)	(4,194,743)	5,517,270
OTHER FINANCING SOURCES (USES)				
Proceeds of bonds and notes.....	-	5,000,000	5,000,000	-
NET CHANGE IN FUND BALANCE.....	(4,577,775)	(4,712,013)	805,257	5,517,270
FUND BALANCE AT BEGINNING OF YEAR.....	4,862,796	4,862,796	4,862,796	-
FUND BALANCE AT END OF YEAR.....	\$ 285,021	\$ 150,783	\$ 5,668,053	\$ 5,517,270

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS

JUNE 30, 2004

	Business-Type Activities - Enterprise Fund				Governmental Activities - Internal Service Funds
	Sewer	Water	Newton Commonwealth Golf Fund (as of 12/31/2003)	Total	
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 1,744,725	\$ 3,002,389	\$ 933,653	\$ 5,680,767	\$ 8,061,312
Restricted cash and cash equivalents.....	224,358	106,617	-	330,975	-
Investments.....	-	-	-	-	7,521,617
Interest and dividends.....	-	-	-	-	32,442
Receivables, net of allowance for uncollectibles:					
Charges for service.....	5,281,401	3,140,162	-	8,421,563	-
Utility liens.....	121,737	67,799	-	189,536	-
Special assessments.....	2,329	-	-	2,329	-
Departmental and other.....	-	-	30,161	30,161	501,338
Intergovernmental.....	118,781	-	-	118,781	-
Prepaid expenses.....	1,137	-	2,338	3,475	-
Working capital deposit.....	-	-	-	-	340,372
Total current assets.....	<u>7,494,468</u>	<u>6,316,967</u>	<u>966,152</u>	<u>14,777,587</u>	<u>16,457,081</u>
Noncurrent assets:					
Restricted cash and cash equivalents.....	793,941	5,615,542	-	6,409,483	-
Receivables, net of allowance for uncollectible amounts:					
Special assessments.....	147,152	-	-	147,152	-
Intergovernmental.....	2,919,931	-	-	2,919,931	-
Capital assets:					
Nondepreciable.....	26,245	258,540	-	284,785	-
Depreciable, net of accumulated depreciation.....	<u>30,682,423</u>	<u>18,019,181</u>	<u>405,408</u>	<u>49,107,012</u>	<u>-</u>
Total noncurrent assets.....	<u>34,569,692</u>	<u>23,893,263</u>	<u>405,408</u>	<u>58,868,363</u>	<u>-</u>
Total assets.....	<u>42,064,160</u>	<u>30,210,230</u>	<u>1,371,560</u>	<u>73,645,950</u>	<u>16,457,081</u>
LIABILITIES					
Current liabilities:					
Warrants payable.....	86,790	146,378	16,324	249,492	53,005
Accrued liabilities.....	103,965	219,720	-	323,685	15,891
Accrued payroll.....	223	16,010	-	16,233	-
Other liabilities.....	233,935	130,083	-	364,018	-
Liabilities payable from restricted assets.....	224,358	106,617	-	330,975	-
Accrued interest.....	271,332	2,654	-	273,986	-
Accrued health claims payable.....	-	-	-	-	4,726,107
Workers' compensation claims.....	-	-	-	-	903,000
Compensated absences.....	5,369	12,000	-	17,369	-
Long-term bonds and notes payable.....	<u>935,800</u>	<u>1,156,508</u>	<u>-</u>	<u>2,092,308</u>	<u>-</u>
Total current liabilities.....	<u>1,861,772</u>	<u>1,789,970</u>	<u>16,324</u>	<u>3,668,066</u>	<u>5,698,003</u>
Noncurrent liabilities:					
Workers' compensation claims.....	-	-	-	-	4,930,943
Compensated absences.....	101,022	119,753	-	220,775	-
Long-term bonds and notes payable.....	<u>12,429,373</u>	<u>7,878,057</u>	<u>-</u>	<u>20,307,430</u>	<u>-</u>
Total noncurrent liabilities.....	<u>12,530,395</u>	<u>7,997,810</u>	<u>-</u>	<u>20,528,205</u>	<u>4,930,943</u>
Total liabilities.....	<u>14,392,167</u>	<u>9,787,780</u>	<u>16,324</u>	<u>24,196,271</u>	<u>10,628,946</u>
FUND NET ASSETS					
Invested in capital assets, net of related debt.....	20,382,207	9,243,156	405,408	30,030,771	-
Restricted for:					
Water & sewer system improvements.....	20,265	194,492	-	214,757	-
Unrestricted.....	<u>7,269,521</u>	<u>10,984,802</u>	<u>949,828</u>	<u>19,204,151</u>	<u>5,828,135</u>
Total net assets.....	<u>\$ 27,671,993</u>	<u>\$ 20,422,450</u>	<u>\$ 1,355,236</u>	<u>\$ 49,449,679</u>	<u>\$ 5,828,135</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Fund				Governmental Activities - Internal Service Funds
	Sewer	Water	Newton Commonwealth Golf Fund (as of 12/31/2003)	Total	
OPERATING REVENUES					
Charges for services.....	\$ 16,264,737	\$ 10,751,702	\$ 384,338	\$ 27,400,777	\$ -
Special assessments.....	15,644	-	-	15,644	-
Employer contributions.....	-	-	-	-	27,492,614
Employee contributions.....	-	-	-	-	6,768,987
TOTAL OPERATING REVENUES.....	16,280,381	10,751,702	384,338	27,416,421	34,261,601
OPERATING EXPENSES					
Salaries, wages and employee benefits.....	1,877,292	2,096,110	78,624	4,052,026	-
Other operating expenses.....	707,954	485,131	-	1,193,085	2,524,447
MWRA assessment.....	13,732,248	5,944,204	-	19,676,452	-
Workers' compensation.....	117,446	127,000	-	244,446	-
Self insurance claims.....	-	-	-	-	28,305,512
Depreciation.....	871,662	568,697	46,272	1,486,631	-
TOTAL OPERATING EXPENSES.....	17,306,602	9,221,142	124,896	26,652,640	30,829,959
OPERATING INCOME (LOSS).....	(1,026,221)	1,530,560	259,442	763,781	3,431,642
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental.....	527,091	231,410	-	758,501	-
Investment income.....	9,092	42,902	5,606	57,600	546,301
Interest expense.....	(860,681)	(244,143)	-	(1,104,824)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(324,498)	30,169	5,606	(288,723)	546,301
INCOME (LOSS) BEFORE TRANSFERS.....	(1,350,719)	1,560,729	265,048	475,058	3,977,943
TRANSFERS					
Transfers in.....	464,767	25,000	-	489,767	-
Transfers out.....	(872,842)	(872,642)	(50,000)	(1,795,484)	(276,389)
TOTAL TRANSFERS.....	(408,075)	(847,642)	(50,000)	(1,305,717)	(276,389)
CHANGE IN FUND NET ASSETS.....	(1,758,794)	713,087	215,048	(830,659)	3,701,554
FUND NET ASSETS AT BEGINNING OF YEAR, AS RESTATED.....	29,430,787	19,709,363	1,140,188	50,280,338	2,126,581
FUND NET ASSETS AT END OF YEAR.....	\$ 27,671,993	\$ 20,422,450	\$ 1,355,236	\$ 49,449,679	\$ 5,828,135

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Business-Type Business - Enterprise Fund				Governmental Activities - Internal Service Funds
	Newton		Commonwealth Golf Fund (as of 12/31/2003)	Total	
	Sewer	Water			
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 17,382,920	\$ 10,888,082	\$ 424,570	\$ 28,695,572	\$ 6,768,987
Receipts from interfund services provided.....	-	-	-	-	27,353,924
Payments to vendors/providers.....	(15,644,305)	(7,635,893)	(62,300)	(23,342,498)	(32,061,954)
Payments to employees.....	(1,539,318)	(1,542,278)	-	(3,081,596)	-
NET CASH FROM OPERATING ACTIVITIES.....	199,297	1,709,911	362,270	2,271,478	2,060,957
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in.....	464,767	25,000	-	489,767	-
Transfers out.....	(872,842)	(872,642)	(50,000)	(1,795,484)	(276,389)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(408,075)	(847,642)	(50,000)	(1,305,717)	(276,389)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the issuance of bonds and notes.....	-	2,586,019	-	2,586,019	-
Acquisition and construction of capital assets.....	(546,882)	(1,214,319)	(44,015)	(1,805,216)	-
Principal payments on bonds and notes.....	(901,534)	(897,905)	-	(1,799,439)	-
Interest expense.....	(152,687)	(15,461)	-	(168,148)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,601,103)	458,334	(44,015)	(1,186,784)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments.....	-	-	-	-	395,224
Purchase of investments.....	-	-	-	-	(969,816)
Investment income.....	9,092	42,902	5,606	57,600	546,301
NET CASH FROM INVESTING ACTIVITIES.....	9,092	42,902	5,606	57,600	(28,291)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	(1,800,789)	1,363,505	273,861	(163,423)	1,756,277
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR (AS RESTATED) (Includes \$397,874 and \$694,425 reported as restricted in the sewer and water enterprise funds, respectively).....	4,563,813	7,361,043	659,792	12,584,648	6,305,035
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR (Includes \$1,018,299 and \$5,722,159 reported as restricted in the sewer and water enterprise funds, respectively).....	\$ 2,763,024	\$ 8,724,548	\$ 933,653	\$ 12,421,225	\$ 8,061,312
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ (1,026,221)	\$ 1,530,560	\$ 259,442	\$ 763,781	\$ 3,431,642
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	871,662	568,697	46,272	1,486,631	-
Changes in assets and liabilities:					
Utility liens.....	(121,737)	(67,799)	-	(189,536)	-
Water fees.....	-	203,504	-	203,504	-
Sewer fees.....	1,193,528	-	-	1,193,528	-
Special assessments.....	18,054	-	-	18,054	-
Departmental and other.....	-	-	40,538	40,538	(138,690)
Intergovernmental.....	13,194	-	-	13,194	-
Working capital deposit.....	-	-	-	-	(292,872)
Other assets.....	637	675	2,032	3,344	-
Prepaid expenses.....	(1,137)	-	(2,338)	(3,475)	-
Warrants payable.....	(555,781)	(190,235)	16,324	(729,692)	12,933
Accrued liabilities.....	(373,857)	(421,648)	-	(795,505)	(7,831)
Accrued payroll.....	(777)	(1,729)	-	(2,506)	-
Other liabilities.....	233,935	130,083	-	364,018	-
Liabilities due depositors.....	(19,185)	(9,432)	-	(28,617)	-
Accrued health claims payable.....	-	-	-	-	72,759
Workers' compensation.....	-	-	-	-	(1,016,984)
Accrued compensated absences.....	(33,018)	(32,765)	-	(65,783)	-
Total adjustments.....	1,225,518	179,351	102,828	1,507,697	(1,370,685)
NET CASH FROM OPERATING ACTIVITIES	\$ 199,297	\$ 1,709,911	\$ 362,270	\$ 2,271,478	\$ 2,060,957
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES					
Intergovernmental debt subsidies (MWPAT and MWRA).....	\$ 640,371	\$ 231,410	\$ -	\$ 871,781	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

ASSETS	Pension Trust Fund (As of 12/31/03)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 8,275,171	\$ 1,912,480	\$ 1,479,203
Investments.....	212,077,224	6,420,371	-
Interest and dividends.....	133,238	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	750
Intergovernmental.....	650,735	-	-
Loans.....	-	195,354	634,679
Other assets.....	1,143	-	-
Total assets.....	<u>221,137,511</u>	<u>8,528,205</u>	<u>2,114,632</u>
LIABILITIES			
Warrants payable.....	109,810	9,653	51,028
Payroll withholdings.....	-	-	1,012,316
Other liabilities.....	-	7,368	1,051,288
Total liabilities.....	<u>109,810</u>	<u>17,021</u>	<u>2,114,632</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 221,027,701</u>	<u>\$ 8,511,184</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Pension Trust Fund (As of 12/31/03)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 8,310,569	\$ -
Plan member.....	5,511,154	-
Private donations.....	-	156,726
Total contributions.....	13,821,723	156,726
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	33,640,733	-
Interest.....	4,095,688	307,547
Total investment income (loss).....	37,736,421	307,547
Less investment expense.....	(819,821)	-
Net investment income (loss).....	36,916,600	307,547
Intergovernmental.....	1,355,005	-
Transfers from other systems.....	736,349	-
TOTAL ADDITIONS.....	52,829,677	464,273
DEDUCTIONS		
Retirement benefits.....	21,579,517	-
Refunds of contributions & transfers to other systems.....	805,854	-
Administration expense.....	203,531	26,489
Educational scholarships & awards.....	-	361,199
Public assistance.....	-	6,625
TOTAL DEDUCTIONS.....	22,588,902	394,313
CHANGE IN NET ASSETS.....	30,240,775	69,960
NET ASSETS AT BEGINNING OF YEAR.....	190,786,926	8,441,224
NET ASSETS AT END OF YEAR.....	\$ 221,027,701	\$ 8,511,184

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Newton, Massachusetts (the City) is a municipal corporation governed by an elected Mayor, who serves a four - year term, and a twenty-four member Board of Aldermen, who serve two- year terms. Sixteen of the members of the Board of Aldermen are elected at large, and eight members are elected from one of the City's eight wards. The current city charter was approved by the voters of the City on November 2, 1971, and became effective January 1972.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

The accompanying financial statements present the activities of the City and its component units, legally separate organizations for which the City is financially accountable or integrated. The following component units provide services or benefits exclusively or almost exclusively to the City or its employees and are therefore blended and reported as if they were part of the City:

Non-Major Governmental Funds:

The Newton Community Development Authority (the Authority) was established in 1975 pursuant to Chapter 705 of the Massachusetts General Laws to develop housing programs for low and moderate income families, the elderly and handicapped residents of the City. The Authority is governed solely by the City's Director of Planning and Development, who is appointed by the Mayor, subject to confirmation approval by a majority of the Board of Aldermen. The Authority does not issue a separate audited financial statement.

Proprietary Funds:

The Newton Commonwealth Foundation, Inc. (the Foundation) was established for the management of the Newton Commonwealth Golf Course on the site formerly known as the Chestnut Hill Country Club. The Foundation is governed by a fifteen member board appointed by the Mayor and are subject to confirmation approval by a majority of the Board of Aldermen. The annual operating budget of the Foundation is subject to approval by the Mayor. Complete audited financial statements may be obtained by writing to the Foundation's administrative office located at 25 Warwick Road, Newton, Massachusetts 02469.

Fiduciary Funds

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 members.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 1000 Commonwealth Avenue, Newton, Massachusetts 02459.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

The following component unit is discretely presented in the government-wide financial statements:

Discrete Presentation

The Newton Schools Foundation, Inc., a non-profit organization, was established in 1986 to enhance and broaden community support for public education and provide funding for innovative and challenging programs in the Newton Public Schools. Complete audited financial statements may be obtained by writing to the Newton Schools Foundation's administrative office located at 100 Walnut Street, Newton, Massachusetts 02460.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) including its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each major function/service program of the City's governmental activities. Direct expenses are those that are specifically associated with a program and, therefore, are clearly identifiable to a particular service. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charge costs have been allocated to major functions/programs in order to present a more accurate and complete picture of the cost of City services. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the major programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported in a separate column.

Internal service funds of the City (which provide services primarily to other funds of the City) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, education, public works, health and human services, and culture and recreation) in the statement of activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Community Preservation Fund: This fund accounts for the 1% local property tax surcharge that the voters of the City approved in November of 2001 for open space, historic resource and affordable housing purposes. The Commonwealth of Massachusetts currently matches local surcharge revenue on a dollar for dollar basis.

The Board of Aldermen has appropriation authority over all community preservation funds; however, all appropriation recommendations must originate with the nine member community preservation committee.

High School Renovation Fund: This fund accounts for major renovations that are being made to the City's two high schools, and are being financed by the sale of long term debt and state grants.

The non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) 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 enterprise and permanent funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the governmental programs.

The City also reports the following major enterprise funds:

Sewer Fund: This fund accounts for the operation and maintenance of the City's sanitary sewer collection and disposal system. The City is charged an annual assessment by the Massachusetts Water Resources Authority (MWRA) for disposal of sanitary sewerage.

Water Fund: This fund accounts for the operation and maintenance of the City's water supply and distribution system. The City is charged an annual assessment by the Massachusetts Water Resources Authority (MWRA) for water supply.

Newton Commonwealth Golf Fund: This fund accounts for the operation and maintenance of the Newton Commonwealth Golf Course by the Foundation, a component unit of the City.

The City also reports the following fund types:

Internal Service Funds: These funds account for group health, workers' compensation, building and general liability insurance protection to City departments on a cost reimbursement basis.

Pension Trust Fund: This fund is used to account for the activities of the Newton Contributory Retirement System (System), which accumulates resources for defined benefit pension benefit payments to qualified employees and retirees and their survivors. This fund is excluded from the City's government-wide financial statements.

Private Purpose Trust Funds: These funds are used to account for resources legally held in trust for the benefit of persons and organizations other than the City. Since such funds can not be used for purposes of providing City services, they are excluded from the City's government-wide financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Agency Fund: This fund is used to account for monies held on behalf of parties other than the City, such as state and federal agencies; independent not-for-profit organizations for which the City collects private donations; the Metro Fire District; and public school student activities. This fund is excluded from the City's government-wide financial statements.

For the government-wide financial statements, and proprietary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time that liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property, motor excise and hotel room occupancy taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Derived tax revenues such as hotel room occupancy taxes that result from assessments imposed by the City on exchange transactions are recognized when the underlying exchange occurs. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days after year-end, except for grants, entitlements, and donations for which the availability period is one year. Property taxes, motor excise taxes, charges for service, investment income, and in lieu of tax payments are considered to be susceptible to accrual. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt, compensated absences, landfill post closure monitoring costs (and other environmental liabilities) and claims and judgments, which are recognized as expenditures only to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Equity

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.

Restricted Cash and Investments

Permanent fund cash and investments and cash associated with certain development and water and sewer utility deposits are classified as restricted. Other assets are classified as restricted when their use is restricted by third-party covenants.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Receivables

All trade and property tax receivables are shown net of an allowance for doubtful collections. Outstanding personal property taxes, motor excise taxes and parking violations that are three or more years old have been classified as uncollectible for financial reporting purposes.

Based upon an analysis of water and sewer receivable activity over the past three years, 3% of outstanding water and sewer user charges receivable have been assigned to an allowance for doubtful collections. Real estate taxes receivable are secured by tax liens, and therefore considered 100% collectible.

The allowance for outstanding loans receivable represents forgivable housing rehabilitation loans.

Property taxes: The City is responsible for assessment and collection of all property taxes. The Board of Assessors determine the estimated fair value of all real and personal property, subject to the property tax, each January 1. Taxes are then levied on each property based upon the budget that is adopted by the Mayor and Board of Aldermen net of the amount of state aid and other revenues. Property taxes are due in quarterly installments - August 1, November 1, February 1 and May 1, and subject to penalties and 14% interest if not paid by the due date. Taxes due on August 1 and November 1 are estimated based upon the prior year tax bill since the tax rate is generally not finalized until late November or December. The February 1 and May 1 tax bills are adjusted to reflect the actual tax levy. It is the City's policy to perfect tax liens on delinquent properties within one year of the date that the tax is levied.

Motor excise taxes: Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Water and Sewer User Charges: User fees are billed quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and are included as a lien on the property owner's tax bill. Water and sewer charges and related liens are recorded as receivables in the fiscal year of the levy. Unbilled amounts are estimated based upon actual billing amounts subsequent to year-end.

Intergovernmental: Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other eligibility requirements have been met.

Inventories

The amount of inventories are not material to the government-wide and fund financial statements of the City and therefore are recorded as expenditures at the time of purchase.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. In accordance with GASB Statement #34, the City has elected to defer, until the fiscal year ending June 30, 2006, the requirement to record and depreciate general infrastructure assets acquired before the effective implementation date (June 30, 2002). Infrastructure acquired subsequent to July 1, 2001 is reported in these financial statements.

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Capital assets are defined by the City as assets with an initial, individual cost of \$15,000 or more and an estimated useful life of more than a single year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Machinery and equipment	3-20 years
Infrastructure	20-50 years

Inter-fund Transactions

Inter-fund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination in the government-wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers and are reported “gross” in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported “net”.

Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue, if appropriate, is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

Net Assets and Fund Equity

Government – wide financial statements – Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net assets have been reported as restricted for the following purposes:

- Water and sewer system improvements represent amounts received/earned from the Massachusetts Water Resources Authority and Massachusetts Water Pollution Abatement Trust for capital improvements to the City’s water distribution and sanitary sewer collection systems.
- Community development activities represents amounts received from the U.S. Department of Housing and Community Development for community development activities.
- Community preservation activities represent amounts restricted by state statute for open space; historic preservation, and affordable housing under the Community Preservation program.
- Education activities represent amounts received from the U.S. Department of Education, the Commonwealth of Massachusetts, and various private donors for public education services.
- Perpetual funds – expendable represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- Perpetual funds – non-expendable represents amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by other outside parties.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Fund financial statements – Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent management plans that are subject to change. Fund balances have been reserved for the following purposes:

- Encumbrances and continuing appropriations represent amounts obligated under purchase orders, contracts, or other commitments for expenditure that are being carried forward to the ensuing fiscal year.
- Loans represent outstanding loans receivable with continuing compliance requirements.
- Perpetual permanent funds represent amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by outside parties.

Fund balances have been designated for the following:

- Subsequent year's expenditures represent amounts appropriated by the Mayor and Board of Aldermen for the fiscal year 2005 budget.

Long term debt

Government-wide and Proprietary Fund Financial Statements – Long term debt is reported as a liability in the government wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Governmental Fund Financial Statements – The face amount of governmental funds long term debt is reported as other financing sources in the Governmental Fund Financial Statements. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds, are reported as General Government (financial administration) expenditures.

Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the General Fund, unless otherwise directed by legal or contractual provisions.

Compensated Absences

Employees are granted vacation leave, special leave (sick, religious observance, personal leave), and enhanced longevity benefits based upon collective bargaining agreements and city ordinance. These benefit costs are accrued when earned in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if the benefit had been earned at June 30 as a result of a retirement, resignation, or termination, and the benefit is expected to be paid immediately after the start of the new fiscal year. Vacation pay is classified as a current liability, while special leave and school enhanced longevity benefits are classified as non-current liabilities.

Post Retirement Benefits

In addition to providing pension benefits, the City provides health and life insurance coverage for all retired employees and their survivors, including those retired under the Massachusetts Teachers Retirement System (MTRS). Health insurance coverage is provided in accordance with Massachusetts General Law Chapter 32. The City funds 80% of retiree health insurance premiums, including the reimbursement of 80% of Medicare part B premiums and 50% of a \$5,000 term life insurance premium. The City recognizes its share of the cost of providing such benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2004 this expenditure totaled approximately \$10,235,000 for 2,384 eligible retirees and/or survivors.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

The City has obtained an actuarial valuation of its obligations for post retirement health benefits. As of June 30, 2004 the actuarially determined present value of earned post retirement health benefits is approximately \$521,000,000. The actuarial assumptions included a 2.0% rate of return on investments (net of investment expenses) and an inflationary rate of 8.0% for fiscal year 2005; 7% for fiscal year 2006; and 6% annually thereafter. There are currently no funds being set aside to fund this liability.

Use of Estimates

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

Total Column

Government-wide financial statements – The total column presented in the government-wide financial statements represents consolidated financial information.

Fund financial statements – The total column presented on the fund 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. Budget Information

The municipal finance laws of the Commonwealth of Massachusetts require that the Mayor and Board of Aldermen adopt a balanced budget each fiscal year. The City Charter requires that the Mayor submit a recommended budget to the Board of Aldermen and that the Board adopt the budget, with or without amendments, within forty-five days following the day the budget is received. The Board of Aldermen may approve, reduce or reject any budget recommendation of the Mayor by majority vote, but may not increase an appropriation without the concurrence of the Mayor. Annual appropriations are recommended and approved for the General Fund and Community Preservation Fund for personal services (salaries and wages), expenses (supplies and services), debt service and capital outlay/improvements, and fringe benefits. A single bottom-line appropriation budget is recommended and voted for the Newton Public Schools.

Amendments to the original budget; transfers between municipal departments; and transfers between departmental appropriation units require prior approval of the Mayor and Board of Aldermen, and in the case of a transfer from one department to another, the approval of the head of the department from which funds are being transferred is also required.

The Comptroller's Office has responsibility for making certain that the budget is executed in accordance with the plan approved by the Mayor and Board of Aldermen, and monthly appropriation status reports are provided to the Mayor and Board. Budgetary control is exercised on a line item basis for all municipal departments and transfers between line items within departmental appropriation units require advance approval of the Comptroller. Encumbrance accounting is used as an additional control measure. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities since goods and services have not been received.

Although unobligated annual appropriation balances generally lapse at year-end, it is the City's policy to continue certain appropriations into the following year under certain limited circumstances. These are limited to amounts voted as special (multi-year) appropriations (generally capital outlay and improvements), capital maintenance funds, and property tax revaluation program appropriations.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2004 General Fund and Community Preservation Fund budgets authorized \$230,096,221 and \$8,169,531, respectively, in appropriations and other amounts to be raised. During the fiscal year, the Mayor and Board of Aldermen authorized supplemental appropriations for the General Fund and Community Preservation Fund totaling \$9,143,102 and \$5,134,238, respectively, for total budgets of \$239,239,323 and \$13,303,769, respectively.

Total General Fund expenditures and transfers to other funds was \$232,131,934, and \$5,576,972 in appropriation balances were carried forward into fiscal year 2005 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures were \$7,853,066, and \$2,494,486 in appropriation balances were carried forward into fiscal year 2005 to support encumbrances and continuing appropriations.

B. Budget to GAAP Reconciliation

Accounting principles followed for purposes of preparing the financial statements on a budgetary basis differ from those used to present financial statements in accordance with GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2004 is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 227,056,397	\$ 227,921,839
<u>Adjustments</u>		
Net change in recording tax refunds payable.....	(12,403)	-
To record activity for MTRS on-behalf payments.....	17,524,093	17,524,093
To record activity for landfill closure loan interest subsidy.....	97,429	97,429
To record activity for pension loan interest subsidy.....	136,500	136,500
Net change in recording short-term interest accrual.....	-	470,208
Net change in recording other expenditures.....	-	(473,706)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>244,802,016</u>	\$ <u>245,676,363</u>

The Community Preservation Fund's budgetary basis activity is the same as required by GAAP, therefore no budget to GAAP reconciliation is presented.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2004, state assessments and charges exceeded the amount that the Commonwealth authorized the City to budget for this purpose by \$78,498. This amount will be raised on the fiscal year 2005 tax levy. There were no other appropriation deficits in municipal budgets.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

D. Deficit Fund Equity

The High School Renovation Fund had an accumulated deficit of \$45,988,579 at June 30, 2004 as a result of the fact that interim project financing is being accomplished with bond anticipation notes. The City intends to fund this accumulated deficit through the issuance of long term bonds in future years.

Note 3 - Deposits and Investments

A. Summary of Deposit and Investment Balances

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

The municipal finance laws allow the City to invest private purpose trust funds in securities other than mortgages or collateral loans that are legal for the investment of funds of savings banks under the laws of the Commonwealth of Massachusetts.

Pension trust fund investments (more fully described in note 11), include a combination of public and private real estate limited partnership investments, which represents 5.8% of the Pension Fund's total investments. The structure, risk profile, return potential and marketability of these investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. The City has determined the value of these investments from investment advisors, based upon independent year end appraisals.

Investments for the City are reported at fair value.

The City maintains a cash and short term investment pool that is available for use by all funds with unrestricted cash and investments. The deposits and investments of private purpose and pensions trust funds are held separately from those of other City funds.

At June 30, 2004, the carrying amount of the City's deposits totaled \$57,695,677 and the bank balance was \$66,074,432. Of the bank balance, \$14,222,543 was covered by Federal Depository Insurance and the Depositors Insurance Fund, and \$51,851,889 was uninsured and uncollateralized. Investments are categorized into three levels of custodial credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the City's name.

MMDT, real estate investments and money market mutual funds are not subject to categorization because they are not evidenced by physical securities.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

The following details the balance of cash and cash equivalents, and investments as reported in the basic financial statements at June 30, 2004.

	Cash and Cash Equivalents	Investments	Total
Checking, savings and NOW accounts.....	\$ 6,196,542	\$ -	\$ 6,196,542
Certificates of deposit.....	799,963	-	799,963
Money market deposits.....	<u>50,699,172</u>	<u>-</u>	<u>50,699,172</u>
 Total carrying amount of cash.....	 <u>57,695,677</u>	 <u>-</u>	 <u>57,695,677</u>
 <u>Investments not subject to categorization:</u>			
MMDT.....	20,043,628	-	20,043,628
Real estate investments.....	-	13,236,006	13,236,006
Money market mutual funds.....	8,086,217	-	8,086,217
 <u>Investments subject to categorization (Category 3):</u>			
U.S. government securities.....	-	6,970,353	6,970,353
Equity securities.....	-	118,659,522	118,659,522
Fixed income securities.....	-	67,227,992	67,227,992
International securities.....	<u>-</u>	<u>21,910,167</u>	<u>21,910,167</u>
 Total investments.....	 <u>28,129,845</u>	 <u>228,004,040</u>	 <u>256,133,885</u>
 Total as reported on the basic financial statements (including restricted amounts).....	 <u>\$ 85,825,522</u>	 <u>\$ 228,004,040</u>	 <u>\$ 313,829,562</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 4 - Receivables

At June 30, 2004, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

	Gross	Allowance	Net
	Amount	for	Amount
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 3,906,084	\$ (203,000)	\$ 3,703,084
Real estate tax deferrals.....	2,557,326	-	2,557,326
Tax and utility liens.....	1,171,750	-	1,171,750
Motor vehicle excise taxes.....	1,889,384	(773,000)	1,116,384
Community preservation surcharges.....	55,656	-	55,656
Charges for service.....	385,422	(74,100)	311,322
Special assessments.....	507,410	-	507,410
Departmental and other.....	6,980,493	(1,920,000)	5,060,493
Notes.....	1,100,000	-	1,100,000
Structured settlement contracts.....	2,850,000	-	2,850,000
Intergovernmental.....	16,857,496	-	16,857,496
Loans.....	<u>9,956,518</u>	<u>(5,039,483)</u>	<u>4,917,035</u>
Total.....	\$ <u>48,217,539</u>	\$ <u>(8,009,583)</u>	\$ <u>40,207,956</u>

At June 30, 2004, receivables for the Proprietary Funds consist of the following:

	Gross	Allowance	Net
	Amount	for	Amount
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Charges for service.....	\$ 8,682,339	\$ (260,776)	\$ 8,421,563
Utility liens.....	189,536	-	189,536
Special assessments.....	149,481	-	149,481
Departmental and other.....	30,161	-	30,161
Intergovernmental.....	<u>3,038,712</u>	<u>-</u>	<u>3,038,712</u>
Total.....	\$ <u>12,090,229</u>	\$ <u>(260,776)</u>	\$ <u>11,829,453</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2004, the various components of deferred revenue reported in the governmental funds were:

	<u>General Fund</u>	<u>Community Preservation Fund (Major)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 2,756,657	\$ -	\$ -	\$ 2,756,657
Real estate tax deferrals.....	2,557,326	-	-	2,557,326
Tax and utility liens.....	1,171,750	-	-	1,171,750
Motor vehicle and other excise taxes.....	832,872	-	-	832,872
Community preservation surcharges.....	-	45,420	-	45,420
Charges for service.....	43,767	-	114,076	157,843
Special assessments.....	507,411	-	-	507,411
Departmental and other.....	4,544,273	-	-	4,544,273
Notes.....	-	1,100,000	-	1,100,000
Intergovernmental.....	12,672,369	1,935,872	886	14,609,127
Structured settlement contract.....	2,850,000	-	-	2,850,000
Loans.....	-	-	360,000	360,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total.....	\$ <u>27,936,425</u>	\$ <u>3,081,292</u>	\$ <u>474,962</u>	\$ <u>31,492,679</u>

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for a number of school projects financed with long-term debt. This assistance program, administered by the Massachusetts School Building Authority (SBAB), provides resources for future debt service on school debt. During the fiscal year ended June 30, 2004 the City received \$2,771,504 of such assistance. An additional \$12,203,943 related to construction costs and \$2,735,754 in interest has been committed for future years. Accordingly, a \$12,203,943 intergovernmental receivable (and corresponding deferred revenue) has been recorded in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 9,559,101	\$ 5,056,718	\$ -	\$ 14,615,819
Construction in progress.....	35,948,298	17,232,930	-	53,181,228
Subtotal.....	<u>45,507,399</u>	<u>22,289,648</u>	<u>-</u>	<u>67,797,047</u>
Capital assets being depreciated:				
Buildings and improvements.....	135,485,459	333,652	-	135,819,111
Equipment and machinery.....	28,703,305	4,716,539	(779,383)	32,640,461
Road network.....	2,690,080	2,206,287	-	4,896,367
Sub-total.....	<u>166,878,844</u>	<u>7,256,478</u>	<u>(779,383)</u>	<u>173,355,939</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(58,467,651)	(2,930,721)	-	(61,398,372)
Equipment and machinery.....	(18,961,371)	(2,597,748)	730,783	(20,828,336)
Road network.....	(136,392)	(148,017)	-	(284,409)
Sub-total.....	<u>(77,565,414)</u>	<u>(5,676,486)</u>	<u>730,783</u>	<u>(82,511,117)</u>
Total capital assets being depreciated, net.....	<u>89,313,430</u>	<u>1,579,992</u>	<u>(48,600)</u>	<u>90,844,822</u>
Governmental capital assets, net.....	\$ <u>134,820,829</u>	\$ <u>23,869,640</u>	\$ <u>(48,600)</u>	\$ <u>158,641,869</u>

Construction in progress represents \$50,617,012 in on-going improvements to Newton South High School; \$2,349,191 in on-going improvements to Newton North High School; and \$215,025 in Forte Park improvements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Depreciation was charged to governmental fund programs in the Statement of Activities as follows:

Administrative support	\$	230,857
Public building maintenance and operations		60,485
Police		775,095
Fire		207,712
Other public safety		1,541
Education		2,985,835
Streets and sidewalks		461,560
Control of snow and ice		15,200
Solid waste		998
Public works administration and support		58,588
Public health		4,115
Human services		15,000
Libraries		759,002
Parks and recreation		94,908
Jackson Homestead museum		<u>5,590</u>
 Total depreciation expense - governmental activities	\$	<u><u>5,676,486</u></u>

Capital asset activity for individual enterprise funds is as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Water system</u>				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	3,524,634	317,297	-	3,841,931
Water system.....	19,661,787	897,022	-	20,558,809
Sub-total.....	<u>25,389,913</u>	<u>1,214,319</u>	<u>-</u>	<u>26,604,232</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(782,731)	(33,163)	-	(815,894)
Equipment and machinery.....	(2,477,319)	(132,985)	-	(2,610,304)
Water system.....	<u>(4,756,304)</u>	<u>(402,549)</u>	<u>-</u>	<u>(5,158,853)</u>
Sub-total.....	<u>(8,016,354)</u>	<u>(568,697)</u>	<u>-</u>	<u>(8,585,051)</u>
Total capital assets being depreciated, net.....	<u>17,373,559</u>	<u>645,622</u>	<u>-</u>	<u>18,019,181</u>
Water system capital assets, net.....	\$ <u><u>17,632,099</u></u>	\$ <u><u>645,622</u></u>	\$ <u><u>-</u></u>	\$ <u><u>18,277,721</u></u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Sewer system				
Capital assets not being depreciated:				
Land.....	\$ 26,245	\$ -	\$ -	\$ 26,245
Capital assets being depreciated:				
Buildings and improvements.....	1,867,659	-	-	1,867,659
Equipment and machinery.....	987,344	58,222	-	1,045,566
Sanitary sewer system.....	38,505,610	488,660	-	38,994,270
Sub-total.....	<u>41,360,613</u>	<u>546,882</u>	<u>-</u>	<u>41,907,495</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(351,013)	(39,125)	-	(390,138)
Equipment and machinery.....	(261,183)	(57,795)	-	(318,978)
Sanitary sewer system.....	(9,741,214)	(774,742)	-	(10,515,956)
Sub-total.....	<u>(10,353,410)</u>	<u>(871,662)</u>	<u>-</u>	<u>(11,225,072)</u>
Total capital assets being depreciated, net.....	<u>31,007,203</u>	<u>(324,780)</u>	<u>-</u>	<u>30,682,423</u>
Sewer system capital assets, net.....	\$ <u>31,033,448</u>	\$ <u>(324,780)</u>	\$ <u>-</u>	\$ <u>30,708,668</u>

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Golf course:				
Capital assets being depreciated:				
Land improvements.....	\$ 620,052	\$ 44,015	\$ -	\$ 664,067
Buildings and improvements.....	69,481	-	-	69,481
Equipment and machinery.....	28,809	-	-	28,809
Sub-total.....	<u>718,342</u>	<u>44,015</u>	<u>-</u>	<u>762,357</u>
Less: accumulated depreciation:				
Land improvements.....	(276,418)	(37,809)	-	(314,227)
Buildings and improvements.....	(21,308)	(4,226)	-	(25,534)
Equipment and machinery.....	(12,951)	(4,237)	-	(17,188)
Sub-total.....	<u>(310,677)</u>	<u>(46,272)</u>	<u>-</u>	<u>(356,949)</u>
Golf course, net.....	\$ <u>407,665</u>	\$ <u>(2,257)</u>	\$ <u>-</u>	\$ <u>405,408</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 6 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2004, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School state grants - nonmajor governmental fund	\$ <u>446,555</u> (1)

(1) Represents advanced funding of school state grants.

Inter-fund transfer activity for the fiscal year ended June 30, 2004 consisted of the following:

<u>Transfer Purpose</u>	<u>General Fund</u>	<u>High School Renovation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Golf Enterprise Fund</u>	<u>Internal Service Fund</u>
School athletic revolving fund subsidy.....	\$ (898,373)	\$ -	\$ 898,373	\$ -	\$ -	\$ -	\$ -
Funding of High School Renovation Fund.....	(599,024)	599,024	-	-	-	-	-
School lunch fund subsidy.....	(233,553)	-	233,553	-	-	-	-
Federal Law Enforcement Block Grant Local Match.....	(1,295)	-	1,295	-	-	-	-
Homeland Security Federal Grant Local Match.....	(32,966)	-	32,966	-	-	-	-
SBA Grant Contribution to Capital Stabilization Fund.....	(2,289,771)	-	2,289,771	-	-	-	-
Close out capital articles to capital stabilization fund.....	(155,113)	-	155,113	-	-	-	-
Parking Meter receipts street lighting.....	847,000	-	(847,000)	-	-	-	-
Sale of Recyclables solid waste disposal.....	100,000	-	(100,000)	-	-	-	-
CATV license fees.....	10,000	-	(10,000)	-	-	-	-
CATV planning.....	32,832	-	(32,832)	-	-	-	-
Conservation and recreation land maintenance.....	-	-	50,000	-	-	(50,000)	-
Administrative overhead.....	1,150,379	-	-	(844,392)	(305,987)	-	-
Legal settlements and floor replacement.....	95,538	-	-	(23,350)	(72,188)	-	-
Share of meter study.....	-	-	-	25,000	(25,000)	-	-
Capital outlay items.....	898,049	-	(888,249)	(4,900)	(4,900)	-	-
Funding of property insurance premium.....	150,000	-	-	-	-	-	(150,000)
CATV administrative and capital items.....	622,977	-	(622,977)	-	-	-	-
Close FEMA snow/ice reimbursement to General Fund.....	464,187	-	(464,187)	-	-	-	-
Planning reimbursement grant - transfer to Planning salaries.....	2,025	-	(2,025)	-	-	-	-
School E-Rate fund appropriation.....	45,745	-	(45,745)	-	-	-	-
Solid waste collection funded from Sale of Recyclables.....	290,000	-	(290,000)	-	-	-	-
Beede Waste Oil EPA Settlement.....	126,389	-	-	-	-	-	(126,389)
Total Transfers, net.....	\$ 625,026	\$ 599,024	\$ 358,056	\$ (847,642)	\$ (408,075)	\$ (50,000)	\$ (276,389)

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 7 – Capital Leases

The City has entered into a capital lease agreement for computer equipment under which the computers will become the property of the City when all terms of the lease agreement are met. The following schedule presents the future minimum lease payments as of June 30, 2004:

	<u>Governmental Activities</u>
Minimum lease payments (fiscal year 2005)..... \$	230,102
Less: amounts representing interest.....	<u>(6,425)</u>
Present value of minimum lease payments..... \$	<u><u>223,677</u></u>

Computer equipment and related accumulated amortization under capital leases are as follows:

	<u>Governmental Activities</u>
<u>Asset:</u>	
Equipment and machinery..... \$	671,033
Less: accumulated amortization.....	<u>(134,207)</u>
Total..... \$	<u><u>536,826</u></u>

Amortization of leased equipment under capital assets is included with depreciation expense.

Note 8 – Notes Payable

Short term debt may be authorized and issued to fund current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (TAN's), or to finance capital project expenditures prior to the issuance of permanent long-term debt, through the issuance of bond (BAN's) or grant anticipation notes (GAN's). Details of short-term debt activity for the fiscal year ended June 30, 2004 is as follows:

Loan Type	Purpose/Fund	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2003	Issued	Redeemed	Balance June 30, 2004
BAN	High school renovations	08/15/02	08/15/03	1.37%	\$ 29,250,000	\$ -	\$ (29,250,000)	\$ -
BAN	High school renovations	08/15/03	08/15/05	2.00%	-	20,950,000	-	20,950,000
BAN	High school renovations	08/29/03	08/27/04	1.50%	-	25,000,000	-	25,000,000
Totals					<u>\$ 29,250,000</u>	<u>\$ 45,950,000</u>	<u>\$ (29,250,000)</u>	<u>\$ 45,950,000</u>

Subsequent to June 30, 2004, the City rolled over the \$25,000,000 in outstanding BAN's and issued an additional \$9,750,000 in BAN's for the high school renovation project. A total of \$10,000,000 (at an interest rate of 2.0%) of this sum matures on February 25, 2005 and \$24,750,000 (at an interest rate of 3.0%) matures on August 15, 2005.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 9 - Long-Term Debt

Massachusetts General Laws Chapter 44, Section 10 authorizes indebtedness of up to a limit of 2 ½% of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” Debt may also be issued for additional purposes, “outside the debt limit.” The City’s long term debt at June 30, 2004, along with future year debt service requirements is as follows:

Bonds Payable – Governmental Funds

Project	Date of Issue	Interest Rate (%)	Outstanding July 1, 2003	Issued	Redeemed	Outstanding June 30, 2004
School remodeling.....	06/08/1994	4.00-5.20	\$ 150,000	\$ -	\$ (150,000)	\$ -
Municipal remodeling.....	06/08/1994	4.00-5.20	25,000	-	(25,000)	-
Street reconstruction.....	06/08/1994	4.00-5.20	25,000	-	(25,000)	-
Public Safety equipment.....	06/08/1994	4.00-5.20	30,000	-	(30,000)	-
School remodeling.....	03/29/1995	4.70-5.25	620,000	-	(310,000)	310,000
Landfill closure.....	03/29/1995	4.70-5.25	50,000	-	(25,000)	25,000
Municipal renovations.....	03/29/1995	4.70-5.25	80,000	-	(40,000)	40,000
School renovations.....	03/29/1995	4.25-4.70	1,460,000	-	(470,000)	990,000
Pension funding loan (House bill 6209).....	08/31/1996		2,600,000	-	-	2,600,000
School renovations.....	02/26/1997	4.50-4.80	2,233,750	-	(560,000)	1,673,750
MWPAT landfill closure.....	02/15/1998	4.60	2,175,900	-	(116,100)	2,059,800
School renovations.....	03/10/1998	4.23	1,750,000	-	(350,000)	1,400,000
Carr school repurchase.....	03/15/1999	3.91	1,260,000	-	(210,000)	1,050,000
School renovations.....	03/15/1999	3.91	6,215,000	-	(1,040,000)	5,175,000
School renovations.....	07/15/2000	4.40-4.85	3,430,000	-	(430,000)	3,000,000
School renovations.....	08/15/2001	3.65	4,410,000	-	(500,000)	3,910,000
School renovations.....	08/15/2003	2.00-3.80	5,700,000	-	-	5,700,000
Land acquisition.....	12/15/2003	2.00-3.40	-	5,000,000	-	5,000,000
Total			\$ 32,214,650	\$ 5,000,000	\$ (4,281,100)	\$ 32,933,550

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Debt service requirements for principal and interest for Governmental bonds payable for future years is as follows:

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 5,118,200	\$ 1,100,604	\$ 6,218,804
2006	4,795,500	907,410	5,702,910
2007	6,872,050	727,982	7,600,032
2008	3,721,900	567,991	4,289,891
2009	3,375,100	429,343	3,804,443
2010	2,128,500	302,618	2,431,118
2011	2,132,500	223,604	2,356,104
2012	1,621,700	153,706	1,775,406
2013	1,145,500	172,541	1,318,041
2014	1,217,200	63,958	1,281,158
2015	151,700	36,969	188,669
2016	156,300	29,076	185,376
2017	161,000	20,946	181,946
2018	165,800	12,675	178,475
2019	170,600	4,265	174,865
Total	\$ <u>32,933,550</u>	\$ <u>4,753,688</u>	\$ <u>37,687,238</u>

During fiscal year 2004, the City issued \$5,000,000 for the Kessler Woods land acquisition. This debt will be repaid from the Community Preservation Fund.

During 1996 the Commonwealth of Massachusetts 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 explosion of molten sodium at the H.C. Starck Inc. plant in the City, at an enhanced level of retirement benefits. The legislation also granted the City a ten year, interest-free loan in the amount of \$2,600,000, to help lessen the financial impact of the enhanced retirement benefits and extraordinary medical costs on the City.

In 1997 the City and H.C. Starck, Inc. entered into an out of court settlement agreement that required H.C. Starck to purchase a structured annuity contract that pays the City \$2,850,000 on August 31, 2006. The \$2,850,000 structured settlement has been recorded as a receivable and deferred revenue in the City's General Fund and the City intends to liquidate the \$2,600,000 interest -free loan liability with these proceeds during the fiscal year that will end June 30, 2007.

During 1998 the City entered into a twenty-year loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide \$2,675,000 in funding for the closure of the City's remaining sanitary landfill. The loan agreement provides for both principal and interest subsidies over the term of the loan. At June 30, 2004, a balance of \$2,059,800 was outstanding on this loan. A principal subsidy of \$20,661 and an interest subsidy of \$76,768 have been recorded in the general fund.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Bonds Payable – Water Enterprise Fund

Project	Date of Issue	Interest Rate (%)	Outstanding July 1, 2003	Issued	Redeemed	Outstanding June 30, 2004
Water/sewer garage.....	04/15/1996	4.25-4.70	\$ 174,200	\$ -	\$ (87,100)	\$ 87,100
Water/sewer garage.....	03/10/1998	3.89	190,000	-	(35,000)	155,000
MWRA Water	09/28/2000	0.00	859,860	-	(107,483)	752,377
MWRA Water	02/15/2001	0.00	1,208,955	-	(151,119)	1,057,836
MWRA Water	02/15/2002	0.00	2,327,417	-	(258,601)	2,068,816
MWRA Water	08/15/2002	0.00	2,586,019	-	(258,602)	2,327,417
MWRA Water	02/26/2004	0.00	-	2,586,019	-	2,586,019
Total			\$ 7,346,451	\$ 2,586,019	\$ (897,905)	\$ 9,034,565

Debt service requirements for future year principal and interest for water enterprise fund debt is as follows:

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 1,156,508	\$ 10,229	\$ 1,166,737
2006	1,064,408	4,875	1,069,283
2007	1,064,408	3,690	1,068,098
2008	1,064,408	2,475	1,066,883
2009	1,064,408	1,245	1,065,653
2010	1,034,408	-	1,034,408
2011	1,034,408	-	1,034,408
2012	775,806	-	775,806
2013	517,204	-	517,204
2014	258,602	-	258,602
Total	\$ 9,034,565	\$ 22,514	\$ 9,057,079

The Massachusetts Water Resources Authority (MWRA) offers water system rehabilitation and sanitary sewer infiltration and inflow reduction financial assistance programs to member communities in order to assist with the on-going maintenance of water and sewer system infrastructure.

During the fiscal year ended June 30, 2004, the City was the recipient of a \$2,586,019 ten-year interest free water system rehabilitation loan. At June 30, 2004, the City had \$8,792,465 in MWRA water rehabilitation loans outstanding.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Bonds Payable – Sewer Enterprise Fund

Project	Date of Issue	Interest Rate (%)	Outstanding July 1, 2003	Issued	Redeemed	Outstanding June 30, 2004
Water/sewer garage.....	04/15/1996	4.25-4.70	\$ 85,800	\$ -	\$ (42,900)	\$ 42,900
Sewer construction.....	02/26/1997	4.50	206,250	-	(50,000)	156,250
Sewer construction.....	03/10/1998	4.01	60,000	-	(10,000)	50,000
MWRA Sewer.....	05/27/1999	0.00	4,266	-	(4,266)	-
MWRA Sewer.....	11/11/1998	0.00	80,595	-	(80,595)	-
MWRA Sewer.....	08/26/2000	0.00	49,170	-	(24,585)	24,585
MWRA Sewer.....	09/24/2001	0.00	48,936	-	(12,234)	36,702
MWRA Sewer.....	02/22/2002	0.00	194,304	-	(48,576)	145,728
MWRA Sewer.....	05/31/2002	0.00	56,716	-	(14,179)	42,537
MWRA Sewer.....	11/12/2002	0.00	352,275	-	(70,455)	281,820
MWRA Sewer.....	02/20/2003	0.00	112,365	-	(22,473)	89,892
MWRA Sewer.....	05/22/2003	0.00	159,500	-	(31,900)	127,600
MWPAT Sewer.....	10/06/1999	5.16	5,722,765	-	(269,569)	5,453,196
MWPAT Sewer.....	11/10/2000	5.20	7,113,266	-	(315,183)	6,798,083
MWPAT Sewer.....	07/03/2002	0.00	120,584	-	(4,704)	115,880
Total			\$ 14,366,792	\$ -	\$ (1,001,619)	\$ 13,365,173

Debt service requirements for future year principal and interest for sewer enterprise fund debt is as follows:

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 935,800	\$ 649,674	\$ 1,585,474
2006	873,859	617,830	1,491,689
2007	894,462	585,359	1,479,821
2008	780,719	550,495	1,331,214
2009	673,601	518,001	1,191,602
2010	678,966	483,509	1,162,475
2011	696,632	447,813	1,144,445
2012	711,477	411,058	1,122,535
2013	736,657	372,916	1,109,573
2014	761,000	332,474	1,093,474
2015	781,000	289,567	1,070,567
2016	806,000	245,877	1,051,877
2017	831,000	200,321	1,031,321
2018	866,000	152,133	1,018,133
2019	896,000	102,099	998,099
2020	916,000	52,098	968,098
2021	506,000	14,270	520,270
2022	10,000	750	10,750
2023	10,000	250	10,250
Total	\$ 13,365,173	\$ 6,026,492	\$ 19,391,665

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

The MWRA's sanitary sewer infiltration/inflow reduction financial assistance program provides financial assistance for eligible projects in the form of a combination of grants and five-year interest-free loans. At June 30, 2004, the City had \$748,864 in MWRA sewer infiltration/inflow reduction loans outstanding.

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2004 the City had \$12,367,159 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2004 were \$527,092 and \$113,279, respectively.

Water and sewer debt is expected to be funded from water and sewer enterprise fund revenue.

At June 30, 2004 the City had a total of \$98,669,375 in authorized and unissued debt, which is summarized as follows:

Purpose	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
High school renovations.....	\$ 89,270,527	\$ 2,120,000	\$ -	\$ 91,390,527
Sewer Waste Water Facilities.....	179,243	-	-	179,243
Sewer I&I Removal.....	1,244,039	-	-	1,244,039
Sewer I&I Removal.....	3,144,357	-	-	3,144,357
Water Main Rehabilitation -MWRA.....	5,297,228	-	2,586,019	2,711,209
Kessler Woods Land Acquisition.....	5,000,000	-	5,000,000	-
Total authorized and unissued debt	\$ 104,135,394	\$ 2,120,000	\$ 7,586,019	\$ 98,669,375

Subsequent to year-end, the City authorized an additional \$3,800,000 in high school renovations.

During the fiscal year ended June 30, 2004, the following changes occurred in long-term liabilities:

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 32,214,650	\$ 5,000,000	\$ (4,281,100)	\$ 32,933,550	\$ 5,118,200
Bond anticipation notes payable.....	-	20,950,000	-	20,950,000	-
Capital lease obligations.....	-	447,354	(223,677)	223,677	223,677
Landfill closure and other environmental....	835,000	455,000	(33,400)	1,256,600	143,400
Workers' compensation.....	6,850,927	515,180	(1,532,164)	5,833,943	903,000
Claims and judgments.....	771,389	188,338	(289,727)	670,000	55,000
Compensated absences.....	8,296,848	174,245	(383,957)	8,087,136	158,638
Total.....	\$ 48,968,814	\$ 27,730,117	\$ (6,744,025)	\$ 69,954,906	\$ 6,601,915
Business-type Activities:					
Bonds and notes payable.....	\$ 21,713,243	\$ 2,586,019	\$ (1,899,524)	\$ 22,399,738	\$ 2,092,308
Compensated absences.....	303,937	17,369	(83,162)	238,144	17,369
Total.....	\$ 22,017,180	\$ 2,603,388	\$ (1,982,686)	\$ 22,637,882	\$ 2,109,677

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$5,833,943 of internal service funds accrued liabilities (workers' compensation claims) is included above.

The outstanding long-term debt related to the Kessler Woods land acquisition will be funded from the Community Preservation Fund.

Except for the amounts related to the internal service funds and community preservation fund, the governmental activities long term liabilities are generally liquidated by the general fund.

Note 10 – Risk Financing

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. The City is self-insured for general liability risks, however, Chapter 258 of the Massachusetts General Laws limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal civil rights, eminent domain, and breach of contract. The City is also self-insured for workers' compensation and unemployment claims.

The City has medical plans with Tufts and Harvard-Pilgrim, under which it makes actual claims payments. The medical plan providers act as claims processors and a transfer of risk does not occur. City employees contribute 20% of the cost of health care and the remainder is paid by the City. The City purchased stop loss insurance for individual claims in excess of \$200,000 per year, which are incurred during the fiscal year and paid within eighteen months after June 30 for all plans but the Medicare supplement plans. The stop loss point on the Medicare supplement plan was \$250,000.

At June 30, 2004, the City's health claims liability totaled \$4,726,107. Changes in the reported liability since July 1, 2002 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fiscal year 2003.....	\$ 3,298,709	\$ 27,310,113	\$ (25,955,474)	\$ 4,653,348
Fiscal year 2004.....	4,653,348	28,803,422	(28,730,663)	4,726,107

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 program, and based on this study, has recorded a liability of \$5,833,943 at June 30, 2004, of which \$903,000 has been recorded as a current liability based upon the City's expectation that this amount will be paid within the fiscal year ending June 30, 2005. The liability includes an estimate of the IBNR claims.

The June 30, 2004 plan valuation is based upon the use of a combination of the paid loss development method and the Bornhuetter-Ferguson Paid Loss method. US Life Tables 2001 Vital Statistics for Males and Females have been used to determine annuity values for long term claims, using a 5.5% annual rate of interest.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Changes in the reported liability since July 1, 2002 are as follows:

	<u>Balance at</u> <u>Beginning of</u> <u>Fiscal Year</u>		<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimate</u>		<u>Claims</u> <u>Payments</u>		<u>Balance at</u> <u>Fiscal</u> <u>Year-end</u>
Fiscal year 2003.....	\$ 6,327,220	\$	1,974,571	\$	(1,450,864)	\$	6,850,927
Fiscal year 2004.....	6,850,927		515,180		(1,532,164)		5,833,943

Note 11 – Pension Plan

A – Plan Description and Membership

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 school administrative personnel who are members of the MTRS. Employees of the Newton Housing Authority also participate in the NCRB. Pension benefits and administrative expenses paid by the MTRS are funded by the Commonwealth of Massachusetts and the amount of these on-behalf payments totaled \$17,524,093 for the fiscal year ended June 30, 2004. This pension cost is reported in the government wide Statement of Activities as an educational expense and an operating grant. It is reported as pension expenditures and intergovernmental revenue in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member’s three highest consecutive years’ 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 after the completion of 20 years of service or upon reaching age 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 age at age 55. Benefits and member contribution rates are determined by Chapter 32 of the Massachusetts General Laws.

A retirement allowance consists of two parts, an annuity and a pension. A member’s accumulated total retirement deductions, plus interest, constitutes the annuity. The difference between the total retirement benefit and the annuity is the pension. At December 31, 2003, the System’s membership consisted of the following:

Active members.....	1,743
Inactive members.....	484
Disabled members.....	151
Retirees and beneficiaries currently receiving benenefits.....	<u>1,141</u>
 Total.....	 <u><u>3,519</u></u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

B – Basis of Accounting

The System's financial statements are prepared using the full accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments of the System are stated at fair value.

C - 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 liability. It is the policy of the NCRB to contract for an annual actuarial valuation of the System to determine whether the contributions are sufficient to meet accruing liabilities and to demonstrate what adjustments, if any, are necessary on the basis of actual experience. Active member contribution rates are based upon date of hire: Prior to January 1, 1975 - 5% of regular compensation; January 1, 1975-December 31, 1984 - 7% of regular compensation; January 1, 1985-June 30, 1996 - 8% of regular compensation and July 1, 1996 to date - 9% of regular compensation.

Members hired on or after January 1, 1979 contribute an additional 2% of annual regular compensation in excess of \$30,000. Cost of living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth during this time period are funded by annual contributions from the Commonwealth of Massachusetts. Cost of living adjustments granted after 1997 must be approved annually by the NCRB and the costs are borne entirely by the System. These adjustments may not exceed 3% on the first \$12,000 in benefits.

D – Investment Policy

The NCRB is responsible for the adoption of a formal asset allocation policy, the selection of professional investment managers to execute the investment policies, and the appointment of an investment consultant to assist with the evaluation of investment manager performance. All investment activities of the NCRB are subject to oversight by the Commonwealth of Massachusetts Public Employee Retirement Commission (PERAC).

Up to 70% of the investment portfolio may be invested in equity securities, including international equities, which may not exceed 13% of the market value of the portfolio. At least 30%, but no more than 80% of the portfolio must be invested in fixed income securities. The NCRB investment policy allows for a maximum 5% allocation to high yield fixed income securities. Prohibited investments include futures contracts other than currency futures, calls and forward contracts which may be written against securities in the international portfolio to a maximum of 50% of the international portfolio's non dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2004, 2003, and 2002 were \$7,985,281; \$7,253,846; and \$6,681,516; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2004 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2003 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included an 8.0% rate of return on investments (net of administrative expenses); an inflationary rate of 3.0% and projected salary increases of 3% for the next four years; 4% for each of the following four years; and 4.75% annually thereafter. The actuarial value of the System's assets was determined using the five-year smoothing of investment returns greater/(less) than expected. The valuation must be within 20% of market value. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2004, was 24 years and is considered closed.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

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)
January 1, 2004	\$ 233,888	\$ 350,688	\$ 116,800	66.7%	\$ 68,327	170.9%
January 1, 2003	227,126	338,172	111,046	67.2%	64,636	171.8%
January 1, 2002	228,239	306,123	77,884	74.6%	61,438	126.8%
January 1, 2001	219,102	268,660	49,558	81.6%	60,769	81.6%
January 1, 2000	201,766	256,096	54,330	78.8%	54,975	98.8%
January 1, 1999	176,284	239,946	63,662	73.5%	50,845	125.2%

Funding progress is reported based on the annual actuarial valuation performed by the System. The City is responsible for approximately 99% of the unfunded liability.

F - Non Contributory Retirement Allowances

City employees with World War II military veteran status, at least 30 years of service to the City, and who began work prior to July 1, 1939, are entitled to a non-contributory pension benefit equal to 72% of their highest annual rate of regular compensation. Retirement benefits for these individuals are funded on a pay-as-you-go basis by the City, and there is no estimate of the actuarial liability for these benefits because the City deems the amount to be immaterial to the financial statements. Expenditures for non-contributory retirement benefits for the fiscal years ended June 30, 2004; 2003; and 2002 respectively were: \$736,735; \$781,699; \$848,431 respectively. Non contributory retirees are eligible for an annual cost of living adjustment of not more than 3% on the first \$12,000 of their annual retirement benefit.

Note 12 – Landfill Closure and Post-closure Care Costs

State and federal laws and regulations mandated that the City close its old landfill site when it ceases accepting waste and to perform certain maintenance and monitoring activities at the site after closure. On June 28, 1996 the City signed a consent agreement with the Commonwealth of Massachusetts Department of Environmental Protection that established a schedule for closure of the Rumford Avenue landfill. This landfill ceased operations in 1976 and was capped during 1998, which was in compliance with the consent agreement. The City has recorded a liability of \$801,600 at June 30, 2004 for future year landfill site monitoring and maintenance. Estimated costs per year total \$33,400. The current estimate is based upon current costs and may require modification in future years due to price inflation, changes in technology or changes in state/federal law and regulations.

Note 13 – Commitments

The City is currently engaged in a major renovation project at the City's two high schools. It is expected that contracts amounting to approximately \$139,000,000 will be necessary to complete both projects. This represents an increase of approximately \$44,000,000 from prior year estimates and is the result of certain design changes in renovation requirements at the Newton North High School. As of June 30, 2004, the City has spent a total of approximately \$53,000,000 on both projects.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 14 – Implementation of GASB Pronouncements/Prior Period Adjustments

During fiscal year 2004, the City implemented GASB Statement #39 – *Determining Whether Certain Organizations are Component Units, an amendment to GASB Statement No. 14*. As a result of implementing this pronouncement, the City now reports a discretely presented component unit (Newton Education Foundation, Inc.) in its government-wide financial statements. The net assets of the component unit totaled \$1,068,950 at September 30, 2002.

The City has also made certain adjustments and reclassifications related to its nonmajor governmental funds, proprietary funds, governmental activities and business-type activities, which are described below:

Fund Financial Statements

Description	Nonmajor Governmental Funds	Internal Service Fund	Sewer Enterprise
Fund equity at June 30, 2003, as previously reported.....	\$ 18,473,383	\$ (393,604)	\$ 26,278,795
To reclassify municipal building insurance trust fund.....	(2,520,185)	2,520,185	-
To record MWPAT receivable for sewer projects...	-	-	3,151,992
Fund equity at June 30, 2003, as restated.....	\$ 15,953,198	\$ 2,126,581	\$ 29,430,787

Government-Wide Financial Statements

Description	Governmental Activities	Business-Type Activities
Net assets at June 30, 2003, as previously reported.....	\$ 119,393,660	\$ 47,128,346
To record SBA receivable for school construction projects.....	14,457,440	-
To record MWPAT receivable for landfill closure.....	464,640	-
To record MWPAT receivable for sewer projects.....	-	3,151,992
Net assets at June 30, 2003, as restated.....	\$ 134,315,740	\$ 50,280,338

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2004

Note 15 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- Statement #40, *Deposit and Investment Risk Disclosures*, which is required to be implemented during fiscal year 2005.
- Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is required to be implemented during fiscal year 2006.
- Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented during fiscal year 2007.
- Statement #44, *Economic Condition Reporting: The Statistical Section*, which is required to be implemented during fiscal year 2006.
- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2008.

These pronouncements will be implemented during the required year of implementation.



This page left intentionally blank.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds

School Lunch Fund:

This fund is used to account for the operations of the Newton Public School Department's student lunch program. Revenues are generated from the sale of lunches, state and federal reimbursement grants, and investment income. A formal budget is not adopted for this fund; however, expenditures cannot exceed revenues plus the beginning fund balance. Any difference between fund revenues and expenditures is financed with a transfer from the School Department's general fund operating budget. It is the policy of the school department to subsidize all of the fund's employee benefit costs.

Highway Improvement Fund

This fund is used to account for the revenues and expenditures of the Commonwealth of Massachusetts Chapter 90 highway construction grant funds. Grant budgets are recorded based upon annual grant awards from the Commonwealth, Board of Aldermen authorization of annual spending authority, 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 revenue is recognized when approved expenditures are incurred and submitted to the Commonwealth for reimbursement.

Revolving Fund

The Revolving Fund is used to account for a variety of functions that are expected to be self-supporting, such as departmental private duty details, school athletics, summer school, drivers education, creative arts, pre-school and creative arts. All revolving funds, except for statutory school funds and private duty detail funds,, are authorized annually by vote of the Board of Aldermen under Massachusetts General Law Chapter 44, Section 53E 1/2. This fund is also used to account for damage recoveries of less than \$20,000 and for police asset forfeitures. Fund expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen.

Receipts Reserved Fund

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 prior appropriation of the Board of Aldermen. The fund is used to account for proceeds from the sale of surplus real estate, parking meter receipts, traffic mitigation funds, and revenues generated from cable television license agreements and the sale of recyclable materials. No expenditures can be made directly from the fund, rather, resources are appropriated and transferred to the City's general fund for expenditure.

Community Development Block Grant Fund

This fund is used to account for activities undertaken with federal Community Development Block Grant funds. The Mayor and Board of Aldermen approve each year's grant budget.

Municipal Federal Grant Fund

This fund is used to account for a variety of categorical municipal federal grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

Municipal State Grant Fund

This fund is used to account for a variety of categorical municipal state grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

School State Grant Fund

This fund is used to account for all categorical public education state grants. The School Committee approves annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Committee.

School Federal Grant Fund

This fund is used to account for all categorical public education federal grants. The School Committee approves annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Committee.

Gift Fund

This fund is used to account for private gifts and donations that are unrelated to any other fund. Expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen.

Community Development Authority Fund

This fund is used to account for the housing and economic development activities of the Authority. The Director of Planning and Development serves as Chairman of the Authority, which is staffed by Planning and Development employees.

Capital Projects Funds

Public Building Improvements Fund

This fund is used to account for the acquisition, construction, reconstruction, and/or major renovation of City buildings for which the City has not established a separate capital project fund. Renovation projects of less than \$500,000 are accounted for in the City's General Fund. Financing is generally derived from the issuance of bonds or notes. Board of Aldermen appropriations are for the term of the project. The Public Building Commissioner is responsible for all projects accounted for in this fund.

Street Improvements Fund

This fund is used to account for major public works street and sidewalk improvement projects that are not accounted for in another fund.

Capital Stabilization Fund

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 project fund or to the general fund for capital improvements and/or maintenance. Completed capital improvement and maintenance budget balances are closed out to this fund along with certain state and federal grants for capital purposes that have been funded originally with local resources.

Permanent Funds

Municipal Fund

This fund is used to account for a variety of municipal purposes. A detailed report may be obtained from the Comptroller's Office.

Library Common Fund

This fund is used to account for the purchase of library supplies and materials and the enhancement of public library services in Newton. The Newton Library Board of Trustees maintains custody of fund assets.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2004

Special Revenue Funds

ASSETS	School Lunch	Highway Improvement	Revolving	Receipts Reserved	Community Development Block Grant
Cash and cash equivalents.....	\$ 268,786	\$ 26,367	\$ 2,421,591	\$ 2,411,829	\$ 5,184
Interest and dividends.....	-	-	-	-	-
Receivables, net of allowance for uncollectible amounts:					
Charges for services.....	-	-	267,554	-	-
Departmental and other.....	-	-	11,618	-	-
Intergovernmental.....	77,240	171,747	-	-	113,455
Loans.....	-	-	-	360,000	-
Restricted assets:					
Cash and cash equivalents.....	-	-	-	-	-
Investments.....	-	-	-	-	-
TOTAL ASSETS.....	<u>\$ 346,026</u>	<u>\$ 198,114</u>	<u>\$ 2,700,763</u>	<u>\$ 2,771,829</u>	<u>\$ 118,639</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 17,248	\$ -	\$ 155,573	\$ -	\$ 9,897
Accrued liabilities.....	111,337	65,655	20,756	-	108,492
Accrued payroll.....	198,337	-	21,959	-	-
Other liabilities.....	16,704	-	-	-	-
Deferred revenue.....	-	-	114,076	359,999	-
Due to other funds.....	-	-	-	-	-
TOTAL LIABILITIES.....	<u>343,626</u>	<u>65,655</u>	<u>312,364</u>	<u>359,999</u>	<u>118,389</u>
 FUND BALANCES:					
Reserved for:					
Loans.....	-	-	-	-	-
Perpetual permanent funds.....	-	-	-	-	-
Other specific purposes.....	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures.....	-	-	-	1,002,832	-
Undesignated, reported in:					
Special revenue funds.....	2,400	132,459	2,388,399	1,408,998	250
Capital projects funds.....	-	-	-	-	-
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	<u>2,400</u>	<u>132,459</u>	<u>2,388,399</u>	<u>2,411,830</u>	<u>250</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 346,026</u>	<u>\$ 198,114</u>	<u>\$ 2,700,763</u>	<u>\$ 2,771,829</u>	<u>\$ 118,639</u>

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Community Development Authority	Sub-total
\$ 117,451	\$ 777,833	\$ -	\$ 474,799	\$ 671,761	\$ 815,988	\$ 7,991,589
-	-	-	-	-	441,760	441,760
-	-	-	-	-	-	267,554
-	-	-	-	2,512	-	14,130
229,847	10,722	854,218	22,668	-	-	1,479,897
-	-	-	-	-	3,727,002	4,087,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 347,298</u>	<u>\$ 788,555</u>	<u>\$ 854,218</u>	<u>\$ 497,467</u>	<u>\$ 674,273</u>	<u>\$ 4,984,750</u>	<u>\$ 14,281,932</u>
\$ 240,512	\$ 30,676	\$ 69,083	\$ 20,371	\$ 109,730	\$ -	\$ 653,090
13,485	21,864	2,372	2,453	63,781	179,243	589,438
-	16,166	72,631	201,740	24,209	-	535,042
-	-	22,896	19,466	-	1,069,985	1,129,051
-	-	-	-	-	887	474,962
-	-	446,555	-	-	-	446,555
<u>253,997</u>	<u>68,706</u>	<u>613,537</u>	<u>244,030</u>	<u>197,720</u>	<u>1,250,115</u>	<u>3,828,138</u>
-	-	-	-	-	3,727,002	3,727,002
-	-	-	-	-	-	-
93,301	719,849	240,681	253,437	476,553	-	1,783,821
-	-	-	-	-	-	1,002,832
-	-	-	-	-	7,633	3,940,139
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>93,301</u>	<u>719,849</u>	<u>240,681</u>	<u>253,437</u>	<u>476,553</u>	<u>3,734,635</u>	<u>10,453,794</u>
<u>\$ 347,298</u>	<u>\$ 788,555</u>	<u>\$ 854,218</u>	<u>\$ 497,467</u>	<u>\$ 674,273</u>	<u>\$ 4,984,750</u>	<u>\$ 14,281,932</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2004

Capital Projects Funds

ASSETS	Public Building Improvements	Street Improvements	Capital Stabilization	Sub-total
Cash and short-term investments.....	\$ -	\$ -	\$ 5,924,685	\$ 5,924,685
Interest and dividends.....	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Charges for services.....	-	-	-	-
Departmental and other.....	-	-	-	-
Intergovernmental.....	-	-	-	-
Loans.....	-	-	-	-
Restricted assets:				
Cash and short-term investments.....	91,649	-	-	91,649
Investments.....	-	-	-	-
TOTAL ASSETS.....	\$ 91,649	\$ -	\$ 5,924,685	\$ 6,016,334
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ -	\$ -	\$ -	-
Accrued liabilities.....	-	-	-	-
Accrued payroll.....	-	-	-	-
Other liabilities.....	-	-	-	-
Deferred revenue.....	-	-	-	-
Due to other funds.....	-	-	-	-
TOTAL LIABILITIES.....	-	-	-	-
 FUND BALANCES:				
Reserved for:				
Loans.....	-	-	-	-
Perpetual permanent funds.....	-	-	-	-
Other specific purposes.....	-	-	-	-
Unreserved:				
Designated for subsequent year's expenditures.....	-	-	-	-
Undesignated, reported in:				
Special revenue funds.....	-	-	-	-
Capital projects funds.....	91,649	-	5,924,685	6,016,334
Permanent funds.....	-	-	-	-
TOTAL FUND BALANCES.....	91,649	-	5,924,685	6,016,334
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 91,649	\$ -	\$ 5,924,685	\$ 6,016,334

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 13,916,274
-	3,491	3,491	445,251
-	-	-	267,554
-	-	-	14,130
-	-	-	1,479,897
-	-	-	4,087,002
-	-	-	-
357,599	101,433	459,032	550,681
<u>251,725</u>	<u>551,503</u>	<u>803,228</u>	<u>803,228</u>
\$ <u>609,324</u>	\$ <u>656,427</u>	\$ <u>1,265,751</u>	\$ <u>21,564,017</u>
\$ 407	\$ -	\$ 407	\$ 653,497
240	-	240	589,678
-	-	-	535,042
-	-	-	1,129,051
-	-	-	474,962
-	-	-	446,555
<u>647</u>	<u>-</u>	<u>647</u>	<u>3,828,785</u>
-	-	-	3,727,002
396,933	-	396,933	396,933
-	-	-	1,783,821
-	-	-	1,002,832
-	-	-	3,940,139
-	-	-	6,016,334
<u>211,744</u>	<u>656,427</u>	<u>868,171</u>	<u>868,171</u>
<u>608,677</u>	<u>656,427</u>	<u>1,265,104</u>	<u>17,735,232</u>
\$ <u>609,324</u>	\$ <u>656,427</u>	\$ <u>1,265,751</u>	\$ <u>21,564,017</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Special Revenue Funds

	School Lunch	Highway Improvement	Revolving	Receipts Reserved	Community Development Block Grant
REVENUES					
Licenses, permits and fees.....	\$ -	\$ -	\$ -	\$ 940,207	\$ -
Intergovernmental	409,702	1,401,158	-	-	3,385,007
Charges for services.....	2,889,079	-	6,169,164	1,224,284	-
Fines and forfeitures.....	-	-	15,727	-	-
Investment income.....	814	-	23	2,805	-
Contributions and donations.....	-	-	84,188	56,251	-
Miscellaneous.....	3	-	251,637	74,794	-
TOTAL REVENUES.....	3,299,598	1,401,158	6,520,739	2,298,341	3,385,007
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	-	-	1,006	-	-
Elections.....	-	-	-	-	-
Administrative support.....	-	-	-	-	-
Planning & development.....	-	-	105,004	-	3,385,007
Public building maintenance & operations.....	-	-	1,250	-	-
Public safety:					
Police.....	-	-	1,766,654	-	-
Fire.....	-	-	164,740	-	-
Education.....	3,533,151	-	4,176,077	-	-
Public works:					
Streets & sidewalks.....	-	1,401,158	220,562	-	-
Collection & disposal of solid waste.....	-	-	1,614	-	-
Engineering.....	-	-	5,189	-	-
Health and human services:					
Public health.....	-	-	-	-	-
Human services.....	-	-	50,122	-	-
Culture and recreation:					
Libraries.....	-	-	35,530	-	-
Parks & recreation.....	-	-	778,514	-	-
Jackson Homestead museum.....	-	-	-	-	-
Workers' compensation insurance.....	-	-	-	-	-
Claims and judgments.....	-	-	500	-	-
TOTAL EXPENDITURES.....	3,533,151	1,401,158	7,306,762	-	3,385,007
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(233,553)	-	(786,023)	2,298,341	-
OTHER FINANCING SOURCES (USES)					
Transfers in.....	233,553	-	948,372	-	-
Transfers out.....	-	-	-	(2,021,054)	-
TOTAL OTHER FINANCING SOURCES (USES).....	233,553	-	948,372	(2,021,054)	-
NET CHANGE IN FUND BALANCES.....	-	-	162,349	277,287	-
FUND BALANCES AT BEGINNING OF YEAR.....	2,400	132,459	2,226,050	2,134,543	250
FUND BALANCES AT END OF YEAR.....	\$ 2,400	\$ 132,459	\$ 2,388,399	\$ 2,411,830	\$ 250

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Community Development Authority	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 940,207
3,048,099	875,107	4,184,869	3,308,970	-	40,340	16,653,252
-	-	-	-	-	-	10,282,527
-	-	-	-	-	-	15,727
224	65	-	-	83	95,691	99,705
-	-	-	-	251,159	-	391,598
-	-	8	-	219	-	326,661
<u>3,048,323</u>	<u>875,172</u>	<u>4,184,877</u>	<u>3,308,970</u>	<u>251,461</u>	<u>136,031</u>	<u>28,709,677</u>
-	-	-	-	-	-	1,006
-	3,192	-	-	-	-	3,192
-	-	-	-	3,233	-	3,233
1,432,375	11,413	-	-	4,026	-	4,937,825
13,541	-	-	-	-	-	14,791
919,138	65,161	-	-	-	-	2,750,953
10,500	15,773	-	-	-	-	191,013
-	-	4,182,763	3,490,045	694,074	-	16,076,110
-	111,823	-	-	-	-	1,733,543
-	176,569	-	-	-	-	178,183
-	-	-	-	-	-	5,189
19,321	-	-	-	-	-	19,321
18,463	77,429	-	-	21,899	-	167,913
6,437	287,673	-	-	-	-	329,640
-	18,963	-	-	20,000	-	817,477
-	-	-	-	-	-	-
-	1,268	-	-	-	-	1,268
-	-	-	-	-	-	500
<u>2,419,775</u>	<u>769,264</u>	<u>4,182,763</u>	<u>3,490,045</u>	<u>743,232</u>	<u>-</u>	<u>27,231,157</u>
<u>628,548</u>	<u>105,908</u>	<u>2,114</u>	<u>(181,075)</u>	<u>(491,771)</u>	<u>136,031</u>	<u>1,478,520</u>
34,261	-	-	-	-	-	1,216,186
<u>(643,987)</u>	<u>(2,025)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,667,066)</u>
<u>(609,726)</u>	<u>(2,025)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,450,880)</u>
18,822	103,883	2,114	(181,075)	(491,771)	136,031	27,640
<u>74,479</u>	<u>615,966</u>	<u>238,567</u>	<u>434,512</u>	<u>968,324</u>	<u>3,598,604</u>	<u>10,426,154</u>
<u>\$ 93,301</u>	<u>\$ 719,849</u>	<u>\$ 240,681</u>	<u>\$ 253,437</u>	<u>\$ 476,553</u>	<u>\$ 3,734,635</u>	<u>\$ 10,453,794</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Capital Projects Funds

	Public Building Improvements	Street Improvements	Capital Stabilization	Sub-total
REVENUES				
Licenses, permits and fees.....	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services.....	-	-	-	-
Fines and forfeitures.....	-	-	-	-
Investment income.....	-	-	-	-
Contributions and donations.....	-	-	-	-
Miscellaneous.....	602	-	-	602
	602	-	-	602
TOTAL REVENUES.....	602	-	-	602
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	-	-	-	-
Elections.....	-	-	-	-
Administrative support.....	-	-	-	-
Planning & development.....	-	-	-	-
Public building maintenance & operations.....	-	-	-	-
Public safety:				
Police.....	-	-	-	-
Fire.....	-	-	-	-
Education.....	-	-	-	-
Public works:				
Streets & sidewalks.....	-	-	-	-
Collection & disposal of solid waste.....	-	-	-	-
Engineering.....	-	-	-	-
Health and human services:				
Public health.....	-	-	-	-
Human services.....	-	-	-	-
Culture and recreation:				
Libraries.....	-	-	-	-
Parks & recreation.....	-	-	-	-
Jackson Homestead museum.....	-	-	-	-
Workers' compensation insurance.....	-	-	-	-
Claims and judgments.....	-	-	-	-
	-	-	-	-
TOTAL EXPENDITURES.....	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	602	-	-	602
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	-	2,629,390	2,629,390
Transfers out.....	-	(4,705)	(815,749)	(820,454)
	-	(4,705)	1,813,641	1,808,936
TOTAL OTHER FINANCING SOURCES (USES).....	-	(4,705)	1,813,641	1,808,936
NET CHANGE IN FUND BALANCES.....	602	(4,705)	1,813,641	1,809,538
FUND BALANCES AT BEGINNING OF YEAR.....	91,047	4,705	4,111,044	4,206,796
FUND BALANCES AT END OF YEAR.....	\$ 91,649	\$ -	\$ 5,924,685	\$ 6,016,334

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 940,207
-	-	-	16,653,252
-	-	-	10,282,527
-	-	-	15,727
4,441	73,534	77,975	177,680
2,520	250,889	253,409	645,007
-	-	-	327,263
<u>6,961</u>	<u>324,423</u>	<u>331,384</u>	<u>29,041,663</u>
-	-	-	1,006
-	-	-	3,192
-	-	-	3,233
735	-	735	4,938,560
-	-	-	14,791
-	-	-	2,750,953
-	-	-	191,013
-	-	-	16,076,110
-	-	-	1,733,543
-	-	-	178,183
-	-	-	5,189
-	-	-	19,321
-	-	-	167,913
-	320,644	320,644	650,284
63,724	-	63,724	881,201
1,425	-	1,425	1,425
-	-	-	1,268
-	-	-	500
<u>65,884</u>	<u>320,644</u>	<u>386,528</u>	<u>27,617,685</u>
<u>(58,923)</u>	<u>3,779</u>	<u>(55,144)</u>	<u>1,423,978</u>
-	-	-	3,845,576
-	-	-	(3,487,520)
-	-	-	358,056
(58,923)	3,779	(55,144)	1,782,034
<u>667,600</u>	<u>652,648</u>	<u>1,320,248</u>	<u>15,953,198</u>
<u>\$ 608,677</u>	<u>\$ 656,427</u>	<u>\$ 1,265,104</u>	<u>\$ 17,735,232</u>

(Concluded)

Internal Service Funds

Health Insurance Fund

This fund is used to account for group health benefits for active and retired employees of the City.

The City funds 80% of group health benefits, and employees contribute 20% of the cost through payroll deductions. The City maintains separate sub-funds for plans administered by Tufts Associated Health Plan and Harvard-Pilgrim Health.

Workers' Compensation Insurance Fund

This fund is used to account for workers' compensation benefits, replacement wages and medical benefits for qualified employees. The fund is also used to account for the cost of providing medical benefits to public safety employees who are injured in the line of duty. Replacement wages for public safety employees are accounted for in the General Fund operating budgets of the police and fire departments.

Building Insurance Fund

This fund is used to generate annual income, which is used to finance the City's annual property insurance premiums. Funds are transferred to the General Fund, based upon an annual authorization vote of the Board of Aldermen.

Liability Insurance Fund

This fund is used to accumulate resources to pay liability claims in excess of \$50,000. Liability claims of \$15,000 or more are financed from a judgment and settlement appropriation in the City's Solicitor's General Fund annual appropriation. Claims greater than \$5,000, but less than \$50,000 are financed with a transfer from the Reserve Fund annual appropriation in the General Fund.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET ASSETS

JUNE 30, 2004

ASSETS	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
Current assets:					
Cash and cash equivalents.....	\$ 6,806,020	\$ 646,445	\$ 360,982	\$ 247,865	\$ 8,061,312
Investments.....	-	5,513,361	2,008,256	-	7,521,617
Interest and dividends.....	-	-	32,442	-	32,442
Receivables, net of allowance for uncollectible amounts:					
Departmental and other.....	501,338	-	-	-	501,338
Working capital deposit.....	<u>340,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,372</u>
Total current assets.....	<u>7,647,730</u>	<u>6,159,806</u>	<u>2,401,680</u>	<u>247,865</u>	<u>16,457,081</u>
LIABILITIES					
Current liabilities:					
Warrants payable.....	-	53,005	-	-	53,005
Accrued liabilities.....	-	15,891	-	-	15,891
Accrued health claims payable.....	4,726,107	-	-	-	4,726,107
Workers' compensation claims.....	<u>-</u>	<u>903,000</u>	<u>-</u>	<u>-</u>	<u>903,000</u>
Total current liabilities.....	<u>4,726,107</u>	<u>971,896</u>	<u>-</u>	<u>-</u>	<u>5,698,003</u>
Noncurrent liabilities:					
Workers' compensation claims.....	<u>-</u>	<u>4,930,943</u>	<u>-</u>	<u>-</u>	<u>4,930,943</u>
Total liabilities.....	<u>4,726,107</u>	<u>5,902,839</u>	<u>-</u>	<u>-</u>	<u>10,628,946</u>
FUND NET ASSETS					
Unrestricted.....	<u>\$ 2,921,623</u>	<u>\$ 256,967</u>	<u>\$ 2,401,680</u>	<u>\$ 247,865</u>	<u>\$ 5,828,135</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
OPERATING REVENUES					
Employer contributions.....	\$ 25,761,854	\$ 1,630,760	\$ -	\$ 100,000	\$ 27,492,614
Employee contributions.....	6,768,987	-	-	-	6,768,987
TOTAL OPERATING REVENUES.....	<u>32,530,841</u>	<u>1,630,760</u>	<u>-</u>	<u>100,000</u>	<u>34,261,601</u>
OPERATING EXPENSES					
Change in incurred but not reported liability.....	72,759	(1,016,984)	-	-	(944,225)
Self insurance claims.....	27,717,573	1,532,164	-	-	29,249,737
Insurance premiums.....	443,759	-	-	-	443,759
Administrative expenses.....	1,964,410	116,278	-	-	2,080,688
TOTAL OPERATING EXPENSES.....	<u>30,198,501</u>	<u>631,458</u>	<u>-</u>	<u>-</u>	<u>30,829,959</u>
OPERATING INCOME (LOSS).....	<u>2,332,340</u>	<u>999,302</u>	<u>-</u>	<u>100,000</u>	<u>3,431,642</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	56,220	457,562	31,495	1,024	546,301
INCOME (LOSS) BEFORE TRANSFERS.....	<u>2,388,560</u>	<u>1,456,864</u>	<u>31,495</u>	<u>101,024</u>	<u>3,977,943</u>
TRANSFERS					
Transfers out.....	-	-	(150,000)	(126,389)	(276,389)
CHANGE IN FUND NET ASSETS.....	2,388,560	1,456,864	(118,505)	(25,365)	3,701,554
FUND NET ASSETS AT BEGINNING OF YEAR.....	533,063	(1,199,897)	2,520,185	273,230	2,126,581
FUND NET ASSETS AT END OF YEAR.....	<u>\$ 2,921,623</u>	<u>\$ 256,967</u>	<u>\$ 2,401,680</u>	<u>247,865</u>	<u>\$ 5,828,135</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 6,768,987	\$ -	\$ -	\$ -	\$ 6,768,987
Receipts from interfund services provided.....	25,623,164	1,630,760	-	100,000	27,353,924
Payments to vendors/providers.....	(30,418,614)	(1,643,340)	-	-	(32,061,954)
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,973,537</u>	<u>(12,580)</u>	<u>-</u>	<u>100,000</u>	<u>2,060,957</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out.....	-	-	(150,000)	(126,389)	(276,389)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments.....	-	-	395,224	-	395,224
Purchase of investments.....	-	(969,816)	-	-	(969,816)
Investment income.....	56,220	457,562	31,495	1,024	546,301
NET CASH FROM INVESTING ACTIVITIES.....	<u>56,220</u>	<u>(512,254)</u>	<u>426,719</u>	<u>1,024</u>	<u>(28,291)</u>
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	2,029,757	(524,834)	276,719	(25,365)	1,756,277
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR.....	4,776,263	1,171,279	84,263	273,230	6,305,035
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....	<u>\$ 6,806,020</u>	<u>\$ 646,445</u>	<u>\$ 360,982</u>	<u>\$ 247,865</u>	<u>\$ 8,061,312</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ 2,332,340	\$ 999,302	\$ -	\$ 100,000	\$ 3,431,642
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	(138,690)	-	-	-	(138,690)
Working capital deposit.....	(292,872)	-	-	-	(292,872)
Warrants payable.....	-	12,933	-	-	12,933
Accrued liabilities.....	-	(7,831)	-	-	(7,831)
Accrued health claims payable.....	72,759	-	-	-	72,759
Workers' compensation.....	-	(1,016,984)	-	-	(1,016,984)
Total adjustments.....	<u>(358,803)</u>	<u>(1,011,882)</u>	<u>-</u>	<u>-</u>	<u>(1,370,685)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,973,537</u>	<u>\$ (12,580)</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 2,060,957</u>

Private Purpose Trust Funds

Chaffin Education Fund:

This fund is used to account for higher education loans and grants issued to Newton high school graduates who are unable to afford the cost of college education. Revenues consist primarily of investment income on fund cash and investments.

Scovell Education Fund

This fund is used to account for prizes and awards to students for distinguished scholarships awarded at Newton high schools. The prizes are subject to approval of the School Committee. Revenues consist primarily of investment income on fund cash and investments.

Gorin Education Fund

This fund is used to account for loans to Newton high school graduates for attending institutions of higher education. Revenues consist primarily of investment income on fund cash and investments.

Cousens Welfare Fund

This fund is used to account for loans and or grants to Newton 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. Revenues consist primarily of investment income on fund cash and investments.

School Scholarship Fund

This fund is used to account for a variety of public school scholarship funds. Detailed fund information is available from the City Comptroller's Office.

Kendrick Welfare Fund

This fund is used to account for distributions to needy industrious poor of Newton, especially widows and orphans.

Read Charity Fund

This fund is used to account for the perpetual maintenance of the donor's grave site, an annual sleigh ride or picnic for the children of the Newton Corner section of Newton, free lectures on scientific subjects in Newton Corner, library book purchases, and assistance to poor widows of the City. Revenues consist primarily of investment income on fund cash and investments.

Spear Infirmary Fund

The terms of the gift of this fund calls for the income to be used to "...provide cheer for the inmates of the City farm." The fund has been inactive for a number of years.

Mabel Riley Senior Fund

The terms of the gift of this fund calls for the income to be used for "...special treats for residents of nursing homes and homes for the elderly on holidays and for comforts for the sick throughout the year."

Elderly Tax Relief Fund

The City has accepted Massachusetts General Law Chapter 60, Section 3D, which authorizes the implementation of a voluntary tax check-off program for purposes of defraying real estate taxes for elderly and disabled Newton taxpayers with low incomes. This fund is used to account for the receipt of voluntary donations and awards voted by the Taxation Aid Committee.

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
ASSETS				
Cash and cash equivalents.....	\$ 269,366	\$ 52,416	\$ 25,101	\$ 851,177
Investments.....	4,355,171	840,865	-	863,098
Receivables, net of allowance for uncollectibles:				
Loans.....	168,787	-	-	-
Total assets.....	4,793,324	893,281	25,101	1,714,275
LIABILITIES				
Warrants payable.....	1,000	-	-	751
Other liabilities.....	7,368	-	-	-
Total liabilities.....	8,368	-	-	751
NET ASSETS				
Held in trust for other purposes.....	\$ 4,784,956	\$ 893,281	\$ 25,101	\$ 1,713,524

<u>School Scholarship</u>	<u>Kendrick Welfare</u>	<u>Read Charity</u>	<u>Spear Infirmary</u>	<u>Mabel Riley Senior</u>	<u>Elderly Tax Relief</u>	<u>Total</u>
\$ 621,342	\$ 3,083	\$ 45,938	3,879	\$ 33,757	\$ 6,421	\$ 1,912,480
361,237	-	-	-	-	-	6,420,371
<u>26,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,354</u>
<u>1,009,146</u>	<u>3,083</u>	<u>45,938</u>	<u>3,879</u>	<u>33,757</u>	<u>6,421</u>	<u>8,528,205</u>
7,902	-	-	-	-	-	9,653
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,368</u>
<u>7,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,021</u>
<u>\$ 1,001,244</u>	<u>\$ 3,083</u>	<u>\$ 45,938</u>	<u>3,879</u>	<u>\$ 33,757</u>	<u>\$ 6,421</u>	<u>\$ 8,511,184</u>

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
ADDITIONS				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 11,861
Net investment income:				
Interest.....	275,538	42,431	221	(40,596)
TOTAL ADDITIONS.....	275,538	42,431	221	(28,735)
DEDUCTIONS				
Administration expense.....	1,293	-	-	25,196
Educational scholarships & awards.....	167,531	28,250	-	50,674
Public assistance.....	-	-	-	-
TOTAL DEDUCTIONS.....	168,824	28,250	-	75,870
CHANGE IN NET ASSETS.....	106,714	14,181	221	(104,605)
NET ASSETS AT BEGINNING OF YEAR.....	4,678,242	879,100	24,880	1,818,129
NET ASSETS AT END OF YEAR.....	<u>\$ 4,784,956</u>	<u>\$ 893,281</u>	<u>\$ 25,101</u>	<u>\$ 1,713,524</u>

School Scholarship	Kendrick Welfare	Read Charity	Spear Infirmary	Mabel Riley Senior	Elderly Tax Relief	Total
\$ 138,444	\$ -	\$ -	\$ -	\$ -	\$ 6,421	\$ 156,726
28,897	36	617	39	364	-	307,547
167,341	36	617	39	364	6,421	464,273
-	-	-	-	-	-	26,489
114,744	-	-	-	-	-	361,199
-	200	3,925	-	2,500	-	6,625
114,744	200	3,925	-	2,500	-	394,313
52,597	(164)	(3,308)	39	(2,136)	6,421	69,960
948,647	3,247	49,246	3,840	35,893	-	8,441,224
\$ 1,001,244	\$ 3,083	\$ 45,938	\$ 3,879	\$ 33,757	\$ 6,421	\$ 8,511,184

Agency Fund

This fund is used to account for monies held on behalf of parties other than the City, such as state and federal agencies; independent not-for-profit organizations for which the City collects private donations; the Metro Fire District; and public school student activities.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ASSETS				
Cash and cash equivalents.....	\$ 1,343,585	\$ 201,591,403	\$ (201,455,785)	\$ 1,479,203
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	750	-	750
Notes.....	-	-	-	-
Intergovernmental.....	-	-	-	-
Loans.....	612,619	22,060	-	634,679
Total assets.....	<u>1,956,204</u>	<u>201,614,213</u>	<u>(201,455,785)</u>	<u>2,114,632</u>
LIABILITIES				
Warrants payable.....	76,723	100,795,702	(100,821,397)	51,028
Payroll withholdings.....	733,692	98,703,673	(98,425,049)	1,012,316
Other liabilities.....	1,145,789	2,092,028	(2,186,529)	1,051,288
Total liabilities.....	<u>\$ 1,956,204</u>	<u>\$ 201,591,403</u>	<u>\$ (201,432,975)</u>	<u>\$ 2,114,632</u>



This page left intentionally blank.

General Fund

This is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Original Budget	FY 2004 Budget Revisions
City Clerk/Clerk of the Board			
Personal Services	\$ -	\$ 752,487	\$ (5,528)
Expenses	12,000	55,343	2,725
Fringe Benefits	-	141,063	17,661
Total City Clerk/Clerk of the Board	<u>12,000</u>	<u>948,893</u>	<u>14,858</u>
Mayor's Office			
Personal Services	-	526,734	8,570
Expenses	-	43,625	-
Fringe Benefits	-	57,735	5,339
Total Mayor's Office	<u>-</u>	<u>628,094</u>	<u>13,909</u>
Comptroller's Office/Property Insurance			
Personal Services	-	407,602	8,900
Expenses	53,881	235,048	-
Capital Outlay	416	-	-
Fringe Benefits	-	41,174	15,291
Total Comptroller's Office/Property Insurance	<u>54,297</u>	<u>683,824</u>	<u>24,191</u>
Purchasing/General Services			
Personal Services	-	328,291	(2,039)
Expenses	-	142,200	9,060
Capital Outlay	-	3,036	-
Fringe Benefits	-	41,120	2,018
Total Purchasing/General Services	<u>-</u>	<u>514,647</u>	<u>9,039</u>
Assessing Department			
Personal Services	-	962,169	20,356
Expenses	431,518	43,182	499,822
Fringe Benefits	-	109,059	8,234
Total Assessing Department	<u>431,518</u>	<u>1,114,410</u>	<u>528,412</u>
Treasury & Collection Department			
Personal Services	-	503,983	10,545
Expenses	19,291	435,394	23,700
Capital Outlay	-	-	-
Fringe Benefits	-	65,704	17,460
Total Treasury & Collection Department	<u>19,291</u>	<u>1,005,081</u>	<u>51,705</u>
City Solicitor/Judgments & Settlements			
Personal Services	-	783,749	36,592
Expenses	5,000	262,500	293,227
Fringe Benefits	-	74,598	11,589
Total City Solicitor's Office/Settlements	<u>5,000</u>	<u>1,120,847</u>	<u>341,408</u>

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 746,959	\$ 746,959	\$ 727,084	\$ -	\$ -	\$ 19,875
58,068	70,068	51,029	36	-	19,003
158,724	158,724	158,724	-	-	-
<u>963,751</u>	<u>975,751</u>	<u>936,837</u>	<u>36</u>	<u>-</u>	<u>38,878</u>
535,304	535,304	527,293	-	-	8,011
43,625	43,625	35,075	-	-	8,550
63,074	63,074	63,074	-	-	-
<u>642,003</u>	<u>642,003</u>	<u>625,442</u>	<u>-</u>	<u>-</u>	<u>16,561</u>
416,502	416,502	407,670	-	-	8,832
235,048	288,929	233,763	-	55,166	-
-	416	160	-	-	256
56,465	56,465	56,465	-	-	-
<u>708,015</u>	<u>762,312</u>	<u>698,058</u>	<u>-</u>	<u>55,166</u>	<u>9,088</u>
326,252	326,252	309,529	-	-	16,723
151,260	151,260	139,070	-	-	12,190
3,036	3,036	2,942	-	-	94
43,138	43,138	43,138	-	-	-
<u>523,686</u>	<u>523,686</u>	<u>494,679</u>	<u>-</u>	<u>-</u>	<u>29,007</u>
982,525	982,525	950,512	-	-	32,013
543,004	974,522	79,744	21,791	862,864	10,123
117,293	117,293	117,211	-	82	-
<u>1,642,822</u>	<u>2,074,340</u>	<u>1,147,467</u>	<u>21,791</u>	<u>862,946</u>	<u>42,136</u>
514,528	514,528	507,748	-	-	6,780
459,094	478,385	430,310	-	5,000	43,075
-	-	-	-	-	-
83,164	83,164	83,164	-	-	-
<u>1,056,786</u>	<u>1,076,077</u>	<u>1,021,222</u>	<u>-</u>	<u>5,000</u>	<u>49,855</u>
820,341	820,341	807,704	-	10,000	2,637
555,727	560,727	545,062	-	-	15,665
86,187	86,187	86,187	-	-	-
<u>1,462,255</u>	<u>1,467,255</u>	<u>1,438,953</u>	<u>-</u>	<u>10,000</u>	<u>18,302</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Original Budget	FY 2004 Budget Revisions
Human Resources Department			
Personal Services	1,250	543,715	11,447
Expenses	5,167	336,285	-
Capital Outlay	-	1,700	-
Fringe Benefits	-	46,338	11,414
Total Human Resources Department	<u>6,417</u>	<u>928,038</u>	<u>22,861</u>
Information Technology Department			
Personal Services	-	670,486	13,990
Expenses	37	169,560	-
Capital Outlay	-	11,973	-
Fringe Benefits	-	66,357	10,171
Total Information Technology Department	<u>37</u>	<u>918,376</u>	<u>24,161</u>
Election Commission			
Personal Services	-	511,777	7,048
Expenses	2,500	77,670	-
Fringe Benefits	-	48,843	(4,965)
Total Election Commission	<u>2,500</u>	<u>638,290</u>	<u>2,083</u>
Licensing Commission			
Personal Services	-	-	-
Expenses	-	1,896	-
Total Licensing Commission	<u>-</u>	<u>1,896</u>	<u>-</u>
Planning & Development Department			
Personal Services	-	697,132	75,796
Expenses	35,284	27,427	1,150
Fringe Benefits	-	55,233	21,242
Total Planning & Development Department	<u>35,284</u>	<u>779,792</u>	<u>98,188</u>
Public Building Department			
Personal Services	-	1,438,988	14,954
Expenses	25,854	525,897	-
Capital Outlay	-	2,850	-
Fringe Benefits	-	215,374	21,412
Total Public Building Department	<u>25,854</u>	<u>2,183,109</u>	<u>36,366</u>
GENERAL GOVERNMENT TOTAL	<u>592,198</u>	<u>11,465,297</u>	<u>1,167,181</u>
Police Department			
Personal Services	-	12,173,329	536,195
Expenses	9,910	711,911	-
Capital Outlay	80,500	256,507	-
Fringe Benefits	-	1,334,789	283,922
Total Police Department	<u>90,410</u>	<u>14,476,536</u>	<u>820,117</u>

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
555,162	556,412	552,663	-	-	3,749
336,285	341,452	311,841	-	12,500	17,111
1,700	1,700	1,583	-	-	117
57,752	57,752	57,752	-	-	-
<u>950,899</u>	<u>957,316</u>	<u>923,839</u>	<u>-</u>	<u>12,500</u>	<u>20,977</u>
684,476	684,476	667,555	-	-	16,921
169,560	169,597	158,295	5,950	-	5,352
11,973	11,973	11,673	-	-	300
76,528	76,528	76,528	-	-	-
<u>942,537</u>	<u>942,574</u>	<u>914,051</u>	<u>5,950</u>	<u>-</u>	<u>22,573</u>
518,825	518,825	462,027	-	-	56,798
77,670	80,170	58,353	-	6,721	15,096
43,878	43,878	43,876	-	-	2
<u>640,373</u>	<u>642,873</u>	<u>564,256</u>	<u>-</u>	<u>6,721</u>	<u>71,896</u>
-	-	-	-	-	-
1,896	1,896	1,642	-	-	254
<u>1,896</u>	<u>1,896</u>	<u>1,642</u>	<u>-</u>	<u>-</u>	<u>254</u>
772,928	772,928	751,662	-	-	21,266
28,577	63,861	36,434	15,086	-	12,341
76,475	76,475	76,475	-	-	-
<u>877,980</u>	<u>913,264</u>	<u>864,571</u>	<u>15,086</u>	<u>-</u>	<u>33,607</u>
1,453,942	1,453,942	1,429,790	-	-	24,152
525,897	551,751	498,256	24,790	24,985	3,720
2,850	2,850	2,210	-	-	640
236,786	236,786	236,782	-	-	4
<u>2,219,475</u>	<u>2,245,329</u>	<u>2,167,038</u>	<u>24,790</u>	<u>24,985</u>	<u>28,516</u>
<u>12,632,478</u>	<u>13,224,676</u>	<u>11,798,055</u>	<u>67,653</u>	<u>977,318</u>	<u>381,650</u>
12,709,524	12,709,524	12,709,474	-	-	50
711,911	721,821	661,102	31,387	3,015	26,317
256,507	337,007	332,420	2,690	-	1,897
1,618,711	1,618,711	1,618,711	-	-	-
<u>15,296,653</u>	<u>15,387,063</u>	<u>15,321,707</u>	<u>34,077</u>	<u>3,015</u>	<u>28,264</u>

(Continued)

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
 BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Original Budget	FY 2004 Budget Revisions
Fire Department			
Personal Services	-	11,097,095	788,937
Expenses	10,760	412,263	17,850
Capital Outlay	7,881	27,000	-
Fringe Benefits	-	1,370,912	178,790
Total Fire Department	<u>18,641</u>	<u>12,907,270</u>	<u>985,577</u>
Inspectional Services Department			
Personal Services	-	875,677	(49,653)
Expenses	-	44,323	13,640
Capital Outlay	-	-	-
Fringe Benefits	-	112,453	11,830
Total Inspectional Services Department	<u>-</u>	<u>1,032,453</u>	<u>(24,183)</u>
Civil Defense Department			
Personal Services	-	4,000	-
Expenses	-	4,238	-
Fringe Benefits	-	4,799	629
Total Civil Defense Department	<u>-</u>	<u>13,037</u>	<u>629</u>
Weights & Measures Department			
Personal Services	-	51,019	1,023
Expenses	-	3,510	-
Capital Outlay	-	-	-
Fringe Benefits	-	5,765	465
Total Weights & Measures Department	<u>-</u>	<u>60,294</u>	<u>1,488</u>
Ambulance Service			
Expenses	-	10,000	-
Total Ambulance	<u>-</u>	<u>10,000</u>	<u>-</u>
PUBLIC SAFETY TOTAL	<u>109,051</u>	<u>28,499,590</u>	<u>1,783,628</u>
NEWTON PUBLIC SCHOOLS	<u>398,078</u>	<u>126,072,853</u>	<u>(455,796)</u>
Public Works Department			
Personal Services	-	6,599,768	217,995
Expenses	179,807	9,250,886	1,132,236
Capital Outlay	51,875	500,110	-
Fringe Benefits	-	1,067,561	95,208
PUBLIC WORKS TOTAL	<u>231,682</u>	<u>17,418,325</u>	<u>1,445,439</u>

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
11,886,032	11,886,032	11,638,886	-	-	247,146
430,113	440,873	410,795	5,674	-	24,404
27,000	34,881	13,817	21,064	-	-
1,549,702	1,549,702	1,549,689	-	-	13
<u>13,892,847</u>	<u>13,911,488</u>	<u>13,613,187</u>	<u>26,738</u>	<u>-</u>	<u>271,563</u>
-	-	-	-	-	-
826,024	826,024	784,411	-	-	41,613
57,963	57,963	49,575	175	-	8,213
-	-	-	-	-	-
124,283	124,283	124,283	-	-	-
<u>1,008,270</u>	<u>1,008,270</u>	<u>958,269</u>	<u>175</u>	<u>-</u>	<u>49,826</u>
4,000	4,000	4,000	-	-	-
4,238	4,238	4,238	-	-	-
5,428	5,428	5,428	-	-	-
<u>13,666</u>	<u>13,666</u>	<u>13,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
52,042	52,042	52,042	-	-	-
3,510	3,510	1,844	-	-	1,666
-	-	-	-	-	-
6,230	6,230	6,230	-	-	-
<u>61,782</u>	<u>61,782</u>	<u>60,116</u>	<u>-</u>	<u>-</u>	<u>1,666</u>
10,000	10,000	-	-	-	10,000
<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<u>30,283,218</u>	<u>30,392,269</u>	<u>29,966,945</u>	<u>60,990</u>	<u>3,015</u>	<u>361,319</u>
125,617,057	126,015,135	125,792,918	222,217	-	-
6,817,763	6,817,763	6,644,817	-	-	172,946
10,383,122	10,562,929	9,946,724	265,824	40,892	309,489
500,110	551,985	541,084	-	-	10,901
1,162,769	1,162,769	1,160,798	-	-	1,971
<u>18,863,764</u>	<u>19,095,446</u>	<u>18,293,423</u>	<u>265,824</u>	<u>40,892</u>	<u>495,307</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Original Budget	FY 2004 Budget Revisions
Public Health Department			
Personal Services	-	1,610,672	33,599
Expenses	-	59,771	-
Capital Outlay	-	5,000	
Fringe Benefits	-	212,200	55,664
Total Public Health Department	-	1,887,643	89,263
Human Services Department			
Personal Services	-	471,231	10,268
Expenses	-	556,295	-
Fringe Benefits	-	52,670	10,217
Total Human Services Department	-	1,080,196	20,485
Veteran Services Department			
Personal Services	-	121,205	2,541
Expenses	-	42,614	7,500
Fringe Benefits	-	7,474	1,481
Total Veteran Services Department	-	171,293	11,522
HEALTH & HUMAN SERVICES TOTAL			
	-	3,139,132	121,270
Newton Public Library			
Personal Services	-	3,046,361	140,001
Expenses	2,025	867,701	10,000
Capital Outlay	-	-	-
Fringe Benefits	-	331,081	73,128
Total Newton Public Library	2,025	4,245,143	223,129
Parks & Recreation Department			
Personal Services	-	2,331,100	45,320
Expenses	-	1,457,854	250,603
Capital Outlay	-	4,500	-
Fringe Benefits	-	260,635	18,481
Total Parks & Recreation Department	-	4,054,089	314,404
Newton History Museum			
Personal Services	-	162,440	3,293
Expenses	-	17,525	-
Fringe Benefits	-	11,768	2,505
Total Newton History Museum	-	191,733	5,798
CULTURE & RECREATION TOTAL			
	2,025	8,490,965	543,331

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
1,644,271	1,644,271	1,551,096	-	-	93,175
59,771	59,771	54,063	-	-	5,708
	5,000	-	-	-	5,000
<u>267,864</u>	<u>267,864</u>	<u>267,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,976,906</u>	<u>1,976,906</u>	<u>1,873,023</u>	<u>-</u>	<u>-</u>	<u>103,883</u>
481,499	481,499	431,059	-	-	50,440
556,295	556,295	524,731	-	-	31,564
62,887	62,887	62,886	-	-	1
<u>1,100,681</u>	<u>1,100,681</u>	<u>1,018,676</u>	<u>-</u>	<u>-</u>	<u>82,005</u>
123,746	123,746	123,746	-	-	-
50,114	50,114	45,551	-	-	4,563
8,955	8,955	8,955	-	-	-
<u>182,815</u>	<u>182,815</u>	<u>178,252</u>	<u>-</u>	<u>-</u>	<u>4,563</u>
<u>3,260,402</u>	<u>3,260,402</u>	<u>3,069,951</u>	<u>-</u>	<u>-</u>	<u>190,451</u>
3,186,362	3,186,362	3,186,015	-	-	347
877,701	879,726	877,643	-	-	2,083
-	-	-	-	-	-
404,209	404,209	404,209	-	-	-
<u>4,468,272</u>	<u>4,470,297</u>	<u>4,467,867</u>	<u>-</u>	<u>-</u>	<u>2,430</u>
2,376,420	2,376,420	2,336,634	-	-	39,786
1,708,457	1,708,457	1,676,869	-	-	31,588
4,500	4,500	3,987	-	-	513
279,116	279,116	278,426	-	-	690
<u>4,368,493</u>	<u>4,368,493</u>	<u>4,295,916</u>	<u>-</u>	<u>-</u>	<u>72,577</u>
165,733	165,733	165,733	-	-	-
17,525	17,525	16,003	-	-	1,522
14,273	14,273	14,273	-	-	-
<u>197,531</u>	<u>197,531</u>	<u>196,009</u>	<u>-</u>	<u>-</u>	<u>1,522</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,034,296</u>	<u>9,036,321</u>	<u>8,959,792</u>	<u>-</u>	<u>-</u>	<u>76,529</u>

(Continued)

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
 BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Original Budget	FY 2004 Budget Revisions
OTHER			
Expenses	-	50,000	-
DEBT SERVICE (PRINCIPAL & INTEREST)			
Debt Service	-	5,982,626	273,291
RETIREMENT			
Personal Services	-	139,229	7,444
Expenses	-	9,180,419	(547,233)
Fringe Benefits	-	5,195,315	1,162,428
Total Retirement	-	14,514,963	622,639
APPROPRIATED RESERVES			
Wage & Salary Reserve	-	1,830,746	(1,379,026)
Reserve Fund (Budget Reserve)	-	1,518,398	(1,518,002)
Total Budgetary Reserves	-	3,349,144	(2,897,028)
STATE & COUNTY ASSESSMENTS	-	5,010,295	(2,033)
SPECIAL APPROPRIATIONS (2)	2,694,973	-	2,920,358
TOTAL EXPENDITURES	4,028,007	223,993,190	5,522,280
TRANSFERS TO OTHER FUNDS:			
Workers Comp Self Insurance Fund - Municipal	-	822,870	212,176
Workers Comp Self Insurance Fund - School	-	350,000	-
School Athletic Revolving Fund - School	-	875,154	23,219
School Lunch Fund - School	-	-	233,553
Federal Grant Special Revenue Fund - Municipal	-	27,000	7,966
Liability Self Insurance Fund	-	-	100,000
High School Renovation Fund - School	-	-	599,024
Capital Stabilization Fund	-	-	2,444,884
Total Transfers to Other Funds	-	2,075,024	3,620,822
TOTAL EXPENDITURES AND TRANSFERS	\$ 4,028,007	\$ 226,068,214	\$ 9,143,102

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
50,000	50,000	-	-	-	50,000
6,255,917	6,255,917	6,255,912	-	-	5
146,673	146,673	133,054	-	-	13,619
8,633,186	8,633,186	8,594,258	-	-	38,928
6,357,743	6,357,743	6,357,741	-	-	2
15,137,602	15,137,602	15,085,053	-	-	52,549
451,720	451,720	-	-	451,720	-
396	396	-	-	-	396
452,116	452,116	-	-	451,720	396
5,008,262	5,008,262	5,086,760	-	-	(78,498)
2,920,358	5,615,331	2,127,984	570,051	2,917,292	4
229,515,470	233,543,477	226,436,793	1,186,735	4,390,237	1,529,712
1,035,046	1,035,046	1,035,046	-	-	-
350,000	350,000	350,000	-	-	-
898,373	898,373	898,373	-	-	-
233,553	233,553	233,553	-	-	-
34,966	34,966	34,261	-	-	705
100,000	100,000	100,000	-	-	-
599,024	599,024	599,024	-	-	-
2,444,884	2,444,884	2,444,884	-	-	-
5,695,846	5,695,846	5,695,141	-	-	705
235,211,316	239,239,323	232,131,934	1,186,735	4,390,237	1,530,417

(Concluded)



This page left intentionally blank.

Community Preservation Fund

This fund accounts for the 1% local property tax surcharge that the voters of the City approved in November of 2001 for open space, historic resource and affordable housing purposes. The Commonwealth of Massachusetts currently matches local surcharge revenue on a dollar for dollar basis.

The Board of Aldermen has appropriation authority over all community preservation funds; however, all appropriation recommendations must originate with the nine member community preservation committee.

COMMUNITY PRESERVATION FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	Current Year Appropriations	Original Budget
Administration & operations	\$ -	56,899	\$ 56,899
2004 CPA appropriation reserve	-	2,457,330	2,457,330
Open space:			
Open space reserve	-	359,176	359,176
Kessler Woods land acquisition	3,718	53,000	56,718
Elgin Street conservation land	245,000	-	245,000
Flowed Meadow improvements	74,250	-	74,250
Forte conservation land	732,600	-	732,600
	-	-	-
Total - Open space projects	<u>1,055,568</u>	<u>412,176</u>	<u>1,467,744</u>
Historic resources:			
Historic preservation reserve	-	359,176	359,176
City Hall window replacement	119,400	-	119,400
City Hall balustrade replacement	175,660	-	175,660
City Hall lighting improvement	96,200	-	96,200
Newton Corner Library improvements	195,129	-	195,129
Historical burial grounds restoration	188,277	-	188,277
Brigham house restoration	-	-	-
Historic district signs	-	-	-
Total - Historic preservation	<u>774,666</u>	<u>359,176</u>	<u>1,133,842</u>
Community housing:			
Community housing reserve	-	359,176	359,176
Nonantum Village Place	850,000	-	850,000
Cambria Road Rental Housing	200,000	-	200,000
Christina Street Housing	376,750	-	376,750
Newton Homebuyer Assistance Program	-	-	-
Forte conservation land	377,400	-	377,400
19 West Street Housing	-	-	-
Pelham House	-	211,936	211,936
Total - community housing	<u>1,804,150</u>	<u>571,112</u>	<u>2,375,262</u>

<u>Budget Revisions</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ -	\$ 56,899	\$ 41,916	\$ -	\$ -	\$ 14,983
(147,074)	2,310,256	-	-	-	2,310,256
(65,375)	293,801	-	-	-	293,801
5,000,000	5,056,718	5,039,949	2,129	14,640	-
-	245,000	-	-	245,000	-
-	74,250	5,195	-	69,055	-
-	732,600	727,735	-	4,865	-
65,375	65,375	65,375	-	-	-
5,000,000	6,467,744	5,838,254	2,129	333,560	293,801
(22,000)	337,176	-	-	-	337,176
-	119,400	-	-	119,400	-
(25,000)	150,660	-	100,500	50,160	-
25,000	121,200	-	110,600	10,600	-
-	195,129	4,960	-	190,169	-
-	188,277	34,275	-	154,002	-
20,000	20,000	-	-	20,000	-
2,000	2,000	-	-	2,000	-
-	1,133,842	39,235	211,100	546,331	337,176
(359,176)	-	-	-	-	-
-	850,000	850,000	-	-	-
-	200,000	200,000	-	-	-
(376,750)	-	-	-	-	-
500,000	500,000	-	-	500,000	-
-	377,400	377,400	-	-	-
263,000	263,000	263,000	-	-	-
-	211,936	19,000	192,936	-	-
27,074	2,402,336	1,709,400	192,936	500,000	-

(Continued)

COMMUNITY PRESERVATION FUND
 SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
 BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	Current Year Appropriations	Original Budget
Community recreation:			
Forte Park improvements	500,000	-	500,000
Memorial-Spaulding outdoor classroom	23,718	-	23,718
Albemarle community classroom	99,931	-	99,931
Cabot outdoor classroom	-	-	-
Bowen field irrigation	54,805	-	54,805
West Newton common irrigation	-	-	-
Sterns/Pellegrini Park plans	-	-	-
Houghton garden fence	-	-	-
Total - community recreation	<u>678,454</u>	<u>-</u>	<u>678,454</u>
 TOTAL CPA FUND	 <u><u>\$ 4,312,838</u></u>	 <u><u>\$ 3,856,693</u></u>	 <u><u>\$ 8,169,531</u></u>

<u>Budget Revisions</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
-	500,000	215,025	-	284,975	-
-	23,718	485	-	23,233	-
-	99,931	5,599	-	94,331	1
68,270	68,270	-	-	68,270	-
-	54,805	3,152	-	51,653	-
65,968	65,968	-	-	65,968	-
30,000	30,000	-	-	30,000	-
90,000	90,000	-	50,000	40,000	-
<u>254,238</u>	<u>932,692</u>	<u>224,261</u>	<u>50,000</u>	<u>658,430</u>	<u>1</u>
<u>\$ 5,134,238</u>	<u>\$ 13,303,769</u>	<u>\$ 7,853,066</u>	<u>\$ 456,165</u>	<u>\$ 2,038,321</u>	<u>\$ 2,956,217</u>

(Concluded)



This page left intentionally blank.

Additional Information

CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued Appropriations	FY 2004 Appropriations	Transfers
High School Renovation Fund:			
Newton South High School Renovations	\$ 22,199,981	\$ 2,120,000	\$ 599,024
Newton North High School Renovations	37,539,247	-	-
Total High School Renovation Fund	<u>59,739,228</u>	<u>2,120,000</u>	<u>599,024</u>
Public Building Improvement Fund:			
Memorial School Tier I Project	11,447	-	-
Williams School Tier I Project	79,600	-	-
Total Public Building Improvement Fund	<u>91,047</u>	<u>-</u>	<u>-</u>
Street & Sidewalk Improvement Fund:			
Street Construction/Reconstruction/Traffic Signals	4,705	-	(4,705)
Capital Stabilization Fund:			
Reserved for Ordinary Capital Appropriations	430,555	-	(90,720)
Reserved for Forte Park Development	-	-	-
Reserved for High School Renovations	3,552,367	-	1,992,780
Reserved for Water/Sewer Appropriations	15,247	-	-
Reserved for MGL CH 44 Sec 7& 8 Appropriations	112,875	-	(88,420)
Total Capital Stabilization Fund	<u>4,111,044</u>	<u>-</u>	<u>1,813,640</u>
Water System Improvement Fund:			
MWRA - Water System Improvements - Accumulated Interest Inc.	151,591	42,901	-
MWRA - Water System Improvements - Loan of 2001	12,227	-	-
MWRA - Water System Improvements - Loan of 2001	30,805	-	-
MWRA - Water System Improvements - Loan of 2002	763,848	-	-
MWRA - Water System Improvements - Loan of 2003	2,209,293	-	-
MWRA - Water System Improvements - Loan of 2004	-	2,586,019	-
Waban Hill Reservoir Improvements - 2001/2003	426,786	-	-
Water System Improvements - 2002 (MWRA Reimbursement)	80,947	-	-
Total Water System Improvement Fund	<u>3,675,497</u>	<u>2,628,920</u>	<u>-</u>
Sanitary Sewer Improvement Fund:			
Sewer System Improvements - 1997 (City of Newton)	36,944	-	-
Sewer System Improvements - 1998 (City of Newton)	10	-	-
Lexington Street Sewer Extension - 2002 (City of Newton)	139,353	-	-
Mass Water Pollution Abatement Trust (MWPAT) - Infiltration/Inflow Projects	204,154	-	-
MWRA - Sewer I&I - Accumulated Interest Income	14,977	9,092	(3,804)
MWRA - Infiltration/Inflow Program - 1995	9,303	-	-
MWRA - Infiltration/Inflow Program - 1997	14,758	-	-
MWRA - Infiltration/Inflow - 2000	15,283	-	-
MWRA - Infiltration/Inflow - 2002 (Longfellow Road)	20	-	39
MWRA - Infiltration/Inflow - 2002 (Longfellow Rd & Jasset Street)	26,283	-	3,804
MWRA - Infiltration/Inflow - 2002 (Commonwealth Golf Course - Phase I)	24,714	-	-
MWRA - Infiltration/Inflow - 2002/2003 (Quinobequin Rd Area)	6,442	-	(39)
MWRA - Private Inflow Removal Plan - 2003	5,511	-	-
MWRA - Cochituate Aqueduct Investigation - 2003	181,092	-	-
MWRA - Commonwealth Golf Course Phase II - 2003	19,580	-	-
MWRA - Area A&C Smoke & Dye Testing - 2003	290,000	-	-
Total Sanitary Sewer Improvement Fund	<u>988,424</u>	<u>9,092</u>	<u>-</u>
Total Capital Projects Funds	<u>\$ 68,609,945</u>	<u>\$ 4,758,012</u>	<u>\$ 2,407,959</u>

	Expended	Encumbered	Balance
\$	16,474,871	\$	2,180,955
	543,034	1,134,482	35,861,731
	<u>17,017,905</u>	<u>7,397,661</u>	<u>38,042,686</u>
	-	-	11,447
	-	-	79,600
	<u>-</u>	<u>-</u>	<u>91,047</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	339,835
	-	-	-
	-	-	5,545,147
	-	-	15,247
	<u>-</u>	<u>-</u>	<u>24,455</u>
	<u>-</u>	<u>-</u>	<u>5,924,684</u>
	-	-	194,492
	-	-	12,227
	8,940	-	21,865
	550,985	-	212,863
	75,665	100,975	2,032,653
	-	-	2,586,019
	142,349	8,983	275,454
	<u>-</u>	<u>-</u>	<u>80,947</u>
	<u>777,939</u>	<u>109,958</u>	<u>5,416,520</u>
	-	10,321	26,623
	-	-	10
	9,124	43,953	86,276
	-	123,484	80,670
	-	-	20,265
	-	9,303	-
	-	14,758	-
	-	5,268	10,015
	-	-	59
	13,939	16,148	-
	(11,303)	-	36,017
	701	5,646	56
	5,487	-	24
	10,100	170,992	-
	-	-	19,580
	<u>242,645</u>	<u>47,355</u>	<u>-</u>
	<u>270,693</u>	<u>447,228</u>	<u>279,595</u>
\$	<u>18,066,537</u>	\$	<u>7,954,847</u>
		\$	<u>49,754,532</u>

SEWER ENTERPRISE FUND
 SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
 BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued <u>Appropriations</u>	FY 2004 <u>Original Budget</u>	FY 2004 <u>Budget Revisions</u>
Sewer Maintenance & Operation			
Personal Services	\$ -	\$ 1,584,423	\$ 43,614
Expenses	13,302	678,923	-
Capital Outlay	356,562	415,595	-
Fringe Benefits	-	233,991	5,289
Total	<u>369,864</u>	<u>2,912,932</u>	<u>48,903</u>
MWRA Sewer Assessment			
Intergovernmental	-	13,872,407	-
Debt Maturities & Interest	-	1,054,223	-
Retirement	-	128,664	-
Employee Benefits	-	9,994	(5,182)
Transfer - Workers Compensation Fund	-	75,000	42,446
Transfer - Water Fund	-	-	25,000
Transfer - General Fund	-	770,754	77,088
Total Sewer Enterprise Fund	\$ <u>369,864</u>	\$ <u>18,823,974</u>	\$ <u>188,255</u>

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,628,037	\$ 1,628,037	\$ 1,539,318	\$ -	\$ -	\$ 88,719
678,923	692,225	543,580	26,901	2,065	119,679
415,595	772,157	427,366	91,529	103,141	150,121
239,280	239,280	237,516	-	-	1,764
<u>2,961,835</u>	<u>3,331,699</u>	<u>2,747,780</u>	<u>118,430</u>	<u>105,206</u>	<u>360,283</u>
<u>13,872,407</u>	<u>13,872,407</u>	<u>13,732,248</u>	<u>-</u>	<u>-</u>	<u>140,159</u>
<u>1,054,223</u>	<u>1,054,223</u>	<u>1,054,221</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>128,664</u>	<u>128,664</u>	<u>128,664</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,812</u>	<u>4,812</u>	<u>4,812</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>117,446</u>	<u>117,446</u>	<u>117,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>847,842</u>	<u>847,842</u>	<u>847,842</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 19,012,229</u>	<u>\$ 19,382,093</u>	<u>\$ 18,658,013</u>	<u>\$ 118,430</u>	<u>\$ 105,206</u>	<u>\$ 500,444</u>

WATER ENTERPRISE FUND
 SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
 BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Continued <u>Appropriations</u>	FY 2004 <u>Original Budget</u>	FY 2004 <u>Budget Revisions</u>
Water Maintenance & Operation			
Personal Services	\$ -	\$ 1,216,222	\$ 333,600
Expenses	104,622	533,062	50,000
Capital Outlay	624,564	899,000	-
Fringe Benefits	-	182,393	11,925
Total	<u>729,186</u>	<u>2,830,677</u>	<u>395,525</u>
Debt Maturities & Interest	-	913,403	-
Retirement	-	366,923	75
Employee Benefits	-	54,320	(12,000)
MWRA/DEP Assessments & Charges	-	5,975,412	-
Transfer - Sewer Fund	-	464,767	-
Transfer - General Fund	-	379,625	28,250
Transfer - Workers Compensation Fund	-	127,000	-
Total Water Enterprise Fund	\$ <u>729,186</u>	\$ <u>11,112,127</u>	\$ <u>411,850</u>

<u>FY 2004 Budget As Amended</u>	<u>Total Revised FY 2004 Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,549,822	\$ 1,549,822	\$ 1,542,278	\$ -	\$ -	\$ 7,544
583,062	687,684	416,375	126,549	5,419	139,341
899,000	1,523,564	505,135	38,504	526,437	453,488
194,318	194,318	190,533	-	-	3,785
<u>3,226,202</u>	<u>3,955,388</u>	<u>2,654,321</u>	<u>165,053</u>	<u>531,856</u>	<u>604,158</u>
<u>913,403</u>	<u>913,403</u>	<u>913,367</u>	<u>-</u>	<u>-</u>	<u>36</u>
<u>366,998</u>	<u>366,998</u>	<u>354,688</u>	<u>-</u>	<u>-</u>	<u>12,310</u>
<u>42,320</u>	<u>42,320</u>	<u>41,373</u>	<u>-</u>	<u>-</u>	<u>947</u>
<u>5,975,412</u>	<u>5,975,412</u>	<u>5,944,204</u>	<u>-</u>	<u>-</u>	<u>31,208</u>
<u>464,767</u>	<u>464,767</u>	<u>464,767</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>407,875</u>	<u>407,875</u>	<u>407,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>127,000</u>	<u>127,000</u>	<u>127,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,523,977</u>	<u>\$ 12,253,163</u>	<u>\$ 10,907,595</u>	<u>\$ 165,053</u>	<u>\$ 531,856</u>	<u>\$ 648,659</u>



This page left intentionally blank.

STATISTICAL SECTION

GENERAL FUND EXPENDITURES BY FUNCTION

PAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30,</u>	<u>Education</u>	Public <u>Safety</u>	Public <u>Works</u>	General <u>Government</u>	Health & Human <u>Services</u>	Culture & <u>Recreation</u>
2004	\$ 125,566,649	\$ 30,500,370	\$ 18,406,548	\$ 14,305,408	\$ 3,028,235	\$ 9,213,194
2003	123,110,892	29,927,438	18,208,553	12,478,121	2,914,968	9,122,449
2002	113,358,643	27,919,780	16,575,742	11,924,078	2,637,027	8,206,506
2001	108,769,727	26,693,813	17,412,798	12,331,118	2,578,073	8,356,657
2000	96,027,484	23,925,437	15,935,232	10,562,626	2,291,133	7,711,295
1999	90,836,341	22,514,579	16,552,073	11,080,965	2,146,137	7,444,798
1998	83,613,676	20,923,160	16,136,420	9,729,665	2,026,379	7,239,129
1997	77,767,337	21,281,043	15,781,415	9,288,116	1,742,275	7,247,685
1996	71,443,398	20,453,699	17,005,554	9,308,730	1,789,187	6,964,966
1995	65,804,584	20,639,328	15,458,755	7,680,349	1,723,403	6,526,655
<u>Ten Year Change</u>						
\$ change	\$ 59,762,065	\$ 9,861,042	\$ 2,947,793	\$ 6,625,059	\$ 1,304,832	\$ 2,686,539
% change	90.82%	47.78%	19.07%	86.26%	75.71%	41.16%
<u>Five Year Change</u>						
\$ change	\$ 29,539,165	\$ 6,574,933	\$ 2,471,316	\$ 3,742,782	\$ 737,102	\$ 1,501,899
% change	30.76%	27.48%	15.51%	35.43%	32.17%	19.48%
<u>Three Year Change</u>						
\$ change	\$ 12,208,006	\$ 2,580,590	\$ 1,830,806	\$ 2,381,330	\$ 391,208	\$ 1,006,688
% change	10.77%	9.24%	11.05%	19.97%	14.84%	12.27%
<u>One Year Change</u>						
\$ change	\$ 2,455,757	\$ 572,932	\$ 197,995	\$ 1,827,287	\$ 113,267	\$ 90,745
% change	1.99%	1.91%	1.09%	14.64%	3.89%	0.99%

(1) Employee benefits allocated functionally beginning in fiscal year ended June 30, 2001. Health insurance and workers' compensation insurance self insurance funds classified as inter-fund transfers prior to fiscal year 1998 have been reclassified as Pension & Employee Benefits for comparative purposes. Reported expenditures include Massachusetts Teachers Retirement System on-behalf payments beginning in 2000

	Debt & <u>Interest</u>	Pension & <u>Employee Benefits (1)</u>	State/County <u>Charges</u>	<u>Totals</u>
\$	6,960,053	\$ 32,609,146	\$ 5,086,760	\$ 245,676,363
	6,808,022	30,397,727	5,081,422	238,049,592
	6,601,490	27,241,110	5,142,581	219,606,957
	5,955,645	27,287,117	5,174,256	214,559,204
	6,588,747	36,288,984	5,395,937	204,726,875
	5,659,239	22,259,735	5,281,663	183,775,530
	5,681,910	21,520,889	5,133,700	172,004,928
	4,987,776	21,427,765	4,956,379	164,479,791
	4,720,240	20,167,648	4,933,508	156,786,930
	4,296,916	20,842,057	4,853,274	147,825,321

\$	2,663,137	\$ 11,767,089	\$ 233,486	\$ 97,851,042
	61.98%	56.46%	4.81%	66.19%

\$	371,306	\$ (3,679,838)	\$ (309,177)	\$ 40,949,488
	5.64%	-10.14%	-5.73%	20.00%

\$	358,563	\$ 5,368,036	\$ (55,821)	\$ 26,069,406
	5.43%	19.71%	-1.09%	11.87%

\$	152,031	\$ 2,211,419	\$ 5,338	\$ 7,626,771
	2.23%	7.27%	0.11%	3.20%

GENERAL FUND REVENUES BY SOURCE

PAST TEN FISCAL YEARS

Fiscal Year Ended June 30.	Real Estate & Pers. Prop. Taxes	Auto Excise Taxes	Hotel/Motel Room Tax	Other Taxes & Penalties	Charges for Service	Licenses & Permits
2004	\$ 187,056,486	\$ 10,258,795	\$ 851,157	\$ 957,072	\$ 1,565,136	\$ 3,956,514
2003	179,025,142	10,645,450	1,151,838	1,405,051	1,860,918	4,307,738
2002	160,230,063	9,848,559	1,291,950	1,101,255	1,303,744	4,155,923
2001	155,560,537	9,389,954	1,430,627	1,127,443	1,215,965	3,478,180
2000	149,793,136	9,339,753	1,399,470	1,327,055	1,147,383	3,425,039
1999	142,833,964	9,019,248	1,359,213	1,098,767	1,099,717	3,208,308
1998	138,989,027	8,519,285	1,244,494	1,261,611	1,161,169	4,007,197
1997	134,807,018	7,144,342	1,135,090	1,335,273	1,265,368	2,301,111
1996	129,720,225	6,777,736	1,000,643	1,254,872	1,189,754	2,376,067
1995	125,005,890	7,174,630	949,871	1,145,202	1,314,561	1,980,361

Ten Year Change

\$ Change	\$ 62,050,596	\$ 3,084,165	\$ (98,714)	\$ (188,130)	\$ 250,575	\$ 1,976,153
% Change	49.64%	42.99%	-10.39%	-16.43%	19.06%	99.79%

Five Year Change

\$ Change	\$ 37,263,350	\$ 919,042	\$ (548,313)	\$ (369,983)	\$ 417,753	\$ 531,475
% Change	24.88%	9.84%	-39.18%	-27.88%	36.41%	15.52%

Three Year Change

\$ Change	\$ 26,826,423	\$ 410,236	\$ (440,793)	\$ (144,183)	\$ 261,392	\$ (199,409)
% Change	16.74%	4.17%	-34.12%	-13.09%	20.05%	-4.80%

One Year Change

\$ Change	\$ 8,031,344	\$ (386,655)	\$ (300,681)	\$ (447,979)	\$ (295,782)	\$ (351,224)
% Change	4.49%	-3.63%	-26.10%	-31.88%	-15.89%	-8.15%

(1) On behalf payments for teacher retirement and special education tuition included beginning in fiscal year ended June 30, 2000.

	On-behalf Pension contb.	On-behalf SPED tuitions	Total On-behalf
FY 2000	\$ 13,410,649	\$ -	\$ 13,410,649
FY 2001	14,483,630	1,195,057	15,678,687
FY 2002	13,488,258	1,261,868	14,750,126
FY 2003	15,147,772	853,884	16,001,656
FY 2004	17,524,093	-	17,524,093

<u>Fines & Forfeitures</u>	<u>Investment Income</u>	<u>Other Misc. Local Revenue</u>	<u>State & Federal Aid (1)</u>	<u>Totals</u>
\$ 1,900,512	\$ 879,801	\$ 691,141	\$ 36,685,402	\$ 244,802,016
1,706,197	1,050,543	1,137,164	37,736,088	240,026,129
1,578,307	1,758,632	755,379	37,098,719	219,122,531
1,561,976	2,510,035	380,587	38,214,345	214,869,649
1,595,826	2,147,062	642,456	32,020,251	202,837,431
1,489,623	2,496,364	728,481	15,662,839	178,996,524
1,343,897	2,729,948	779,412	13,931,100	173,967,140
1,419,060	2,988,484	399,996	12,190,280	164,986,022
1,410,841	2,628,910	997,934	11,138,787	158,495,769
1,672,978	2,271,441	466,393	10,094,337	152,075,664

\$ 227,534	\$ (1,391,640)	\$ 224,748	\$ 26,591,065	\$ 92,726,352
13.60%	-61.27%	48.19%	263.43%	60.97%

\$ 304,686	\$ (1,267,261)	\$ 48,685	\$ 4,665,151	\$ 41,964,585
19.09%	-59.02%	7.58%	14.57%	20.69%

\$ 322,205	\$ (878,831)	\$ (64,238)	\$ (413,317)	\$ 25,679,485
20.41%	-49.97%	-8.50%	-1.11%	11.72%

\$ 194,315	\$ (170,742)	\$ (446,023)	\$ (1,050,686)	\$ 4,775,887
11.39%	-16.25%	-39.22%	-2.78%	1.99%

SCHEDULE OF PROPERTY TAX LEVY AND TAX BASE TRENDS

PAST TEN FISCAL YEARS

PROPERTY TAX COLLECTIONS

Fiscal Year Ended June 30,	Statutory Levy Limit	Actual Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Total Tax Collections	Total Collections as % of Net Levy	Outstanding Taxes	Outstanding as a % of Net Tax Levy
2004	\$ 187,398,920	\$ 187,384,725	\$ 2,612,377	\$ 184,772,348	\$ 184,463,684	99.83%	\$ 2,609,067	1.41%
2003	180,174,491	180,170,220	2,518,172	177,652,048	177,072,455	99.67%	2,683,188	1.51%
2002	162,383,709	162,278,417	2,156,379	160,122,038	158,569,112	99.03%	2,726,742	1.70%
2001	156,144,302	156,140,738	2,191,114	153,949,624	152,952,314	99.35%	2,691,500	1.75%
2000	149,476,084	149,411,520	2,000,817	147,410,703	146,223,264	99.19%	2,337,703	1.59%
1999	144,111,561	144,105,992	2,011,777	142,094,215	142,212,683	100.08%	2,195,179	1.54%
1998	139,008,782	138,923,156	2,489,459	136,433,697	136,902,723	100.34%	1,655,437	1.21%
1997	134,161,649	134,082,167	2,406,769	131,675,398	131,936,218	100.20%	1,332,717	1.01%
1996	129,698,961	129,682,983	3,619,523	126,063,460	126,217,388	100.12%	1,239,745	0.98%
1995	125,342,219	125,293,531	3,255,166	122,038,365	122,012,350	99.98%	1,363,691	1.12%

TAXABLE VALUATIONS

Fiscal Year Ended June 30,	Residential Real Estate	Commercial/Industrial Real Estate	Total Real Estate	Personal Property	Total Taxable Valuation	Residential Tax Rate (1)	Commercial, & Personal Prop. Tax Rate (1)
2004	\$ 15,105,379,601	\$ 1,504,901,799	\$ 16,610,281,400	\$ 214,760,200	\$ 16,825,041,600	\$ 10.20	\$ 19.37
2003	13,350,364,729	1,478,001,571	14,828,366,300	188,708,900	15,017,075,200	10.92	20.63
2002	13,232,606,650	1,471,227,850	14,703,834,500	166,827,900	14,870,662,400	9.94	18.77
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	35,370,600	10,139,868,700	12.65	24.20
1998	7,922,932,998	1,000,745,102	8,923,678,100	135,827,100	9,059,505,200	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	27

(1) Tax rates per \$1,000 of taxable valuation.

PROPERTY TAX HIGHLIGHTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**PROPERTY TAX VALUATION &
LEVY BY CLASS**

	Taxable Valuation	% of Total Value	Tax Rate per \$1,000	Tax Levy	% of Total Taxes
Residential	15,105,379,601	89.8%	10.20	154,074,872	82.2%
Commercial	1,375,012,599	8.2%	19.37	26,633,994	14.2%
Industrial	<u>129,889,200</u>	<u>0.8%</u>	19.37	<u>2,515,954</u>	<u>1.3%</u>
Sub total - real estate tax	16,610,281,400	98.7%		183,224,820	97.8%
Personal Property	<u>214,760,200</u>	<u>1.3%</u>	19.37	<u>4,159,905</u>	<u>2.2%</u>
Total Taxable Real Estate & Personal Property	<u><u>16,825,041,600</u></u>	<u><u>100.0%</u></u>		<u><u>187,384,725</u></u>	<u><u>100.0%</u></u>

TOP 10 PROPERTY TAXPAYERS

	Nature of Business	Assessed Valuation	Total Taxes	% of Total Tax Levy
Riverside Project LLC	Office Building	\$ 93,004,853	\$ 1,801,504	0.96%
Mayflower Atrium LLC	Atrium Mall	65,650,026	1,271,641	0.68%
Nstar Electric	Electric Company	48,846,618	946,159	0.50%
Chesapeake Hotel LMT Partnership	Marriott Hotel	45,450,026	880,367	0.47%
Cohen, Julian & Rothenberg D, Trustees	Chestnut Hill Mall	42,128,394	816,027	0.44%
Schroder Newton Lmt Partnership	Office Building	35,742,488	692,332	0.37%
White, Thomas J., Trustees	Office Building & Hotel	34,917,811	676,358	0.36%
Verizon New England Inc.	Communications	33,389,881	646,762	0.35%
Wells Avenue Senior Holding LLC	Office Building	30,829,530	597,168	0.32%
Rothenberg, Daniel	Chestnut Hill Mall	22,420,909	434,293	0.23%
Two Newton Place Acquisitions LLC	Office Building	21,108,983	408,881	0.22%
Total - Top Real Estate Taxpayers		<u>\$ 473,489,519</u>	<u>\$ 9,171,492</u>	<u>4.89%</u>

SCHEDULE OF DEBT RATIOS AND TRENDS

PAST TEN FISCAL YEARS

DEBT RATIOS

Fiscal Year Ended June 30,	General Obligation Bonds	Estimated Population	Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation	Authorized & Unissued Debt	Total Maturing Debt
2004	\$ 55,333,288	69,980	\$ 16,825,041,600	791	0.33%	\$ 98,669,375	\$ 6,180,624
2003	53,927,893	79,515	15,017,075,200	678	0.36%	104,135,394	6,602,446
2002	51,499,596	77,517	14,870,662,400	664	0.35%	106,922,098	6,417,338
2001	50,045,970	77,350	12,249,317,200	647	0.41%	109,443,678	5,665,880
2000	39,138,147	79,642	11,200,017,800	491	0.35%	36,746,854	5,988,465
1999	40,463,313	80,831	10,139,868,700	501	0.40%	29,021,253	5,155,083
1998	32,287,091	81,179	9,059,505,200	398	0.36%	17,257,558	4,895,936
1997	29,863,304	84,045	8,644,781,128	355	0.35%	13,639,940	4,535,825
1996	24,948,574	82,450	8,300,078,900	303	0.30%	18,064,775	4,305,825
1995	23,334,399	81,968	7,802,934,800	285	0.30%	9,431,293	3,869,726

FUNCTIONAL DEBT

Fiscal Year Ended June 30,	Education	Public Works	Sanitary Sewer System	Water System	Public Buildings	State Pension Loan	Land Acquisition
2004	\$ 23,208,750	\$ 2,084,800	\$ 13,365,173	\$ 9,034,565	\$ 40,000	\$ 2,600,000	\$ 5,000,000
2003	27,228,750	2,270,900	14,366,792	7,346,451	115,000	2,600,000	-
2002	25,842,925	2,458,800	14,483,316	5,622,730	491,825	2,600,000	-
2001	25,117,100	2,772,600	15,037,214	3,640,406	878,650	2,600,000	-
2000	24,393,275	3,266,200	6,098,715	1,489,482	1,290,475	2,600,000	-
1999	28,006,142	3,787,600	2,013,449	1,930,514	2,125,608	2,600,000	-
1998	18,027,459	4,292,753	2,047,218	2,001,370	3,318,291	2,600,000	-
1997	16,935,676	2,102,000	2,707,804	1,066,850	4,450,974	2,600,000	-
1996	13,190,243	2,856,000	2,071,374	1,247,300	5,583,657	-	-
1995	10,150,167	3,691,000	2,254,499	540,000	6,698,733	-	-



Total Interest on <u>Debt</u>	Total Debt <u>Service</u>
\$ 3,849,152	\$ 10,029,776
2,954,758	9,557,204
2,634,338	9,051,676
2,032,725	7,698,605
1,889,552	7,878,017
1,672,965	6,828,048
1,266,240	6,162,176
1,216,175	5,752,000
1,168,337	5,474,162
1,137,296	5,007,022

Total Long Term <u>Debt</u>
\$ 55,333,288
53,927,893
51,499,596
50,045,970
39,138,147
40,463,313
32,287,091
29,863,304
24,948,574
23,334,399

SCHEDULE OF DEMOGRAPHIC AND BUILDING PERMIT ACTIVITY

PAST TEN FISCAL YEARS

DEMOGRAPHIC TRENDS

<u>Year</u>	<u>City Census</u> <u>Population (1)</u>	<u>Median</u> <u>Age (4)</u>	<u>Median</u> <u>Family</u> <u>Income (4)</u>	<u>Per</u> <u>Capita</u> <u>Income (4)</u>	<u>Unemployment</u> <u>Rate (3)</u>	<u>Public</u> <u>School</u> <u>Enrollment (2)</u>
2004	79,980	n/a	n/a	n/a	n/a	11,267
2003	79,515	n/a	n/a	n/a	3.4%	11,276
2002	77,517	n/a	n/a	n/a	3.5%	11,250
2001	77,350	n/a	n/a	n/a	2.4%	11,246
2000	79,642	38.7	\$105,289	\$45,708	1.3%	11,248
1999	80,831	n/a	n/a	n/a	1.7%	11,166
1998	81,179	n/a	n/a	n/a	1.7%	10,944
1997	84,045	n/a	n/a	n/a	2.3%	10,850
1996	82,450	n/a	n/a	n/a	2.2%	10,680
1995	81,968	n/a	n/a	n/a	3.2%	10,571

- (1) Calendar year population estimate based upon City census.
 (2) School enrollement @ October 1 of each school year.
 (3) Annual unemployment rate for 1994-2003 per Massachusetts Division of Employment & Training
 (4) U.S. Census Bureau estimates.

BUILDING PERMITS (A)

<u>Calander</u> <u>Year</u>	<u>Residential - New Construction</u>		<u>Non-Residential - New Construction</u>		<u>Additions & Alterations</u>		<u>Total Permits</u>	<u>Total Value</u> <u>All Permits</u>
	<u># of Permits</u>	<u>Value</u>	<u># of Permits</u>	<u>Value</u>	<u># Permits</u>	<u>Value</u>		
2003	64	\$ 25,787,754	2	\$ 3,653,190	2056	\$ 216,546,548	2122	\$ 245,987,492
2002	61	61,260,133	5	45,355,000	1950	96,149,522	2016	202,764,655
2001	48	17,540,161	1	2,500,000	1795	168,697,179	1844	188,737,340
2000	42	13,020,660	3	5,140,000	1932	128,943,503	1977	147,104,163
1999	74	19,745,163	5	4,078,700	1993	117,498,358	2072	141,322,221
1998	58	11,107,695	8	30,067,000	1631	161,528,874	1697	202,703,569
1997	73	15,864,856	8	2,121,080	1522	75,232,482	1603	93,218,418
1996	44	9,569,134	0	-	1323	55,215,469	1367	64,784,603
1995	26	11,800,869	1	251,000	1485	90,420,042	1512	102,471,911
1994	47	13,826,223	4	2,254,520	1474	55,376,278	1525	71,457,021

(A) Data is accumulated on a calender year basis.

MISCELLANEOUS STATISTICS

Year of Incorporation 1873

Form of Government Mayor & 24 Member Board of Aldermen

Land Area 18.33 square miles

Public Education

(8) Member Elected School Committee
Appointed Superintendent

	<u>Schools</u>	<u>Students {1}</u>
Elementary (K-5)	15	4,938
Middle Schools (6 - 8)	4	2,673
High Schools (9-12)	<u>2</u>	<u>3,656</u>
Total	21	11,267

Public Safety

Appointed Police and Fire Chiefs	2
Uniformed Police Officers	159
Uniformed Firefighters	184
Fire Stations	6

Public Works

Miles of Streets	310
Parking Meters	1,681
Street Lights	8,595
Miles of Storm Drains	324

Parks & Recreation

Outdoor Swimming Facilities	2
Indoor Swimming Facilities	1
Acres - Parks and Playgrounds	590.2

{1} October, 2003 enrollment.

