

# City of Newton, Massachusetts

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007



*Prepared by the Comptroller's Office*

**CITY OF NEWTON, MASSACHUSETTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# *INTRODUCTORY SECTION*



## CITY OF NEWTON, MASSACHUSETTS

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FAX (617) 796-1196  
dwilkinson@newtonma.gov

DAVID C. WILKINSON  
COMPTROLLER

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October 25, 2007

Members of the Board of Aldermen  
Mayor David B. Cohen  
Citizens and 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, 2007. 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 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 have been hired by and report to the City's Board of Aldermen. The independent auditors' unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2007 is presented as the first component of the financial section of this report on pages 1 and 2.

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 Reports 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 West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and Town of Weston on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has a population of 83,829 according to the 2000 federal census and occupies a land area of 18.33 square miles. The City 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.

Newton has a diversified economic base with approximately 45,500 individuals employed in 3,700 establishments within the boundaries of the City, with an estimated annual payroll of \$2.2 billion. Businesses are generally small and service oriented with retail and wholesale trade and services accounting for 74% of all jobs.

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. The activities of the Newton Contributory Retirement System are included in this report as a blended component unit as prescribed by GAAP. The activities of the Newton Community Development Authority; Newton Commonwealth Foundation; the Newton Schools Foundation, Inc.; and Newton Community Farm Inc. are discretely presented component units. The Newton Housing Authority is excluded from this report because it falls outside the direction and control of the Mayor and Board of Aldermen

## **Financial Management**

The Mayor is responsible for the preparation of the City's capital improvement plan, and annually recommended capital and operating budgets. The Board of Aldermen is responsible for review and approval of all appropriations that are recommended by the Mayor. An eight member Finance Committee of the Board of Aldermen oversee financial policy and a majority of the membership of the Finance Committee also serves on the Audit Subcommittee.

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. Un-audited budgetary basis year-end financial reports are issued within 60 days of the close of the fiscal year, and audited financial statements are issued prior to the end of the calendar year.

## **Economic Condition and Outlook**

While Newton is not immune to regional and national economic development trends, the City is characterized as a self-sustaining and stable local economy. Historically, Newton has housed a myriad of economic activities ranging from manufacturing to high-tech industries that have served not only local residents, but also the Greater Boston area, and in some cases national and international markets. 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.

## **Long-term Financial Planning**

During the fiscal year ending June 30, 2006 the City resumed the process of preparing a General Fund multi-year operating and capital budget forecast. A complete copy of the forecast is posted on the City's web site.

In order to validate the major assumptions included in the forecast, and to help develop a range of policy alternatives for improving the financial standing of the City, the Mayor and President of the Board of Aldermen appointed a Blue Ribbon Finance Commission, consisting of Newton residents with financial management expertise. The report of the Blue Ribbon Finance Commission was presented to the Mayor and Board of Aldermen on February 1, 2007 and can be found on the City's web site. The Fiscal Year 2009 – 2013 forecast is expected to be finalized and presented within the next several weeks and will again be posted on the City's web site.



At the request of the Mayor's Office and the Chairman of the City's Finance Committee, the Comptroller prepared a series of recommended financial management policies to the Mayor and Board of Aldermen during the spring of 2007. The objective of the financial policies is to both improve the financial management of the City and provide and enhanced level of transparency to the financial activities of the City. Once adopted, these top level financial policies are expected to serve as the starting point for a more thorough review and documentation of operating policies and procedures in the various financial departments of the City.

### **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 operating and capital budgets are presented on pages 90 - 113 of this report.

On September 5, 2007 the Massachusetts Department of Revenue certified the City's June 30, 2007 free cash (General Fund fund balance available for appropriation) at \$8,483,609. The City's previous year free cash certification was \$7,690,495. Conservative revenue budgeting for inspectional services department permit revenue and investment income, along with a mild winter that required minimal supplemental snow and ice supplemental appropriations contributed to the growth in free cash.

### **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, with the assistance of an investment consultant, in order to achieve the Board's asset allocation policy. An independent custodian bank holds all of the System's investments. The City's Retirement Board voted at its May 2007 meeting to transfer investment management responsibility for the system's investment portfolio to the Commonwealth of Massachusetts Pension Reserve Investment Trust effective July 1, 2007.

## **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.

The City purchases property insurance from a commercial insurance company but funds annual premiums from earnings on the building self insurance fund assets. All other risk exposures are self insured by the City.

Employee and retiree health insurance costs escalation moderated during the fiscal year ended June 30, 2007. Total health insurance operating expenses declined by \$714,976 (1.9%) to \$37.5 million, with the help of a \$1.4 million reduction in our estimate of incurred but unreported claims and a modest 4.2% increase in overall paid claims for the year. Overall the net assets of the health self insurance fund grew to \$8.1 million – slightly more than our target two months of average claims experience.

In order to prepare for the implementation of Governmental Accounting Standards Board (GASB) Statement 45, the City has continued its policy of contracting for an annual actuarial valuation of post retirement health benefits promises to our employees and retirees. As reported on pages 41 and 42 of this report, the City has accumulated a \$392.7 million actuarial liability for post retirement benefits and no funds have yet been accumulated to fund this obligation. The difference between our current annual pay-as-you go annual funding of these benefits and the "Annual Required Contribution (ARC)" funding that our actuaries have calculated as being necessary to fund these future obligations is \$18.8 million per year.

During the fiscal year ended June 30, 2004 the City achieved full actuarial funding of our outstanding workers compensation liabilities. Positive claims experience combined with strong investment performance allowed the net assets of the Workers Compensation Fund to grow by \$1.1 million to \$1,250,055 at June 30, 2007.

## **Collective Bargaining Agreements**

All collective bargaining agreements with city and school employees expired on either June 30 or August 31, 2007. During the fiscal year ended June 30, 2007 new three year contracts were implemented with members of the Newton Teachers Association and AFSCME Local 3092 for approximately 8.3% over the life of the contracts. All other contracts were open at June 30, 2007 and the firefighter contract remains unresolved retroactive to July 1, 2003. A liability has been estimated consistent with the terms of other collective bargaining contracts that were in place at June 30, 2007 for these contracts. A wage reserve has been included in the fiscal year 2008 General Fund budget to fund the outstanding contract.

## **Audit Committee**

In order to strengthen the City's internal controls and financial reporting, the President of the Board of Aldermen established a permanent audit committee of the Board of Aldermen, consisting of a representatives of the Board's Finance Committee. Alderman Scott Lennon serves as the first audit committee chair, along with Aldermen Paul Coletti, finance committee chairman; and Aldermen Ken Parker; Stephen Linsky; and Len Gentile. The audit committee has begun to play an important role in audit planning and ongoing monitoring of the City's efforts to improve financial controls and reporting.

## Awards and Acknowledgments

During the fiscal year ended June 30, 2007, the City has maintained a Aaa credit rating with Moody's Investor Service.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2006. This is the third year that the City has made application and received this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must also satisfy all applicable legal requirements and generally accepted accounting principals.

A Certificate of Achievement is valid for a period of one year only. We believe that the report for the fiscal year ended June 30, 2007 continues to meet the requirements of the award program and it is our intent to make application for the award program once again in order to determine that we continue to meet the highest standards of financial reporting.

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: Ann-Marie Daley; Eileen Frail; Helen Ho; 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 and over the course of the year.

Respectfully,

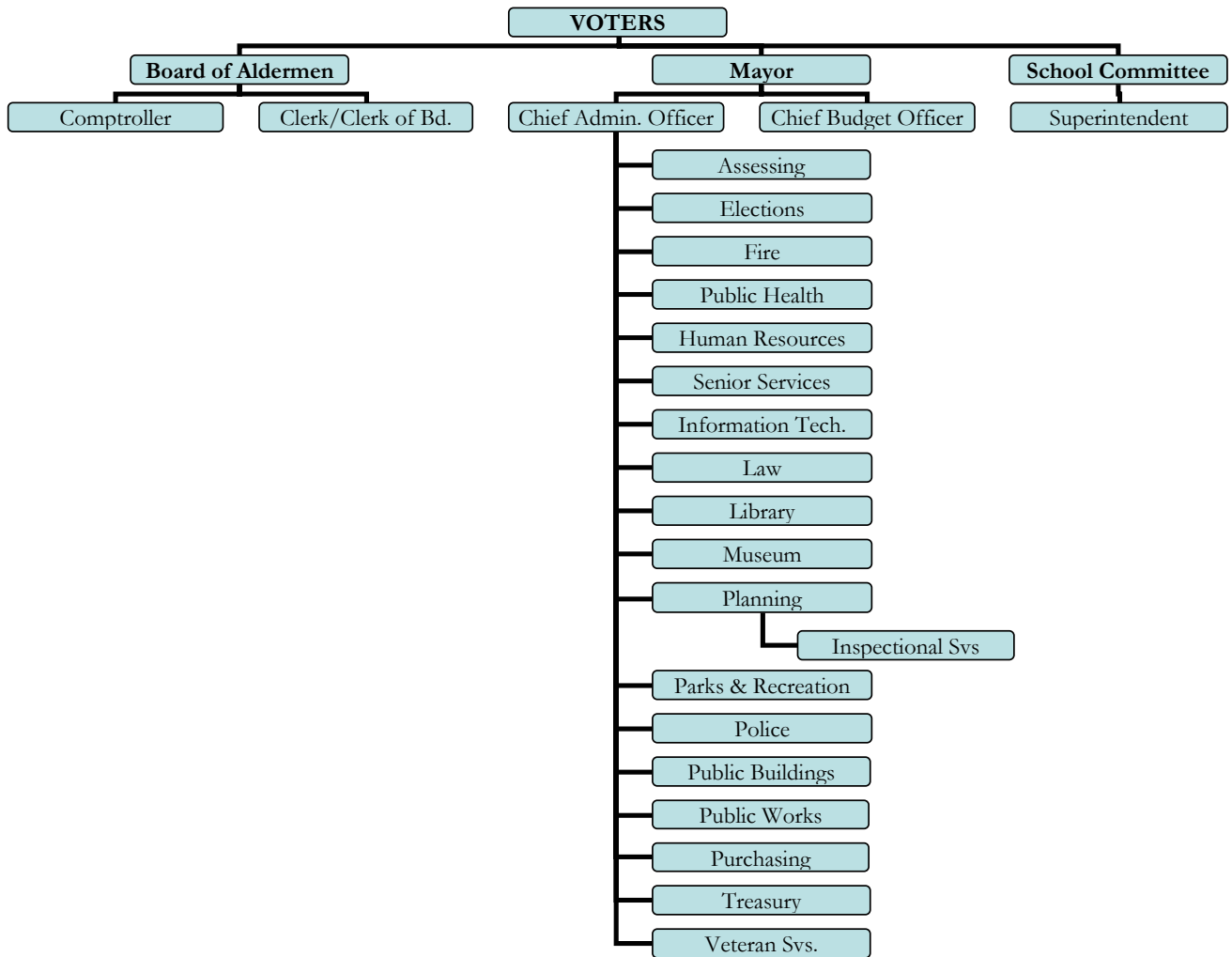
A handwritten signature in black ink, appearing to read 'D. Wilkinson', with a long horizontal stroke extending to the right.

David C. Wilkinson  
Comptroller

CITY OF NEWTON, MASSACHUSETTS

ORGANIZATIONAL CHART

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## CITY OF NEWTON, MASSACHUSETTS

### ELECTED OFFICIALS AND DEPARTMENT HEADS

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#### **BOARD OF ALDERMEN**

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

#### **SCHOOL COMMITTEE**

Dori Zaleznik, Chairman  
Mark Laredo, Vice Chairman  
Reenie Murphy  
Jonathan Yeo  
Susan Heyman  
Claire Sokoloff  
Gail Glick  
Ann Larner  
Jeffrey Young, Superintendent of Schools  
Sandra Guryan, Assistant Supt. Budget & Finance

#### **EXECUTIVE**

Mayor David B. Cohen  
Sanford Pooler, Chief Administrative Officer  
Susan Burstein, 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: David Olson, City Clerk/Clerk of the Board  
Civil Defense: Jay Moskow, Director  
Elections: Craig Manseau, Executive Secretary Election Commission  
Fire: Joseph LaCroix, Fire Chief  
Health & Human Services: David Naparstek, Commissioner  
Human Resources: Dolores Hamilton, Director  
Information Technology: Ann Cornaro, Director  
Inspectional Services: John Lojek Commissioner  
Newton History Museum: Cynthia Stone, Director  
Law: Daniel Funk, City Solicitor  
Library: Kathy Glick Weil, Librarian  
Parks & Recreation: Fran Towle, Commissioner  
Planning & Development: Michael Kruse, Director  
Police: John J. O'Brien, Police Chief  
Public Buildings: A. Nicholas Parnell, Commissioner  
Public Works: Robert Rooney, Commissioner  
Purchasing: Rere Cappoli, Purchasing Agent  
Senior Services: Jayne Colino, Director  
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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newton  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# *FINANCIAL SECTION*



Certified Public Accountants

## SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

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### 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 aggregate discretely presented component units, 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, 2007 (except for the Newton Contributory Retirement System, the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc., which are as of and for the fiscal year ended December 31, 2006, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2006), 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Newton Commonwealth Foundation, Inc., the Newton Community Farm, Inc., and the Newton Schools Foundation, Inc., which represent 32.2%, 1.1% and 17.0% and 25.1%, 10.3% and 38.1% of the assets and revenues, respectively, of the discretely presented component units. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Commonwealth Foundation, Inc., the Newton Community Farm, Inc., and the Newton Schools Foundation, Inc. are based on the report of the other auditors.

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. The financial statements of the Newton Commonwealth Foundation, Inc., the Newton Community Farm, Inc., and the Newton Schools Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 and the reports of the other auditors provide 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of June 30, 2007 (except for the Newton Contributory Retirement System, the Newton Commonwealth Foundation, Inc. and the Newton Community Farm Inc., which are as of and for the fiscal year ended December 31, 2006, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2006), 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.

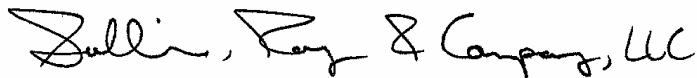


As more fully described in Note 16, the City has reclassified two of its component units from a blended presentation to a discrete presentation. The City has also accounted for an additional discretely presented component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2007, on our consideration of the City of Newton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 3 through 17) is not a required part of the basic financial statements but is 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.

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.



October 25, 2007

# **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, 2007.

### **Financial Highlights:**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$305.5 million (*net assets*). Of this amount, \$81.0 million is considered unrestricted (*unrestricted net assets*). The unrestricted net assets of the City's governmental activities are \$67.7 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 \$13.3 million and may be used to meet the ongoing obligations of the city's water and sewer business-type activities.
- The City's total net assets increased by \$34.5 million or 12.7% in fiscal year 2007. Net assets of governmental activities increased by \$31.8 million, a 14.6% increase from fiscal year 2006. Net assets of business-type activities increased by \$2.7 million or 5.1% from fiscal year 2006.
- Unrestricted governmental net assets increased by \$18.7 million (38.2%) to \$67.7 million at June 30, 2007.
- The total cost of all City services for fiscal year 2007 was \$331.0 million, \$299.5 million (90.5%) of which was for governmental services, and \$31.5 million (9.5%) of which was for business-type activities.
- A total of \$88.1 million or 26.7% of governmental services were financed from program revenue, leaving 73.3% 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.
- At June 30, 2007, the City's governmental funds reported a combined fund balance of \$55.2 million. The combined governmental funds fund balance increased by \$18.5 million (50.2%) from the prior year's ending fund balance.
- The City's general fund reported a fund balance of \$23.6 million at the end of fiscal year 2007, a \$3.3 million (16.3%) increase over the total fund balance at June 30 of the prior fiscal year. The undesignated portion of the fund balance for the general fund was \$16.3 million or 5.7% of total general fund revenues and other financing sources. A total of \$3.4 million of the unreserved fund balance was designated for funding the fiscal year 2008 budget, double the amount from the prior year.
- The City's total debt (bonds and notes) decreased by \$6 million or 7.4% to \$76.9 million during the year, principally as a result of pay down of Newton South High School renovation bond anticipation notes with the proceeds of a state school construction grant.

### **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 18 and 19) 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 20 and 21) 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 programs of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and programs 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 two enterprise activities: the water system and the sanitary sewer system.

**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 and programs 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 improvements 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 68 – 78 of this report. The governmental funds financial statements can be found on pages 22 – 27 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 and sanitary sewer 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 and sanitary sewer activities, 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 79 – 82 of this report. The basic proprietary fund financial statements can be found on pages 28 – 30 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 83 – 87 of this report. The fiduciary funds financial statements can be found on pages 31 and 32 of this report.

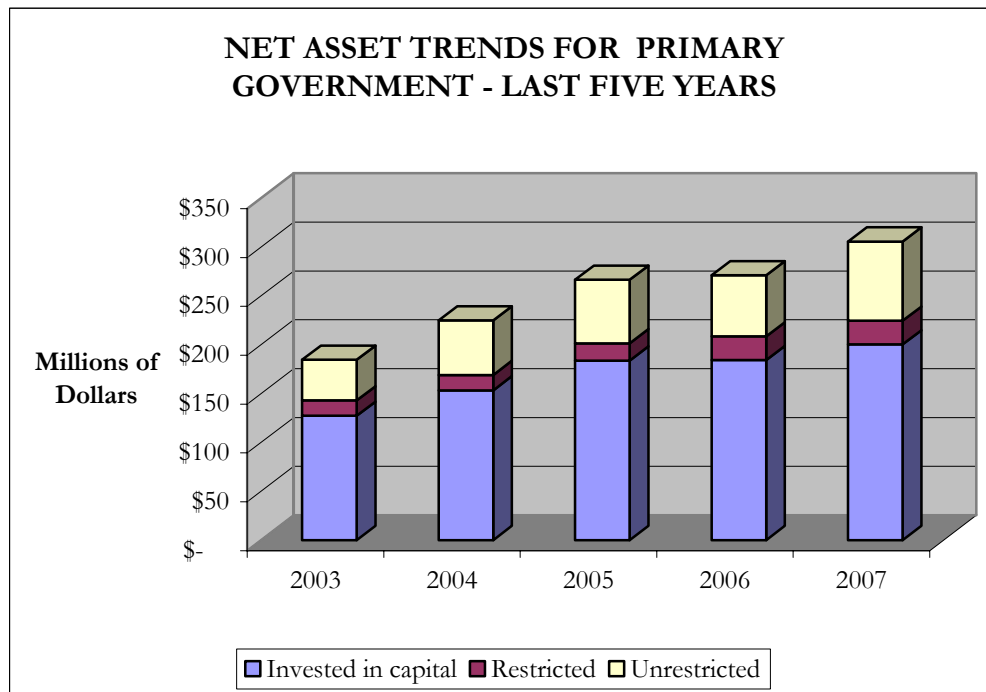
**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 – 67 of this report.

**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 64 of this report.

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

**Government-wide Financial Analysis:**

**Net Assets:** The City’s total assets exceeded total liabilities by \$305.5 million at June 30, 2007. This represents a \$34.5 million or 12.7% increase over the total net assets at June 30, 2006. Trend information for total net assets and its major components over the past five year period is presented below.



The following table presents current and prior year data regarding the City's net assets:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2007	2006*	2007	2006*	2007	2006*
<b>Assets</b>						
Current assets.....	\$ 127,818,829	\$ 92,993,498	\$ 25,338,215	\$ 15,793,863	\$ 153,157,044	\$ 108,787,361
Noncurrent assets (excluding capital assets).....	19,066,469	32,507,561	2,998,568	11,515,075	22,065,037	44,022,636
Capital assets (net).....	<u>204,923,915</u>	<u>196,323,765</u>	<u>54,517,715</u>	<u>51,222,730</u>	<u>259,441,630</u>	<u>247,546,495</u>
Total assets.....	<u>351,809,213</u>	<u>321,824,824</u>	<u>82,854,498</u>	<u>78,531,668</u>	<u>434,663,711</u>	<u>400,356,492</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	39,437,744	32,683,972	1,276,095	1,261,956	40,713,839	33,945,928
Noncurrent liabilities (excluding debt).....	11,331,289	12,261,023	292,555	257,808	11,623,844	12,518,831
Current debt.....	8,446,900	20,532,050	2,918,538	2,486,579	11,365,438	23,018,629
Noncurrent debt.....	<u>43,535,900</u>	<u>39,082,800</u>	<u>21,951,526</u>	<u>20,848,545</u>	<u>65,487,426</u>	<u>59,931,345</u>
Total liabilities.....	<u>102,751,833</u>	<u>104,559,845</u>	<u>26,438,714</u>	<u>24,854,888</u>	<u>129,190,547</u>	<u>129,414,733</u>
<b>Net Assets</b>						
Invested in capital assets (net of related debt).....	167,543,474	153,034,916	32,701,330	31,085,365	200,244,804	184,120,281
Restricted.....	13,842,544	15,267,985	10,418,683	9,007,804	24,261,227	24,275,789
Unrestricted.....	<u>67,671,362</u>	<u>48,962,078</u>	<u>13,295,771</u>	<u>13,583,611</u>	<u>80,967,133</u>	<u>62,545,689</u>
Total net assets.....	<u>\$ 249,057,380</u>	<u>\$ 217,264,979</u>	<u>\$ 56,415,784</u>	<u>\$ 53,676,780</u>	<u>\$ 305,473,164</u>	<u>\$ 270,941,759</u>

\* Reflects change in presentation of component units. See Note 16.

The largest portion of the City's total net assets, \$200.2 million or 65.5%, represents the investment in capital assets (e.g., land and improvements, buildings and improvements, machinery and equipment, road network, water system, sewer system 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 the 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, \$24.3 million or 7.9% of total net assets, 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 the face of the Statement of Net Assets, which can be found on page 19 of this report.

The remaining balance of unrestricted net assets, \$81.0 million or 26.6% of total net assets, may be used to meet the City's on-going obligations to citizens and creditors. A total of \$13.3 million or 16.4% of this sum may only be used, however, for the support of the City's water and sewer business-type activities.

Total unrestricted net assets available for the support of governmental activities amounted to \$67.7 million at June 30, 2007, an increase of \$18.7 million or 38.2% from the June 30, 2006 balance. This increase is the result of an improvement in the financial position of the group health and workers compensation internal service funds; increased capital construction grant reimbursements for public schools; street and sidewalks; accrued interest on outstanding property tax title liens, deferred taxes, and in-lieu of tax agreements; the phase out of the enhanced longevity program for employees of the Newton public school department; and continued favorable revenue experience in inspectional services department permits and investment income earnings.

## Changes in net assets:

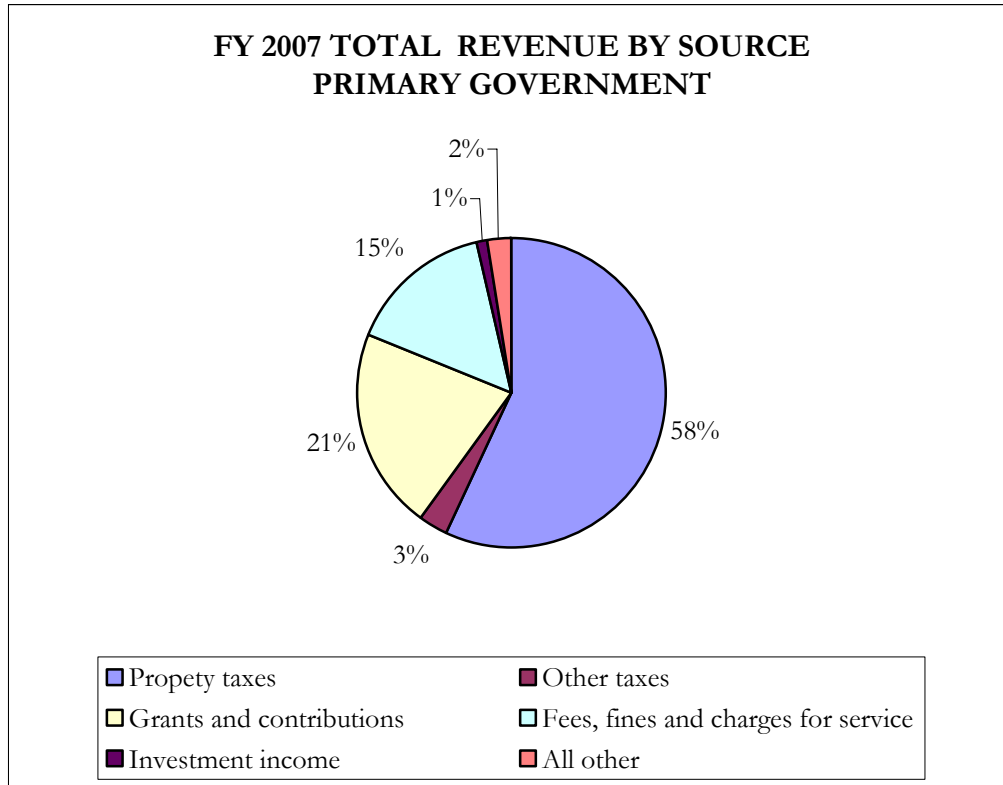
The following table presents current and prior year data regarding the City's changes in net assets:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2007	2006*	2007	2006*	2007	2006*
<b>Revenues</b>						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 22,854,391	\$ 21,298,907	\$ 33,084,089	\$ 32,981,905	\$ 55,938,480	\$ 54,280,812
Operating grants and contributions.....	54,150,398	50,529,662	835,397	838,241	54,985,795	51,367,903
Capital grants and contributions.....	11,118,572	642,315	1,544,708	329,005	12,663,280	971,320
<i>General Revenues:</i>						
Real estate and personal property taxes.....	209,105,186	200,966,839	-	-	209,105,186	200,966,839
Motor vehicle and other excise taxes.....	10,396,428	10,803,654	-	-	10,396,428	10,803,654
Hotel room occupancy taxes.....	1,138,921	1,060,052	-	-	1,138,921	1,060,052
Penalties and interest on taxes.....	1,049,712	830,030	-	-	1,049,712	830,030
Payments in lieu of taxes.....	2,851,122	553,920	-	-	2,851,122	553,920
Community preservation surcharges.....	2,032,942	1,963,982	-	-	2,032,942	1,963,982
Grants and contributions not restricted to specific programs.....	9,289,181	8,353,727	-	-	9,289,181	8,353,727
Unrestricted investment income.....	4,757,698	3,290,981	-	-	4,757,698	3,290,981
Gain on disposal of capital assets.....	-	10,702	-	-	-	10,702
Other.....	1,302,478	1,133,664	-	-	1,302,478	1,133,664
<b>Total revenues.....</b>	<b>330,047,029</b>	<b>301,438,435</b>	<b>35,464,194</b>	<b>34,149,151</b>	<b>365,511,223</b>	<b>335,587,586</b>
<b>Expenses</b>						
General government.....	20,617,999	24,609,259	-	-	20,617,999	24,609,259
Public safety.....	44,207,931	43,062,252	-	-	44,207,931	43,062,252
Education.....	188,026,627	181,638,581	-	-	188,026,627	181,638,581
Public works.....	21,643,562	21,666,417	-	-	21,643,562	21,666,417
Health and human services.....	9,273,626	8,979,409	-	-	9,273,626	8,979,409
Culture and recreation.....	13,471,254	13,802,334	-	-	13,471,254	13,802,334
Debt service - interest.....	2,237,287	2,350,756	-	-	2,237,287	2,350,756
Water.....	-	-	11,467,754	10,939,117	11,467,754	10,939,117
Sewer.....	-	-	20,033,778	18,404,780	20,033,778	18,404,780
<b>Total expenses.....</b>	<b>299,478,286</b>	<b>296,109,008</b>	<b>31,501,532</b>	<b>29,343,897</b>	<b>330,979,818</b>	<b>325,452,905</b>
Change in net assets before transfers.....	30,568,743	5,329,427	3,962,662	4,805,254	34,531,405	10,134,681
Transfers, net.....	1,223,658	1,278,128	(1,223,658)	(1,278,128)	-	-
Change in net assets.....	31,792,401	6,607,555	2,739,004	3,527,126	34,531,405	10,134,681
Net assets - beginning of year, as restated.....	217,264,979	210,657,424	53,676,780	50,149,654	270,941,759	260,807,078
Net assets - end of year.....	\$ 249,057,380	\$ 217,264,979	\$ 56,415,784	\$ 53,676,780	\$ 305,473,164	\$ 270,941,759

\* Reflects change in presentation of component units. See Note 16.

The City's total revenues for the year ended June 30, 2007 increased by \$30.0 million (8.9%) from the prior year. State and federal grant assistance accounted for \$15.0 million or 50% of total revenue growth, \$10.5 million of which was for capital construction and maintenance purposes and \$4.5 million of which was for operating purposes. Property taxes accounted for the next largest component of revenue growth at \$8.1 million or 27.0% of total revenue growth. This total includes \$1.7 million in accrued interest on outstanding tax title and tax deferral agreements. In lieu of tax revenue growth amounted to \$2.2 million or 7.3% of total revenue growth and is entirely the result of the recognition of accrued interest receivable on in lieu of tax payments that have been deferred by one of the City's 121A urban renewal properties under a long standing agreement with the City.

The following chart illustrates the distribution of total current year revenues for the primary government, by major source.

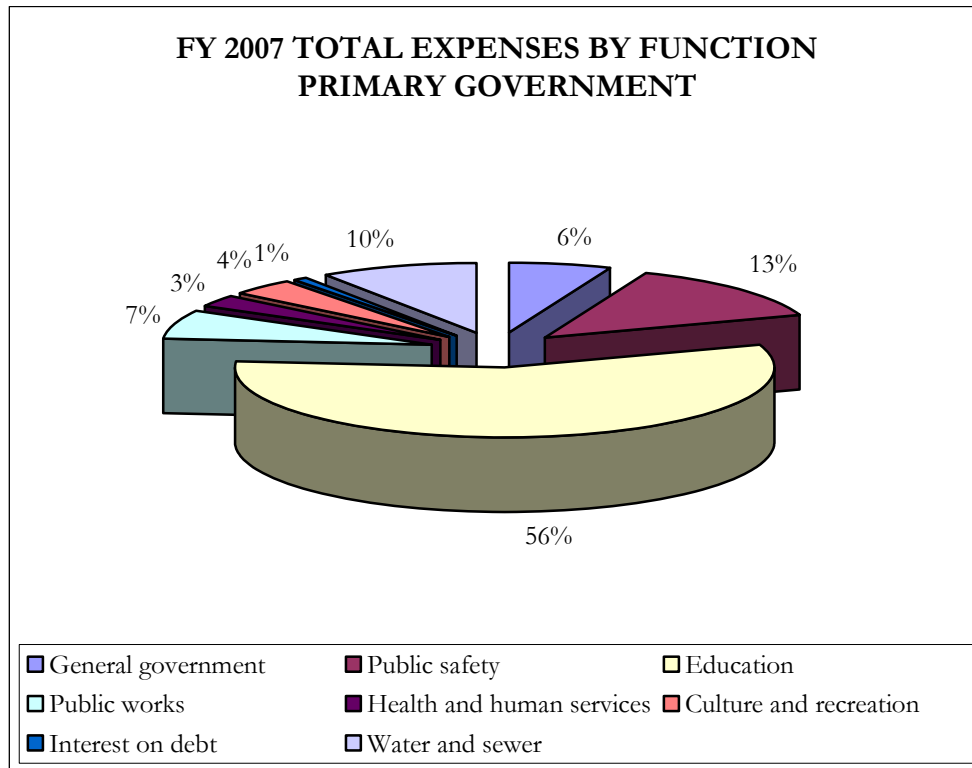


Total expenses increased by \$5.5 million or 1.7% during the year. Education spending represented 56.8% of total expenses, a slight increase from the previous year, when education spending amounted to 55.7% of total expenses. Education; public safety; health and human services; and water and sewer programs all reported increased spending during fiscal year 2007 based upon policy decisions of the City’s Mayor and Board of Aldermen.

Spending declines occurred in general government; public works; culture and recreation; and interest on debt. General government expenses constitute the largest single decline - \$4.0 million (16.2%) less than the previous fiscal year. Although all general government programs, except for elections, reported expense declines between 2006 and 2007, the planning and development program accounts for 74% of the total reduction. This is the result of a reduced level of open space and community housing spending in the Community Preservation Fund during fiscal year 2007.



The following chart illustrates the distribution of expenses by major function for the primary government for the year ended June 30, 2007.



**Governmental activities** – Governmental activities increased the City’s net assets by \$31.8 million or 14.6% during fiscal 2007, for the reasons cited above. A summary of revenues and major functional expenses is included in the tables presented above. In order to assist the reader in understanding more completely the full cost of the major services provided by the City within each of the broad functional classifications identified above, the Statement of Activities, presented on pages 20 and 21 of this report, provides a detailed accounting of all major service expenses and related revenues.

As has been the case in the past, all governmental activity services, except for inspectional services, relied on subsidies from general revenues to one degree or another during fiscal year 2007. Inspectional service department program revenues exceeded total program expenses by \$3.4 million for the year as a result of strong permit revenue performance. For the year ended June 30, 2006 inspectional service department program revenues exceeded program expenses by \$4.5 million.

**Business-type activities** – Business-type activities increased the City’s net assets by \$2.7 million or 5.1% during fiscal year 2007. This is primarily the result of the recognition of \$2.4 million in state grant assistance for water and sewer infrastructure improvements and interest and principal subsidies on loans for these same purposes during fiscal year 2007. In spite of a 12% increase in sewer use rates, and a 2.4% increase in water use rates, water and sewer utility charges for service revenue actually declined by \$102,184 for the year, principally as a result of declining water consumption.

**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, 2007, the City’s governmental funds reported a combined fund balance totaling \$55.2 million, an \$18.5 million increase over the prior year reported financial position. Contributing to the improvement in total governmental funds fund balance is an \$11.9 million improvement in the financial position of the high school improvements fund. During the fiscal year ended June 30, 2007, the City issued \$7 million in long term debt; received \$8.3 million in school building construction grants; and retired \$12.1 million in bond anticipation notes that were outstanding at June 30, 2006.

During the fiscal year ended June 30, 2007 the Community Preservation Fund’s financial position declined by \$1.4 million. However, were it not for the fact that the City financed a \$2.3 million land acquisition late in the year with bond anticipation notes instead of permanent financing, the fund balance would have actually increased by \$903,598.

The general fund is the chief operating fund of the City. At June 30, 2007 the general fund reported a total fund balance of \$23.6 million – a \$3.3 million (16.3%) increase over the total fund balance for the previous fiscal year. The unreserved and undesignated portion of fund balance increased by \$3.4 million or 26% to \$16.3 million. Undesignated fund balance represents 5.7% of total general fund revenues and transfers from other funds. The improvement in the financial position of the City’s general fund is the result of conservative revenue budgeting; rising interest rates on invested cash; strong building permit activity; and another relatively mild winter that required little in the way of supplemental appropriations for snow and ice control.

**City of Newton, Massachusetts  
General Fund  
Fund Trends – Fiscal year 2007 and (5) previous fiscal years**

	2007	2006	2005	2004	2003	2002
Total fund balance	\$ 23,609,407	\$ 20,294,872	\$ 13,822,467	\$ 17,286,448	\$ 17,160,502	\$ 15,438,743
Less: Fund balance reserved for:						
Encumbrances.....	1,446,323	2,106,351	1,122,558	1,186,735	772,599	1,301,183
Continued appropriations.....	2,438,391	2,071,369	2,573,925	3,938,517	3,255,408	2,760,972
Other purposes.....	-	-	-	-	21,307	27,141
Unreserved fund balance.....	19,724,693	16,117,152	10,125,984	12,161,196	13,111,188	11,349,447
Less: Fund balance designated to support following year budget.....	3,400,000	1,700,000	2,200,000	2,738,000	2,200,000	1,700,000
Undesignated fund balance.....	16,324,693	14,417,152	7,925,984	9,423,196	10,911,188	9,649,447
Total revenue & other financing sources.....	\$ 286,109,886	\$ 272,578,602	\$ 259,574,467	\$ 250,012,404	\$ 243,859,374	\$ 221,622,942
Total fund balance as % total revenue and ofs.....	8.3%	7.4%	5.3%	6.9%	7.0%	7.0%
Unreserved fund balance as % total revenue and ofs.....	6.9%	5.9%	3.9%	4.9%	5.4%	5.1%
Undesignated fund balance as % total revenue and ofs.....	5.7%	5.3%	3.1%	3.8%	4.5%	4.4%

Total fiscal year 2007 general fund revenues and other financing sources increased by \$13.5 million or 5.5%, to \$286.1 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 207,245,638	72.4%	\$ 7,080,113	3.5%
Motor vehicle excise taxes.....	10,197,596	3.6%	(1,100,686)	-9.7%
Hotel room occupancy taxes.....	1,138,921	0.4%	78,869	7.4%
Penalties and interest on taxes.....	1,042,248	0.4%	217,298	26.3%
Licenses, permits and fees.....	5,371,145	1.9%	(1,144,773)	-17.6%
Intergovernmental.....	46,362,237	16.2%	5,168,287	12.5%
Charges for services.....	1,507,826	0.5%	(132,153)	-8.1%
Fines and forfeitures.....	1,825,696	0.6%	(147,144)	-7.5%
Investment income.....	4,440,056	1.6%	1,384,255	45.3%
Payments in lieu of taxes.....	411,789	0.1%	(6,413)	-1.5%
Special assessments.....	191,433	0.1%	135,626	243.0%
Miscellaneous.....	363,509	0.1%	(353,160)	-49.3%
<b>Total revenues.....</b>	<b>280,098,094</b>	<b>97.9%</b>	<b>11,180,119</b>	<b>4.4%</b>
Premium from issuance of bonds/notes.....	90,087	0.0%	(203,003)	-69.3%
Sale of capital assets.....	8,205	0.0%	(8,408)	-50.6%
Transfers from other funds.....	3,063,500	1.1%	(287,424)	-8.6%
Extraordinary item - structured settlement contract....	2,850,000	1.0%	2,850,000	100.0%
<b>Total revenues, other financing sources and extraordinary item.....</b>	<b>\$ 286,109,886</b>	<b>100.0%</b>	<b>\$ 13,531,284</b>	<b>5.0%</b>

Property tax growth of 3.5% resulted from a combination of the 2 1/2% annual increase allowed in the levy under Proposition 2 1/2 and \$2.2 million in “new growth.” Motor vehicle excise tax revenue continued to decline as a result of softening auto sales and the rapid depreciation schedule used by the Commonwealth for the valuation of existing vehicles for excise tax billing purposes. Penalties and interest on delinquent taxes increased as a result of increased prior year tax collection efforts by the Collector-Treasurer.

After an extraordinary year of building permit activity in fiscal year 2006, license and permit activity declined somewhat during the year ended June 30, 2007, but was nonetheless 12.8% higher than the average realized from this source over the trailing five year period.

Intergovernmental revenue to support general fund activity increased by \$5.2 million or 12.5% between fiscal years 2006 and 2007. A total of \$2.2 million (42%) of this growth is the result of increased contributions to the Massachusetts Teachers Retirement System on behalf of the City; \$869,722 (16.7%) represents federal Medicare Part D reimbursements; and the remaining \$2.1 million represents growth in general state aid to local governments (\$1.9 million) and federal special education Medicaid reimbursements (\$220,574).

A total of \$2,850,000 was received by the City in August of 2006 from a structured settlement contract that was primarily to be used to retire the \$2.6 million firefighter pension loan received from the Commonwealth in 1996. Investment income grew by \$1.4 million between fiscal years 2006 and 2007 as a result of enhanced cash balances and short term interest rates that averaged 5.3% over the year. The \$135,626 increase in special assessment revenue represents street betterment revenue related to private way improvements made by the City during the previous fiscal year.

Total general fund expenditures and transfers to other funds totaled \$282.8 million, an increase of \$16.9 million or 6.3% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	12,082,421	4.3%	(59,781)	-0.5%
Public safety.....	32,591,464	11.5%	1,929,937	6.3%
Education.....	141,727,330	50.1%	7,571,181	5.6%
Public works.....	18,503,025	6.5%	(342,151)	-1.8%
Health and human services.....	3,242,450	1.1%	109,049	3.5%
Culture and recreation.....	9,771,038	3.5%	(52,136)	-0.5%
Retirement benefits.....	42,079,659	14.9%	2,713,097	6.9%
Workers' compensation insurance.....	1,384,342	0.5%	32,989	2.4%
Property and liability insurance.....	282,234	0.1%	12,466	4.6%
Health insurance subsidy.....	173,495	0.1%	173,495	
Claims and judgements.....	143,335	0.1%	(70,723)	-33.0%
State assessments and charges.....	5,375,365	1.9%	166,352	3.2%
Debt service				
Principal.....	7,672,050	2.7%	2,876,550	60.0%
Interest.....	1,984,265	0.7%	(66,105)	-3.2%
Total expenditures.....	277,012,473	98.0%	14,994,220	6.3%
Transfers to other funds.....	5,782,878	2.0%	1,694,934	41.5%
Total expenditures and transfers..... \$	<u>282,795,351</u>	<u>100.0%</u>	<u>\$ 16,689,154</u>	<u>6.3%</u>

Education spending, the single largest component of the General Fund budget, increased by \$7.6 million and accounted for 50.1% of total General Fund expenditures and transfers for the year. This level of expenditures and expenditure growth is a reflection of the priority that the City places on public education services.

Retirement benefit expenditures (including post retirement health and life benefits and the Commonwealth's on behalf contribution to the Massachusetts Teachers Retirement System for Newton educators) increased by \$2.7 million or 6.9%. Massachusetts Teachers' Retirement System on-behalf contributions (\$23 million) account for \$2.2 million or 81.5% of the growth in retirement expenditures. Local retirement costs on the other hand increased by \$517,862 or 2.8%.

Public safety expenditures increased by \$1.9 million or 6.3% during the year. \$1.5 million or 78.9% of this growth occurred in the fire protection program, primarily as a result of growth in the wage accrual for employees covered by the outstanding collective bargaining agreement with the firefighters union (6/30/2003 expiration).

A total of \$2.6 million of the \$2,876,550 reported increase in debt service principal expenditures is related to the accrual of a \$2.6 million interest free firefighter pension loan from the Commonwealth that matured in August of 2006.

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, 2007, the City realized \$4.4 million in CPA fund revenue, half of which came from property tax surcharges and the balance from a combination of Commonwealth of Massachusetts matching funds for property tax surcharges billed during the previous fiscal year and investment income on idle cash balances. Fund expenditures totaled \$5.7 million for the year, \$2.5 million of which was for community recreation activities; \$1.3 million of which was for community housing activities; \$821,975 was for open space acquisition purposes; \$527,995 of which was for historic preservation; and the balance was for program administration. The single largest project undertaken during the year was the \$2.3 million acquisition of property adjacent to the City's Crystal Lake recreation area late in the fiscal year. As discussed previously, the

purchase was financed with \$2.3 million in bond anticipation notes, maturing on November 15, 2007. This temporary financing method was responsible for the \$1.4 million deterioration in the financial position of the Community Preservation Fund. A detailed accounting of fund expenditures, classified by the statutory purposes for which CPA funds may be expended is included on pages 101 – 105.

The high school improvements fund was established to account for major renovations to the City's Newton South High School and the construction of a new Newton North High School. The fund ended fiscal year 2007 with a \$1.3 million fund balance, an improvement of \$11.9 million from the previous fiscal year when the City reported a \$10.5 million fund deficit due to the use of bond anticipation note financing for Newton South High School renovation expenditures for which state construction grant financing and the final long term debt issuance was pending.

During the fiscal year ended June 30, 2007 the Newton South High school project was essentially completed and the Massachusetts School Building Authority completed their audit of the project and released \$8.3 million in school construction grant funds. The City also issued \$7 million in general obligation bonds, of which \$2.1 million were to complete the financing of the Newton South project and \$4.9 million were for Newton North High School new construction planning and design purposes. The current estimate of the cost of constructing a new Newton North High School is approximately \$154 million, of which \$141.2 million had been authorized for expenditure by the Board of Aldermen at June 30, 2007.

**Proprietary funds** - The City's proprietary funds provide the same information found in the government-wide statements, but in slightly more detail. 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.

The financial position of the City's sewer fund increased by \$1.1 million to \$30.1 million at June 30, 2007. However, the increase resulted almost entirely from the receipt of a \$1.1 million capital construction grant from the Massachusetts Water Resources Authority for sewer infiltration and inflow reduction. Operating expenses of the fund increased by \$1.6 million between fiscal years 2006 and 2007, \$1.3 million or 81.2% of which was related to increased charges from the Massachusetts Water Resources Authority for treatment of waste water. Operating revenues increased by \$692,597 during the same period as a result of a 12% increase in base rates approved by the Mayor and Board of Aldermen.

The financial position of the City's water fund increased by \$1.7 million to \$26.3 million at June 30, 2007. Operating expenses increased by \$551,606 while operating revenues actually declined by \$590,413 due to declining water consumption that was not adequately accounted for in the 2007 water rates.

The financial position of the City's Internal Service Funds improved by \$5.4 million or 91.5% during the year ended June 30, 2007. Internal service funds are used to account for the City's self-insured group health insurance; workers compensation; and general liability risk exposures and to fund property insurance premiums for \$504.2 million in insured City buildings and contents. Detailed information on the self-insurance funds is presented on pages 79 – 82.

The City's group health self insurance fund accounted for \$4.5 million or 83.3% of the overall improvement in financial position of the Internal Service Funds. A change in the estimate of incurred but unreported claims (from two months of paid claims to one and one half months, based upon a detailed analysis of June 30, 2006 claims run-off experience) contributed \$1.4 million or approximately one third of the improvement. Operating revenues to the fund grew by \$4.4 million or 11.9% during the year (80% of which were funded by the City and 20% by participating employees and retirees), while operating expenses, exclusive of the change in incurred but unreported claims increased by only \$1.4 million or 3.8%. Investment income on idle cash balances in the fund contributed \$527,240.

The financial position of the City's workers' compensation self insurance fund improved by \$1.1 million to \$1,250,055 at June 30, 2007. This is primarily the result of a \$783,464 (34%) decline in operating expenses and a \$564,242 (233%) increase in investment income in the fund. As a result of the June 30, 2007 actuarial valuation of workers

compensation claims, an accrued liability of \$6.2 million was recorded at year end. This is \$40,135 less than the June 30, 2006 accrued liability.

**Fiduciary funds** – The net assets of the City’s contributory retirement system increased by \$21.2 million (8.6%) to \$268 million during the system’s fiscal year that ended December 31, 2006. The City made its actuarially required contribution to the fund in full.

The composite investment return for this period was 12.53% for the year, an average annual return of 8.10% for the past five year period, and an average annual return of 10.17% since 1985. The system’s assumed rate of return is 8% per year. As a result the combination of actuarial losses, principally a continuation of the trend in longer life spans of retirees and their dependents, the funded status of the plan slipped from 66.2% to 66.1% during the year.

In an effort to improve the funded status of the plan, the Newton Contributory Retirement Board voted at their May 2007 meeting to transfer investment management responsibility for the fund to the Commonwealth of Massachusetts’s Pension Reserve Investment Trust’s core fund (PRIT fund) effective July 1, 2007.

The PRIT fund’s investment performance over the past year was 16.72%, an average of 11.61% over the past five years; and 11.51% since 1985. All contributory retirement system assets, except for cash used to pay benefits and two real estate limited partnerships for which the system would incur early redemption penalties have been transferred to the PRIT fund. Improved investment performance will be used to shorten the retirement system’s funding schedule from the current 2028 deadline.

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 page 64 of this report.

**General Fund Budgetary Highlights:**

The difference between the original General Fund budget of \$260.8 million and the final amended budget of \$266.9 million amounts to 2.3 % and can be summarized as follows:

Description	Amount
Snow and ice control	\$ 74,140
Health insurance subsidy	500,000
Public school salaries	350,000
Legal	10,000
Debt service & issuance costs	90,087
Other municipal - operating	151,575
Capital-municipal	2,412,377
Capital-schools	2,558,051
Total supplemental appropriations	<u>\$ 6,146,230</u>

Of this increase, \$3.9 million was funded with certified free cash (fund balance available for appropriation); \$2.1 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 transfers from other funds.

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 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.

There were no deficits incurred in the appropriations of the various departments of the City. All but \$1.8 million (0.71%) of total appropriations were expended, encumbered, or continued into fiscal year 2008 for completion of the appropriated purposes at June 30, 2007.

**Capital Assets and Debt Administration**

**Capital assets** – The City’s investment in capital assets for governmental and business-type activities, net of accumulated depreciation of \$143.7 million, as of June 30, 2007, amounts to \$259.4 million. The investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2007	2006	2007	2006*	2007	2006*
Land and improvements.....	\$ 19,412,292	\$ 17,099,071	\$ 284,785	\$ 284,785	\$ 19,697,077	\$ 17,383,856
Buildings and improvements.....	125,919,655	128,705,376	2,648,256	2,720,543	128,567,911	131,425,919
Machinery and equipment.....	14,322,582	12,107,410	2,452,030	2,419,314	16,774,612	14,526,724
Infrastructure.....	35,924,755	33,810,089	49,132,644	45,798,088	85,057,399	79,608,177
Construction in progress.....	9,344,631	4,601,819	-	-	9,344,631	4,601,819
<b>Total capital assets.....</b>	<b>\$ 204,923,915</b>	<b>\$ 196,323,765</b>	<b>\$ 54,517,715</b>	<b>\$ 51,222,730</b>	<b>\$ 259,441,630</b>	<b>\$ 247,546,495</b>

\* Reflects change in presentation of component units. See Note 16.

Total capital assets, net of accumulated depreciation, increased by \$11.9 million or 4.8%. Major capital asset events during 2007 included the following:

- Business-type activity net capital assets increased by \$3.3 million due to water system improvements, 80% of which were funded with Massachusetts Water Resources Authority interest free loans.
- Governmental activity capital assets (net) increased by \$8.6 million as a result of the addition of recreation land; street and sidewalk infrastructure improvements, and ongoing preliminary design planning for the new Newton North High School. The \$9.3 million in reported construction in progress includes \$7.6 million in Newton North High School planning and design and \$1.2 million in various elementary school improvements.

Additional information on the City’s capital assets may be found in Note 5 on pages 52 – 54 of this report.

**Debt outstanding** – At June 30, 2007, the City had total long and short-term debt outstanding of \$76.9 million, \$52 million for governmental activities and \$24.9 million for business-type activities. The governmental activity debt includes \$49.7 million in bonds and \$2.3 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>	
	2007	2006	2007	2006	2007	2006
Education buildings.....	\$ 39,727,000	\$ 47,732,750	\$ -	\$ -	\$ 39,727,000	\$ 47,732,750
Municipal buildings.....	340,000	-	-	-	340,000	-
Departmental equipment.....	2,355,000	1,737,000	-	-	2,355,000	1,737,000
Landfill closure.....	1,697,800	1,821,100	-	-	1,697,800	1,821,100
Street reconstruction.....	1,163,000	524,000	-	-	1,163,000	524,000
Land acquisition.....	6,700,000	5,200,000	-	-	6,700,000	5,200,000
State pension funding loan.....	-	2,600,000	-	-	-	2,600,000
Water system.....	-	-	12,731,492	11,727,085	12,731,492	11,727,085
Sanitary sewer system.....	-	-	12,138,572	11,608,039	12,138,572	11,608,039
Total bonds and notes.....	\$ <u>51,982,800</u>	\$ <u>59,614,850</u>	\$ <u>24,870,064</u>	\$ <u>23,335,124</u>	\$ <u>76,852,864</u>	\$ <u>82,949,974</u>

During the year just ended, the City added \$14.6 million in new bonds and \$2.3 million in notes and retired \$12 million in high school bond anticipation notes and \$11 million in existing bonds. General fund interest and principal payments amounted to \$9.6 million or 3.4% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$945,050 or 21.7% of fund revenues.

All existing long term debt, except for the 2006 and 2007 high school improvement bonds and subsidized landfill closure and sanitary sewer obligations to the Massachusetts Water Pollution Abatement Trust, will be retired within the next ten years. All of the City’s existing debt will be repaid in full by the year 2027.

At June 30, 2007 the City’s authorized and unissued long term debt amounted to \$150.6 million, an increase of \$96.5 million from June 30, 2006. The primary reason for the increase is the approval of a \$135.5 million authorization for the Newton North High School. Design work is progressing for a new Newton North High School and preliminary site work has also begun. The most recent estimate of the cost of this project is \$154 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 57 – 61 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 2005 was \$124,893. This compares with the U.S median family incomes of \$55,832. The City’s 2005 per capita income was \$55,891, compared with \$25,035 for the nation as a whole.
- According to the Commonwealth of Massachusetts Division of Unemployment Assistance, the unemployment rate for the City at June 30, 2007 was 3.7%, which compares with state unemployment rate of 4.9% and the national unemployment rate of 4.5% for the same period. .
- According to the City’s Board of Assessors, the 2007 median value of a single family home in Newton was \$711,500, an increase of \$26,750 or 3.9% from the prior year; the median value of commercial property was \$674,800, an increase of \$22,100 or 3.4% from the prior year ; and the median value of industrial property is \$749,900, which is no change from the prior year.

The Mayor and Board of Aldermen have approved a fiscal year 2008 general fund operating budget of \$276.3 million. This represents a \$9.4 million or 3.5% increase from the final fiscal year 2007 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 City Comptroller, City of Newton, 1000 Commonwealth Avenue, Newton, Massachusetts 02459 or [dwilkinson@newtonma.gov](mailto:dwilkinson@newtonma.gov).



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# **Basic Financial Statements**

**CITY OF NEWTON, MASSACHUSETTS  
STATEMENT OF NET ASSETS**

JUNE 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 78,797,192	\$ 3,617,770	\$ 82,414,962	\$ 1,219,374
Restricted cash and cash equivalents.....	16,693,978	10,750,234	27,444,212	357,652
Investments.....	8,559,702	-	8,559,702	1,242,117
Restricted investments.....	702,669	-	702,669	-
Interest and dividends.....	-	-	-	485,280
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	4,731,838	-	4,731,838	-
Tax and utility liens.....	2,675,868	308,578	2,984,446	-
Motor vehicle excise.....	730,908	-	730,908	-
Community preservation surcharges.....	72,301	-	72,301	-
Charges for service.....	816,320	10,503,068	11,319,388	-
Departmental and other.....	974,223	-	974,223	12,688
Intergovernmental.....	11,586,531	155,859	11,742,390	-
Special assessments.....	12,071	2,706	14,777	-
Loans.....	-	-	-	144,750
Notes.....	1,100,000	-	1,100,000	-
Other assets.....	14,089	-	14,089	8,731
Prepaid expenses.....	-	-	-	3,464
Working capital deposit.....	351,139	-	351,139	-
Total current assets.....	127,818,829	25,338,215	153,157,044	3,474,056
Noncurrent assets:				
Restricted cash and cash equivalents.....	131,730	-	131,730	-
Restricted investments.....	268,450	-	268,450	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	2,826,241	-	2,826,241	-
Departmental and other.....	6,299,707	-	6,299,707	-
Intergovernmental.....	8,488,287	2,897,820	11,386,107	-
Special assessments.....	692,054	100,748	792,802	-
Loans.....	360,000	-	360,000	2,886,621
Capital assets:				
Nondepreciable.....	28,756,923	284,785	29,041,708	-
Depreciable, net of accumulated depreciation.....	176,166,992	54,232,930	230,399,922	1,435,415
Total noncurrent assets.....	223,990,384	57,516,283	281,506,667	4,322,036
Total assets.....	351,809,213	82,854,498	434,663,711	7,796,092
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable.....	6,316,210	442,403	6,758,613	556,113
Accrued liabilities.....	6,761,579	182,717	6,944,296	-
Accrued payroll.....	12,529,252	58,983	12,588,235	67,558
Revenue refunds payable.....	3,066,810	-	3,066,810	-
Health claims payable.....	4,557,252	-	4,557,252	-
Other liabilities.....	179,812	18,683	198,495	-
Accrued interest.....	686,880	209,252	896,132	-
Abandoned property.....	876,848	-	876,848	-
Liabilities payable from restricted assets.....	614,700	331,551	946,251	-
Bond anticipation notes payable.....	2,300,000	-	2,300,000	-
Bonds payable.....	6,146,900	2,918,538	9,065,438	-
Landfill closure and other environmental liabilities.....	135,000	-	135,000	-
Compensated absences.....	2,536,093	32,506	2,568,599	-
Workers' compensation benefits.....	1,004,664	-	1,004,664	-
Capital lease obligations.....	135,144	-	135,144	-
Claims & judgments.....	37,500	-	37,500	-
Total current liabilities.....	47,884,644	4,194,633	52,079,277	623,671

**CITY OF NEWTON, MASSACHUSETTS  
STATEMENT OF NET ASSETS (Continued)**

JUNE 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>Noncurrent liabilities:</b>				
Bonds payable.....	43,535,900	21,951,526	65,487,426	-
Landfill closure and other environmental liabilities.....	865,000	-	865,000	-
Compensated absences.....	5,126,841	292,555	5,419,396	-
Workers' compensation benefits.....	5,197,306	-	5,197,306	-
Capital lease obligations.....	142,142	-	142,142	-
<b>Total noncurrent liabilities.....</b>	<b>54,867,189</b>	<b>22,244,081</b>	<b>77,111,270</b>	<b>-</b>
<b>Total liabilities.....</b>	<b>102,751,833</b>	<b>26,438,714</b>	<b>129,190,547</b>	<b>623,671</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	167,543,474	32,701,330	200,244,804	1,435,415
Restricted for:				
Capital purposes.....	3,313,906	10,418,683	13,732,589	-
Community development activities.....	244,309	-	244,309	-
Community preservation activities.....	7,294,225	-	7,294,225	-
Education activities.....	403,790	-	403,790	-
Perpetual funds:				
Expendable.....	925,527	-	925,527	-
Nonexpendable.....	400,180	-	400,180	-
Other specific purposes.....	1,260,607	-	1,260,607	-
Unrestricted.....	67,671,362	13,295,771	80,967,133	5,737,006
<b>Total net assets.....</b>	<b>\$ 249,057,380</b>	<b>\$ 56,415,784</b>	<b>\$ 305,473,164</b>	<b>\$ 7,172,421</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
<b>General government</b>					
Legislative & executive.....	\$ 1,985,328	\$ 221,577	\$ 32,044	\$ -	\$ (1,731,707)
Elections.....	790,790	2,735	23,564	-	(764,491)
Financial administration.....	3,392,687	179,568	-	-	(3,213,119)
Administrative support.....	3,973,345	284,680	2,310	-	(3,686,355)
Planning & development.....	7,055,034	824,658	4,107,162	-	(2,123,214)
Public building maintenance & operation.....	3,420,815	12,777	82,682	-	(3,325,356)
<b>Public safety</b>					
Police.....	23,356,994	4,583,788	811,097	-	(17,962,109)
Fire.....	19,567,792	794,903	76,120	-	(18,696,769)
Inspectional services.....	1,204,738	4,596,088	-	-	3,391,350
Other public safety.....	78,407	17,880	-	-	(60,527)
<b>Education.....</b>	<b>188,026,627</b>	<b>6,394,183</b>	<b>46,419,675</b>	<b>8,770,623</b>	<b>(126,442,146)</b>
<b>Public works</b>					
Streets & sidewalks.....	12,117,808	3,026,144	-	2,328,688	(6,762,976)
Control of snow & ice.....	1,435,898	-	35,848	-	(1,400,050)
Collection & disposal of solid waste.....	6,673,587	27,600	216,814	-	(6,429,173)
Engineering.....	1,416,269	16,112	44	-	(1,400,113)
<b>Health &amp; human services</b>					
Public health & human services.....	7,917,194	137,443	377,884	-	(7,401,867)
Senior services.....	1,089,117	3,403	231,384	-	(854,330)
Veteran services.....	267,315	-	195,329	-	(71,986)
<b>Culture and recreation</b>					
Libraries.....	6,307,635	165,428	605,553	-	(5,536,654)
Parks & recreation.....	6,788,503	1,565,424	190,524	19,261	(5,013,294)
Newton History museum.....	375,116	-	7,436	-	(367,680)
Debt service - interest.....	2,237,287	-	734,928	-	(1,502,359)
<b>Total governmental activities.....</b>	<b>299,478,286</b>	<b>22,854,391</b>	<b>54,150,398</b>	<b>11,118,572</b>	<b>(211,354,925)</b>
<b>Business-type activities:</b>					
Water.....	11,467,754	13,461,005	343,992	343,347	2,680,590
Sewer.....	20,033,778	19,623,084	491,405	1,201,361	1,282,072
<b>Total business-type activities.....</b>	<b>31,501,532</b>	<b>33,084,089</b>	<b>835,397</b>	<b>1,544,708</b>	<b>3,962,662</b>
<b>Total Primary Government.....</b>	<b>\$ 330,979,818</b>	<b>\$ 55,938,480</b>	<b>\$ 54,985,795</b>	<b>\$ 12,663,280</b>	<b>\$ (207,392,263)</b>
<b>Component units:</b>					
Newton Commonwealth Foundation, Inc.....	\$ 155,777	\$ 250,000	\$ 49,552	\$ -	\$ 143,775
Newton Community Development Authority.....	100,328	-	265,015	-	164,687
Newton Schools Foundation, Inc.....	406,940	-	430,444	-	23,504
Newton Community Farm, Inc.....	65,857	36,184	66,356	-	36,683
<b>Total Component Units.....</b>	<b>\$ 728,902</b>	<b>\$ 286,184</b>	<b>\$ 811,367</b>	<b>\$ -</b>	<b>\$ 368,649</b>

**CITY OF NEWTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (Continued)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>Changes in net assets:</b>				
Net (expense)/revenue (from previous page).....	\$ (211,354,925)	\$ 3,962,662	\$ (207,392,263)	\$ 368,649
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	209,105,186	-	209,105,186	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,032,942	-	2,032,942	-
Motor vehicle and other excise taxes.....	10,396,428	-	10,396,428	-
Hotel room occupancy taxes.....	1,138,921	-	1,138,921	-
Penalties and interest on taxes.....	1,049,712	-	1,049,712	-
Payments in lieu of taxes.....	2,851,122	-	2,851,122	-
Grants and contributions not restricted to specific programs.....	9,289,181	-	9,289,181	-
Unrestricted investment income.....	4,757,698	-	4,757,698	-
Other.....	1,302,478	-	1,302,478	-
<i>Transfers, net</i> .....	1,223,658	(1,223,658)	-	-
Total general revenues and transfers.....	243,147,326	(1,223,658)	241,923,668	-
Change in net assets.....	31,792,401	2,739,004	34,531,405	368,649
Net assets - beginning of year (as restated).....	217,264,979	53,676,780	270,941,759	6,803,772
Net assets - end of year.....	\$ 249,057,380	\$ 56,415,784	\$ 305,473,164	\$ 7,172,421

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
 BALANCE SHEET

JUNE 30, 2007

<b>ASSETS</b>	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 45,411,278	\$ -	\$ -	\$ 20,091,286	\$ 65,502,564
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	4,731,838	-	-	-	4,731,838
Real estate tax deferrals.....	2,826,241	-	-	-	2,826,241
Tax and utility liens.....	2,675,868	-	-	-	2,675,868
Motor vehicle excise.....	730,908	-	-	-	730,908
Community preservation surcharges.....	-	72,301	-	-	72,301
Charges for services.....	62,675	-	-	753,645	816,320
Departmental and other.....	7,273,930	-	-	-	7,273,930
Intergovernmental.....	15,241,642	2,045,105	447,753	2,340,318	20,074,818
Special assessments.....	704,125	-	-	-	704,125
Notes.....	-	1,100,000	-	-	1,100,000
Loans.....	-	-	-	360,000	360,000
Due from other funds.....	977,382	-	-	-	977,382
Other assets.....	14,089	-	-	-	14,089
Restricted assets:					
Cash and cash equivalents.....	587,549	6,532,483	3,313,906	6,391,770	16,825,708
Investments.....	-	-	-	971,119	971,119
<b>TOTAL ASSETS.....</b>	<b>\$ 81,237,525</b>	<b>\$ 9,749,889</b>	<b>\$ 3,761,659</b>	<b>\$ 30,908,138</b>	<b>\$ 125,657,211</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 4,388,139	\$ 102,574	\$ 55,672	\$ 1,608,194	\$ 6,154,579
Accrued liabilities.....	4,197,811	53,090	1,923,204	581,897	6,756,002
Accrued payroll.....	11,837,136	-	-	692,116	12,529,252
Revenue refunds payable.....	3,066,810	-	-	-	3,066,810
Other liabilities.....	179,812	-	-	-	179,812
Abandoned property.....	876,848	-	-	-	876,848
Liabilities due depositors.....	587,549	-	-	27,151	614,700
Deferred revenue.....	32,494,013	3,196,055	447,753	814,144	36,951,965
Due to other funds.....	-	-	-	977,382	977,382
Notes payable.....	-	2,300,000	-	-	2,300,000
<b>TOTAL LIABILITIES.....</b>	<b>57,628,118</b>	<b>5,651,719</b>	<b>2,426,629</b>	<b>4,700,884</b>	<b>70,407,350</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	3,884,714	4,117,278	-	-	8,001,992
Perpetual permanent funds.....	-	-	-	400,180	400,180
Other specific purposes.....	-	-	-	1,664,397	1,664,397
Unreserved:					
Designated for subsequent year's expenditures.....	3,400,000	-	-	-	3,400,000
Undesignated, reported in:					
General fund.....	16,324,693	-	-	-	16,324,693
Special revenue funds.....	-	(19,108)	-	7,232,356	7,213,248
Capital projects funds.....	-	-	1,335,030	15,984,794	17,319,824
Permanent funds.....	-	-	-	925,527	925,527
<b>TOTAL FUND BALANCES.....</b>	<b>23,609,407</b>	<b>4,098,170</b>	<b>1,335,030</b>	<b>26,207,254</b>	<b>55,249,861</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 81,237,525</b>	<b>\$ 9,749,889</b>	<b>\$ 3,761,659</b>	<b>\$ 30,908,138</b>	<b>\$ 125,657,211</b>

See notes to basic financial statements.



**CITY OF NEWTON, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Total governmental fund balances (page 22).....	\$	55,249,861
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		204,923,915
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		36,951,965
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(686,880)
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.....		(49,682,800)
Capital lease obligations.....		(277,286)
Court judgments.....		(37,500)
Landfill closure and other environmental liabilities.....		(1,000,000)
Compensated absences.....		(7,662,934)
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.....		11,279,039
Net assets of governmental activities (page 19).....	\$	249,057,380

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 207,245,638	\$ -	\$ -	\$ -	\$ 207,245,638
Motor vehicle excise taxes.....	10,197,596	-	-	-	10,197,596
Hotel room occupancy taxes.....	1,138,921	-	-	-	1,138,921
Community preservation surcharges.....	-	2,027,379	-	-	2,027,379
Penalties and interest on taxes.....	1,042,248	7,464	-	-	1,049,712
Licenses, permits and fees.....	5,371,145	-	-	393,437	5,764,582
Intergovernmental.....	46,362,237	1,993,228	8,260,000	18,948,546	75,564,011
Charges for services.....	1,507,826	-	-	12,602,195	14,110,021
Fines and forfeitures.....	1,825,696	-	-	24,807	1,850,503
Investment income.....	4,440,056	317,642	-	203,161	4,960,859
Contributions and donations.....	-	10,000	-	786,807	796,807
Payments in lieu of taxes.....	411,789	52	-	-	411,841
Miscellaneous.....	363,509	-	-	584,476	947,985
Special assessments.....	191,433	-	-	23,783	215,216
<b>TOTAL REVENUES.....</b>	<b>280,098,094</b>	<b>4,355,765</b>	<b>8,260,000</b>	<b>33,567,212</b>	<b>326,281,071</b>
<b>EXPENDITURES</b>					
Current:					
General government:					
Legislative & executive.....	1,631,737	-	-	-	1,631,737
Elections.....	655,570	-	-	19,719	675,289
Financial administration.....	2,848,174	-	-	-	2,848,174
Administrative support.....	3,327,555	-	-	5,054	3,332,609
Planning & development.....	990,691	1,710,156	-	4,295,103	6,995,950
Public building maintenance & operations.....	2,628,694	102,259	-	241,729	2,972,682
Public safety:					
Police.....	16,286,080	-	-	2,707,669	18,993,749
Fire.....	15,272,656	-	-	1,235,523	16,508,179
Inspectional services.....	950,809	-	-	5,409	956,218
Other public safety.....	81,919	-	-	-	81,919
Education.....	141,727,330	49,050	3,381,659	21,205,256	166,363,295
Public works:					
Streets & sidewalks.....	6,359,317	670	-	4,443,984	10,803,971
Control of snow & ice.....	1,270,134	-	-	-	1,270,134
Collection & disposal of solid waste.....	6,144,064	-	-	40,746	6,184,810
Vehicle maintenance.....	2,156,162	-	-	-	2,156,162
Engineering.....	1,048,319	-	-	13,367	1,061,686
Administration & support.....	1,525,029	-	-	-	1,525,029
Health and human services:					
Health & human services.....	2,536,046	-	-	225,681	2,761,727
Senior services.....	503,037	253,564	-	332,516	1,089,117
Veteran services.....	203,367	-	-	-	203,367
Culture and recreation:					
Libraries.....	5,058,462	-	-	525,649	5,584,111
Parks & recreation.....	4,483,368	2,543,633	-	1,477,935	8,504,936
Newton History museum.....	229,208	120,430	-	3,215	352,853
Retirement benefits.....	42,079,659	-	-	-	42,079,659
Workers' compensation insurance.....	1,384,342	-	-	-	1,384,342
Property and liability insurance.....	282,234	-	-	-	282,234
Health insurance subsidy.....	173,495	-	-	-	173,495
Claims and judgments.....	143,335	-	-	-	143,335
State assessments & charges.....	5,375,365	-	-	-	5,375,365
Debt service:					
Principal.....	7,672,050	800,000	-	-	8,472,050
Interest.....	1,984,265	145,050	-	-	2,129,315
<b>TOTAL EXPENDITURES.....</b>	<b>277,012,473</b>	<b>5,724,812</b>	<b>3,381,659</b>	<b>36,778,555</b>	<b>322,897,499</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>3,085,621</b>	<b>(1,369,047)</b>	<b>4,878,341</b>	<b>(3,211,343)</b>	<b>3,383,572</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	3,063,500	-	-	6,730,250	9,793,750
Issuance of general obligation bonds.....	-	-	6,996,000	3,604,000	10,600,000
Premium from issuance of bonds and notes.....	90,087	2,645	-	-	92,732
Sale of capital assets.....	8,205	-	-	32,547	40,752
Transfers out.....	(5,782,878)	(30,000)	-	(2,479,632)	(8,292,510)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(2,621,086)</b>	<b>(27,355)</b>	<b>6,996,000</b>	<b>7,887,165</b>	<b>12,234,724</b>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM.....</b>	<b>464,535</b>	<b>(1,396,402)</b>	<b>11,874,341</b>	<b>4,675,822</b>	<b>15,618,296</b>
<b>EXTRAORDINARY ITEM</b>					
Proceeds of structured settlement contract.....	2,850,000	-	-	-	2,850,000
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,314,535</b>	<b>(1,396,402)</b>	<b>11,874,341</b>	<b>4,675,822</b>	<b>18,468,296</b>
<b>FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED).....</b>	<b>20,294,872</b>	<b>5,494,572</b>	<b>(10,539,311)</b>	<b>21,531,432</b>	<b>36,781,565</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 23,609,407</b>	<b>\$ 4,098,170</b>	<b>\$ 1,335,030</b>	<b>\$ 26,207,254</b>	<b>\$ 55,249,861</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS  
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, 2007

Net change in fund balances - total governmental funds (page 24).....	\$	18,468,296
<p>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.</p>		
Capital outlays.....		16,552,116
Depreciation.....		(8,319,528)
<p>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.....</p>		
		(57,436)
<p>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.....</p>		
		905,683
<p>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.</p>		
Bond proceeds.....		(10,600,000)
Bond maturities.....		8,472,050
Capital lease maturities.....		147,714
<p>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.....</p>		
		(107,972)
<p>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:</p>		
Claims & judgments.....		85,880
Landfill closure and other environmental liabilities.....		209,800
Compensated absences.....		642,040
<p>Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The net activity of the internal service funds is reported with governmental activities.....</p>		
		5,393,758
Changes in net assets of governmental activities (page 21).....	\$	31,792,401

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**GENERAL FUND**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ 205,061,937	\$ 205,603,998	\$ 207,156,434	\$ 1,552,436
Motor vehicle excise taxes.....	11,234,687	10,964,687	10,745,230	(219,457)
Hotel room occupancy taxes.....	1,061,324	1,061,324	1,138,921	77,597
Penalties and interest on taxes.....	957,072	857,072	1,042,248	185,176
Licenses, permits and fees.....	3,113,057	3,113,057	5,371,145	2,258,088
Intergovernmental.....	20,889,652	22,821,402	23,070,291	248,889
Charges for services.....	1,411,434	1,551,434	1,507,826	(43,608)
Fines and forfeitures.....	1,900,512	1,900,512	1,825,696	(74,816)
Structured settlement contract payment.....	2,850,000	2,850,000	2,850,000	-
Investment income.....	1,400,000	1,400,000	4,440,056	3,040,056
Payments in lieu of taxes.....	385,010	385,072	411,789	26,717
Miscellaneous.....	393,763	155,794	393,084	237,290
Special assessments.....	25,178	51,178	191,433	140,255
<b>TOTAL REVENUES.....</b>	<b>250,683,626</b>	<b>252,715,530</b>	<b>260,144,153</b>	<b>7,428,623</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative & executive.....	1,689,614	1,690,414	1,631,736	58,678
Elections.....	614,691	685,838	655,570	30,268
Financial administration.....	3,312,523	3,372,220	2,848,174	524,046
Administrative support.....	3,875,772	4,129,897	3,327,555	802,342
Planning & development.....	1,007,677	1,029,581	990,691	38,890
Public building maintenance & operations.....	2,672,129	2,974,929	2,624,460	350,469
Public safety:				
Police.....	16,146,308	16,282,115	16,056,320	225,795
Fire.....	13,456,774	14,280,626	14,057,133	223,493
Inspectional services.....	1,084,350	1,084,350	950,809	133,541
Other public safety.....	82,809	83,909	81,919	1,990
Education.....	145,332,990	143,179,393	141,472,419	1,706,974
Public works:				
Streets & sidewalks.....	6,921,801	6,583,588	6,326,462	257,126
Control of snow & ice.....	921,031	1,286,842	1,259,641	27,201
Collection & disposal of solid waste.....	6,219,795	6,183,289	6,142,326	40,963
Vehicle maintenance.....	2,140,911	2,313,580	2,138,918	174,662
Engineering.....	1,109,315	1,044,885	1,030,716	14,169
Administration & support.....	1,555,071	1,615,111	1,519,209	95,902
Health and human services:				
Health & human services.....	2,587,058	2,606,693	2,509,119	97,574
Senior services.....	529,851	529,581	503,037	26,544
Veteran services.....	189,349	222,056	203,367	18,689
Culture and recreation:				
Libraries.....	5,017,556	5,096,001	5,058,462	37,539
Parks & recreation.....	4,420,341	4,889,661	4,474,016	415,645
Newton History museum.....	235,248	246,746	229,208	17,538
Retirement benefits.....	19,280,458	19,269,220	19,043,013	226,207
Workers' compensation insurance.....	947,870	1,384,342	1,384,342	-
Property and liability insurance.....	290,290	290,290	282,234	8,056
Health insurance subsidy.....	-	500,000	173,495	326,505
Claims and judgments.....	70,000	144,335	143,335	1,000
Reserve fund.....	3,857,724	3,007,608	-	3,007,608
Other.....	50,000	50,000	-	50,000
State assessments & charges.....	5,552,691	5,478,619	5,375,365	103,254
Debt service:				
Principal.....	7,642,974	7,642,974	7,642,973	1
Interest.....	1,988,344	1,988,344	1,988,342	2
<b>TOTAL EXPENDITURES.....</b>	<b>260,803,315</b>	<b>261,167,037</b>	<b>252,124,366</b>	<b>9,042,671</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(10,119,689)</b>	<b>(8,451,507)</b>	<b>8,019,787</b>	<b>16,471,294</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	2,779,245	3,043,286	3,063,500	20,214
Premium from issuance of bonds and notes.....	-	-	90,087	90,087
Sale of capital assets.....	-	-	8,205	8,205
Transfers out.....	(370)	(5,782,878)	(5,782,878)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,778,875</b>	<b>(2,739,592)</b>	<b>(2,621,086)</b>	<b>118,506</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(7,340,814)</b>	<b>(11,191,099)</b>	<b>5,398,701</b>	<b>16,589,800</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>24,738,753</b>	<b>24,738,753</b>	<b>24,738,753</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 17,397,939</b>	<b>\$ 13,547,654</b>	<b>\$ 30,137,454</b>	<b>\$ 16,589,800</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**COMMUNITY PRESERVATION FUND**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Community preservation surcharges.....	\$ 2,043,792	\$ 2,001,956	\$ 2,027,379	25,423
Penalties and interest on taxes.....	-	-	7,464	7,464
Intergovernmental .....	1,932,131	1,973,967	1,993,228	19,261
Investment income.....	-	-	317,642	317,642
Payments in lieu of taxes.....	-	-	52	52
Contributions and donations.....	-	-	10,000	10,000
<b>TOTAL REVENUES.....</b>	<b>3,975,923</b>	<b>3,975,923</b>	<b>4,355,765</b>	<b>379,842</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative & executive.....	-	74,770	-	74,770
Planning & development.....	2,517,938	2,534,805	1,710,156	824,649
Public building maintenance & operations.....	361,233	662,749	102,259	560,490
Education.....	49,050	49,050	49,050	-
Public works:				
Streets & sidewalks.....	25,100	25,100	670	24,430
Health and human services:				
Senior services.....	271,210	271,210	253,564	17,646
Culture and recreation:				
Parks & recreation.....	1,185,567	3,467,125	2,543,633	923,492
Newton History museum.....	424,305	1,871,605	120,430	1,751,175
Reserve fund.....	2,854,546	1,159,102	-	1,159,102
Debt service:				
Principal.....	800,000	800,000	800,000	-
Interest.....	145,050	145,050	145,050	-
<b>TOTAL EXPENDITURES.....</b>	<b>8,633,999</b>	<b>11,060,566</b>	<b>5,724,812</b>	<b>5,335,754</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(4,658,076)</b>	<b>(7,084,643)</b>	<b>(1,369,047)</b>	<b>5,715,596</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of bonds and notes.....	-	2,300,000	-	(2,300,000)
Premium from issuance of bonds and notes.....	-	-	2,645	2,645
Operating transfers out.....	(30,000)	(30,000)	(30,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(30,000)</b>	<b>2,270,000</b>	<b>(27,355)</b>	<b>(2,297,355)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(4,688,076)</b>	<b>(4,814,643)</b>	<b>(1,396,402)</b>	<b>3,418,241</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>5,494,572</b>	<b>5,494,572</b>	<b>5,494,572</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 806,496</b>	<b>\$ 679,929</b>	<b>\$ 4,098,170</b>	<b>\$ 3,418,241</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
STATEMENT OF FUND NET ASSETS

JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Fund</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 339,768	\$ 3,278,002	\$ 3,617,770	\$ 13,294,628
Restricted cash and cash equivalents.....	2,974,357	7,775,877	10,750,234	-
Investments.....	-	-	-	8,559,702
Receivables, net of allowance for uncollectibles:				
Charges for service.....	6,398,278	4,104,790	10,503,068	-
Utility liens.....	186,296	122,282	308,578	-
Special assessments.....	2,706	-	2,706	-
Intergovernmental.....	155,859	-	155,859	-
Working capital deposit.....	-	-	-	351,139
<b>Total current assets.....</b>	<b>10,057,264</b>	<b>15,280,951</b>	<b>25,338,215</b>	<b>22,205,469</b>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	100,748	-	100,748	-
Intergovernmental.....	2,897,820	-	2,897,820	-
Capital assets:				
Nondepreciable.....	26,245	258,540	284,785	-
Depreciable, net of accumulated depreciation.....	30,088,568	24,144,362	54,232,930	-
<b>Total noncurrent assets.....</b>	<b>33,113,381</b>	<b>24,402,902</b>	<b>57,516,283</b>	<b>-</b>
<b>Total assets.....</b>	<b>43,170,645</b>	<b>39,683,853</b>	<b>82,854,498</b>	<b>22,205,469</b>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable.....	242,419	199,984	442,403	161,631
Accrued liabilities.....	23,537	159,180	182,717	5,577
Accrued payroll.....	26,998	31,985	58,983	-
Other liabilities.....	6,037	12,646	18,683	-
Liabilities payable from restricted assets.....	211,414	120,137	331,551	-
Accrued interest.....	208,526	726	209,252	-
Accrued health claims payable.....	-	-	-	4,557,252
Workers' compensation claims.....	-	-	-	1,004,664
Compensated absences.....	17,344	15,162	32,506	-
Long-term bonds and notes payable.....	1,078,324	1,840,214	2,918,538	-
<b>Total current liabilities.....</b>	<b>1,814,599</b>	<b>2,380,034</b>	<b>4,194,633</b>	<b>5,729,124</b>
Noncurrent liabilities:				
Workers' compensation claims.....	-	-	-	5,197,306
Compensated absences.....	156,100	136,455	292,555	-
Long-term bonds and notes payable.....	11,060,248	10,891,278	21,951,526	-
<b>Total noncurrent liabilities.....</b>	<b>11,216,348</b>	<b>11,027,733</b>	<b>22,244,081</b>	<b>5,197,306</b>
<b>Total liabilities.....</b>	<b>13,030,947</b>	<b>13,407,767</b>	<b>26,438,714</b>	<b>10,926,430</b>
<b>FUND NET ASSETS</b>				
Invested in capital assets, net of related debt.....	21,029,920	11,671,410	32,701,330	-
Restricted for:				
Capital purposes.....	2,762,943	7,655,740	10,418,683	-
Unrestricted.....	6,346,835	6,948,936	13,295,771	11,279,039
<b>Total net assets.....</b>	<b>\$ 30,139,698</b>	<b>\$ 26,276,086</b>	<b>\$ 56,415,784</b>	<b>\$ 11,279,039</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Fund</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>OPERATING REVENUES</b>				
Charges for services.....	\$ 19,156,092	\$ 13,157,781	\$ 32,313,873	\$ -
Utility liens.....	461,334	303,224	764,558	-
Special assessments.....	5,658	-	5,658	-
Employer contributions.....	-	-	-	34,736,771
Employee contributions.....	-	-	-	8,412,662
<b>TOTAL OPERATING REVENUES.....</b>	<b>19,623,084</b>	<b>13,461,005</b>	<b>33,084,089</b>	<b>43,149,433</b>
<b>OPERATING EXPENSES</b>				
Salaries, wages and employee benefits.....	2,420,676	2,083,150	4,503,826	-
Other operating expenses.....	739,249	627,438	1,366,687	2,629,516
MWRA assessment.....	15,154,186	7,606,834	22,761,020	-
Workers' compensation.....	149,298	151,876	301,174	-
Self insurance claims.....	-	-	-	36,410,000
Depreciation.....	955,808	651,130	1,606,938	-
<b>TOTAL OPERATING EXPENSES.....</b>	<b>19,419,217</b>	<b>11,120,428</b>	<b>30,539,645</b>	<b>39,039,516</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>203,867</b>	<b>2,340,577</b>	<b>2,544,444</b>	<b>4,109,917</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental.....	491,405	343,992	835,397	-
Investment income.....	26,861	343,347	370,208	1,561,423
Interest expense.....	(614,561)	(347,326)	(961,887)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(96,295)</b>	<b>340,013</b>	<b>243,718</b>	<b>1,561,423</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>107,572</b>	<b>2,680,590</b>	<b>2,788,162</b>	<b>5,671,340</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions.....	1,174,500	-	1,174,500	-
Transfers in.....	534,313	-	534,313	-
Transfers out.....	(731,299)	(1,026,672)	(1,757,971)	(277,582)
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>977,514</b>	<b>(1,026,672)</b>	<b>(49,158)</b>	<b>(277,582)</b>
<b>CHANGE IN FUND NET ASSETS.....</b>	<b>1,085,086</b>	<b>1,653,918</b>	<b>2,739,004</b>	<b>5,393,758</b>
<b>FUND NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>29,054,612</b>	<b>24,622,168</b>	<b>53,676,780</b>	<b>5,885,281</b>
<b>FUND NET ASSETS AT END OF YEAR.....</b>	<b>\$ 30,139,698</b>	<b>\$ 26,276,086</b>	<b>\$ 56,415,784</b>	<b>\$ 11,279,039</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users.....	\$ 18,574,840	\$ 13,041,362	\$ 31,616,202	\$ 8,412,662
Receipts from interfund services provided.....	-	-	-	34,751,145
Payments to vendors/providers.....	(16,687,255)	(9,055,884)	(25,743,139)	(40,564,768)
Payments to employees.....	(1,700,106)	(1,420,829)	(3,120,935)	-
NET CASH FROM OPERATING ACTIVITIES.....	<u>187,479</u>	<u>2,564,649</u>	<u>2,752,128</u>	<u>2,599,039</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in.....	534,313	-	534,313	-
Transfers out.....	(731,299)	(1,026,672)	(1,757,971)	(277,582)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(196,986)</u>	<u>(1,026,672)</u>	<u>(1,223,658)</u>	<u>(277,582)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the issuance of bonds and notes.....	1,435,500	2,586,019	4,021,519	-
Intergovernmental revenues.....	1,174,500	-	1,174,500	-
Acquisition and construction of capital assets.....	(719,959)	(4,181,964)	(4,901,923)	-
Principal payments on bonds and notes.....	(760,887)	(1,581,612)	(2,342,499)	-
Interest expense.....	(142,547)	(3,690)	(146,237)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>986,607</u>	<u>(3,181,247)</u>	<u>(2,194,640)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments.....	-	-	-	(939,415)
Investment income.....	26,861	343,347	370,208	1,561,423
NET CASH FROM INVESTING ACTIVITIES.....	<u>26,861</u>	<u>343,347</u>	<u>370,208</u>	<u>622,008</u>
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	1,003,961	(1,299,923)	(295,962)	2,943,465
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
(Includes \$521,058 and \$8,191,298 reported as restricted in the sewer and water enterprise funds, respectively).....	2,310,164	12,353,802	14,663,966	10,351,163
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
(Includes \$2,974,357 and \$7,775,877 reported as restricted in the sewer and water enterprise funds, respectively).....	<u>\$ 3,314,125</u>	<u>\$ 11,053,879</u>	<u>\$ 14,368,004</u>	<u>\$ 13,294,628</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating income (loss).....	\$ 203,867	\$ 2,340,577	\$ 2,544,444	\$ 4,109,917
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	955,808	651,130	1,606,938	-
Changes in assets and liabilities:				
Utility liens.....	(14,195)	(10,966)	(25,161)	-
Water fees.....	-	(408,677)	(408,677)	-
Sewer fees.....	(1,047,452)	-	(1,047,452)	-
Special assessments.....	11,008	-	11,008	-
Departmental and other.....	-	-	-	14,374
Working capital deposit.....	-	-	-	(3,422)
Prepaid expenses.....	2,395	-	2,395	-
Warrants payable.....	114,353	116,037	230,390	138,152
Accrued liabilities.....	(6,052)	(112,781)	(118,833)	(149,695)
Accrued payroll.....	12,708	25,801	38,509	(65,000)
Other liabilities.....	(76,337)	(10,464)	(86,801)	-
Liabilities due depositors.....	10,990	(44,229)	(33,239)	-
Accrued health claims payable.....	-	-	-	(1,405,152)
Workers' compensation.....	-	-	-	(40,135)
Accrued compensated absences.....	20,386	18,221	38,607	-
Total adjustments.....	<u>(16,388)</u>	<u>224,072</u>	<u>207,684</u>	<u>(1,510,878)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 187,479</u>	<u>\$ 2,564,649</u>	<u>\$ 2,752,128</u>	<u>\$ 2,599,039</u>
<b>NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental debt subsidies (MWPAT and MWRA).....	<u>\$ 635,485</u>	<u>\$ 343,992</u>	<u>\$ 979,477</u>	<u>\$ -</u>

See notes to basic financial statements.



**CITY OF NEWTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2007

<b>ASSETS</b>	Pension Trust Fund (As of 12/31/06)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 4,822,159	\$ 1,865,630	\$ 3,141,443
Investments.....	-	7,404,050	-
U.S. Government securities.....	7,650,746	-	-
Corporate bonds.....	19,088,447	-	-
Equities.....	175,914,817	-	-
Mutual bond funds.....	24,829,796	-	-
Real estate.....	22,316,012	-	-
Alternative.....	13,242,237	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	377,912	-	-
Loans.....	-	115,275	-
Total assets.....	<u>268,242,126</u>	<u>9,384,955</u>	<u>3,141,443</u>
<b>LIABILITIES</b>			
Warrants payable.....	209,957	2,842	59,690
Accrued liabilities.....	-	1,000	-
Payroll withholdings.....	-	1,310	2,112,209
Other liabilities.....	-	6,921	969,544
Total liabilities.....	<u>209,957</u>	<u>12,073</u>	<u>3,141,443</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	<u>\$ 268,032,169</u>	<u>\$ 9,372,882</u>	<u>\$ -</u>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (As of 12/31/06)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 11,117,331	\$ -
Plan member.....	6,407,985	-
Private donations.....	-	104,383
<b>Total contributions.....</b>	<b>17,525,316</b>	<b>104,383</b>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	25,395,706	-
Interest.....	4,935,278	1,010,870
<b>Total investment income (loss).....</b>	<b>30,330,984</b>	<b>1,010,870</b>
Less investment expense.....	(1,012,182)	-
<b>Net investment income (loss).....</b>	<b>29,318,802</b>	<b>1,010,870</b>
Intergovernmental.....	1,033,657	-
Transfers from other systems.....	934,213	-
<b>TOTAL ADDITIONS.....</b>	<b>48,811,988</b>	<b>1,115,253</b>
<b>DEDUCTIONS</b>		
Retirement benefits.....	25,927,780	-
Refunds of contributions & transfers to other systems.....	1,428,235	-
Administration expense.....	242,831	30,775
Educational scholarships & awards.....	-	426,177
<b>TOTAL DEDUCTIONS.....</b>	<b>27,598,846</b>	<b>456,952</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>21,213,142</b>	<b>658,301</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>246,819,027</b>	<b>8,714,581</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 268,032,169</b>	<b>\$ 9,372,882</b>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS  
COMPONENT UNITS  
COMBINING STATEMENT OF FUND NET ASSETS**

JUNE 30, 2007

	Component Units				Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/06)	Newton Community Development Authority	Newton Schools Foundation, Inc. (As of 06/30/06)	Newton Community Farm, Inc. (As of 12/31/06)	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 1,107,060	\$ -	\$ 73,190	\$ 39,124	\$ 1,219,374
Restricted cash and cash equivalents.....	-	357,652	-	-	357,652
Investments.....	-	-	1,242,117	-	1,242,117
Interest and dividends.....	-	485,280	-	-	485,280
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	12,688	-	-	-	12,688
Loans.....	-	144,750	-	-	144,750
Other assets.....	-	-	8,731	-	8,731
Prepaid expenses.....	2,937	-	-	527	3,464
Total current assets.....	<u>1,122,685</u>	<u>987,682</u>	<u>1,324,038</u>	<u>39,651</u>	<u>3,474,056</u>
Noncurrent assets:					
Receivables, net of allowance for uncollectible amounts:					
Loans.....	-	2,886,621	-	-	2,886,621
Capital assets:					
Depreciable, net of accumulated depreciation.....	1,385,502	-	975	48,938	1,435,415
Total noncurrent assets.....	<u>1,385,502</u>	<u>2,886,621</u>	<u>975</u>	<u>48,938</u>	<u>4,322,036</u>
Total assets.....	<u>2,508,187</u>	<u>3,874,303</u>	<u>1,325,013</u>	<u>88,589</u>	<u>7,796,092</u>
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable.....	443,584	-	105,908	6,621	556,113
Accrued liabilities.....	-	67,558	-	-	67,558
Total current liabilities.....	<u>443,584</u>	<u>67,558</u>	<u>105,908</u>	<u>6,621</u>	<u>623,671</u>
Noncurrent liabilities:					
Total liabilities.....	<u>443,584</u>	<u>67,558</u>	<u>105,908</u>	<u>6,621</u>	<u>623,671</u>
<b>FUND NET ASSETS</b>					
Invested in capital assets, net of related debt.....	1,385,502	-	975	48,938	1,435,415
Unrestricted.....	679,101	3,806,745	1,218,130	33,030	5,737,006
Total net assets.....	<u>\$ 2,064,603</u>	<u>\$ 3,806,745</u>	<u>\$ 1,219,105</u>	<u>\$ 81,968</u>	<u>\$ 7,172,421</u>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**COMPONENT UNITS**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Component Units				Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/06)	Newton Community Development Authority	Newton Schools Foundation, Inc. (As of 06/30/06)	Newton Community Farm, Inc. (As of 12/31/06)	
<b>OPERATING REVENUES</b>					
Charges for services.....	\$ 250,000	\$ -	\$ -	\$ 36,184	\$ 286,184
Penalties and interest.....	-	121,929	-	-	121,929
Contributions.....	-	-	379,868	66,265	446,133
Miscellaneous.....	-	143,086	-	-	143,086
<b>TOTAL OPERATING REVENUES.....</b>	<b>250,000</b>	<b>265,015</b>	<b>379,868</b>	<b>102,449</b>	<b>997,332</b>
<b>OPERATING EXPENSES</b>					
Salaries, wages and employee benefits.....	59,111	100,328	-	65,857	225,296
Other operating expenses.....	50,000	-	406,940	-	456,940
Depreciation.....	46,666	-	-	-	46,666
<b>TOTAL OPERATING EXPENSES.....</b>	<b>155,777</b>	<b>100,328</b>	<b>406,940</b>	<b>65,857</b>	<b>728,902</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>94,223</b>	<b>164,687</b>	<b>(27,072)</b>	<b>36,592</b>	<b>268,430</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income.....	49,552	-	50,576	91	100,219
<b>CHANGE IN FUND NET ASSETS.....</b>	<b>143,775</b>	<b>164,687</b>	<b>23,504</b>	<b>36,683</b>	<b>368,649</b>
<b>FUND NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>1,920,828</b>	<b>3,642,058</b>	<b>1,195,601</b>	<b>45,285</b>	<b>6,803,772</b>
<b>FUND NET ASSETS AT END OF YEAR.....</b>	<b>\$ 2,064,603</b>	<b>\$ 3,806,745</b>	<b>\$ 1,219,105</b>	<b>\$ 81,968</b>	<b>\$ 7,172,421</b>

See notes to basic financial statements.

## CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

### 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.

#### Blended Component Unit

The following component unit provides services or benefits exclusively or almost exclusively to the City or its employees and is therefore blended and reported as if it were part of the City:

The Newton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, Newton Housing Authority employees and their respective 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 is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

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.

#### Discretely Presented Component Units

The following component units are discretely presented in the government-wide financial statements because of the nature and/or significance of their relationships with the City. Each of the component units described below are considered major component units.

*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 Chairman at Newton City Hall, 1000 Commonwealth Avenue, Newton, Massachusetts 02469.

*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.

## CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

*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.

*The Newton Community Farm, Inc.*, a non-profit organization, was established in 2005 to preserve the historic Angino Farm, including its open space, buildings, and farm structures. The farm, building, and structures are owned by the City of Newton and licensed out to the organization. Complete audited financial statements may be obtained by writing to the Newton Community Farm's administrative office located at 303 Nahanton Street, Newton, Massachusetts 02459.

### **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; retirement benefits; workers' compensation; property and liability insurance; health insurance subsidies; claims and judgments; other; and state assessments and charges 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 unit. 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, with each displayed in a separate column in their respective governmental fund and proprietary fund financial statements. 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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions (charges for services) associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues and expenses not meeting this definition, such as intergovernmental subsidies and investment earnings, are reported as nonoperating revenues and expenses.

## CITY OF NEWTON, MASSACHUSETTS

### Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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.

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 (in the subsequent fiscal year) 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 Improvements Fund: This fund accounts for major improvements 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.

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 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, 2007

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.

### **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.

For the government-wide and enterprise fund financial statements, 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.

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. 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 Cash Equivalents 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 Cash Equivalents and Investments**

Permanent fund cash and cash equivalents and investments and cash and cash equivalents 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, 2007

### **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 are considered 100% collectible.

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 vehicle 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 is not material to the government-wide and fund financial statements of the City and therefore is 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.

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.

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:

## CITY OF NEWTON, MASSACHUSETTS

### Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Land improvements	7-20 years
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:

- Capital purposes represent unspent proceeds of bonds, notes and grants that are restricted for specific capital projects.
- 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’ Department of Education, 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, 2007

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.
- 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 2008 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, 2007 this expenditure totaled approximately \$13,521,000, for 2,384 eligible retirees and/or survivors.

## CITY OF NEWTON, MASSACHUSETTS

### Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

The City has obtained an actuarial valuation of its obligations for post retirement health benefits. As of June 30, 2007 the actuarially determined present value of earned post retirement health benefits is approximately \$392,730,000. The actuarial assumptions included a 4.0% rate of return on investments (net of investment expenses) and an inflationary rate of 9.0% for fiscal year 2008; 8.0% for fiscal year 2009; 7.0% for fiscal year 2010; 6.0% for the next three years and an ultimate trend rate after 4 years of 5.0% per annum. Based upon the June 30, 2007 study, the City's Annual Required Contribution (ARC) for the fiscal year beginning July 1, 2007 is approximately \$32,330,000 million. 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.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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, property tax revaluation program appropriations and funds included in the annual budget for settlement of collective bargaining contracts that have not been settled at year-end.

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2007 General Fund and Community Preservation Fund budgets authorized \$260,803,685 and \$8,663,999, 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 \$6,146,230, and \$2,426,567, respectively, for total budgets of \$266,949,915 and \$11,090,566, respectively.

Total General Fund expenditures and transfers to other funds were \$257,907,244, and \$7,198,616 in appropriation balances were carried forward into fiscal year 2008 to support encumbrances and continuing appropriations. A total of \$3,313,902 of this sum represents funds appropriated for the settlement of outstanding collective bargaining contracts.

Total Community Preservation Fund expenditures and transfers to other funds were \$5,754,812, and \$4,117,278 in appropriation balances were carried forward into fiscal year 2008 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, 2007 is presented below:

	Revenues	Expenditures	Extraordinary Item
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 260,144,153	\$ 252,124,366	\$ -
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	41,596	-	-
Net change in recording tax refunds payable.....	(500,026)	-	-
To record activity for landfill closure subsidy.....	89,225	89,225	-
To record activity of MTRS on-behalf payments.....	23,036,646	23,036,646	-
To record activity for pension loan interest subsidy.....	136,500	136,500	-
Net change in recording short-term interest accrual.....	-	(200,725)	-
Net change in collective bargaining accrual.....	-	1,734,870	-
Net change in recording other expenditures.....	-	91,591	-
Sub-total.....	282,948,094	277,012,473	-
<u>Reclassification</u>			
Structured settlement proceeds presented as extraordinary item.....	(2,850,000)	-	2,850,000
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 280,098,094	\$ 277,012,473	\$ 2,850,000

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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

**Note 3 - Deposits and Investments**

**A. Summary of Deposit and Investment Balances**

*City (Excluding the Pension Trust Fund)*

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.

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.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a policy for custodial credit risk of deposits. As of June 30, 2007, \$52,919,444 of the City's bank balance of \$57,065,065 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2007 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 5,749,974	\$ 576,391	\$ 2,854,591	\$ 1,481,248	\$ 837,744
U.S. Agencies.....	759,488	454,157	305,331	-	-
Corporate bonds.....	617,750	144,345	350,316	123,089	-
Money market mutual funds.....	544,192	544,192	-	-	-
External investment pools.....	63,457,490	63,457,490	-	-	-
Repurchase agreements.....	<u>3,037,403</u>	<u>3,037,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>74,166,297</u>	<u>\$ 68,213,978</u>	<u>\$ 3,510,238</u>	<u>\$ 1,604,337</u>	<u>\$ 837,744</u>
<u>Other Investments:</u>					
Equity securities.....	9,446,817				
Real estate investments.....	<u>360,843</u>				
Total other investments.....	<u>9,807,660</u>				
Total investments.....	<u>\$ 83,973,957</u>				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The City does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. As of June 30, 2007, \$20,516,467 of the City's investments of \$83,973,957 was uninsured, not registered in the name of the City and exposed to custodial credit risk as follows:

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Investment Type	Fair Value	Held by Counterparty	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 5,749,974	\$ -	\$ 5,749,974
U.S. Agencies.....	759,488	-	759,488
Corporate bonds.....	617,751	-	617,751
Money market mutual funds.....	544,191	544,191	-
Repurchase agreements.....	3,037,403	3,037,403	-
Equity securities.....	9,446,817	-	9,446,817
Real estate investments.....	360,843	343,630	17,213
Total.....	\$ <u>20,516,467</u>	\$ <u>3,925,224</u>	\$ <u>16,591,243</u>

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City does not have a policy for credit risk of debt securities. As of June 30, 2007, the credit quality ratings of the City's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *								
		AAA	AA1	AA3	A3	A	A1	BAA1	BA1	Unrated
Corporate bonds.....	\$ 617,750	\$ 120,350	\$ 34,382	\$ 49,087	\$ 24,941	\$ 103,038	\$ 125,206	\$ 21,009	\$ 139,737	\$ -
Money market mutual funds.....	544,192	-	-	-	-	-	-	-	-	544,192
Repurchase agreements.....	3,037,403	3,037,403	-	-	-	-	-	-	-	-
External investment pools.....	63,457,490	-	-	-	-	-	-	-	-	63,457,490
Total.....	\$ <u>67,656,835</u>	\$ <u>3,157,753</u>	\$ <u>34,382</u>	\$ <u>49,087</u>	\$ <u>24,941</u>	\$ <u>103,038</u>	\$ <u>125,206</u>	\$ <u>21,009</u>	\$ <u>139,737</u>	\$ <u>64,001,682</u>

\* Per the rating scale of Moody's and Standard and Poor's (national credit rating organizations)

*Pension Trust Fund (The System)*

Pension trust fund investments (more fully described in note 11), include a combination of public and private real estate limited partnership investments, which represents 8.3% 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.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2006, the System is not exposed to custodial credit risk.



**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Investments Summary

The System's investments at December 31, 2006 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 6,857,519	\$ -	\$ 1,253,480	\$ 921,600	\$ 4,682,439
U.S. Agencies.....	793,227	-	793,227	-	-
Corporate bonds.....	19,088,447	8,235	8,148,360	7,635,227	3,296,625
Money market mutual funds....	3,230,782	3,230,782	-	-	-
Mutual bond funds.....	24,829,796	1,126,422	20,533,595	3,056,202	113,577
External investment pools.....	1,591,377	1,591,377	-	-	-
Total debt securities.....	56,391,148	\$ 5,956,816	\$ 30,728,662	\$ 11,613,029	\$ 8,092,641
<u>Other Investments:</u>					
Equity securities.....	175,914,817				
Real estate investments.....	22,316,012				
Alternative investments.....	13,242,237				
Total other investments.....	211,473,066				
Total investments.....	\$ 267,864,214				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy is that at least 15%, but no more than 30% of the portfolio must be invested in fixed income securities.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. The custodial arrangements are reflective of the fact that System assets are invested in pooled funds as opposed to individual securities. As of December 31, 2006, \$266,272,837 of the System's investments of \$267,864,214 was uninsured, not registered in the name of the System and exposed to custodial credit risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
U.S. Treasuries.....	\$ 6,857,519	\$ -	\$ 6,857,519
U.S. Agencies.....	793,227	-	793,227
Corporate bonds.....	19,088,447	-	19,088,447
Money market mutual funds.....	3,230,782	3,230,782	-
Mutual bond funds.....	24,829,796	-	24,829,796
Equity securities.....	175,914,817	-	175,914,817
Real estate investments.....	22,316,012	-	22,316,012
Alternative investments.....	<u>13,242,237</u>	<u>-</u>	<u>13,242,237</u>
Total.....	<u>\$ 266,272,837</u>	<u>\$ 3,230,782</u>	<u>\$ 263,042,055</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy is that bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 5% of the total investment portfolio may be invested in bonds with a minimum quality rating of CCC as rated by Standard & Poor's Corporate and Municipal Rating Service. As of December 31, 2006, the credit quality ratings of the System's debt securities are as follows:

Quality Ratings *	Investment Type					Fair Value
	Corporate Bonds	Money Market Mutual Funds	Mutual Bond Funds	External Investment Pools		
A1.....	\$ 532,635	32,746	98,259	-		663,640
A2.....	1,090,891	68,652	312,149	-		1,471,692
A3.....	1,360,600	5,539	55,662	-		1,421,801
Aa1.....	47,996	16,059	35,722	-		99,777
Aa2.....	494,709	-	23,848	-		518,557
Aa3.....	1,019,067	107,620	59,182	-		1,185,869
Aaa.....	291,974	112,944	22,783,309	-		23,188,227
B1.....	1,520,315	-	-	-		1,520,315
B2.....	1,644,349	-	-	-		1,644,349
B3.....	509,002	-	-	-		509,002
Ba1.....	1,133,401	-	-	-		1,133,401
Ba2.....	1,269,160	-	-	-		1,269,160
Ba3.....	784,347	-	-	-		784,347
Baa1.....	2,454,091	51,621	43,000	-		2,548,712
Baa2.....	2,361,645	28,843	244,428	-		2,634,916
Baa3.....	2,052,003	6,317	24,464	-		2,082,784
Caa1.....	396,291	-	-	-		396,291
Caa2.....	36,026	-	-	-		36,026
Unrated.....	89,945	2,800,441	1,149,773	1,591,377		5,631,536
Total.....	\$ 19,088,447	3,230,782	24,829,796	1,591,377		48,740,402

\* Per the rating scale of Moody's and Standard and Poor's (national credit rating organizations)

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

**Note 4 - Receivables**

At June 30, 2007, 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 Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,883,071	\$ (151,233)	\$ 4,731,838
Real estate tax deferrals.....	2,826,241	-	2,826,241
Tax and utility liens.....	2,675,868	-	2,675,868
Motor vehicle excise taxes.....	1,714,709	(983,801)	730,908
Community preservation surcharges.....	72,301	-	72,301
Charges for services.....	910,319	(93,999)	816,320
Special assessments.....	704,125	-	704,125
Departmental and other.....	8,444,786	(1,170,856)	7,273,930
Notes.....	1,100,000	-	1,100,000
Intergovernmental.....	20,452,730	-	20,452,730
Loans.....	475,275	-	475,275
	<u>\$ 44,259,425</u>	<u>\$ (2,399,889)</u>	<u>\$ 41,859,536</u>

At June 30, 2007, receivables for the Proprietary Funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 308,578	\$ -	\$ 308,578
Charges for services.....	10,703,042	(199,974)	10,503,068
Special assessments.....	103,454	-	103,454
Intergovernmental.....	3,053,679	-	3,053,679
	<u>\$ 14,168,753</u>	<u>\$ (199,974)</u>	<u>\$ 13,968,779</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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, 2007, the various components of deferred revenue reported in the governmental funds were:

	General Fund	Community Preservation Fund (Major)	High School Improvements Fund (Major)	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes.....	\$ 3,547,546	\$ -	\$ -	\$ -	\$ 3,547,546
Real estate tax deferrals.....	2,826,241	-	-	-	2,826,241
Tax and utility liens.....	2,675,868	-	-	-	2,675,868
Motor vehicle and other excise taxes.....	271,923	-	-	-	271,923
Community preservation surcharges.....	-	50,950	-	-	50,950
Charges for service.....	-	-	-	447,117	447,117
Special assessments.....	704,125	-	-	-	704,125
Departmental and other.....	7,268,227	-	-	-	7,268,227
Notes.....	-	1,100,000	-	-	1,100,000
Intergovernmental (state school construction)...	14,431,892	-	447,753	-	14,879,645
Intergovernmental (other state and federal).....	768,191	2,045,105	-	7,027	2,820,323
Loans.....	-	-	-	360,000	360,000
Total.....	<u>\$ 32,494,013</u>	<u>\$ 3,196,055</u>	<u>\$ 447,753</u>	<u>\$ 814,144</u>	<u>\$ 36,951,965</u>

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for nine school renovation projects previously financed with long-term debt. This assistance program, administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service payments for approved projects. During the fiscal year ended June 30, 2007 the City received \$2,377,843 of such assistance and an additional \$5,661,268 related to construction costs and \$1,335,973 in interest has been committed for the period of July 1, 2007 through June 30, 2013. Accordingly, a \$5,661,268 intergovernmental receivable (and corresponding deferred revenue) has been recorded in the General Fund. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements. MSBA financial and compliance audits have been completed for all school projects under payment schedule. Also, during fiscal year 2007 MSBA financial and compliance audits were completed for the Newton South High School, Williams Elementary School, Spaulding Memorial School and Bowen Elementary School projects, which represent \$8,770,623 of the \$14,431,891 intergovernmental receivable.

During fiscal year 2007, the City received \$8,260,000 of the school building assistance award for the Newton South High School renovation project. The balance of the award is payable to the City upon final audit of project costs. The City used the \$8,260,000 reimbursement to retire outstanding bond anticipation notes and expects to use the \$447,753 balance to fund construction costs incurred in the High School Improvement Fund. Accordingly, a \$447,753 intergovernmental receivable (and corresponding deferred revenue) has been recorded in the High School Improvement Fund. This amount was received subsequent to year-end.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

**Note 5 – Capital Assets**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 17,099,071	\$ 2,313,221	\$ -	\$ 19,412,292
Construction in progress.....	<u>4,601,819</u>	<u>4,769,812</u>	<u>(27,000)</u>	<u>9,344,631</u>
Sub-total .....	<u>21,700,890</u>	<u>7,083,033</u>	<u>(27,000)</u>	<u>28,756,923</u>
Capital assets being depreciated:				
Buildings and improvements.....	198,173,753	1,339,851	-	199,513,604
Equipment and machinery.....	38,767,816	5,135,842	(434,662)	43,468,996
Road network.....	<u>49,079,768</u>	<u>3,418,388</u>	<u>-</u>	<u>52,498,156</u>
Sub-total.....	<u>286,021,337</u>	<u>9,894,081</u>	<u>(434,662)</u>	<u>295,480,756</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(69,468,377)	(4,125,572)	-	(73,593,949)
Equipment and machinery.....	(26,660,406)	(2,890,234)	404,226	(29,146,414)
Road network.....	<u>(15,269,679)</u>	<u>(1,303,722)</u>	<u>-</u>	<u>(16,573,401)</u>
Sub-total.....	<u>(111,398,462)</u>	<u>(8,319,528)</u>	<u>404,226</u>	<u>(119,313,764)</u>
Total capital assets being depreciated, net.....	<u>174,622,875</u>	<u>1,574,553</u>	<u>(30,436)</u>	<u>176,166,992</u>
Governmental capital assets, net.....	\$ <u>196,323,765</u>	\$ <u>8,657,586</u>	\$ <u>(57,436)</u>	\$ <u>204,923,915</u>

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

Elections.....	\$ 25,861
Administrative support.....	192,149
Public building maintenance and operations.....	77,729
Police.....	680,959
Fire.....	367,518
Other public safety.....	1,541
Education.....	4,156,167
Streets and sidewalks.....	1,681,859
Control of snow and ice.....	13,250
Solid waste.....	998
Public works administration and support.....	61,034
Public health.....	4,115
Human services.....	20,071
Libraries.....	877,902
Parks and recreation.....	152,785
Newton history museum.....	5,590
Total depreciation expense - governmental activities.....	\$ <u>8,319,528</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2007 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Water system:</b>				
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.....	4,138,660	68,642	-	4,207,302
Water system.....	24,017,989	4,113,322	-	28,131,311
Sub-total.....	<u>30,360,141</u>	<u>4,181,964</u>	<u>-</u>	<u>34,542,105</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(882,220)	(33,162)	-	(915,382)
Equipment and machinery.....	(2,824,311)	(79,594)	-	(2,903,905)
Water system.....	(6,040,082)	(538,374)	-	(6,578,456)
Sub-total.....	<u>(9,746,613)</u>	<u>(651,130)</u>	<u>-</u>	<u>(10,397,743)</u>
Total capital assets being depreciated, net.....	<u>20,613,528</u>	<u>3,530,834</u>	<u>-</u>	<u>24,144,362</u>
Water system capital assets, net.....	\$ <u>20,872,068</u>	\$ <u>3,530,834</u>	\$ <u>-</u>	\$ <u>24,402,902</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Sewer system</b>				
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.....	1,571,932	186,055	-	1,757,987
Sanitary sewer system.....	39,907,414	533,904	-	40,441,318
Sub-total.....	<u>43,347,005</u>	<u>719,959</u>	<u>-</u>	<u>44,066,964</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(468,388)	(39,125)	-	(507,513)
Equipment and machinery.....	(466,967)	(142,387)	-	(609,354)
Sanitary sewer system.....	(12,087,233)	(774,296)	-	(12,861,529)
Sub-total.....	<u>(13,022,588)</u>	<u>(955,808)</u>	<u>-</u>	<u>(13,978,396)</u>
Total capital assets being depreciated, net.....	<u>30,324,417</u>	<u>(235,849)</u>	<u>-</u>	<u>30,088,568</u>
Sewer system capital assets, net.....	\$ <u>30,350,662</u>	\$ <u>(235,849)</u>	\$ <u>-</u>	\$ <u>30,114,813</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Capital asset activity for individual component units for the fiscal year ended June 30, 2007 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Newton Commonwealth Foundation (golf course):</u></b>				
Capital assets being depreciated:				
Land improvements.....	\$ 670,002	\$ 1,112,461	\$ -	\$ 1,782,463
Buildings and improvements.....	69,481	-	-	69,481
Equipment and machinery.....	35,409	-	-	35,409
Sub-total.....	<u>774,892</u>	<u>1,112,461</u>	<u>-</u>	<u>1,887,353</u>
Less: accumulated depreciation:				
Land improvements.....	(392,955)	(40,058)	-	(433,013)
Buildings and improvements.....	(35,398)	(3,628)	-	(39,026)
Equipment and machinery.....	<u>(26,832)</u>	<u>(2,980)</u>	<u>-</u>	<u>(29,812)</u>
Sub-total.....	<u>(455,185)</u>	<u>(46,666)</u>	<u>-</u>	<u>(501,851)</u>
Golf course capital assets, net.....	<u>\$ 319,707</u>	<u>\$ 1,065,795</u>	<u>\$ -</u>	<u>\$ 1,385,502</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Newton Schools Foundation:</u></b>				
Capital assets being depreciated:				
Equipment and machinery.....	\$ 12,572	\$ 1,625	\$ -	\$ 14,197
Less: accumulated depreciation:				
Equipment and machinery.....	<u>(10,947)</u>	<u>(2,275)</u>	<u>-</u>	<u>(13,222)</u>
Newton schools foundation capital assets, net.....	<u>\$ 1,625</u>	<u>\$ (650)</u>	<u>\$ -</u>	<u>\$ 975</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Newton Community Farm:</u></b>				
Capital assets being depreciated:				
Equipment and machinery.....	\$ -	\$ 51,819	\$ -	\$ 51,819
Less: accumulated depreciation:				
Equipment and machinery.....	<u>-</u>	<u>(2,881)</u>	<u>-</u>	<u>(2,881)</u>
Newton community farm capital assets, net.....	<u>\$ -</u>	<u>\$ 48,938</u>	<u>\$ -</u>	<u>\$ 48,938</u>

**Note 6 – Capital Leases**

The City has entered into a capital lease agreement with Apple Computer, Inc. for personal computers, servers and networking equipment. The agreement also contains the option which would allow the City to purchase the personal computers, servers and networking equipment at the end of the lease term.



**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

The following schedule presents future minimum lease payments as of June 30, 2007:

<u>Fiscal Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2008.....	\$ 148,879
2009.....	<u>148,878</u>
Total minimum lease payments.....	297,757
Less: amounts representing interest.....	<u>(20,471)</u>
Present value of minimum lease payments..	\$ <u><u>277,286</u></u>

Equipment and the related accumulated amortization under the capital lease is as follows:

	<u>Governmental</u> <u>Activities</u>
<u>Asset:</u>	
Equipment.....	\$ 425,000
Less: accumulated amortization.....	<u>(147,714)</u>
Total.....	\$ <u><u>277,286</u></u>

**Note 7 – Inter-fund Receivables, Payables and Transfers**

Receivables and payables between funds at June 30, 2007, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal federal grants - non major governmental fund	\$ 13,255 {1}
General Fund	School state grants - non major governmental fund	687,520 {2}
General Fund	Street improvements - non major governmental fund	276,607 {3}
		<u>\$ 977,382</u>

- {1} Advance funding pending receipt of home federal grant drawn downs.
- {2} Advance funding pending receipt of school state grant reimbursements.
- {3} Advance funding pending receipt of state chapter 90 highway grant reimbursements.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Inter-fund transfer activity for the fiscal year ended June 30, 2007 consisted of the following:

Transfer Purpose	General Fund	Community Preservation Fund	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds
School Lunch fund subsidy.....	\$ (888,994)	\$ -	\$ 888,994	\$ -	\$ -	\$ -
School Student Athletic Revolving fund subsidy.....	(909,024)	-	909,024	-	-	-
High School Renovation Project subsidy - capital stabilization fund.....	(1,558,051)	-	1,558,051	-	-	-
Parking Meter Receipts Reserved fund subsidy of street lighting.....	852,832	-	(852,832)	-	-	-
Water Fund administration and support reimbursement.....	487,532	-	-	(487,532)	-	-
Water Fund administration reimbursement to Sewer Fund.....	-	-	-	(529,140)	529,140	-
Water Fund legal claim.....	10,000	-	-	(10,000)	-	-
Sewer Fund administration and support reimbursement.....	731,299	-	-	-	(731,299)	-
Sale of Recyclable Materials Receipts Reserved fund - solid waste collection/disposal.....	300,000	-	(300,000)	-	-	-
CATV Receipts Reserved fund - Planning staff.....	100,000	-	(100,000)	-	-	-
Municipal Building Self Insurance Fund - building insurance premiums.....	277,582	-	-	-	-	(277,582)
Community Preservation Act Fund legal retainer.....	30,000	(30,000)	-	-	-	-
BAA Marathon Receipts Reserved Fund - playground improvements.....	25,000	-	(25,000)	-	-	-
Traffic Mitigation Receipts Reserved Fund - traffic study.....	15,000	-	(15,000)	-	-	-
Close unexpended balance to Traffic Mitigation Fund.....	(370)	-	370	-	-	-
Traffic Mitigation Receipts Reserved Fund - traffic study.....	25,000	-	(25,000)	-	-	-
Traffic Mitigation Receipts Reserved Fund - traffic study.....	35,000	-	(35,000)	-	-	-
Damage Recovery Receipts Reserved Fund - reimburse General and CSF's.....	2,213	-	(21,370)	-	-	-
Damage Recovery Receipts Reserved Fund - reimburse General and CSF's.....	-	-	19,157	-	-	-
Municipal Federal Grant Fund (FEMA storm reimbursement) - private way improvements.....	35,848	-	(35,848)	-	-	-
State Grant Fund - Newton Center Task Force reimbursement.....	18,000	-	(18,000)	-	-	-
Municipal Buildings Improvement Fund - Fire station #4 improvements.....	(58,385)	-	58,385	-	-	-
Municipal Buildings Improvement Fund - Fire station fire alarm improvement.....	(90,000)	-	90,000	-	-	-
Street Improvements Fund - lighting.....	(790,000)	-	790,000	-	-	-
School Buildings Improvement Fund - Elementary school modular classrooms.....	(1,000,000)	-	1,000,000	-	-	-
School Buildings Improvement Fund - Elementary school modular classrooms.....	(355,579)	-	355,579	-	-	-
Capital Stabilization Fund - Albemarle Electrical improvements.....	30,000	-	(30,000)	-	-	-
Capital Stabilization Fund - Senior Center painting.....	8,092	-	(8,092)	-	-	-
Capital Stabilization Fund - Police station generator repairs.....	19,157	-	(19,157)	-	-	-
Capital Stabilization Fund - High School reserve.....	(31,315)	-	31,315	-	-	-
MEMA grant reimbursement - interactive speed sign purchase.....	5,745	-	(5,745)	-	-	-
Sewer Fund grant to WC fund - workers compensation benefits.....	-	-	(5,173)	-	5,173	-
BAA Marathon Receipts Reserved Fund - playground improvements.....	30,000	-	(30,000)	-	-	-
School Buildings Improvement Fund - Carr School boiler replacement.....	(15,000)	-	15,000	-	-	-
School Buildings Improvement Fund - Crafts St. garage roof repairs.....	25,200	-	(25,200)	-	-	-
Capital Stabilization Fund - Fire Station Tier I improvements.....	-	-	(672,530)	-	-	-
Municipal Buildings Improvement Fund - Fire Station Tier I improvements.....	-	-	672,530	-	-	-
School Buildings Improvement Fund.....	-	-	(230,745)	-	-	-
Capital Stabilization Fund.....	-	-	230,745	-	-	-
Municipal Federal Grants Fund.....	-	-	(24,940)	-	-	-
Capital Stabilization Fund.....	-	-	24,940	-	-	-
Various Nonmajor Governmental Fund close-out transfers.....	(86,160)	-	86,160	-	-	-
<b>Total Transfers from Other Funds.....</b>	<b>\$ 3,063,500</b>	<b>\$ -</b>	<b>\$ 6,730,250</b>	<b>\$ -</b>	<b>\$ 534,313</b>	<b>\$ -</b>
<b>Total Transfers to Other Funds.....</b>	<b>\$ (5,782,878)</b>	<b>\$ (30,000)</b>	<b>\$ (2,479,632)</b>	<b>\$ (1,026,672)</b>	<b>\$ (731,299)</b>	<b>\$ (277,582)</b>

**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 (RAN's) 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, 2007 is as follows:

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

Loan Type	Purpose/Fund	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
BAN	High school renovations..	02/15/06	02/15/07	4.50%	\$ 12,060,000	\$ -	\$ (12,060,000)	\$ -
BAN	Land Acquisition.....	06/08/07	11/15/07	3.75%	-	2,300,000	-	2,300,000
Totals.....					\$ 12,060,000	\$ 2,300,000	\$ (12,060,000)	\$ 2,300,000

**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, 2007, along with future year debt service requirements is as follows:

**Bonds Payable – Governmental Funds**

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2006	Issued	Redeemed	Outstanding June 30, 2007
Pension funding loan (House bill 6209).....	08/31/1996	0.00	\$ 2,600,000	\$ -	\$ (2,600,000)	-
School renovations.....	02/26/1997	4.50-4.80	553,750	-	(553,750)	-
MWPAT landfill closure.....	02/15/1998	4.60	1,821,100	-	(123,300)	1,697,800
School renovations.....	03/10/1998	4.23	700,000	-	(350,000)	350,000
Carr school repurchase.....	03/15/1999	3.91	630,000	-	(210,000)	420,000
School renovations.....	03/15/1999	3.91	3,105,000	-	(1,035,000)	2,070,000
School renovations.....	07/15/2000	4.40-4.85	2,140,000	-	(430,000)	1,710,000
School renovations.....	08/15/2001	3.65	2,910,000	-	(500,000)	2,410,000
School renovations.....	08/15/2003	3.06	4,560,000	-	(570,000)	3,990,000
Land acquisition (CPA).....	12/15/2003	2.0-3.4	4,000,000	-	(500,000)	3,500,000
School renovations.....	02/15/2005	3.0-4.0	9,500,000	-	(500,000)	9,000,000
Land acquisition (CPA).....	02/15/2005	3.0-3.75	1,200,000	-	(300,000)	900,000
School renovations.....	02/15/2006	3.0-4.3	11,574,000	-	(614,000)	10,960,000
Road improvements.....	02/15/2006	3.0-4.3	524,000	-	(54,000)	470,000
Public works equipment.....	02/15/2006	3.0-4.3	887,000	-	(72,000)	815,000
Fire equipment.....	02/15/2006	3.0-4.3	850,000	-	(60,000)	790,000
School renovations.....	02/01/2007	4.0-5.0	-	8,817,000	-	8,817,000
Fire station improvements.....	02/01/2007	4.0-5.0	-	340,000	-	340,000
Public works equipment.....	02/01/2007	4.0-5.0	-	750,000	-	750,000
Street light improvements.....	02/01/2007	4.0-5.0	-	693,000	-	693,000
Total.....			\$ 47,554,850	\$ 10,600,000	\$ (8,472,050)	\$ 49,682,800

During fiscal year 2007, the City issued \$10,600,000 in new governmental fund bonds; \$8,817,000 for high school renovations project permanent financing and \$1,783,000 for fire station and street light improvements and public works equipment.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

During 1998 the City entered into a twenty-year loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAAT) 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, 2007, a balance of \$1,697,800 was outstanding on this loan. A principal subsidy of \$29,077 and an interest subsidy of \$60,148 have been recorded in the general fund.

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

Fiscal Year		Principal	Interest	Total
Ending				
2008	\$	6,146,900	\$ 1,879,880	\$ 8,026,780
2009		5,775,100	1,647,477	7,422,577
2010		4,528,500	1,427,535	5,956,035
2011		4,032,500	1,263,483	5,295,983
2012		3,496,700	1,117,822	4,614,522
2013		2,995,500	1,071,571	4,067,071
2014		3,032,200	881,744	3,913,944
2015		1,961,700	784,844	2,746,544
2016		1,966,300	699,719	2,666,019
2017		1,911,000	624,171	2,535,171
2018		1,890,800	547,008	2,437,808
2019		1,870,600	475,421	2,346,021
2020		1,700,000	404,906	2,104,906
2021		1,700,000	338,406	2,038,406
2022		1,500,000	271,656	1,771,656
2023		1,425,000	211,781	1,636,781
2024		1,425,000	154,156	1,579,156
2025		1,425,000	96,531	1,521,531
2026		700,000	37,750	737,750
2027		200,000	8,250	208,250
Total	\$	<u>49,682,800</u>	<u>\$ 13,944,114</u>	<u>\$ 63,626,914</u>

**Bonds Payable – Water Enterprise Fund**

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2006	Issued	Redeemed	Outstanding June 30, 2007
Water/sewer garage.....	03/10/1998	3.89	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000
MWRA Water .....	09/28/2000	0.00	537,411	-	(107,483)	429,928
MWRA Water .....	02/15/2001	0.00	755,598	-	(151,119)	604,479
MWRA Water .....	02/15/2002	0.00	1,551,612	-	(258,602)	1,293,010
MWRA Water .....	08/15/2002	0.00	1,810,213	-	(258,602)	1,551,611
MWRA Water .....	02/26/2004	0.00	2,068,815	-	(258,602)	1,810,213
MWRA Water .....	11/18/2004	0.00	2,327,417	-	(258,602)	2,068,815
MWRA Water .....	05/18/2006	0.00	2,586,019	-	(258,602)	2,327,417
MWRA Water .....	05/31/2007	0.00	-	2,586,019	-	2,586,019
Total.....			<u>\$ 11,727,085</u>	<u>\$ 2,586,019</u>	<u>\$ (1,581,612)</u>	<u>\$ 12,731,492</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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, 2007, the City was the recipient of a \$2,586,019 ten-year interest free water system rehabilitation loan. At June 30, 2007, the City had \$12,671,492 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2007 totaled \$343,992.

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

Fiscal Year	Ending	Principal	Interest	Total
2008	\$	1,840,214	\$ 2,475	\$ 1,842,689
2009		1,840,214	1,245	1,841,459
2010		1,810,213	-	1,810,213
2011		1,810,214	-	1,810,214
2012		1,551,612	-	1,551,612
2013		1,293,010	-	1,293,010
2014		1,034,407	-	1,034,407
2015		775,806	-	775,806
2016		517,203	-	517,203
2017		258,600	-	258,600
Total	\$	<u>12,731,492</u>	<u>\$ 3,720</u>	<u>\$ 12,735,212</u>

**Bonds Payable – Sewer Enterprise Fund**

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2006	Issued	Redeemed	Outstanding June 30, 2007
Sewer construction.....	02/26/1997	4.50	\$ 56,250	\$ -	\$ (56,250)	\$ -
Sewer construction.....	03/10/1998	4.01	30,000	-	(10,000)	20,000
MWRA Sewer.....	09/24/2001	0.00	12,234	-	(12,234)	-
MWRA Sewer.....	02/22/2002	0.00	48,576	-	(48,576)	-
MWRA Sewer.....	05/31/2002	0.00	14,179	-	(14,179)	-
MWRA Sewer.....	11/12/2002	0.00	140,910	-	(70,455)	70,455
MWRA Sewer.....	02/20/2003	0.00	44,946	-	(22,473)	22,473
MWRA Sewer.....	05/22/2003	0.00	63,800	-	(31,900)	31,900
MWRA Sewer.....	02/16/2006	0.00	52,525	-	(10,505)	42,020
MWPAT Sewer.....	10/06/1999	5.16	4,890,729	-	(287,513)	4,603,216
MWPAT Sewer.....	11/10/2000	5.20	6,147,566	-	(336,025)	5,811,541
MWPAT Sewer.....	07/03/2002	0.00	106,324	-	(4,857)	101,467
MWRA Sewer.....	02/15/2007	0.00	-	304,700	-	304,700
MWRA Sewer.....	06/14/2007	0.00	-	1,130,800	-	1,130,800
Total .....			<u>\$ 11,608,039</u>	<u>\$ 1,435,500</u>	<u>\$ (904,967)</u>	<u>\$ 12,138,572</u>

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. During the fiscal year ended June 30, 2007, the City was the recipient of \$304,700 and \$1,130,800 five-year interest free sewer infiltration/inflow loans. At June 30, 2007, the City had \$1,602,348 in MWRA sewer infiltration/inflow reduction loans outstanding.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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, 2007 the City had \$10,516,224 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2007 were \$491,405 and \$144,080, respectively.

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

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

Fiscal Year	Principal	Interest	Total
Ending			
2008	\$ 1,078,324	\$ 539,691	\$ 1,618,015
2009	971,206	506,355	1,477,561
2010	976,571	478,188	1,454,759
2011	994,237	417,751	1,411,988
2012	998,577	390,909	1,389,486
2013	736,657	343,684	1,080,341
2014	761,000	318,779	1,079,779
2015	781,000	270,286	1,051,286
2016	806,000	226,512	1,032,512
2017	831,000	182,618	1,013,618
2018	866,000	134,991	1,000,991
2019	896,000	92,573	988,573
2020	916,000	50,093	966,093
2021	506,000	14,033	520,033
2022	10,000	750	10,750
2023	10,000	250	10,250
Total	\$ <u>12,138,572</u>	\$ <u>3,967,464</u>	\$ <u>16,106,036</u>

**Subsequent Events**

On August 23, 2007, the City received non-interest bearing notes from the MWRA totaling \$52,800. The notes are payable in five equal annual installments on August 15<sup>th</sup> through 2012. The proceeds of the notes will be used for sanitary sewer infiltration/inflow reduction.

At June 30, 2007 the City had a total of \$150,598,048 in authorized and unissued debt, which is summarized as follows:

	Beginning of Year	Increases	Decreases	End of Year
High school improvements.....	\$ 38,631,012	\$ 135,531,500	\$ (39,259,259)	\$ 134,903,253
Elementary school improvements.....	500,000	1,630,000	(1,920,000)	210,000
Sewer waste water facilities.....	126,718	-	(126,718)	-
Sewer I&I removal.....	1,244,039	1,964,600	(1,308,974)	1,899,665
Sewer I&I removal.....	3,144,357	1	(149,285)	2,995,073
Water Main Rehab - MWRA.....	10,344,076	-	(2,586,019)	7,758,057
Street lighting improvements.....	-	693,000	(693,000)	-
Fire Station Improvements.....	150,000	722,000	(340,000)	532,000
Land acquisition.....	-	2,300,000	-	2,300,000
	\$ <u>54,140,202</u>	\$ <u>142,841,101</u>	\$ <u>(46,383,255)</u>	\$ <u>150,598,048</u>

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 47,554,850	\$ 10,600,000	\$ (8,472,050)	\$ 49,682,800	\$ 6,146,900
Capital lease obligations.....	-	425,000	(147,714)	277,286	135,144
Landfill closure and other environmental.....	1,209,800	-	(209,800)	1,000,000	135,000
Workers' compensation.....	6,242,105	-	(40,135)	6,201,970	1,004,664
Claims and judgments.....	123,380	-	(85,880)	37,500	37,500
Compensated absences.....	<u>8,304,975</u>	<u>507,494</u>	<u>(1,149,535)</u>	<u>7,662,934</u>	<u>2,536,093</u>
Total.....	<u>\$ 63,435,110</u>	<u>\$ 11,532,494</u>	<u>\$ (10,105,114)</u>	<u>\$ 64,862,490</u>	<u>\$ 9,995,301</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 23,335,124	\$ 4,021,519	\$ (2,486,579)	\$ 24,870,064	\$ 2,918,538
Compensated absences.....	<u>286,454</u>	<u>38,606</u>	<u>-</u>	<u>325,060</u>	<u>32,506</u>
Total.....	<u>\$ 23,621,578</u>	<u>\$ 4,060,125</u>	<u>\$ (2,486,579)</u>	<u>\$ 25,195,124</u>	<u>\$ 2,951,044</u>

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, \$6,201,970 of the internal service funds accrued liabilities (workers' compensation claims) is included above.

The outstanding long-term debt related to land acquisition (Kessler Woods and Angino Farm) will be funded from the community preservation fund (major 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 \$250,000 per year, which are incurred during the fiscal year and paid within eighteen months after June 30.

At June 30, 2007, the City's health claims liability totaled \$4,557,252 and is based on one and a half months claims paid average (beginning in fiscal year 2007). In prior years, the liability was based on two months claims paid average. Changes in the reported liability since July 1, 2005 are as follows:

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-end
Fiscal year 2006.....	\$ 5,232,306	\$	\$ 35,784,521	\$	\$(35,054,424)	\$	\$ 5,962,403
Fiscal year 2007.....	\$ 5,962,403	\$	\$ 35,052,867	\$	\$(36,458,018)	\$	\$ 4,557,252

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 \$6,201,970 at June 30, 2007, of which \$1,004,664 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, 2008. The liability includes an estimate of the IBNR claims.

The June 30, 2007 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 5.0% annual rate of interest.

Changes in the reported liability since July 1, 2005 are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-end
Fiscal year 2006.....	\$ 5,862,173	\$	\$ 2,187,283	\$	\$(1,807,351)	\$	\$ 6,242,105
Fiscal year 2007.....	\$ 6,242,105	\$	\$ 1,407,835	\$	\$(1,447,970)	\$	\$ 6,201,970

**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 System. 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 \$23,036,646 for the fiscal year ended June 30, 2007. 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 Balances.

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 at age 55. Benefits and member contribution rates are determined by Chapter 32 of the Massachusetts General Laws.



**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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, 2006, the System's membership consisted of the following:

Active members.....	1,681
Inactive members.....	600
Disabled members.....	152
Retirees and beneficiaries currently receiving benefits.....	<u>1,177</u>
Total.....	<u><u>3,610</u></u>

**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. 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).

The asset allocation plan is designed to generate an average annual return of 8%. Up to 75% of the investment portfolio may be invested in equity securities, including international equities, which may not exceed 16% of the market value of the portfolio. At least 15%, but no more than 30% 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. Real estate investments are expected to make up a minimum of 6% and a maximum of 12% of the portfolio. Effective January 1, 2006, the Retirement Board has approved the addition of private equity and hedge funds to the portfolio. The target allocation to private equity is 3% and that of hedge funds is 5%. Prohibited investments include futures contracts other than currency futures, calls and

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

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.

At the May 2007 meeting of the Newton Contributory Retirement Board, the Board voted to transfer investment management responsibility for all assets, except those currently invested in real estate limited partnerships, with early withdrawal penalties, to the Commonwealth of Massachusetts' Pension Reserve Investment Trust, effective July 1, 2007.

**E – Annual Pension Cost**

The City's contributions to the System for the fiscal years ended June 30, 2007, 2006, and 2005 were \$10,317,863; \$9,983,742; and \$9,653,986; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2007 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2006 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 two years; 4% for each of the following three years; and 4.75% (5.25% for Group 4) 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, 2007, was 21 years and is considered closed.

**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, 2007	\$ 265,701	\$ 402,258	\$ 136,557	66.1%	\$ 74,197	184.0%
January 1, 2006	253,421	382,732	129,311	66.2%	71,278	181.4%
January 1, 2005	244,266	361,080	116,814	67.6%	69,702	167.6%
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.

## CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

### 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, 2007, 2006, and 2005 were \$565,298, \$605,099 and \$698,366, 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 \$525,000 at June 30, 2007 for future year landfill site monitoring and maintenance. Estimated costs per year total \$25,000. 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 has substantially completed renovations at Newton South High School. During the fiscal year ended June 30, 2006, the City terminated its contract with the general contractor and called upon the contractor's surety to complete all outstanding work. Substantially all outstanding work called for under the contract has now been completed. Subsequent to year end the City accepted the Massachusetts School Building Authority's audit of the Newton South High School Renovation project and received approximately \$2,900,000 in outstanding school building assistance grant payments for this project.

Design development work for the new Newton North High School has essentially been completed and the City has engaged a construction contractor for early site work. The estimated cost of construction of the new Newton North High School is currently approximately \$154,000,000, of which approximately \$46,500,000 in Massachusetts School Building Authority grant assistance and approximately \$15,000,000 in subsidized loan funding is anticipated.

The City's 20 year contract for solid waste collection and disposal ends on June 30, 2008. For the fiscal year ended June 30, 2007, approximately \$3,900,000 was expended under this contract for the collection and disposal of approximately 29,000 tons of rubbish. The City's Solid Waste Commission is in the process of presenting options to the Mayor and Board of Aldermen for future solid waste collection and disposal services.

The City's solid waste recycling collection and disposal contract expires on June 30, 2010. For the fiscal year ended June 30, 2007 approximately \$1,800,000 was expended under this contract for the collection and disposal of 22,400 tons of recyclable material.

During the fiscal year ended June 30, 2007 the City entered into three year collective bargaining contracts, retroactive to July 1, 2006 and September 1, 2006, with employees represented by AFSME Local 3092 and the Newton Teachers Association. These agreements provide for salary adjustments of approximately 8.3% over the term of the contracts. Subsequent to year end, the City also reached agreement with public health nurses for the same terms. All other employee collective bargaining contracts, except for employees represented by the Newton Firefighters Association, expired on either June 30, 2006 or

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

September 30, 2006. The Newton Firefighters Association contract expired on June 30, 2003. Negotiations are on going with all employee groups for which contracts are not in place.

The City participates in a number of state and federal award programs. Although the federal grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2007, these programs, as well as certain state grant programs, are still subject to separate financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although it is expected such amounts, if any, will be immaterial.

Various additional legal actions and claims are pending. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any at June 30, 2007 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2007.

**Note 14 - Donor Restricted Endowments**

Permanent Fund and Private Purpose Trust Fund donors have placed restrictions on the expenditure of certain Permanent Fund and Private Purpose Trust Fund endowments. Local policy prohibits the expenditure of unrealized gains and, as a result, only realized gains and investment income on all such funds is available for expenditure. Furthermore, the expenditure of investment income is restricted by individual donor trust agreements.

Amounts available for expenditure related to Permanent Funds are reported as expendable permanent funds in the Statement of Net Assets and undesignated permanent funds in the Governmental Funds Balance Sheet. Amounts available for expenditure related to Private Purpose Trust Funds are reported as held in trust for other purposes in the Fiduciary Funds Statement of Fiduciary Net Assets.

**Note 15 – Extraordinary Item**

In August of 2006, the City received \$2,850,000 from a structured settlement contract that was purchased for the benefit of the City in 1997 as a result of an out of court settlement with H.C. Starck, Inc. From the proceeds of the structured settlement contract, \$2,600,000 was to be used to retire the interest-free firefighter pension loan received from the Commonwealth in 1996.

**CITY OF NEWTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2007

**Note 16 – Reclassifications and Adjustment**

The following changes have been made to beginning fund balances and net assets:

	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Nonmajor Governmental Funds
Fund balances at June 30, 2006, as previously reported.....	\$ 220,907,037	\$ 55,597,608	\$ 1,195,601	\$ 25,173,490
To reclassify component units from blended to discrete presentation:				
Newton Community Development Authority.....	(3,642,058)	-	3,642,058	(3,642,058)
Newton Commonwealth Foundation, Inc.....		(1,920,828)	1,920,828	
To account for the Newton Community Farm, Inc.....	-	-	45,285	-
Fund balances at June 30, 2006, as restated.....	<u>\$ 217,264,979</u>	<u>\$ 53,676,780</u>	<u>\$ 6,803,772</u>	<u>\$ 21,531,432</u>

**Note 17 – Implementation of GASB Pronouncements**

During fiscal year 2007, GASB Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was required to be implemented. This pronouncement had no impact on the basic financial statements.

**Note 18 – Future Implementation of GASB Pronouncements**

The GASB has issued the following statements:

- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2008.
- Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is required to be implemented during fiscal year 2008.
- Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented during fiscal year 2009.
- Statement #50, *Pension Disclosures*, which is required to be implemented during fiscal year 2008.
- Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented during fiscal year 2010.

The City is currently evaluating the impact these pronouncements will have on the basic financial statements. These pronouncements will be implemented by the respective required years of implementation.

# **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 can not 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 Newton Public school department to subsidize all fund employee benefit costs.

### Revolving Fund

The Revolving Fund is used to account for a variety of municipal functions that are expected to be self-supporting, such as departmental private duty details. All revolving funds, except for damage recoveries of less than \$20,000; private duty details and assignments; wetlands protection and development review activities; and police asset forfeitures are authorized annually by vote of the Board of Aldermen under Massachusetts General Law Chapter 44, Section 53E ½. 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 either legally restricted by state law, or has been restricted by vote of the City's Board of Aldermen, for specific purposes 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, development 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. This is a reimbursement grant.

### 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 generally 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 budgets are recorded upon receipt of approved grant agreements.

### 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 budgets are recorded upon receipt of approved grant agreements.

### 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 and School Committee.

### Stormwater Management Fund

This fund is used to account for operation and maintenance of the City's stormwater drainage activities. Effective July 1, 2006 the Mayor and Board of Aldermen voted to establish the Stormwater Management special revenue fund. These activities were previously accounted for within the Public Works department's General Fund appropriation. A flat rate stormwater management fee was imposed by ordinance effective July 1, 2006 and is intended to fund maintenance and operations. The City has no stormwater management debt at this time.

## ***Capital Projects Funds***

### Public Building Improvements Fund

This fund is used to account for the acquisition, construction, reconstruction, and/or major renovation of buildings for which the City has not established a separate capital project 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 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. Effective July 1, 2005, this fund was reclassified to the Capital Project Funds from the Special Revenue Funds. A separate sub fund is maintained within the fund for each annual Chapter 90 grant agreement and individual project cost centers are maintained with each sub-fund for approved Chapter 90 projects.

### Municipal Equipment Replacement Fund

This fund is used to account for the acquisition of public safety and public works motor equipment, financed with the issuance of debt.

### 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. Separate fund balances are maintained within the fund for: future year high school renovation project financing; future year water and sewer project financing; future year general purpose capital project financing; and future year bonded capital project financing.



*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.

**CITY OF NEWTON, MASSACHUSETTS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2007

*Special Revenue Funds*

<b>ASSETS</b>	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant
Cash and cash equivalents.....	\$ 625,382	\$ 2,585,128	\$ 4,387,463	\$ 677
Receivables, net of allowance for uncollectible amounts:				
Charges for services.....	-	603,295	-	-
Intergovernmental.....	27,814	-	-	130,572
Loans.....	-	-	360,000	-
Restricted assets:				
Cash and cash equivalents.....	-	27,151	-	-
Investments.....	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 653,196</b>	<b>\$ 3,215,574</b>	<b>\$ 4,747,463</b>	<b>\$ 131,249</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 50,346	\$ 315,735	\$ -	\$ 121,121
Accrued liabilities.....	4,877	76,877	-	9,878
Accrued payroll.....	288,011	101,994	-	-
Liabilities due depositors.....	-	27,151	-	-
Deferred revenue.....	-	403,445	360,000	-
Due to other funds.....	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>343,234</b>	<b>925,202</b>	<b>360,000</b>	<b>130,999</b>
 <b>FUND BALANCES:</b>				
Reserved for:				
Perpetual permanent funds.....	-	-	-	-
Other specific purposes.....	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds.....	309,962	2,290,372	4,387,463	250
Capital projects funds.....	-	-	-	-
Permanent funds.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>309,962</b>	<b>2,290,372</b>	<b>4,387,463</b>	<b>250</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 653,196</b>	<b>\$ 3,215,574</b>	<b>\$ 4,747,463</b>	<b>\$ 131,249</b>

*Special Revenue Funds*

	Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$	53,356	\$ 536,174	\$ -	\$ 121,290	\$ 763,586	\$ -	\$ 9,073,056
	-	-	-	-	-	150,350	753,645
	142,465	62,846	1,176,716	297,064	-	-	1,837,477
	-	-	-	-	-	-	360,000
	-	-	-	-	-	170,332	197,483
	-	-	-	-	-	-	-
<b>\$</b>	<b>195,821</b>	<b>\$ 599,020</b>	<b>\$ 1,176,716</b>	<b>\$ 418,354</b>	<b>\$ 763,586</b>	<b>\$ 320,682</b>	<b>\$ 12,221,661</b>
\$	120,206	\$ 75,734	\$ 30,038	\$ 181,917	\$ 9,944	\$ 28,053	\$ 933,094
	2,126	27,062	17,056	18,330	1,147	275	157,628
	-	17,350	107,282	149,137	23,969	4,373	692,116
	-	-	-	-	-	-	27,151
	7,027	-	-	-	-	43,672	814,144
	13,255	-	687,520	-	-	-	700,775
	142,614	120,146	841,896	349,384	35,060	76,373	3,324,908
	-	-	-	-	-	-	-
	53,207	478,874	334,820	68,970	728,526	-	1,664,397
	-	-	-	-	-	244,309	7,232,356
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	53,207	478,874	334,820	68,970	728,526	244,309	8,896,753
<b>\$</b>	<b>195,821</b>	<b>\$ 599,020</b>	<b>\$ 1,176,716</b>	<b>\$ 418,354</b>	<b>\$ 763,586</b>	<b>\$ 320,682</b>	<b>\$ 12,221,661</b>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2007

*Capital Projects Funds*

<b>ASSETS</b>	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Capital Stabilization	Sub-total
Cash and cash equivalents.....	\$ -	\$ -	\$ -	\$ 11,018,230	\$ 11,018,230
Receivables, net of allowance for uncollectible amounts:					
Charges for services.....	-	-	-	-	-
Intergovernmental.....	-	502,841	-	-	502,841
Loans.....	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents.....	3,871,312	1,240,088	728,299	-	5,839,699
Investments.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 3,871,312</b>	<b>\$ 1,742,929</b>	<b>\$ 728,299</b>	<b>\$ 11,018,230</b>	<b>\$ 17,360,770</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 422,593	\$ 246,769	\$ 5,738	\$ -	\$ 675,100
Accrued liabilities.....	398,000	26,269	-	-	424,269
Accrued payroll.....	-	-	-	-	-
Liabilities due depositors.....	-	-	-	-	-
Deferred revenue.....	-	-	-	-	-
Due to other funds.....	-	276,607	-	-	276,607
<b>TOTAL LIABILITIES.....</b>	<b>820,593</b>	<b>549,645</b>	<b>5,738</b>	<b>-</b>	<b>1,375,976</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Other specific purposes.....	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds.....	-	-	-	-	-
Capital projects funds.....	3,050,719	1,193,284	722,561	11,018,230	15,984,794
Permanent funds.....	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>3,050,719</b>	<b>1,193,284</b>	<b>722,561</b>	<b>11,018,230</b>	<b>15,984,794</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 3,871,312</b>	<b>\$ 1,742,929</b>	<b>\$ 728,299</b>	<b>\$ 11,018,230</b>	<b>\$ 17,360,770</b>

*Permanent Funds*

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 20,091,286
-	-	-	753,645
-	-	-	2,340,318
-	-	-	360,000
256,970	97,618	354,588	6,391,770
268,450	702,669	971,119	971,119
<u>\$ 525,420</u>	<u>\$ 800,287</u>	<u>\$ 1,325,707</u>	<u>\$ 30,908,138</u>
\$ -	\$ -	\$ -	\$ 1,608,194
-	-	-	581,897
-	-	-	692,116
-	-	-	27,151
-	-	-	814,144
-	-	-	977,382
-	-	-	4,700,884
400,180	-	400,180	400,180
-	-	-	1,664,397
-	-	-	7,232,356
-	-	-	15,984,794
125,240	800,287	925,527	925,527
525,420	800,287	1,325,707	26,207,254
<u>\$ 525,420</u>	<u>\$ 800,287</u>	<u>\$ 1,325,707</u>	<u>\$ 30,908,138</u>

(Concluded)

**CITY OF NEWTON, MASSACHUSETTS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

*Special Revenue Funds*

	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant
<b>REVENUES</b>				
Licenses, permits and fees.....	\$ -	\$ -	\$ 393,437	\$ -
Intergovernmental .....	476,673	4,203	-	2,598,013
Charges for services.....	2,603,374	8,136,258	1,168,557	-
Fines and forfeitures.....	-	24,807	-	-
Investment income.....	32,489	3,809	17,521	-
Contributions and donations.....	-	199,682	75,000	-
Miscellaneous.....	-	98,114	484,530	1,783
Special assessments.....	-	23,783	-	-
<b>TOTAL REVENUES.....</b>	<b>3,112,536</b>	<b>8,490,656</b>	<b>2,139,045</b>	<b>2,599,796</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Elections.....	-	-	-	-
Administrative support.....	-	-	-	-
Planning & development.....	-	179,382	-	2,599,796
Public building maintenance & operations.....	-	5,325	-	-
Public safety:				
Police.....	-	2,640,298	-	-
Fire.....	-	384,854	-	-
Inspectional services.....	-	5,409	-	-
Education.....	3,836,264	4,450,879	-	-
Public works:				
Streets & sidewalks.....	-	454,888	-	-
Collection & disposal of solid waste.....	-	-	-	-
Engineering.....	-	13,367	-	-
Health and human services:				
Health & human services.....	-	60	-	-
Senior services.....	-	130,658	-	-
Culture and recreation:				
Libraries.....	-	36,324	-	-
Parks & recreation.....	-	1,421,597	-	-
Newton History museum.....	-	3,215	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>3,836,264</b>	<b>9,726,256</b>	<b>-</b>	<b>2,599,796</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(723,728)</b>	<b>(1,235,600)</b>	<b>2,139,045</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	888,994	909,024	370	-
Issuance of general obligation bonds.....	-	-	-	-
Sale of capital assets.....	-	32,547	-	-
Transfers out.....	-	-	(1,404,202)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>888,994</b>	<b>941,571</b>	<b>(1,403,832)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>165,266</b>	<b>(294,029)</b>	<b>735,213</b>	<b>-</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>144,696</b>	<b>2,584,401</b>	<b>3,652,250</b>	<b>250</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 309,962</b>	<b>\$ 2,290,372</b>	<b>\$ 4,387,463</b>	<b>\$ 250</b>

*Special Revenue Funds*

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,437
1,539,357	852,405	6,300,170	4,849,037	-	-	16,619,858
-	-	-	-	-	694,006	12,602,195
-	-	-	-	-	-	24,807
750	426	-	-	25,084	-	80,079
2,655	-	-	-	233,522	-	510,859
-	-	-	-	49	-	584,476
-	-	-	-	-	-	23,783
<u>1,542,762</u>	<u>852,831</u>	<u>6,300,170</u>	<u>4,849,037</u>	<u>258,655</u>	<u>694,006</u>	<u>30,839,494</u>
-	19,719	-	-	-	-	19,719
-	1,979	-	-	3,075	-	5,054
1,404,764	97,495	-	-	12,340	-	4,293,777
970	64,800	-	-	-	-	71,095
25,099	42,272	-	-	-	-	2,707,669
38,490	18,023	-	-	-	-	441,367
-	-	-	-	-	-	5,409
-	-	6,286,861	4,804,166	410,518	-	19,788,688
-	31,858	-	-	-	449,697	936,443
-	40,746	-	-	-	-	40,746
-	-	-	-	-	-	13,367
8,510	217,111	-	-	-	-	225,681
-	183,255	-	-	18,603	-	332,516
5,184	147,443	-	-	-	-	188,951
-	7,083	-	-	45,155	-	1,473,835
-	-	-	-	-	-	3,215
<u>1,483,017</u>	<u>871,784</u>	<u>6,286,861</u>	<u>4,804,166</u>	<u>489,691</u>	<u>449,697</u>	<u>30,547,532</u>
<u>59,745</u>	<u>(18,953)</u>	<u>13,309</u>	<u>44,871</u>	<u>(231,036)</u>	<u>244,309</u>	<u>291,962</u>
-	-	-	-	-	-	1,798,388
-	-	-	-	-	-	-
-	-	-	-	-	-	32,547
<u>(60,788)</u>	<u>(28,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,493,908)</u>
<u>(60,788)</u>	<u>(28,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,027</u>
(1,043)	(47,871)	13,309	44,871	(231,036)	244,309	628,989
<u>54,250</u>	<u>526,745</u>	<u>321,511</u>	<u>24,099</u>	<u>959,562</u>	<u>-</u>	<u>8,267,764</u>
<u>\$ 53,207</u>	<u>\$ 478,874</u>	<u>\$ 334,820</u>	<u>\$ 68,970</u>	<u>\$ 728,526</u>	<u>\$ 244,309</u>	<u>\$ 8,896,753</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

*Capital Projects Funds*

	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Capital Stabilization	Sub-total
<b>REVENUES</b>					
Licenses, permits and fees.....	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental .....	-	2,328,688	-	-	2,328,688
Charges for services.....	-	-	-	-	-
Fines and forfeitures.....	-	-	-	-	-
Investment income.....	-	-	-	-	-
Contributions and donations.....	-	-	-	-	-
Miscellaneous.....	-	-	-	-	-
Special assessments.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>2,328,688</b>	<b>-</b>	<b>-</b>	<b>2,328,688</b>
<b>EXPENDITURES</b>					
Current:					
General government:					
Elections.....	-	-	-	-	-
Administrative support.....	-	-	-	-	-
Planning & development.....	-	-	-	-	-
Public building maintenance & operations.....	165,225	-	-	-	165,225
Public safety:					
Police.....	-	-	-	-	-
Fire.....	-	-	794,156	-	794,156
Inspectional services.....	-	-	-	-	-
Education.....	1,416,568	-	-	-	1,416,568
Public works:					
Streets & sidewalks.....	-	2,750,861	756,680	-	3,507,541
Collection & disposal of solid waste.....	-	-	-	-	-
Engineering.....	-	-	-	-	-
Health and human services:					
Public health.....	-	-	-	-	-
Human services.....	-	-	-	-	-
Culture and recreation:					
Libraries.....	-	-	-	-	-
Parks & recreation.....	-	-	-	-	-
Newton History museum.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,581,793</b>	<b>2,750,861</b>	<b>1,550,836</b>	<b>-</b>	<b>5,883,490</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES.....</b>	<b>(1,581,793)</b>	<b>(422,173)</b>	<b>(1,550,836)</b>	<b>-</b>	<b>(3,554,802)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	2,191,494	790,000	-	1,950,368	4,931,862
Issuance of general obligation bonds.....	2,161,000	693,000	750,000	-	3,604,000
Sale of capital assets.....	-	-	-	-	-
Transfers out.....	(230,745)	-	-	(754,979)	(985,724)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,121,749</b>	<b>1,483,000</b>	<b>750,000</b>	<b>1,195,389</b>	<b>7,550,138</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>2,539,956</b>	<b>1,060,827</b>	<b>(800,836)</b>	<b>1,195,389</b>	<b>3,995,336</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>510,763</b>	<b>132,457</b>	<b>1,523,397</b>	<b>9,822,841</b>	<b>11,989,458</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,050,719</b>	<b>\$ 1,193,284</b>	<b>\$ 722,561</b>	<b>\$ 11,018,230</b>	<b>\$ 15,984,794</b>



*Permanent Funds*

	Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$	-	\$ -	\$ -	\$ 393,437
	-	-	-	18,948,546
	-	-	-	12,602,195
	-	-	-	24,807
	26,770	96,312	123,082	203,161
	-	275,948	275,948	786,807
	-	-	-	584,476
	-	-	-	23,783
	<u>26,770</u>	<u>372,260</u>	<u>399,030</u>	<u>33,567,212</u>
	-	-	-	19,719
	-	-	-	5,054
	1,326	-	1,326	4,295,103
	5,409	-	5,409	241,729
	-	-	-	2,707,669
	-	-	-	1,235,523
	-	-	-	5,409
	-	-	-	21,205,256
	-	-	-	4,443,984
	-	-	-	40,746
	-	-	-	13,367
	-	-	-	225,681
	-	-	-	332,516
	-	336,698	336,698	525,649
	4,100	-	4,100	1,477,935
	-	-	-	3,215
	<u>10,835</u>	<u>336,698</u>	<u>347,533</u>	<u>36,778,555</u>
	<u>15,935</u>	<u>35,562</u>	<u>51,497</u>	<u>(3,211,343)</u>
	-	-	-	6,730,250
	-	-	-	3,604,000
	-	-	-	32,547
	-	-	-	(2,479,632)
	-	-	-	7,887,165
	15,935	35,562	51,497	4,675,822
	<u>509,485</u>	<u>764,725</u>	<u>1,274,210</u>	<u>21,531,432</u>
\$	<u>525,420</u>	<u>\$ 800,287</u>	<u>\$ 1,325,707</u>	<u>\$ 26,207,254</u>

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## 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.

**CITY OF NEWTON, MASSACHUSETTS**  
**INTERNAL SERVICE FUNDS**  
COMBINING STATEMENT OF FUND NET ASSETS

JUNE 30, 2007

<b>ASSETS</b>	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
Current assets:					
Cash and cash equivalents.....	\$ 12,378,199	\$ 645,361	\$ 54,435	\$ 216,633	\$ 13,294,628
Investments.....	-	6,876,415	1,683,287	-	8,559,702
Receivables, net of allowance for uncollectible amounts:					
Working capital deposit.....	<u>351,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,139</u>
Total assets.....	<u>12,729,338</u>	<u>7,521,776</u>	<u>1,737,722</u>	<u>216,633</u>	<u>22,205,469</u>
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable.....	97,457	64,174	-	-	161,631
Accrued liabilities.....	-	5,577	-	-	5,577
Accrued health claims payable.....	4,557,252	-	-	-	4,557,252
Workers' compensation claims.....	<u>-</u>	<u>1,004,664</u>	<u>-</u>	<u>-</u>	<u>1,004,664</u>
Total current liabilities.....	<u>4,654,709</u>	<u>1,074,415</u>	<u>-</u>	<u>-</u>	<u>5,729,124</u>
Noncurrent liabilities:					
Workers' compensation claims.....	<u>-</u>	<u>5,197,306</u>	<u>-</u>	<u>-</u>	<u>5,197,306</u>
Total liabilities.....	<u>4,654,709</u>	<u>6,271,721</u>	<u>-</u>	<u>-</u>	<u>10,926,430</u>
<b>FUND NET ASSETS</b>					
Unrestricted.....	<u>\$ 8,074,629</u>	<u>\$ 1,250,055</u>	<u>\$ 1,737,722</u>	<u>\$ 216,633</u>	<u>\$ 11,279,039</u>

**CITY OF NEWTON, MASSACHUSETTS**  
**INTERNAL SERVICE FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
<b>OPERATING REVENUES</b>					
Employer contributions.....	\$ 33,051,255	\$ 1,685,516	\$ -	\$ -	\$ 34,736,771
Employee contributions.....	8,412,662	-	-	-	8,412,662
TOTAL OPERATING REVENUES.....	41,463,917	1,685,516	-	-	43,149,433
<b>OPERATING EXPENSES</b>					
Change in incurred but not reported liability.....	(1,405,152)	(40,135)	-	-	(1,445,287)
Self insurance claims.....	36,407,316	1,447,971	-	-	37,855,287
Insurance premiums.....	380,340	-	-	-	380,340
Administrative expenses.....	2,150,157	99,019	-	-	2,249,176
TOTAL OPERATING EXPENSES.....	37,532,661	1,506,855	-	-	39,039,516
OPERATING INCOME (LOSS).....	3,931,256	178,661	-	-	4,109,917
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income.....	527,240	906,282	116,490	11,411	1,561,423
INCOME (LOSS) BEFORE TRANSFERS.....	4,458,496	1,084,943	116,490	11,411	5,671,340
<b>TRANSFERS</b>					
Transfers out.....	-	-	(277,582)	-	(277,582)
CHANGE IN FUND NET ASSETS.....	4,458,496	1,084,943	(161,092)	11,411	5,393,758
FUND NET ASSETS AT BEGINNING OF YEAR.....	3,616,133	165,112	1,898,814	205,222	5,885,281
FUND NET ASSETS AT END OF YEAR.....	\$ 8,074,629	\$ 1,250,055	\$ 1,737,722	216,633	\$ 11,279,039

**CITY OF NEWTON, MASSACHUSETTS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users.....	\$ 8,412,662	\$ -	\$ -	\$ -	\$ 8,412,662
Receipts from interfund services provided.....	33,065,629	1,685,516	-	-	34,751,145
Payments to vendors/providers.....	(38,896,628)	(1,668,140)	-	-	(40,564,768)
NET CASH FROM OPERATING ACTIVITIES.....	<u>2,581,663</u>	<u>17,376</u>	<u>-</u>	<u>-</u>	<u>2,599,039</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out.....	-	-	(277,582)	-	(277,582)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments.....	1	(867,909)	(71,507)	-	(939,415)
Investment income.....	527,240	906,282	116,490	11,411	1,561,423
NET CASH FROM INVESTING ACTIVITIES.....	<u>527,241</u>	<u>38,373</u>	<u>44,983</u>	<u>11,411</u>	<u>622,008</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,108,904	55,749	(232,599)	11,411	2,943,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	9,269,295	589,612	287,034	205,222	10,351,163
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 12,378,199</u>	<u>\$ 645,361</u>	<u>\$ 54,435</u>	<u>\$ 216,633</u>	<u>\$ 13,294,628</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>					
Operating income (loss).....	\$ 3,931,256	\$ 178,661	\$ -	\$ -	\$ 4,109,917
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	14,374	-	-	-	14,374
Working capital deposit.....	(3,422)	-	-	-	(3,422)
Warrants payable.....	97,457	40,695	-	-	138,152
Accrued payroll.....	-	(65,000)	-	-	(65,000)
Accrued liabilities.....	(52,850)	(96,845)	-	-	(149,695)
Accrued health claims payable.....	(1,405,152)	-	-	-	(1,405,152)
Workers' compensation.....	-	(40,135)	-	-	(40,135)
Total adjustments.....	<u>(1,349,593)</u>	<u>(161,285)</u>	<u>-</u>	<u>-</u>	<u>(1,510,878)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 2,581,663</u>	<u>\$ 17,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,599,039</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.

### Arnold Daniels Fund

Pursuant to the terms of the Arnold S. Daniels, Jr. Revocable Trust, dated July 20, 2000, this fund is used to assist needy residents of Newton by providing them with monetary distributions to provide food, shelter, and clothing.

**CITY OF NEWTON, MASSACHUSETTS**  
**PRIVATE PURPOSE TRUST FUNDS**  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	<u>Chaffin</u> <u>Education</u>	<u>Scovell</u> <u>Education</u>	<u>Gorin</u> <u>Education</u>	<u>Cousens</u> <u>Welfare</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 275,867	\$ 54,221	\$ -	\$ 645,839
Investments.....	4,673,162	919,538	-	1,366,320
Receivables, net of allowance for uncollectibles:				
Loans.....	<u>89,112</u>	<u>-</u>	<u>26,163</u>	<u>-</u>
Total assets.....	<u>5,038,141</u>	<u>973,759</u>	<u>26,163</u>	<u>2,012,159</u>
<b>LIABILITIES</b>				
Warrants payable.....	-	1,999	-	-
Accrued liabilities.....	-	-	-	-
Accrued payroll.....	1,310	-	-	-
Other liabilities.....	<u>6,921</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>8,231</u>	<u>1,999</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Held in trust for other purposes.....	<u>\$ 5,029,910</u>	<u>\$ 971,760</u>	<u>\$ 26,163</u>	<u>\$ 2,012,159</u>



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School Scholarship	Kendrick Welfare	Read Charity	Spear Infirmary	Mabel Riley Senior	Elderly Tax Relief	Arnold Daniels Fund	Total
\$ 740,938	\$ 3,460	\$ 45,583	4,338	\$ 35,381	\$ 4,951	\$ 55,052	\$ 1,865,630
445,030	-	-	-	-	-	-	7,404,050
-	-	-	-	-	-	-	115,275
<u>1,185,968</u>	<u>3,460</u>	<u>45,583</u>	<u>4,338</u>	<u>35,381</u>	<u>4,951</u>	<u>55,052</u>	<u>9,384,955</u>
26	-	817	-	-	-	-	2,842
1,000	-	-	-	-	-	-	1,000
-	-	-	-	-	-	-	1,310
-	-	-	-	-	-	-	6,921
<u>1,026</u>	<u>-</u>	<u>817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,073</u>
<u>\$ 1,184,942</u>	<u>\$ 3,460</u>	<u>\$ 44,766</u>	<u>4,338</u>	<u>\$ 35,381</u>	<u>\$ 4,951</u>	<u>\$ 55,052</u>	<u>\$ 9,372,882</u>

**CITY OF NEWTON, MASSACHUSETTS**  
**PRIVATE PURPOSE TRUST FUNDS**  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
<b>ADDITIONS</b>				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 17,200
Net investment income:				
Interest.....	599,210	93,783	-	222,176
<b>TOTAL ADDITIONS.....</b>	<b>599,210</b>	<b>93,783</b>	<b>-</b>	<b>239,376</b>
<b>DEDUCTIONS</b>				
Administration expense.....	2,441	-	-	26,637
Educational scholarships & awards.....	180,000	30,000	-	75,023
<b>TOTAL DEDUCTIONS.....</b>	<b>182,441</b>	<b>30,000</b>	<b>-</b>	<b>101,660</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>416,769</b>	<b>63,783</b>	<b>-</b>	<b>137,716</b>
NET ASSETS AT BEGINNING OF YEAR.....	4,613,141	907,977	26,163	1,874,443
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 5,029,910</b>	<b>\$ 971,760</b>	<b>\$ 26,163</b>	<b>\$ 2,012,159</b>

<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>Arnold Daniels Fund</u>	<u>Total</u>
\$ <u>77,259</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,924</u>	\$ <u>-</u>	\$ <u>104,383</u>
<u>87,813</u>	<u>168</u>	<u>2,237</u>	<u>211</u>	<u>1,714</u>	<u>658</u>	<u>2,900</u>	<u>1,010,870</u>
<u>165,072</u>	<u>168</u>	<u>2,237</u>	<u>211</u>	<u>1,714</u>	<u>10,582</u>	<u>2,900</u>	<u>1,115,253</u>
<u>250</u>	<u>-</u>	<u>1,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,775</u>
<u>125,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>426,177</u>
<u>125,904</u>	<u>-</u>	<u>1,447</u>	<u>-</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>456,952</u>
<u>39,168</u>	<u>168</u>	<u>790</u>	<u>211</u>	<u>1,714</u>	<u>(4,918)</u>	<u>2,900</u>	<u>658,301</u>
<u>1,145,774</u>	<u>3,292</u>	<u>43,976</u>	<u>4,127</u>	<u>33,667</u>	<u>9,869</u>	<u>52,152</u>	<u>8,714,581</u>
\$ <u><u>1,184,942</u></u>	\$ <u><u>3,460</u></u>	\$ <u><u>44,766</u></u>	\$ <u><u>4,338</u></u>	\$ <u><u>35,381</u></u>	\$ <u><u>4,951</u></u>	\$ <u><u>55,052</u></u>	\$ <u><u>9,372,882</u></u>

## 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.

**CITY OF NEWTON, MASSACHUSETTS**  
**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Balance</u>		<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,404,687	100,914,543	(100,177,787)	\$ 3,141,443
<b>LIABILITIES</b>				
Warrants payable.....	19,643	66,888,583	(66,848,536)	59,690
Payroll withholdings.....	1,879,741	123,485,444	(123,252,976)	2,112,209
Other liabilities.....	505,303	2,156,205	(1,691,964)	969,544
Total liabilities.....	\$ 2,404,687	\$ 192,530,232	\$ (191,793,476)	\$ 3,141,443



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued Appropriations	FY 2007 Original Budget	FY 2007 Budget Revisions
<b>City Clerk/Clerk of the Board</b>			
Personal Services	\$ -	\$ 780,830	\$ -
Expenses	12,163	47,643	800
Fringe Benefits	-	230,378	-
Total City Clerk/Clerk of the Board	<u>12,163</u>	<u>1,058,851</u>	<u>800</u>
<b>Mayor's Office</b>			
Personal Services	-	510,898	-
Expenses	-	38,625	-
Fringe Benefits	-	69,077	-
Total Mayor's Office	<u>-</u>	<u>618,600</u>	<u>-</u>
<b>Comptroller's Office/Property Insurance</b>			
Personal Services	-	420,279	-
Expenses	13,880	342,680	-
Fringe Benefits	-	72,635	(46)
Total Comptroller's Office/Property Insurance	<u>13,880</u>	<u>835,594</u>	<u>(46)</u>
<b>Purchasing/General Services</b>			
Personal Services	-	302,999	-
Expenses	3,115	108,358	-
Capital Outlay	-	3,000	-
Fringe Benefits	-	57,486	-
Total Purchasing/General Services	<u>3,115</u>	<u>471,843</u>	<u>-</u>
<b>Assessing Department</b>			
Personal Services	-	954,442	-
Expenses	-	40,806	-
Fringe Benefits	-	150,340	-
Total Assessing Department	<u>-</u>	<u>1,145,588</u>	<u>-</u>
<b>Treasury &amp; Collection Department</b>			
Personal Services	-	518,198	-
Expenses	10,722	387,569	58,772
Fringe Benefits	-	96,900	971
Total Treasury & Collection Department	<u>10,722</u>	<u>1,002,667</u>	<u>59,743</u>
<b>City Solicitor/Judgments &amp; Settlements</b>			
Personal Services	-	773,896	38,125
Expenses	-	279,443	98,055
Fringe Benefits	-	96,565	-
Total City Solicitor's Office/Settlements	<u>-</u>	<u>1,149,904</u>	<u>136,180</u>



<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 780,830	\$ 780,830	\$ 764,213	\$ -	\$ 16,617
48,443	60,606	47,488	13,011	107
<u>230,378</u>	<u>230,378</u>	<u>222,723</u>	<u>-</u>	<u>7,655</u>
<u>1,059,651</u>	<u>1,071,814</u>	<u>1,034,424</u>	<u>13,011</u>	<u>24,379</u>
510,898	510,898	510,564	-	334
38,625	38,625	28,880	-	9,745
<u>69,077</u>	<u>69,077</u>	<u>57,872</u>	<u>-</u>	<u>11,205</u>
<u>618,600</u>	<u>618,600</u>	<u>597,316</u>	<u>-</u>	<u>21,284</u>
420,279	420,279	417,204	-	3,075
342,680	356,560	346,891	9,246	423
<u>72,589</u>	<u>72,589</u>	<u>65,904</u>	<u>-</u>	<u>6,685</u>
<u>835,548</u>	<u>849,428</u>	<u>829,999</u>	<u>9,246</u>	<u>10,183</u>
302,999	302,999	264,596	-	38,403
108,358	111,473	62,140	-	49,333
3,000	3,000	2,899	-	101
<u>57,486</u>	<u>57,486</u>	<u>53,449</u>	<u>-</u>	<u>4,037</u>
<u>471,843</u>	<u>474,958</u>	<u>383,084</u>	<u>-</u>	<u>91,874</u>
954,442	954,442	913,752	-	40,690
40,806	40,806	30,632	-	10,174
<u>150,340</u>	<u>150,340</u>	<u>145,409</u>	<u>-</u>	<u>4,931</u>
<u>1,145,588</u>	<u>1,145,588</u>	<u>1,089,793</u>	<u>-</u>	<u>55,795</u>
518,198	518,198	504,196	-	14,002
446,341	457,063	440,213	5,842	11,008
<u>97,871</u>	<u>97,871</u>	<u>97,871</u>	<u>-</u>	<u>-</u>
<u>1,062,410</u>	<u>1,073,132</u>	<u>1,042,280</u>	<u>5,842</u>	<u>25,010</u>
812,021	812,021	812,021	-	-
377,498	377,498	372,498	5,000	-
<u>96,565</u>	<u>96,565</u>	<u>95,492</u>	<u>-</u>	<u>1,073</u>
<u>1,286,084</u>	<u>1,286,084</u>	<u>1,280,011</u>	<u>5,000</u>	<u>1,073</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**GENERAL FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued <u>Appropriations</u>	FY 2007 <u>Original Budget</u>	FY 2007 <u>Budget Revisions</u>
<b>Human Resources Department</b>			
Personal Services	-	494,365	-
Expenses	26,236	275,092	-
Capital Outlay	-	1,700	-
Fringe Benefits	-	84,430	5,185
Total Human Resources Department	<u>26,236</u>	<u>855,587</u>	<u>5,185</u>
<b>Information Technology Department</b>			
Personal Services	-	610,700	-
Expenses	-	179,965	-
Capital Outlay	-	21,400	-
Fringe Benefits	-	97,028	-
Total Information Technology Department	<u>-</u>	<u>909,093</u>	<u>-</u>
<b>Election Commission</b>			
Personal Services	-	485,086	59,647
Expenses	2,380	69,670	11,500
Fringe Benefits	-	57,555	-
Total Election Commission	<u>2,380</u>	<u>612,311</u>	<u>71,147</u>
<b>Licensing Commission</b>			
Expenses	-	1,896	-
Total Licensing Commission	<u>-</u>	<u>1,896</u>	<u>-</u>
<b>Planning &amp; Development Department</b>			
Personal Services	-	819,298	2,664
Expenses	32,962	29,072	-
Fringe Benefits	-	98,019	4,610
Total Planning & Development Department	<u>32,962</u>	<u>946,389</u>	<u>7,274</u>
<b>Public Building Department</b>			
Personal Services	-	1,386,779	59,895
Expenses	13,135	554,887	181,690
Fringe Benefits	-	269,937	-
Total Public Building Department	<u>13,135</u>	<u>2,211,603</u>	<u>241,585</u>
<b>GENERAL GOVERNMENT TOTAL</b>	<u><b>114,593</b></u>	<u><b>11,819,926</b></u>	<u><b>521,868</b></u>
<b>Police Department</b>			
Personal Services	-	12,976,505	(25,000)
Expenses	12,420	830,286	44,157
Capital Outlay	7,000	256,507	-
Fringe Benefits	-	2,058,542	-
Total Police Department	<u>19,420</u>	<u>16,121,840</u>	<u>19,157</u>

<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
494,365	494,365	491,631	-	2,734
275,092	301,328	270,593	2,217	28,518
1,700	1,700	1,050	-	650
89,615	89,615	89,615	-	-
<u>860,772</u>	<u>887,008</u>	<u>852,889</u>	<u>2,217</u>	<u>31,902</u>
610,700	610,700	597,599	-	13,101
179,965	179,965	178,739	-	1,226
21,400	21,400	21,392	-	8
97,028	97,028	89,149	-	7,879
<u>909,093</u>	<u>909,093</u>	<u>886,879</u>	<u>-</u>	<u>22,214</u>
544,733	544,733	544,733	-	-
81,170	83,550	56,764	2,469	24,317
57,555	57,555	54,071	-	3,484
<u>683,458</u>	<u>685,838</u>	<u>655,568</u>	<u>2,469</u>	<u>27,801</u>
1,896	1,896	1,171	-	725
<u>1,896</u>	<u>1,896</u>	<u>1,171</u>	<u>-</u>	<u>725</u>
821,962	821,962	821,962	-	-
29,072	62,034	38,569	-	23,465
102,629	102,629	102,629	-	-
<u>953,663</u>	<u>986,625</u>	<u>963,160</u>	<u>-</u>	<u>23,465</u>
1,446,674	1,446,674	1,390,292	-	56,382
736,577	749,712	692,604	56,632	476
269,937	269,937	256,146	-	13,791
<u>2,453,188</u>	<u>2,466,323</u>	<u>2,339,042</u>	<u>56,632</u>	<u>70,649</u>
<b><u>12,341,794</u></b>	<b><u>12,456,387</u></b>	<b><u>11,955,616</u></b>	<b><u>94,417</u></b>	<b><u>406,354</u></b>
12,951,505	12,951,505	12,938,037	-	13,468
874,443	886,863	863,914	11,910	11,039
256,507	263,507	262,257	-	1,250
2,058,542	2,058,542	1,987,060	-	71,482
<u>16,140,997</u>	<u>16,160,417</u>	<u>16,051,268</u>	<u>11,910</u>	<u>97,239</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**GENERAL FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued Appropriations	FY 2007 Original Budget	FY 2007 Budget Revisions
<b>Fire Department</b>			
Personal Services	-	10,825,687	205,895
Expenses	9,158	570,845	129,215
Capital Outlay	19,282	27,000	-
Fringe Benefits	-	1,927,447	-
Total Fire Department	<u>28,440</u>	<u>13,350,979</u>	<u>335,110</u>
<b>Inspectional Services Department</b>			
Personal Services	-	815,685	-
Expenses	1,644	45,880	-
Fringe Benefits	-	150,641	-
Total Inspectional Services Department	<u>1,644</u>	<u>1,012,206</u>	<u>-</u>
<b>Civil Defense Department</b>			
Personal Services	-	4,000	-
Expenses	-	4,238	-
Fringe Benefits	-	7,454	5
Total Civil Defense Department	<u>-</u>	<u>15,692</u>	<u>5</u>
<b>Weights &amp; Measures Department</b>			
Personal Services	-	54,804	1,095
Expenses	-	3,844	-
Fringe Benefits	-	8,469	-
Total Weights & Measures Department	<u>-</u>	<u>67,117</u>	<u>1,095</u>
<b>PUBLIC SAFETY TOTAL</b>	<u>49,504</u>	<u>30,567,834</u>	<u>355,367</u>
<b>NEWTON PUBLIC SCHOOLS</b>	<u>1,733,303</u>	<u>143,599,686</u>	<u>(2,412,746)</u>
<b>Public Works Department</b>			
Personal Services	-	7,044,319	52,324
Expenses	174,204	9,777,287	17,896
Capital Outlay	27,557	239,400	5,745
Fringe Benefits	-	1,494,080	-
Total Public Works Department	<u>201,761</u>	<u>18,555,086</u>	<u>75,965</u>
<b>PUBLIC WORKS TOTAL</b>	<u>201,761</u>	<u>18,555,086</u>	<u>75,965</u>

<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
11,031,582	11,031,582	11,014,109	-	17,473
700,060	709,218	674,574	31,848	2,796
27,000	46,282	20,289	24,984	1,009
1,927,447	1,927,447	1,906,901	-	20,546
<u>13,686,089</u>	<u>13,714,529</u>	<u>13,615,873</u>	<u>56,832</u>	<u>41,824</u>
	-			
815,685	815,685	769,054	-	46,631
45,880	47,524	42,874	2,343	2,307
150,641	150,641	138,884	-	11,757
<u>1,012,206</u>	<u>1,013,850</u>	<u>950,812</u>	<u>2,343</u>	<u>60,695</u>
4,000	4,000	4,000	-	-
4,238	4,238	4,238	-	-
7,459	7,459	7,459	-	-
<u>15,697</u>	<u>15,697</u>	<u>15,697</u>	<u>-</u>	<u>-</u>
55,899	55,899	55,899	-	-
3,844	3,844	1,932	-	1,912
8,469	8,469	8,390	-	79
<u>68,212</u>	<u>68,212</u>	<u>66,221</u>	<u>-</u>	<u>1,991</u>
<u>30,923,201</u>	<u>30,972,705</u>	<u>30,699,871</u>	<u>71,085</u>	<u>201,749</u>
<u>141,186,940</u>	<u>142,920,243</u>	<u>141,472,431</u>	<u>1,446,838</u>	<u>974</u>
7,096,643	7,096,643	7,057,178	-	39,465
9,795,183	9,969,387	9,748,048	33,741	187,598
245,145	272,702	129,575	115,186	27,941
1,494,080	1,494,080	1,429,514	-	64,566
<u>18,631,051</u>	<u>18,832,812</u>	<u>18,364,315</u>	<u>148,927</u>	<u>319,570</u>
<u>18,631,051</u>	<u>18,832,812</u>	<u>18,364,315</u>	<u>148,927</u>	<u>319,570</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**GENERAL FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued <u>Appropriations</u>	FY 2007 <u>Original Budget</u>	FY 2007 <u>Budget Revisions</u>
<b>Health &amp; Human Services Department</b>			
Personal Services	-	1,868,275	-
Expenses	4,350	356,614	-
Fringe Benefits	-	347,257	-
Total Public Health Department	<u>4,350</u>	<u>2,572,146</u>	<u>-</u>
<b>Senior Services Department</b>			
Personal Services	-	237,369	-
Expenses	-	242,640	-
Fringe Benefits	-	49,842	-
Total Human Services Department	<u>-</u>	<u>529,851</u>	<u>-</u>
<b>Veteran Services Department</b>			
Personal Services	-	130,985	2,536
Expenses	-	47,506	30,000
Fringe Benefits	-	10,858	171
Total Veteran Services Department	<u>-</u>	<u>189,349</u>	<u>32,707</u>
<hr/>			
<b>HEALTH &amp; HUMAN SERVICES TOTAL</b>	<u><b>4,350</b></u>	<u><b>3,291,346</b></u>	<u><b>32,707</b></u>
<hr/>			
<b>Newton Public Library</b>			
Personal Services	-	3,385,915	64,445
Expenses	-	1,075,242	-
Fringe Benefits	-	550,899	-
Total Newton Public Library	<u>-</u>	<u>5,012,056</u>	<u>64,445</u>
<b>Parks &amp; Recreation Department</b>			
Personal Services	-	2,367,320	29,091
Expenses	2,840	1,521,871	114,637
Capital Outlay	-	4,500	-
Fringe Benefits	-	343,161	-
Total Parks & Recreation Department	<u>2,840</u>	<u>4,236,852</u>	<u>143,728</u>
<b>Newton History Museum</b>			
Personal Services	-	167,139	11,156
Expenses	-	20,107	-
Fringe Benefits	-	35,502	342
Total Newton History Museum	<u>-</u>	<u>222,748</u>	<u>11,498</u>
<hr/>			
<b>CULTURE &amp; RECREATION TOTAL</b>	<u><b>2,840</b></u>	<u><b>9,471,656</b></u>	<u><b>219,671</b></u>

<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
1,868,275	1,868,275	1,838,468	-	29,807
356,614	360,964	334,064	-	26,900
347,257	347,257	319,666	-	27,591
<u>2,572,146</u>	<u>2,576,496</u>	<u>2,492,198</u>	<u>-</u>	<u>84,298</u>
237,369	237,369	212,179	-	25,190
242,640	242,640	242,422	-	218
49,842	49,842	48,435	-	1,407
<u>529,851</u>	<u>529,851</u>	<u>503,036</u>	<u>-</u>	<u>26,815</u>
133,521	133,521	133,520	-	1
77,506	77,506	58,861	-	18,645
11,029	11,029	10,987	-	42
<u>222,056</u>	<u>222,056</u>	<u>203,368</u>	<u>-</u>	<u>18,688</u>
<b><u>3,324,053</u></b>	<b><u>3,328,403</u></b>	<b><u>3,198,602</u></b>	<b><u>-</u></b>	<b><u>129,801</u></b>
3,450,360	3,450,360	3,450,360	-	-
1,075,242	1,075,242	1,075,229	-	13
550,899	550,899	527,371	-	23,528
<u>5,076,501</u>	<u>5,076,501</u>	<u>5,052,960</u>	<u>-</u>	<u>23,541</u>
2,396,411	2,396,411	2,396,067	-	344
1,636,508	1,639,348	1,559,602	-	79,746
4,500	4,500	4,500	-	-
343,161	343,161	331,142	-	12,019
<u>4,380,580</u>	<u>4,383,420</u>	<u>4,291,311</u>	<u>-</u>	<u>92,109</u>
178,295	178,295	178,295	-	-
20,107	20,107	14,769	-	5,338
35,844	35,844	35,844	-	-
<u>234,246</u>	<u>234,246</u>	<u>228,908</u>	<u>-</u>	<u>5,338</u>
<b><u>9,691,327</u></b>	<b><u>9,694,167</u></b>	<b><u>9,573,179</u></b>	<b><u>-</u></b>	<b><u>120,988</u></b>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**GENERAL FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued Appropriations	FY 2007 Original Budget	FY 2007 Budget Revisions
<b>OTHER</b>			
Expenses	-	50,000	-
Total ATB Interest	-	50,000	-
<b>DEBT SERVICE (PRINCIPAL &amp; INTEREST)</b>			
Debt Service	-	9,631,318	-
Total Debt & Interest	-	9,631,318	-
<b>HEALTH INSURANCE FUND SUBSIDY</b>			
Fringe Benefits	-	-	500,000
Total Health Insurance Fund Subsidy	-	-	500,000
<b>RETIREMENT</b>			
Personal Services	-	158,436	-
Expenses	-	64,540	-
Fringe Benefits	-	19,057,482	(11,238)
Total Retirement	-	19,280,458	(11,238)
<b>APPROPRIATED RESERVES</b>			
Wage & Salary Reserve	1,462,724	1,700,000	(163,766)
Reserve Fund (Budget Reserve)	-	695,000	(686,350)
Total Budgetary Reserves	1,462,724	2,395,000	(850,116)
<b>STATE &amp; COUNTY ASSESSMENTS</b>	-	5,552,691	(74,072)
<b>SPECIAL APPROPRIATIONS (2)</b>	2,071,369	-	1,569,844
<b>TOTAL EXPENDITURES</b>	5,640,444	254,215,001	(72,750)
<b>TRANSFERS TO OTHER FUNDS:</b>			
Workers Comp Self Insurance Fund - Municipal	-	947,870	86,472
Workers Comp Self Insurance Fund - School	-	-	350,000
School Athletic Revolving Fund - School	-	-	909,024
School Lunch Fund - School	-	-	888,994
Traffic Mitigation Receipts Reserved Fund	-	370	-
Street Improvement Fund	-	-	790,000
Municipal Building Improvement Fund	-	-	148,385
Capital Stabilization Fund	-	-	1,675,526
School Building Improvement Fund	-	-	1,370,579
Total Transfers to Other Funds	-	948,240	6,218,980
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	\$ 5,640,444	\$ 255,163,241	\$ 6,146,230



<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
50,000	50,000	50,000	-	-
50,000	50,000	50,000	-	-
9,631,318	9,631,318	9,631,315	-	3
9,631,318	9,631,318	9,631,315	-	3
500,000	500,000	173,495	-	326,505
500,000	500,000	173,495	-	326,505
158,436	158,436	158,434	-	2
64,540	64,540	64,540	-	-
19,046,244	19,046,244	18,820,039	-	226,205
19,269,220	19,269,220	19,043,013	-	226,207
1,536,234	2,998,958	-	2,998,958	-
8,650	8,650	-	-	8,650
1,544,884	3,007,608	-	2,998,958	8,650
5,478,619	5,478,619	5,375,365	-	103,254
1,569,844	3,641,213	1,202,822	2,438,391	-
254,142,251	259,782,695	250,740,024	7,198,616	1,844,055
1,034,342	1,034,342	1,034,342	-	-
350,000	350,000	350,000	-	-
909,024	909,024	909,024	-	-
888,994	888,994	888,994	-	-
370	370	370	-	-
790,000	790,000	790,000	-	-
148,385	148,385	148,385	-	-
1,675,526	1,675,526	1,675,526	-	-
1,370,579	1,370,579	1,370,579	-	-
7,167,220	7,167,220	7,167,220	-	-
<b>261,309,471</b>	<b>266,949,915</b>	<b>257,907,244</b>	<b>7,198,616</b>	<b>1,844,055</b>

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## 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.

**CITY OF NEWTON, MASSACHUSETTS**  
**COMMUNITY PRESERVATION FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued Appropriations	Current Year Appropriations	Original Budget
<b>Administration &amp; operations</b>	\$ -	176,327	\$ 176,327
<b>2007 CPA appropriation reserve</b>	-	2,059,362	2,059,362
<b>Open space:</b>			
Open space reserve	-	-	-
Kessler Woods land acquisition	3,683	-	3,683
Flowed Meadow improvements	3,593	-	3,593
Flowed Meadow improvements Phase III	30,700	-	30,700
Bowen Park initiative	6,744	-	6,744
Forte conservation land	3,251	-	3,251
Cheesecake Brook Greenway development	3,500	-	3,500
Renovations to Albemarle Park Central Corridor	4,600	-	4,600
Angino farm land acquisition	70,522	-	70,522
Angino farm debt service	-	203,580	203,580
Kessler Woods debt service	-	605,750	605,750
Total - Open space projects	126,593	809,330	935,923
<b>Historic resources:</b>			
Historic preservation reserve	-	397,592	397,592
City Hall window replacement	-	-	-
City Hall balustrade replacement	-	-	-
City Hall lighting improvement	-	-	-
City Hall landscape plan	-	-	-
Newton Corner Library improvements	17,168	-	17,168
Newton Centre Health Dept building study	26,425	-	26,425
Historical burial grounds restoration	103,106	-	103,106
Historical burial grounds restoration Phase II	243,595	-	243,595
Angino farm land acquisition	38,384	-	38,384
Angino farm farmhouse deleading	70,000	-	70,000
Angino farm debt service	-	67,860	67,860
Washington Park historic lighting	114,535	-	114,535
Civil war monument repairs	10,750	-	10,750
War Memorial steps repair design	9,719	-	9,719
Durant Kenrick Homestead Needs assessment	77,604	-	77,604
Durant Kenrick Homestead Improvements	-	-	-
Brigham house restoration study	2,896	-	2,896
Brigham house restoration	250,700	-	250,700
248 Eliot Street Housing assistance	63,290	-	63,290
248 Eliot Street Clapboard restoration	43,600	-	43,600
West Suburban YMCA window replacement	12,427	-	12,427
City Archive Preservation project	-	-	-
Crafts St DPW Stable restoration specification	-	-	-
Total - Historic preservation	1,084,199	465,452	1,549,651

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 9,142	\$ 185,469	\$ 124,846	\$ 1,249	\$ 59,374
(1,304,943)	754,419	-	-	754,419
-	-	-	-	-
-	3,683	-	3,683	-
-	3,593	-	3,593	-
-	30,700	-	30,700	-
-	6,744	6,619	125	-
-	3,251	-	3,251	-
-	3,500	670	2,830	-
-	4,600	-	4,600	-
-	70,522	5,356	65,166	-
-	203,580	203,580	-	-
-	605,750	605,750	-	-
-	935,923	821,975	113,948	-
(390,851)	6,741	-	-	6,741
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(17,168)	-	-	-	-
-	26,425	-	26,425	-
-	103,106	26,230	76,876	-
-	243,595	16,700	226,895	-
-	38,384	8,000	30,384	-
(3,765)	66,235	66,235	-	-
-	67,860	67,860	-	-
-	114,535	110,129	4,406	-
(1,839)	8,911	8,911	-	-
-	9,719	9,719	-	-
-	77,604	77,500	104	-
1,447,300	1,447,300	-	1,447,300	-
(1,137)	1,759	1,759	-	-
269,000	519,700	15,635	504,065	-
-	63,290	63,290	-	-
-	43,600	43,600	-	-
-	12,427	12,427	-	-
74,770	74,770	-	74,770	-
30,000	30,000	-	30,000	-
1,406,310	2,955,961	527,995	2,421,225	6,741

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**COMMUNITY PRESERVATION FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Continued</u> <u>Appropriations</u>	<u>Current Year</u> <u>Appropriations</u>	<u>Original</u> <u>Budget</u>
<b>Community housing:</b>			
Community housing reserve	-	397,592	397,592
Accessory Apartment Incentive Program	313,128	-	313,128
Millhouse Commons Housing Assistance	41,652	-	41,652
Newton Homebuyer Assistance Program	-	-	-
Newton Homebuyer Assistance Program II	168,531	-	168,531
248 Eliot Street Housing Assistance	-	-	-
11-13 Cambria Road Housing Assistance	175	-	175
Covenant House	1,207,825	-	1,207,825
Wyman Street Housing Assistance	-	-	-
Falmouth/Jackson Roads Housing Assistance	-	-	-
Pelham House	-	-	-
Total - community housing	<u>1,731,311</u>	<u>397,592</u>	<u>2,128,903</u>
<b>Community recreation:</b>			
Forte Park improvements	10,775	-	10,775
20 Rogers Street land acquisition	-	-	-
20 Rogers Street land acquisition legal & debt issuance costs	-	-	-
Farlow/Chafin Park Preservation Plan	14,810	-	14,810
Newton Centre Playground Plan	7,767	-	7,767
Memorial-Spaulding outdoor classroom	-	-	-
Albemarle community classroom	12,518	-	12,518
Cabot outdoor classroom	49,050	-	49,050
Bowen Park initiative	185,664	-	185,664
Bowen field irrigation	-	-	-
West Newton common irrigation	-	-	-
Newton Highlands Playground Strategic Design	92,080	-	92,080
Renovations to Albemarle Park Central Corridor	28,800	-	28,800
Cheesecake Brook Greenway development	21,600	-	21,600
Angino farm land acquisition	38,384	-	38,384
Angino farm debt service	-	67,860	67,860
Sterns/Pellegrini Park plans	-	-	-
Sterns/Pellegrini Park - Year 1 improvements	765,825	-	765,825
Williams school outdoor classroom	23,633	-	23,633
Wellington Park improvements	57,103	-	57,103
Gath pool accessibility improvements	76,754	-	76,754
The Park at Newton Senior Center	271,210	-	271,210
Houghton garden fence	90,000	-	90,000
Total - community recreation	<u>1,745,973</u>	<u>67,860</u>	<u>1,813,833</u>
<b>TOTAL CPA FUND</b>	<b>\$ <u>4,688,076</u></b>	<b>\$ <u>3,975,923</u></b>	<b>\$ <u>8,663,999</u></b>

<u>Budget Revisions</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
350	397,942	-	-	397,942
-	313,128	32,594	280,534	-
-	41,652	41,652	-	-
-	-	-	-	-
-	168,531	9,260	159,271	-
-	-	-	-	-
(175)	-	-	-	-
(175)	1,207,650	1,207,650	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>2,128,903</u>	<u>1,291,156</u>	<u>439,805</u>	<u>397,942</u>
(10,775)	-	-	-	-
2,300,000	2,300,000	2,300,000	-	-
34,500	34,500	13,221	21,279	-
-	14,810	13,518	1,292	-
(7,667)	100	100	-	-
-	-	-	-	-
-	12,518	589	11,929	-
-	49,050	49,050	-	-
-	185,664	167,199	18,465	-
-	-	-	-	-
-	-	-	-	-
-	92,080	67,315	24,765	-
-	28,800	-	28,800	-
-	21,600	-	21,600	-
-	38,384	2,666	35,718	-
-	67,860	67,860	-	-
-	-	-	-	-
-	765,825	104	765,721	-
-	23,633	-	23,633	-
-	57,103	33,648	23,455	-
-	76,754	18,229	58,525	-
-	271,210	253,564	17,646	-
-	90,000	1,777	88,223	-
<u>2,316,058</u>	<u>4,129,891</u>	<u>2,988,840</u>	<u>1,141,051</u>	<u>-</u>
<u>\$ 2,426,567</u>	<u>\$ 11,090,566</u>	<u>\$ 5,754,812</u>	<u>\$ 4,117,278</u>	<u>\$ 1,218,476</u>

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## **Additional Information**

**CITY OF NEWTON, MASSACHUSETTS**  
**CAPITAL PROJECTS FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued Appropriations	FY 2007 Appropriations	Transfers
<b>School Building Improvement Fund:</b>			
Peirce Elementary Window & Door Replacement	\$ 309,000	\$ -	\$ -
Countryside Roof Repairs	26,796	-	(25,153)
Peirce Elementary School Repairs	100,000	-	-
Ward Elementary School Repairs	73,000	-	(5,276)
Mason-Rice Elementary School Repairs	-	844,717	(72,265)
Zervas Elementary School Repairs	-	575,283	(70,000)
Carr School Boiler Replacement	-	210,000	15,000
H. Mann Elementary School Heating System	166,270	-	(31,543)
Mem-Spaulding Elementary School Heating System	234,730	-	(26,340)
Elementary School Modular Classrooms	-	-	1,355,579
Elementary School Boiler Replacement	12,168	-	(168)
<b>Total School Building Improvement Fund</b>	<b>921,964</b>	<b>1,630,000</b>	<b>1,139,834</b>
<b>High School Renovation Fund:</b>			
Newton South High School Renovations	73,650	-	-
Newton North High School Renovations	1,894,791	137,651,501	-
<b>Total High School Renovation Fund</b>	<b>1,968,441</b>	<b>137,651,501</b>	<b>-</b>
<b>Municipal Building Improvement Fund:</b>			
Fire Station Improvements	139,799	1,542,915	-
<b>Total Municipal Building Improvement Fund</b>	<b>139,799</b>	<b>1,542,915</b>	<b>-</b>
<b>CH 90 Highway Improvement Fund:</b>			
MA 37748	29,554	-	-
MA 38105	7,535	-	-
MA 38506	23,070	-	-
MA 385060	286,971	-	16,426
MA 235200	186,807	-	-
MA 253C207	59,590	-	-
MA 3246207	182,226	-	-
MA 4246210	181,920	-	(77,977)
MA 0035509	-	1,383,280	61,551
MA 0039355	1,346,938	-	-
MA 0044606	1,368,364	-	-
MA 0048380	-	629,442	-
<b>Total CH 90 Highway Improvement Fund</b>	<b>3,672,975</b>	<b>2,012,722</b>	<b>-</b>
<b>Street &amp; Sidewalk Improvement Fund:</b>			
Street Light Replacement - 2007	-	693,000	790,000
<b>Total Street &amp; Sidewalk Improvement Fund</b>	<b>-</b>	<b>693,000</b>	<b>790,000</b>
<b>Municipal Equipment Replacement Fund:</b>			
Public Works Equipment Replacement - 2006	673,397	-	-
Public Works Equipment Replacement - 2007	-	750,000	-
Fire Equipment Replacement - 2006	850,000	-	-
<b>Total Municipal Equipment Replacement Fund</b>	<b>1,523,397</b>	<b>750,000</b>	<b>-</b>
<b>Water System Improvement Fund:</b>			
MWRA - Water System - Accumulated Interest Income	623,706	343,347	(90,250)
MWRA - Water System Improvements - Loan of 2003	308,003	-	-
MWRA - Water System Improvements - Loan of 2004	1,920,289	-	-
MWRA - Water System Improvements - Loan of 2005	2,151,616	-	75,000
MWRA - Water System Improvements - Loan of 2006	2,585,538	-	15,250
MWRA - Water System Improvements - Loan of 2007	-	2,586,019	-
Waban Hill Reservoir Improvements - 2001/2003	276,287	-	-
<b>Total Water System Improvement Fund</b>	<b>7,865,439</b>	<b>2,929,366</b>	<b>-</b>

	Expended	Encumbered	Balance
\$	255,111	\$ -	\$ 53,889
	1,643	-	-
	7,021	-	92,979
	67,724	-	-
	97,498	591,625	83,329
	235,961	162,575	106,747
	1,993	-	223,007
	134,727	-	-
	208,390	-	-
	394,500	961,079	-
	12,000	-	-
	<u>1,416,568</u>	<u>1,715,279</u>	<u>559,951</u>
	11,958	61,692	-
	<u>3,369,700</u>	<u>2,815,522</u>	<u>133,361,070</u>
	<u>3,381,658</u>	<u>2,877,214</u>	<u>133,361,070</u>
	165,225	323,475	1,194,014
	<u>165,225</u>	<u>323,475</u>	<u>1,194,014</u>
	29,554	-	-
	-	-	7,535
	23,070	-	-
	150,616	35,578	117,203
	14,173	156,179	16,455
	-	-	59,590
	98,681	-	83,545
	103,943	-	-
	1,185,677	107,182	151,972
	594,478	91,444	661,016
	128,495	345,731	894,138
	-	-	629,442
	<u>2,328,687</u>	<u>736,114</u>	<u>2,620,896</u>
	422,174	843,446	217,380
	<u>422,174</u>	<u>843,446</u>	<u>217,380</u>
	673,397	-	-
	83,283	666,717	-
	794,156	-	55,844
	<u>1,550,836</u>	<u>666,717</u>	<u>55,844</u>
	-	-	876,803
	304,055	-	3,948
	723,823	1,170,545	25,921
	1,536,599	681,311	8,706
	722,079	1,200,838	677,871
	-	-	2,586,019
	-	-	276,287
	<u>3,286,556</u>	<u>3,052,694</u>	<u>4,455,555</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS**  
**CAPITAL PROJECTS FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued <u>Appropriations</u>	FY 2007 <u>Appropriations</u>	<u>Transfers</u>
<b>Sanitary Sewer Improvement Fund:</b>			
Sewer System Improvements - 1997 (City of Newton)	7,964	-	-
Sewer Emergency Repairs (City of Newton)	43,072	-	-
Mass Water Pollution Abatement Trust (MWPAT) - Infiltration/Inflow Projects	1,762	-	-
MWRA - Sewer I&I - Accumulated Interest Income	36,532	26,861	-
MWRA - Infiltration/Inflow Program - 1995	9,303	-	-
MWRA - Infiltration/Inflow Program - 1997	14,758	-	-
MWRA - Infiltration/Inflow - 2000	5,268	-	-
MWRA - Infiltration/Inflow - 2002	18,027	-	-
MWRA - Infiltration/Inflow - 2003	82,544	-	-
MWRA - Infiltration/Inflow - 2006	90,312	-	-
MWRA - Infiltration/Inflow - 2007	-	554,000	-
MWRA - Infiltration/Inflow - 2007	-	2,056,000	-
<b>Total Sanitary Sewer Improvement Fund</b>	<u>309,542</u>	<u>2,636,861</u>	<u>-</u>
<b>Capital Stabilization Fund:</b>			
Reserved for Ordinary Capital Appropriations	285,696	(82,449)	130,257
Reserved for High School Improvements	9,432,146	(672,530)	1,589,366
Reserved for Water/Sewer Appropriations	105,000	-	-
Reserved for MGL CH 44 Sec 7& 8 Appropriations	-	-	230,745
<b>Total Capital Stabilization Fund</b>	<u>9,822,842</u>	<u>(754,979)</u>	<u>1,950,368</u>
<b>Total Capital Projects Funds</b>	<u>\$ 26,224,399</u>	<u>\$ 149,091,386</u>	<u>\$ 3,880,202</u>

<u>Expended</u>	<u>Encumbered</u>	<u>Balance</u>
-	-	7,964
7,560	817	34,695
1,762	-	-
-	-	63,393
9,303	-	-
14,758	-	-
5,268	-	-
10,889	7,138	-
79,062	-	3,482
73,587	16,225	500
110,670	391,330	52,000
-	232,200	1,823,800
<u>312,859</u>	<u>647,710</u>	<u>1,985,834</u>
-	-	333,504
-	-	10,348,982
-	-	105,000
-	-	230,745
<u>-</u>	<u>-</u>	<u>11,018,231</u>
\$ <u>12,864,563</u>	\$ <u>10,862,649</u>	\$ <u>155,468,775</u>

(Concluded)

**CITY OF NEWTON, MASSACHUSETTS**  
**SEWER ENTERPRISE FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued <u>Appropriations</u>	FY 2007 <u>Original Budget</u>	FY 2007 <u>Budget Revisions</u>
Sewer Maintenance & Operation			
Personal Services	\$ -	\$ 2,009,886	\$ (31,224)
Expenses	11,171	777,172	-
Capital Outlay	204,829	407,500	-
Fringe Benefits	-	339,473	-
Total	<u>216,000</u>	<u>3,534,031</u>	<u>(31,224)</u>
MWRA Sewer Assessment			
Intergovernmental	<u>-</u>	<u>16,208,121</u>	<u>-</u>
Debt Maturities & Interest	<u>-</u>	<u>903,438</u>	<u>-</u>
Retirement	<u>-</u>	<u>315,851</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>100,000</u>	<u>49,298</u>
Transfer - General Fund	<u>-</u>	<u>731,299</u>	<u>-</u>
<b>Total Sewer Enterprise Fund</b>	<b>\$ <u>216,000</u></b>	<b>\$ <u>21,792,740</u></b>	<b>\$ <u>18,074</u></b>

<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,978,662	\$ 1,978,662	\$ 1,733,198	\$ -	\$ 245,464
777,172	788,343	756,849	10,000	21,494
407,500	612,329	449,629	93,948	68,752
339,473	339,473	317,439	-	22,034
<u>3,502,807</u>	<u>3,718,807</u>	<u>3,257,115</u>	<u>103,948</u>	<u>357,744</u>
<u>16,208,121</u>	<u>16,208,121</u>	<u>15,154,186</u>	<u>-</u>	<u>1,053,935</u>
<u>903,438</u>	<u>903,438</u>	<u>903,435</u>	<u>-</u>	<u>3</u>
<u>315,851</u>	<u>315,851</u>	<u>280,990</u>	<u>-</u>	<u>34,861</u>
<u>149,298</u>	<u>149,298</u>	<u>149,298</u>	<u>-</u>	<u>-</u>
<u>731,299</u>	<u>731,299</u>	<u>731,299</u>	<u>-</u>	<u>-</u>
<u>\$ 21,810,814</u>	<u>\$ 22,026,814</u>	<u>\$ 20,476,323</u>	<u>\$ 103,948</u>	<u>\$ 1,446,543</u>

**CITY OF NEWTON, MASSACHUSETTS**  
**WATER ENTERPRISE FUND**  
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Continued <u>Appropriations</u>	FY 2007 <u>Original Budget</u>	FY 2007 <u>Budget Revisions</u>
Water Maintenance & Operation			
Personal Services	\$ -	\$ 1,729,052	\$ (20,472)
Expenses	172,294	764,908	-
Capital Outlay	1,022,259	175,000	-
Fringe Benefits	-	360,606	(71,434)
Total	<u>1,194,553</u>	<u>3,029,566</u>	<u>(91,906)</u>
Debt Maturities & Interest	<u>-</u>	<u>1,585,302</u>	<u>-</u>
Retirement	<u>-</u>	<u>298,875</u>	<u>71,434</u>
MWRA/DEP Assessments & Charges	<u>-</u>	<u>7,885,390</u>	<u>-</u>
Transfer - Capital Project Fund	<u>-</u>	<u>-</u>	<u>-</u>
Transfer - Sewer Fund	<u>-</u>	<u>529,140</u>	<u>-</u>
Transfer - General Fund	<u>-</u>	<u>487,532</u>	<u>10,000</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>127,000</u>	<u>24,876</u>
<b>Total Water Enterprise Fund</b>	<u>\$ 1,194,553</u>	<u>\$ 13,942,805</u>	<u>\$ 14,404</u>



<u>FY 2007 Budget As Amended</u>	<u>Total Revised FY 2007 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,708,580	\$ 1,708,580	\$ 1,420,829	\$ -	\$ 287,751
764,908	937,202	649,599	258,107	29,496
175,000	1,197,259	895,409	123,297	178,553
289,172	289,172	265,055		24,117
<u>2,937,660</u>	<u>4,132,213</u>	<u>3,230,892</u>	<u>381,404</u>	<u>519,917</u>
<u>1,585,302</u>	<u>1,585,302</u>	<u>1,585,301</u>	<u>-</u>	<u>1</u>
<u>370,309</u>	<u>370,309</u>	<u>305,182</u>	<u>-</u>	<u>65,127</u>
<u>7,885,390</u>	<u>7,885,390</u>	<u>7,635,975</u>	<u>-</u>	<u>249,415</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>529,140</u>	<u>529,140</u>	<u>529,140</u>	<u>-</u>	<u>-</u>
<u>497,532</u>	<u>497,532</u>	<u>497,532</u>	<u>-</u>	<u>-</u>
<u>151,876</u>	<u>151,876</u>	<u>151,876</u>	<u>-</u>	<u>-</u>
<u>\$ 13,957,209</u>	<u>\$ 15,151,762</u>	<u>\$ 13,935,898</u>	<u>\$ 381,404</u>	<u>\$ 834,460</u>



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# STATISTICAL SECTION

This part of the City of Newton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## Financial Trends (pages 115 – 120)

*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

## Revenue Capacity (pages 121 – 124)

*These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.*

## Debt Capacity (pages 125 – 128)

*These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

## Demographic and Economic Information (pages 129 – 130)

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

## Operating Information (pages 131 – 133)

*These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.*

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**NET ASSETS BY COMPONENT**  
(ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS\*

	2002	2003	2004	2005	2006	2007
<b>Governmental Activities</b>						
Invested in capital assets, net of related debt.....	\$ 70,967,240	\$ 92,639,519	\$ 123,155,756	\$ 153,522,317	\$ 153,034,916	\$ 167,543,474
Restricted.....	29,282,090	13,669,675	14,029,054	21,270,042	15,267,985	13,842,544
Unrestricted.....	<u>26,813,182</u>	<u>24,407,942</u>	<u>34,366,681</u>	<u>35,865,065</u>	<u>48,962,078</u>	<u>67,671,362</u>
Total governmental activities net assets.....	<u>\$ 127,062,512</u>	<u>\$ 130,717,136</u>	<u>\$ 171,551,491</u>	<u>\$ 210,657,424</u>	<u>\$ 217,264,979</u>	<u>\$ 249,057,380</u>
<b>Business-Type Activities</b>						
Invested in capital assets, net of related debt.....	\$ 24,654,154	\$ 34,035,510	\$ 29,625,363	\$ 29,802,672	\$ 31,085,365	\$ 32,701,330
Restricted.....	5,211,172	6,475,918	6,624,240	8,410,167	9,007,804	10,418,683
Unrestricted.....	<u>17,473,387</u>	<u>8,628,722</u>	<u>11,844,840</u>	<u>11,936,815</u>	<u>13,583,611</u>	<u>13,295,771</u>
Total business-type activities net assets.....	<u>\$ 47,338,713</u>	<u>\$ 49,140,150</u>	<u>\$ 48,094,443</u>	<u>\$ 50,149,654</u>	<u>\$ 53,676,780</u>	<u>\$ 56,415,784</u>
<b>Primary Government</b>						
Invested in capital assets, net of related debt.....	\$ 95,621,394	\$ 126,675,029	\$ 152,781,119	\$ 183,324,989	\$ 184,120,281	\$ 200,244,804
Restricted.....	34,493,262	20,145,593	20,653,294	29,680,209	24,275,789	24,261,227
Unrestricted.....	<u>44,286,569</u>	<u>33,036,664</u>	<u>46,211,521</u>	<u>47,801,880</u>	<u>62,545,689</u>	<u>80,967,133</u>
Total primary government net assets.....	<u>\$ 174,401,225</u>	<u>\$ 179,857,286</u>	<u>\$ 219,645,934</u>	<u>\$ 260,807,078</u>	<u>\$ 270,941,759</u>	<u>\$ 305,473,164</u>

\* Data is being accumulated from fiscal year 2002 forward.

**GOVERNMENTAL ACTIVITIES**  
CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS\*

	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
General government.....	\$ 17,788,044	\$ 19,132,571	\$ 20,594,439	\$ 19,275,760	\$ 24,609,259	\$ 20,617,999
Public safety.....	45,465,764	40,635,284	40,102,814	41,690,193	43,062,252	44,207,931
Education.....	134,259,240	157,020,633	162,268,826	175,722,669	181,638,581	188,026,627
Public works.....	18,502,301	18,987,391	19,755,181	23,440,299	21,666,417	21,643,562
Health and human services.....	10,378,352	9,119,333	8,470,667	8,864,530	8,979,409	9,273,626
Culture and recreation.....	11,873,650	11,805,253	12,252,669	14,253,032	13,802,334	13,471,254
Debt service - interest.....	2,122,459	2,055,115	2,121,882	2,570,332	2,350,756	2,237,287
Total expenses.....	<u>240,389,810</u>	<u>258,755,580</u>	<u>265,566,478</u>	<u>285,816,815</u>	<u>296,109,008</u>	<u>299,478,286</u>
<b>Program Revenues</b>						
Charges for services.....	18,114,260	19,697,646	19,253,150	20,056,263	21,298,907	22,854,391
Operating grants and contributions.....	40,775,454	44,209,235	43,365,401	48,562,260	50,529,662	54,150,398
Capital grants and contributions.....	6,420,028	2,686,298	1,810,615	36,589,529	642,315	11,118,572
Total program revenues.....	<u>65,309,742</u>	<u>66,593,179</u>	<u>64,429,166</u>	<u>105,208,052</u>	<u>72,470,884</u>	<u>88,123,361</u>
Net (expense)/revenue.....	<u>(175,080,068)</u>	<u>(192,162,401)</u>	<u>(201,137,312)</u>	<u>(180,608,763)</u>	<u>(223,638,124)</u>	<u>(211,354,925)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Real estate and personal property taxes.....	160,622,246	178,891,217	187,446,868	192,457,450	200,966,839	209,105,186
Motor vehicle and other excise taxes.....	10,108,340	10,006,839	10,537,142	11,202,714	10,803,654	10,396,428
Hotel/motel taxes.....	1,291,950	1,151,838	851,157	979,194	1,060,052	1,138,921
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,166,429	830,030	1,049,712
Payments in lieu of taxes.....	1,190,418	449,556	340,010	529,600	553,920	2,851,122
Community preservation surcharges.....	1,522,800	1,813,888	1,829,757	1,893,219	1,963,982	2,032,942
Grants and contributions not restricted to specific programs.....	7,319,604	6,447,414	7,572,440	7,988,751	8,353,727	9,289,181
Unrestricted investment income.....	2,185,703	1,485,848	949,028	1,687,125	3,290,981	4,757,698
Gain (Loss) on sale of capital assets.....	-	-	(48,600)	36,000	10,702	-
Other.....	214,750	665,612	1,065,172	554,259	1,133,664	1,302,478
Transfers, net.....	999,141	1,230,245	1,305,717	1,219,955	1,278,128	1,223,658
Total general revenues and other changes in net assets.....	<u>186,246,512</u>	<u>203,169,641</u>	<u>212,805,763</u>	<u>219,714,696</u>	<u>230,245,679</u>	<u>243,147,326</u>
<b>Change in net assets.....</b>	<u>\$ 11,166,444</u>	<u>\$ 11,007,240</u>	<u>\$ 11,668,451</u>	<u>\$ 39,105,933</u>	<u>\$ 6,607,555</u>	<u>\$ 31,792,401</u>

\* Data is being accumulated from fiscal year 2002 forward.

**BUSINESS-TYPE ACTIVITIES**  
**CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)**

LAST SIX FISCAL YEARS\*

	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Sewer.....	\$ 17,206,366	\$ 17,749,399	\$ 18,167,283	\$ 17,891,749	\$ 18,404,780	\$ 20,033,778
Water.....	8,144,940	9,138,695	9,465,285	10,045,997	10,939,117	11,467,754
Total expenses.....	<u>25,351,306</u>	<u>26,888,094</u>	<u>27,632,568</u>	<u>27,937,746</u>	<u>29,343,897</u>	<u>31,501,532</u>
<b>Program Revenues</b>						
Charges for services.....	31,690,684	28,393,528	27,032,083	29,763,876	32,981,905	33,084,089
Operating grants and contributions.....	4,141,117	900,806	758,501	1,289,586	838,241	835,397
Capital grants and contributions.....	300,075	609,076	51,994	159,450	329,005	1,544,708
Total program revenues.....	<u>36,131,876</u>	<u>29,903,410</u>	<u>27,842,578</u>	<u>31,212,912</u>	<u>34,149,151</u>	<u>35,464,194</u>
Net (expense)/revenue.....	<u>10,780,570</u>	<u>3,015,316</u>	<u>210,010</u>	<u>3,275,166</u>	<u>4,805,254</u>	<u>3,962,662</u>
<b>General Revenues and Transfers</b>						
Transfers, net.....	(949,141)	(1,131,230)	(1,255,717)	(1,219,955)	(1,278,128)	(1,223,658)
<b>Change in net assets.....</b>	<u>\$ 9,831,429</u>	<u>\$ 1,884,086</u>	<u>\$ (1,045,707)</u>	<u>\$ 2,055,211</u>	<u>\$ 3,527,126</u>	<u>\$ 2,739,004</u>

\* Data is being accumulated from fiscal year 2002 forward.

**PRIMARY GOVERNMENT**  
**CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)**

LAST SIX FISCAL YEARS\*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total expenses.....	\$ 265,741,116	\$ 285,643,674	\$ 293,199,046	\$ 313,754,561	\$ 313,754,561	\$ 330,979,818
Total program revenues.....	<u>101,441,618</u>	<u>96,496,589</u>	<u>92,271,744</u>	<u>136,420,964</u>	<u>136,420,964</u>	<u>123,587,555</u>
Net (expense)/revenue.....	(164,299,498)	(189,147,085)	(200,927,302)	(177,333,597)	(177,333,597)	(207,392,263)
Total general revenues, transfers and other changes in net assets.....	<u>185,297,371</u>	<u>202,038,411</u>	<u>211,550,046</u>	<u>218,494,741</u>	<u>218,494,741</u>	<u>241,923,668</u>
<b>Change in net assets.....</b>	<b>\$ <u>20,997,873</u></b>	<b>\$ <u>12,891,326</u></b>	<b>\$ <u>10,622,744</u></b>	<b>\$ <u>41,161,144</u></b>	<b>\$ <u>41,161,144</u></b>	<b>\$ <u>34,531,405</u></b>

\* Data is being accumulated from fiscal year 2002 forward.

**GOVERNMENTAL FUNDS**  
 FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS\*

	2002	2003	2004	2005	2006	2007
<b>General Fund</b>						
Reserved.....	\$ 4,089,296	\$ 4,049,314	\$ 5,125,252	\$ 3,696,513	\$ 4,177,720	\$ 3,884,714
Unreserved.....	11,349,447	13,111,188	12,161,196	10,125,954	16,117,152	19,724,693
Total general fund.....	<u>\$ 15,438,743</u>	<u>\$ 17,160,502</u>	<u>\$ 17,286,448</u>	<u>\$ 13,822,467</u>	<u>\$ 20,294,872</u>	<u>\$ 23,609,407</u>
<b>All Other Governmental Funds</b>						
Reserved.....	\$ 795,000	\$ 28,792,926	\$ 4,675,240	\$ 7,188,858	\$ 7,333,993	\$ 6,181,855
Unreserved, reported in:						
Special revenue funds.....	7,237,334	7,369,358	8,108,905	7,651,781	6,828,092	7,213,248
Capital projects funds.....	(11,417,544)	(46,879,322)	(39,972,245)	(9,421,471)	1,450,147	17,319,824
Permanent funds.....	977,907	923,315	868,171	1,012,798	874,461	925,527
Total all other governmental funds.....	<u>\$ (2,407,303)</u>	<u>\$ (9,793,723)</u>	<u>\$ (26,319,929)</u>	<u>\$ 6,431,966</u>	<u>\$ 16,486,693</u>	<u>\$ 31,640,454</u>

\* Data is being accumulated from fiscal year 2002 forward.



**GOVERNMENTAL FUNDS**  
CHANGES IN FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS\*

	2002	2003	2004	2005	2006	2007
<b>REVENUES</b>						
Real estate and personal property taxes.....	\$ 160,230,063	\$ 179,025,142	\$ 187,056,486	\$ 192,554,388	\$ 200,165,525	\$ 207,245,638
Motor vehicle and other excise taxes.....	9,848,559	10,645,450	10,258,795	11,467,867	11,298,282	10,197,596
Hotel/motel tax.....	1,291,950	1,151,838	851,157	979,194	1,060,052	1,138,921
Payments in lieu of taxes.....	309,695	377,867	340,010	394,563	418,202	411,841
Community preservation surcharges.....	1,522,800	1,768,225	1,830,144	1,878,091	1,978,999	2,027,379
Charges for services.....	9,992,038	11,242,611	11,847,663	11,765,228	11,895,186	14,110,021
Intergovernmental.....	49,874,632	53,219,152	55,057,266	85,837,606	60,266,994	75,564,011
Special assessments.....	-	-	-	-	-	215,216
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,225,224	830,030	1,049,712
Licenses, permits and fees.....	4,485,956	4,566,185	4,896,721	4,991,489	7,172,004	5,764,582
Fines and forfeitures.....	1,820,973	1,717,200	1,916,239	1,987,816	2,002,406	1,850,503
Contributions.....	978,344	1,368,799	645,007	1,462,588	1,187,036	796,807
Investment income.....	1,695,643	1,315,562	1,031,017	1,985,227	3,362,563	4,960,859
Miscellaneous/other.....	945,986	1,278,662	678,394	588,220	1,326,054	947,985
<b>TOTAL REVENUES.....</b>	<b>243,788,199</b>	<b>268,703,877</b>	<b>277,365,971</b>	<b>317,117,501</b>	<b>302,963,333</b>	<b>326,281,071</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	15,249,553	17,364,672	24,829,089	20,272,046	21,671,422	18,456,441
Public safety.....	29,706,902	31,900,736	33,442,336	33,467,775	33,207,890	36,540,065
Education.....	143,450,681	158,405,020	158,699,064	156,983,456	157,219,646	166,363,295
Public works.....	17,448,356	19,195,401	20,323,463	23,574,662	20,074,536	23,001,792
Health and human services.....	4,692,835	3,763,331	3,215,469	3,565,435	3,594,966	4,054,211
Culture and recreation.....	9,670,437	10,462,029	11,044,089	12,376,821	12,156,563	14,441,900
Retirement benefits.....	26,054,970	29,244,524	32,609,146	36,643,546	39,366,562	42,079,659
Property and liability insurance.....	1,367,674	1,464,628	1,638,348	1,596,923	1,621,121	1,666,576
Claims and judgments.....	189,509	118,032	290,227	176,472	214,058	143,335
Health insurance subsidy.....	-	-	-	-	-	173,495
State and county charges.....	5,142,581	5,081,422	5,086,760	5,045,783	5,209,013	5,375,365
Debt service:						
Principal.....	4,884,800	4,878,900	4,281,100	5,118,200	5,595,500	8,472,050
Interest.....	1,716,690	1,929,122	2,744,328	2,483,216	2,215,170	2,129,315
<b>TOTAL EXPENDITURES.....</b>	<b>259,574,988</b>	<b>283,807,817</b>	<b>298,203,419</b>	<b>301,304,335</b>	<b>302,146,447</b>	<b>322,897,499</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(15,786,789)</b>	<b>(15,103,940)</b>	<b>(20,837,448)</b>	<b>15,813,166</b>	<b>816,886</b>	<b>3,383,572</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	6,456,951	8,254,035	9,279,721	7,768,303	8,195,281	9,793,750
Proceeds of bonds and notes.....	4,910,000	5,700,000	5,000,000	11,500,000	13,835,000	10,600,000
Premium from issuance of bonds and notes.....	-	-	375,267	406,462	293,090	92,732
Sale of capital assets.....	-	-	-	36,000	26,446	40,752
Transfers out.....	(5,342,810)	(7,023,790)	(7,697,615)	(6,236,017)	(6,639,571)	(8,292,510)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>6,024,141</b>	<b>6,930,245</b>	<b>6,957,373</b>	<b>13,474,748</b>	<b>15,710,246</b>	<b>12,234,724</b>
<b>EXTRAORDINARY ITEM</b>						
Proceeds of structured settlement contract.....	-	-	-	-	-	2,850,000
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (9,762,648)</b>	<b>\$ (8,173,695)</b>	<b>\$ (13,880,075)</b>	<b>\$ 29,287,914</b>	<b>\$ 16,527,132</b>	<b>\$ 18,468,296</b>
<b>DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....</b>						
	2.5%	2.4%	2.4%	2.5%	2.6%	3.3%

\* Data is being accumulated from fiscal year 2002 forward.

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)**

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
1998	\$ 7,922,932,998	\$ 1,000,745,102	\$ 135,827,100	\$ 9,059,505,200	\$ 15.06	\$ 9,926,932,200	91.26%
1999	8,978,253,758	1,126,244,342	135,370,600	10,239,868,700	13.88	9,926,932,200	103.15%
2000	9,885,690,995	1,171,451,405	142,875,400	11,200,017,800	13.16	12,028,714,200	93.11%
2001	10,857,798,128	1,239,695,672	151,823,400	12,249,317,200	12.57	12,028,714,200	101.83%
2002	13,232,606,650	1,471,227,850	166,827,900	14,870,662,400	10.77	15,843,209,000	93.86%
2003	13,350,364,729	1,478,001,571	188,708,900	15,017,075,200	11.83	15,843,209,000	94.79%
2004	15,105,379,601	1,504,901,799	214,760,200	16,825,041,600	10.98	19,131,654,600	87.94%
2005	17,046,470,917	1,614,228,983	194,282,500	18,854,982,400	10.16	19,131,654,600	98.55%
2006	18,038,525,657	1,630,652,443	197,645,600	19,866,823,700	9.99	21,590,027,600	92.02%
2007	18,780,465,279	1,691,031,121	195,725,500	20,667,221,900	9.95	21,590,027,600	95.73%

Source: City of Newton Annual Tax Recap Sheet

(1) Does not include valuation affected by residential exemption

(2) As of January 1st

(3) Estimated actual value is based on equalized valuations determined biennially by the Commissioner of Revenue

**DIRECT PROPERTY TAX RATES (1) (2)**

LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
1998	\$ 13.75	\$ 26.38	\$ 26.38	\$ 15.06
1999	12.65	24.20	24.20	13.88
2000	12.06	22.97	22.97	13.16
2001	11.57	21.93	21.93	12.57
2002	9.94	18.77	18.77	10.77
2003	10.92	20.63	20.63	11.83
2004	10.20	19.37	19.37	10.98
2005	9.48	18.02	18.02	10.16
2006	9.36	17.72	17.72	9.99
2007	9.33	17.64	17.64	9.95

**Source:** City of Newton Tax Re-cap Sheets.

(1) Rates are applicable to each \$1,000 of assessed value

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000

**PRINCIPAL PROPERTY TAXPAYERS**

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2007			1998		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Riverside Project, LLC	\$ 1,816,113	1	0.88%	\$ -	-	0.00%
Mayflower Atrium, LLC	1,196,332	2	0.58%	1,087,676	1	0.80%
NSTAR Electric	992,391	3	0.48%	933,971	2	0.68%
Julian Cohen & Daniel Rothenberg Trust	815,184	4	0.40%	901,431	4	0.66%
Thomas White Trust	619,995	5	0.30%	604,664	8	0.44%
Chesapeake Hotel Lmt Partnership	613,775	6	0.30%	662,874	7	0.49%
NS Wells Acquisitions LLC	530,006	7	0.26%	-	-	0.00%
Daniel Rothenberg	481,574	8	0.23%	-	-	0.00%
Avalon Upper Falls, LLC	459,162	9	0.22%	-	-	0.00%
Daniel Rothenberg	454,717	10	0.22%	885,577	5	0.65%
Schroder Newton Limited Partnership	-	-	-	796,676	6	0.58%
Wells Avenue Senior Holding, LLC	-	-	-	548,292	9	0.40%
Boston Gas	-	-	-	430,643	10	0.32%
Bell Atlantic	-	-	-	903,679	3	0.66%
<b>Total</b>	<b>\$ 7,979,249</b>		<b>3.88%</b>	<b>\$ 7,755,483</b>		<b>5.68%</b>

Source: City of Newton Board of Assessors.

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

Fiscal Year	Net Tax Levy	Collected within the Fiscal Year of the Levy		Actual Subsequent Collections	Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected		Total Tax Collections	Total Collections as a % of Net Levy (1)
1998	\$ 136,433,697	\$ 136,902,723	100.34%	\$ 1,434,884	\$ 138,337,607	101.40%
1999	142,094,215	142,212,683	100.08%	1,113,302	143,325,985	100.87%
2000	147,410,703	146,223,264	99.19%	2,634,303	148,857,567	100.98%
2001	153,949,624	152,952,314	99.35%	2,718,974	155,671,288	101.12%
2002	160,122,038	158,569,112	99.03%	2,996,220	161,565,332	100.90%
2003	177,652,048	177,072,455	99.67%	2,588,477	179,660,932	101.13%
2004	184,772,348	184,463,684	99.83%	2,232,994	186,696,678	101.04%
2005	191,516,639	189,884,213	99.15%	2,337,579	192,221,792	100.37%
2006	198,431,418	197,604,301	99.58%	1,647,846	199,252,147	100.41%
2007	205,603,998	204,425,747	99.43%	-	204,425,747	99.43%

**Source:** Annual Tax Recap Sheet and General Ledger records

(1) Total collections can exceed 100% due to the City's conservative statutory reserve for abatements, which reduces the net tax levy.

**RATIOS OF OUTSTANDING DEBT BY TYPE**

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita (1)
	General Obligation Bonds	State Pension Loan	General Obligation Bonds	MWRA/MWPAT Loans		
1998	\$ 26,558,503	\$ 2,600,000	\$ 1,181,250	\$ 1,947,338	\$ 32,287,091	\$ 384
1999	35,036,938	2,600,000	978,662	1,847,713	40,463,313	498
2000	29,894,950	2,600,000	671,250	5,971,947	39,138,147	484
2001	29,841,344	2,600,000	316,250	17,288,376	50,045,970	1008
2002	28,793,550	2,600,000	941,250	19,164,796	51,499,596	666
2003	29,614,650	2,600,000	1,080,450	27,979,244	61,274,344	790
2004	30,333,550	2,600,000	491,250	21,908,488	55,333,288	696
2005	36,715,350	2,600,000	266,250	22,627,199	62,208,799	778
2006	44,954,850	2,600,000	176,250	23,158,874	70,889,974	844
2007	49,682,800	-	80,000	24,790,064	74,552,864	903

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**

LAST TEN FISCAL YEARS

Net General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Percentage of Estimated Personal Income (2)
1998	27,739,753	-	27,739,753	0.28%	1.14%
1999	36,015,600	-	36,015,600	0.36%	1.54%
2000	30,566,200	-	30,566,200	0.25%	1.31%
2001	30,157,594	-	30,157,594	0.25%	1.33%
2002	29,734,800	-	29,734,800	0.19%	0.84%
2003	30,695,100	-	30,695,100	0.19%	0.87%
2004	30,824,800	-	30,824,800	0.16%	0.85%
2005	36,981,600	-	36,981,600	0.19%	1.01%
2006	45,131,100	-	45,131,100	0.21%	0.96%
2007	49,762,800	-	49,762,800	0.23%	1.08%

(1) See the "Assessed Value and Estimated Actual Value of Taxable Property" schedule located in the Statistical Section for property value data.

(2) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

JUNE 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resources Authority.....	\$ 5,486,650,000	4.6%/4.3%	\$ 241,660,062
City direct debt.....			<u>49,682,800</u>
Total direct and overlapping debt.....			<u><u>\$ 291,342,862</u></u>

**Sources:** MWRA, City of Newton Treasurer's Office



**LEGAL DEBT MARGIN INFORMATION**

LAST TEN FISCAL YEARS \*

	<u>2007</u>	<u>2006</u>
Fiscal year 2007 equalized valuation.....	\$ 21,590,027,600	\$ 21,590,027,600
Normal debt limit (2 1/2% of equalized valuation).....	539,750,690	539,750,690
Debt applicable to limit:		
Total bonded debt.....	74,552,864	70,889,974
Less: General obligation bonds exempted by authority of state legislature.....	<u>(24,870,064)</u>	<u>(23,335,124)</u>
Total net debt applicable to limit.....	<u>49,682,800</u>	<u>47,554,850</u>
Legal debt margin.....	<u>\$ 490,067,890</u>	<u>\$ 492,195,840</u>
Total net debt applicable to the limit as a percentage of normal debt limit.....	<u>9.7%</u>	<u>10.1%</u>

\* Data is being accumulated from fiscal year 2006 forward.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

LAST TEN CALENDAR YEARS

Year	Population	Median Age	Per Capita Income	Estimated Personal Income	Median Family Income	Public School Enrollment	Unemployment Rate (%)
1997	84,045	35.7	\$ 28,840	\$ 2,423,857,800	\$ 70,071	10,944	2.3%
1998	81,179	35.7	28,840	2,341,202,360	70,071	11,166	1.7%
1999	80,831	35.7	28,840	2,331,166,040	70,071	11,248	1.7%
2000	49,642	38.7	45,708	2,269,036,536	105,289	11,246	1.8%
2001	77,350	38.7	45,708	3,535,513,800	105,289	11,250	2.7%
2002	77,517	38.7	45,708	3,543,147,036	105,289	11,276	3.9%
2003	79,515	38.7	45,708	3,634,471,620	105,289	11,267	4.1%
2004	79,980	38.7	45,708	3,655,725,840	105,289	11,268	3.5%
2005	84,031	38.7	55,891	4,696,576,621	124,893	11,415	3.3%
2006	82,578	38.7	55,891	4,615,366,998	124,893	11,501	3.7%

**Sources:** Population from City census

Per capita income, median age, and median family income is from U.S Census for 1990, 2000 and 2005

Unemployment rates from Massachusetts Division of Unemployment Assistance

School enrollment represents October 1 total enrollment per Newton Public Schools.

## PRINCIPAL EMPLOYERS

### CURRENT YEAR

Employer	Employees	Rank	
		2007	2006
Boston College	1000 +	1	1
City of Newton	1000 +	2	2
Newton-Wellesley Hospital	1000 +	3	3
Clarks Company, North America	250 - 999	4	4
Education Development Center	250 - 999	5	5
H.C Starck Inc.	250 - 999	6	6
HRPT Properties Trust	250 - 999	7	7
Marriott Corporation	250 - 999	8	8
Medical Resources, Inc.	250 - 999	9	9
Wholefoods Inc.	250 - 999	10	10

**Source:** Reference USA version 2005.7 (internet based reference service from Library Division of Info USA)

**EMPLOYEES BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS\*

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Employees as of June 30

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Function/Program	2007	2006
General government.....	139	142
Public safety.....	388	384
Education.....	1,198	1,193
Public works .....	137	136
Health and human services.....	50	44
Culture and recreation.....	105	105
Water.....	29	24
Sewer.....	34	34
Total.....	<u>2,080</u>	<u>2,062</u>

**Source:** City of Newton payroll

\* Data is being accumulated from fiscal year 2006 forward.

**OPERATING INDICATORS BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS\*

Function/Program	2007
Public safety	
Police	
Physical arrests.....	520
Parking violations.....	78,774
Traffic violations.....	15,220
Fire	
Emergency responses.....	3,519
Building fire responses.....	37
Inspections.....	2,806
Education	
Public school enrollment.....	11,501
Public works	
Street resurfacing (miles).....	6.4
Sidewalk installation (miles).....	7.9
Catchbasins cleaned.....	6,750
Trash collections (tons).....	28,814
Recyclable material collections (tons).....	22,395
Health and human services	
Food handling establishment inspections.....	459
Public school health screenings.....	19,215
Resident/employee influenza immunizations.....	2,309
Senior center participants.....	4,000
Senior transportation services.....	22,000
Culture and recreation	
Library volumes in collection.....	609,248
Library circulation.....	1,929,138
Museum attendance.....	9,000
Recreation programs.....	110
Recreation program participants.....	90,000
Athletic fields and courts maintained.....	268
Shade trees pruned.....	1,000
Shade trees removed.....	400
Water/sewer	
Repair/replace water & sewer services.....	616
Hydrant repairs.....	78
Backflow tests.....	873

**Sources:** Various departments

\* Data is being accumulated from fiscal year 2007 forward.

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS\*

Function/Program	Fiscal Year	
	2007	2006
Public safety		
Police		
Stations.....	1	1
Vehicles.....	69	69
Fire		
Stations.....	6	6
Firefighting Vehicles.....	9	9
Education		
Public school buildings.....	21	21
Public works		
Streets (miles).....	310	310
Streetlights.....	8,595	8,595
Traffic signals.....	98	98
Parking meters.....	1,671	1,671
Culture and recreation		
Public libraries		
Main library.....	1	1
Branch libraries.....	4	4
Park & playground Acreage.....	590	590
Outdoor swimming facilities.....	2	2
Indoor swimming facilities.....	1	1
Public street trees	30,000	30,000
Water		
Water mains (miles).....	300	300
Fire hydrants.....	2,400	2,400
Storage capacity (thousands of gallons).....	26,000,000	26,000,000
Sewer		
Sanitary sewers (miles).....	300	300
Sewer pump stations.....	10	10
Stormdrains (miles).....	324	324

**Sources:** Various departments of the City of Newton

\* Data is being accumulated from fiscal year 2006 forward.