

City of Newton, Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011



Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



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DAVID C. WILKINSON
COMPTROLLER

December 20, 2011

Members of the Board of Aldermen
Mayor Setti D. Warren
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, 2011. 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, 2011 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 Internal Control Over Financial Reporting, Compliance and 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; 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 Operating and Financial 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. Monthly comparative financial management reports are issued to the Mayor, Board of Aldermen and public on the Comptroller's page of the City web site. 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 typically issued prior to the end of the calendar year.

During the past fiscal year, the Mayor's Office; the City's financial management team; and the City's Finance Committee developed a more comprehensive set of financial management policies, which were referred to the Mayor and full Board of Aldermen for approval. These policies were formally adopted by the Mayor and Board of Aldermen and are posted on the City's web site under:

www.newtonma.gov/comptrol/fy2011/05092011/2011%20financial%20guidelines.pdf

Economic Condition and Outlook

While Newton is not immune to regional and national economic development trends, the City is characterized as a self-sustaining and stable local economy. Historically, Newton has housed a myriad of economic activities ranging from manufacturing to high-tech industries that have served not only local residents, but also the Greater Boston area, and in some cases national and international markets. The City's proximity to Boston; location on major regional highway systems; existing building stock; and solid and extensive physical infrastructure make Newton an attractive place for metro-area regional and national investments ranging from corporate headquarters to light manufacturing and regional retail.

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

Accounting System and Budgetary Control

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

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

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

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

An analysis of all legally adopted operating and capital budgets are presented on pages 98 - 120 of this report.

On September 7, 2011 the Massachusetts Department of Revenue certified the City's June 30, 2011 free cash (General Fund fund balance available for appropriation) at \$6,793,864. The City's previous year free cash certification was \$8,018,399. Three extraordinary and non recurring revenue items generated \$5,671,391 or 70.7% of the June 30, 2010 free cash. These items were: \$2,212,763 in telecommunications personal property taxes resulting from an August 2009 favorable State Appellate Tax Board decision; \$2,643,271 in advance payment of deferred in lieu of tax payments on the New Falls 121-A urban excise property; and \$815,357 in premiums earned on the April 2010 sale of \$26.0 million in general obligation bonds. During the fiscal year ended June 30, 2011, the City established and contributed \$2.6 million to a new "Rainy Day" Stabilization Fund. This sum, plus an additional \$500,000 that was contributed to the fund subsequent to June 30, 2011, is available for meeting extraordinary and unforeseen budget contingencies.

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.

In accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement 45, the City began to recognize the cost of health benefits in the same manner that has been required for pension benefits for the past several years in the year ended June 30, 2008. This means that instead of recognizing the cost of health benefits as they are being paid out, the cost of these benefits are now recognized as they are earned. Although there are no requirements that the City change the method of funding these benefits, the cumulative impact of the change in financial reporting over the past four fiscal years is an \$118.1 million increase in expenses in the government-wide financial statements and a corresponding decline in unrestricted net assets.

Newton, like most communities in Massachusetts and for that matter New England, does not currently have a plan for funding health benefits on a basis other than the historical pay as you go approach. In an effort to start a discussion about this issue, the fiscal year 2011 budget did include a \$137,000 appropriation for purposes of seeding a post retirement health trust fund. On October 4, 2010 the Mayor and Board of Aldermen voted to authorize a trust pursuant to Massachusetts General Law Chapter 32, Section 20 and the \$137,000 was transferred to the new fund. Over the course of the next several months the City expects to evaluate with our actuary the feasibility of beginning to fund health care benefits for all new hires on an actuarial basis. Please refer to note 12 (pages 62-65) for more detailed information on the City's health benefit obligations.

Collective Bargaining Agreements

Subsequent to June 30, 2011 the City entered into three year collective bargaining agreements with all employees of the City and most of the Newton Public Schools' employees. All contracts contain changes in health care plan design that are intended to keep the total annual increase in salaries/wages and health care benefits to not more than 2.5% per year for fiscal years 2012; 2013; and 2014.

Audit Committee

In order to strengthen the City's internal controls and financial reporting, the Board of Aldermen has established a permanent audit committee, consisting of both representatives of the Board of Aldermen and Newton residents with financial management and audit education and experience. The appointments to this committee are pending.

Awards and Acknowledgments

During the fiscal year ended June 30, 2011, the City maintained a Aaa credit rating with Moody's Investor Service.

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: Julie Zakak ; Regina Zegarelli; Mary Santoes; Denise Paone; Ann-Marie Daley and Maria Mastroinni. 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.

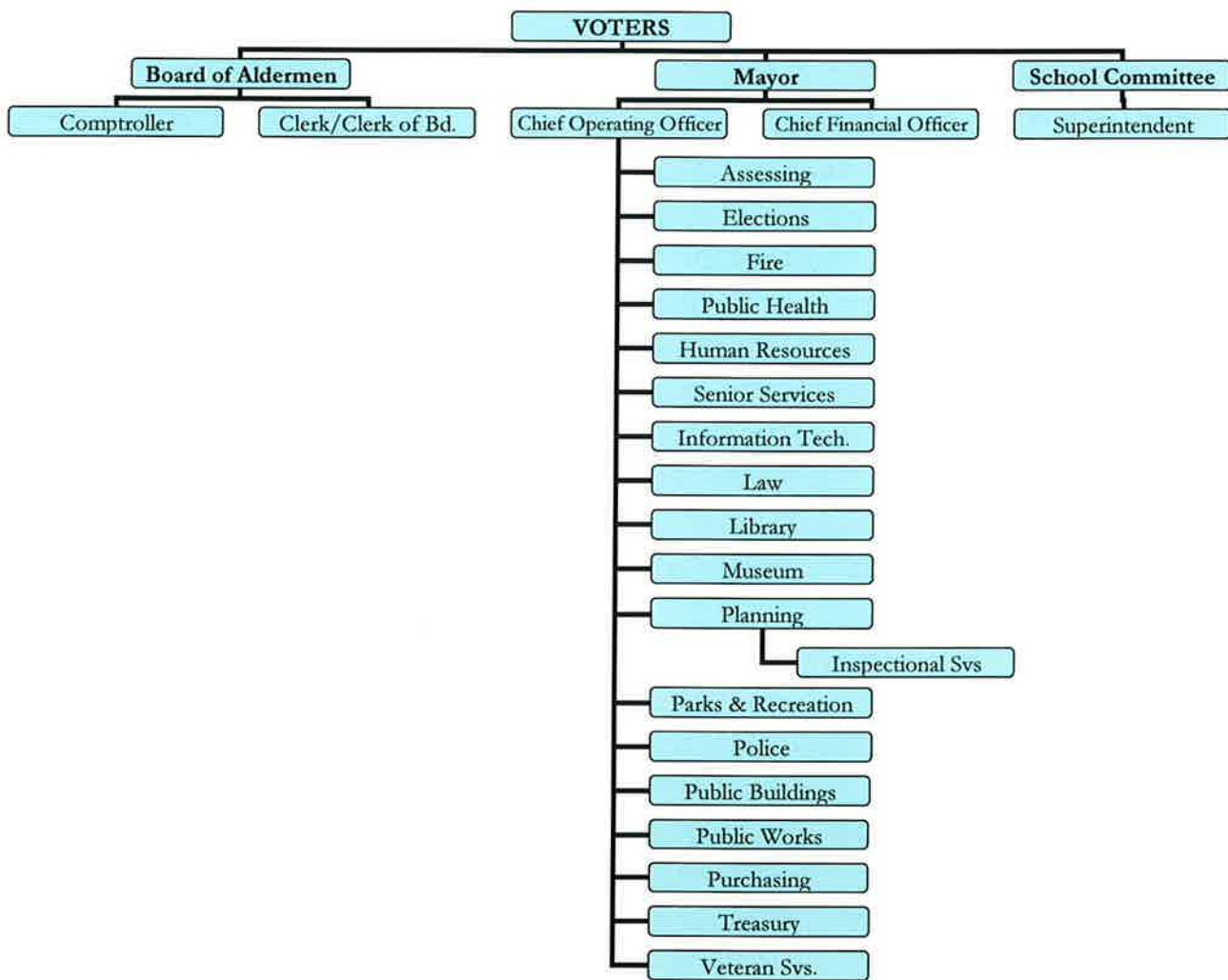
Respectfully,

A handwritten signature in black ink, appearing to read 'DCW', with a horizontal line extending to the right.

David C. Wilkinson
Comptroller

CITY OF NEWTON, MASSACHUSETTS

ORGANIZATIONAL CHART



CITY OF NEWTON, MASSACHUSETTS

ELECTED OFFICIALS AND DEPARTMENT HEADS

BOARD OF ALDERMEN

Scott F. Lennon, President & Audit Committee Chair
Cheryl Lappin, Vice President
R. Lisle Baker, President Emeritus
Susan Albright
Richard Blazar
Allan Ciccone, Jr., Finance Committee Member
Deborah Crossley
Victoria Danberg, Finance Committee Member
Mitchell Fischman
John Freedman, Finance Committee Vice Chair
Ruthanne Fuller, Finance Committee Member
Leonard Gentile, Finance Committee Chair
John Harney
Ted Hess-Mahan
Marcia Johnson
Stephen Linsky, Finance Committee Member
Carleton Merrill
John Rice, Finance Committee Member
Amy Mah Sangiolo
Anthony Salvucci, Finance Committee Member
Sydra Schnipper
Charles Shapiro
Greer Tan Swiston
Brian Yates

SCHOOL COMMITTEE

Claire Sokoloff, Chair
Reenie Murphy, Vice Chair
Geoff Epstein
Matt Hills
Kurt Kusiak
Susan Rosenbaum
Margie Ross Decker
Jonathan Yeo
David Fleishman, Superintendent of Schools
Sandra Guryan, Deputy Superintendent/CAO

EXECUTIVE

Mayor Setti D. Warren
Robert Rooney, Chief Operating Officer
Maureen Lemieux, Chief Financial Officer
Sarah Ecker, Director of Community Relations
Aaron Goldman, Citizen Assistance Officer

DEPARTMENT HEADS

Accounting: David Wilkinson, Comptroller
Assessing: Elizabeth Dromey, Director and Chair, Board of Assessors
City Clerk/Clerk of Board: David Olson, City Clerk/Clerk of the Board
Elections: Craig Mansseau, Executive Secretary Election Commission
Fire: Joseph LaCroix, Fire Chief
Health & Human Services: Dori Zaleznik, Commissioner
Human Resources, Dolores Hamilton, Director
Information Technology: Ann Cornaro, Director
Inspectional Services: John Lojek Commissioner
Newton History Museum: Cynthia Stone, Director
Law: Donnalyn Kahn, City Solicitor
Library: Nancy Perlow, Librarian
Parks & Recreation: Robert DeRubeis, Commissioner
Planning & Development: Candace Havens, Director
Police: Matthew Cummings, Police Chief
Public Buildings: Stephanie Kane-Gilman, Commissioner
Public Works: David Turocy, Commissioner
Purchasing: Rosita Durham, Chief Procurement Officer
Senior Services, Jayne Colino, Director
Treasury: James Reardon, Treasurer & Collector
Veteran Services: John MacGillivray, Veterans Agent

CONTRIBUTORY RETIREMENT BOARD

Nunzio Piselli, Chairman & Mayor's appointee
Francis Capello, Vice Chairman & Elected member
David Wilkinson, Ex Officio Member
Paul Bianci, Elected Member
Kimberly Fletcher, Appointed Member
Kelly Byrne, Retirement System Director



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FINANCIAL SECTION



Certified Public Accountants

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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 (City), as of and for the fiscal year ended June 30, 2011 (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, 2010), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City 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. and the Newton Community Farm, Inc., which represent 31.8% and 5.0%; 31.7% and 5.0%; and 7.4% and 3.7% of the assets, net 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. and the Newton Community Farm, 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. and the Newton Community Farm, 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 as of June 30, 2011 (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, 2010), 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 1B, the City has implemented Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 16) and certain pension and other postemployment benefits information (located on pages 73 through 74) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, additional information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules and additional information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dullin, Roy & Company, LLC

December 20, 2011

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, 2011.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$249.7 million (*net assets*). The City has negative unrestricted net assets (totaling \$65.3 million) in the City's governmental activities and \$15.1 million in unrestricted net assets in its business type activities.
- The City's total net assets decreased by \$31.9 million or 11.3% in fiscal year 2011. Net assets of governmental activities decreased by \$39 million, a 17.8% decline from fiscal year 2010, while net assets of business-type activities increased by \$7.1 million, or 11.4%, from the prior fiscal year.
- Unrestricted governmental net assets decreased by \$38.2 million to (\$65.3) million at June 30, 2011. The decline in unrestricted governmental activities net assets is principally the result of the recognition of \$33.7 million in new post-retirement health liabilities. Newton's June 30, 2011 net OPEB liability for governmental activities now stands at \$115.3 million and \$137,295 has been accumulated to meet these long term obligations.
- The total cost of all City services for fiscal year 2011 was \$434.8 million, \$397.1 million (91.3%) of which was for governmental services, and \$37.7 million (8.7%) of which was for business type services. This represents an increase of \$14.6 million or 3.5% from the total cost of services in the previous fiscal year.
- A total of \$90.7 million or 22.8% of governmental services were financed from program revenue, leaving 77.2% to be financed from general revenues and interfund transfers of the City. Real estate and personal property tax revenue continues to represent the single largest source of general revenue.
- At June 30, 2011, the City's governmental funds reported a combined fund balance of \$60.7 million. The combined governmental funds fund balance decreased by \$24.1 million (28.4%) from the prior year's ending fund balance, primarily due to the use of prior year revenues and other financing sources for the completion of the new Newton North High School capital project and other governmental activities.
- The City's general fund reported total fund balance of \$30.8 million at the end of fiscal year 2011, a \$4.3 million (12.3%) decrease from the total fund balance at June 30 of the prior fiscal year. The unassigned portion of the fund balance for the general fund was \$14.1 million or 4.4% of total general fund revenues and other financing sources. The unassigned fund balance includes \$2.6 million that the City set aside during fiscal year 2011 as a "Rainy Day" Stabilization fund and \$6.8 million in "Free Cash" that has been certified as being available for appropriation by the Massachusetts Department of Revenue.
- The City's total bonded debt (bonds and notes) increased by \$4.9 million or 2.3% to \$221.7 million during the year, principally as a result of additional debt issued for the new Newton North High School construction project. Newton North project debt accounts for \$138 million or 62.2% of the City's total bonded debt.

Overview of the Financial Statements:

This discussion and analysis is 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

17 and 18) 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 19 and 20) 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 summarize 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. Trend information for all years since the City's adoption of the current reporting model can be found on pages 122-125 of this report.

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*. These reconciliations may be found on pages 22 and 24.

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* beginning on page 75 of this report. The governmental funds financial statements can be found on pages 21-26 of this report. Trend information may be found on pages 126 and 127 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* beginning on page 86 of this report. The basic proprietary fund financial statements can be found on 27-29 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* beginning on page 90 of this report. The fiduciary funds financial statements can be found on pages 30 and 31 of this report.

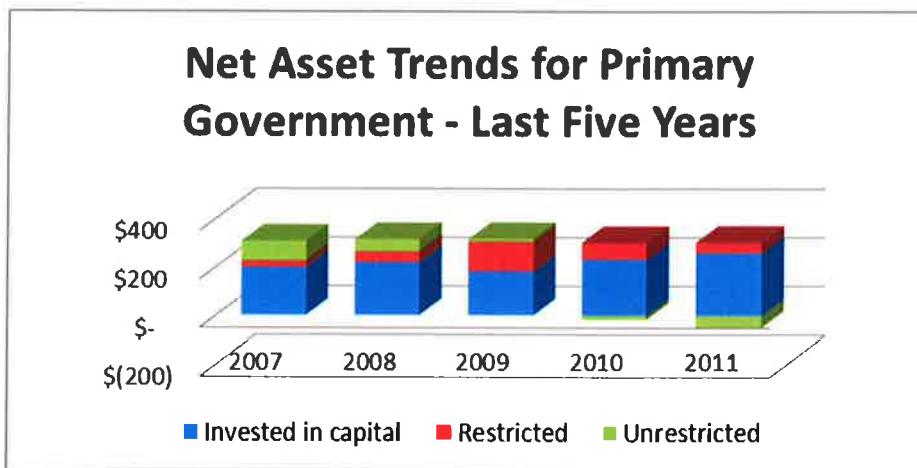
Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-72 of this report. A brief description of new fund balance terminology required by Governmental Accounting Standards Board Statement 54 for governmental funds is presented on page 40 along with a detailed analysis of the major components of each fund balance account on page 67. Note 17 (page 68) references two prior period reclassifications that implementation of Statement 54 has necessitated.

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 and post-retirement health benefits to its employees. Such information is located on pages 73 and 74 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 \$249.7 million at June 30, 2011. This represents a \$31.9 million or 11.3% decline from total net assets at June 30 of the prior year, and a decline of \$64.7 million or 20.6% over the past two fiscal years. Trend information for total net assets and its major components over the past five year period is summarized graphically below:



The decline in unrestricted net assets is directly related to the formal recognition of OPEB liabilities beginning in 2008.

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>	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets.....	\$ 125,823,990	\$ 158,374,513	\$ 27,888,030	\$ 29,760,662	\$ 153,712,020	\$ 188,135,175
Noncurrent assets (excluding capital assets).....	10,688,161	12,743,459	2,118,841	2,358,439	12,807,002	15,101,898
Capital assets (net).....	<u>402,588,420</u>	<u>378,350,833</u>	<u>74,231,617</u>	<u>65,272,245</u>	<u>476,820,037</u>	<u>443,623,078</u>
Total assets.....	<u>539,100,571</u>	<u>549,468,805</u>	<u>104,238,488</u>	<u>97,391,346</u>	<u>643,339,059</u>	<u>646,860,151</u>
Liabilities						
Current liabilities (excluding debt).....	39,525,888	48,808,039	2,257,614	3,912,088	41,783,502	52,720,127
Noncurrent liabilities (excluding debt).....	127,028,965	93,394,305	3,077,306	2,211,079	130,106,271	95,605,384
Current debt.....	9,408,367	9,460,500	4,610,497	4,371,395	14,018,864	13,831,895
Noncurrent debt.....	<u>182,586,433</u>	<u>178,224,800</u>	<u>25,113,517</u>	<u>24,790,355</u>	<u>207,699,950</u>	<u>203,015,155</u>
Total liabilities.....	<u>358,549,653</u>	<u>329,887,644</u>	<u>35,058,934</u>	<u>35,284,917</u>	<u>393,608,587</u>	<u>365,172,561</u>
Net Assets						
Invested in capital assets (net of related debt).....	211,763,420	194,301,691	46,802,526	38,627,779	258,565,946	232,929,470
Restricted.....	34,096,760	52,363,403	7,321,657	13,497,989	41,418,417	65,861,392
Unrestricted.....	<u>(65,309,262)</u>	<u>(27,083,933)</u>	<u>15,055,372</u>	<u>9,980,661</u>	<u>(50,253,891)</u>	<u>(17,103,272)</u>
Total net assets.....	<u>\$ 180,550,918</u>	<u>\$ 219,581,161</u>	<u>\$ 69,179,554</u>	<u>\$ 62,106,429</u>	<u>\$ 249,730,472</u>	<u>\$ 281,687,590</u>

The largest portion of the City's total net assets, \$258.6 million, represents the investment in capital assets (e.g., land and land 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. Please refer to note 6 (page 54) for a detailed calculation of the City's investment in capital assets, net of related debt.

An additional portion of the City's net assets, \$41.4 million, represents resources that are subject to restrictions placed on how they may be used by parties external to the City, of which \$19.3 million (46.6%) represents resources restricted for capital project financing and \$10.1 million (24.4%) represents resources restricted to community preservation purposes. A summary of all 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 18 of this report.

During the fiscal year ended June 30, 2011, total unrestricted net assets declined by \$33.1 million as a direct result of the recognition of \$34.6 million in new post retirement health liabilities. All governmental activities unrestricted net assets have been consumed over the past four years with the recognition of liabilities required by Governmental Accounting Standards Board Statement 45. Pages 62 through 65 of this report provide more detailed information on the City's post retirement health liabilities that have given rise to the change in financial positions over the past four years.

Changes in net assets:

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

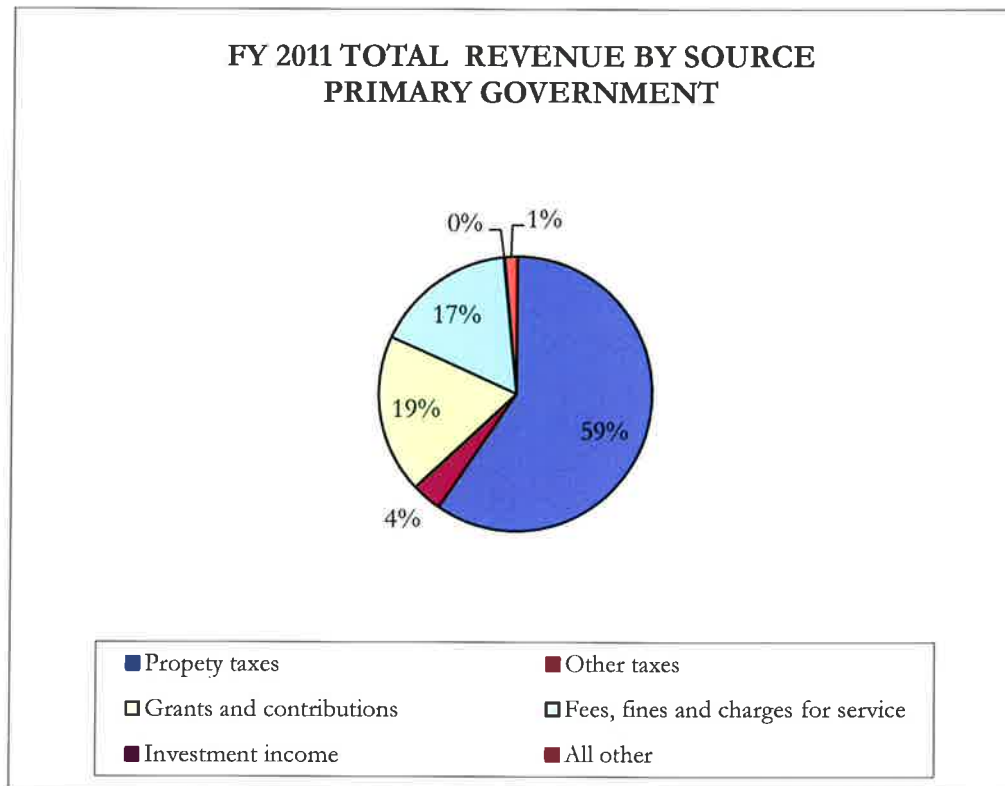
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 21,915,225	\$ 20,969,889	\$ 45,171,479	\$ 38,405,378	\$ 67,086,704	\$ 59,375,267
Operating grants and contributions.....	66,976,636	65,706,164	847,004	732,948	67,823,640	66,439,112
Capital grants and contributions.....	1,764,258	1,960,084	24,182	245,331	1,788,440	2,205,415
<i>General Revenues:</i>						
Real estate and personal property taxes.....	239,761,554	232,774,689	-	-	239,761,554	232,774,689
Motor vehicle and other excise taxes.....	10,541,624	9,860,220	-	-	10,541,624	9,860,220
Hotel room occupancy taxes.....	1,588,882	1,168,095	-	-	1,588,882	1,168,095
Meals taxes.....	1,308,191	382,934	-	-	1,308,191	382,934
Penalties and interest on taxes.....	1,038,225	1,026,507	-	-	1,038,225	1,026,507
Payments in lieu of taxes.....	515,471	3,270,902	-	-	515,471	3,270,902
Community preservation surcharges.....	2,352,389	2,288,314	-	-	2,352,389	2,288,314
Grants and contributions not restricted to specific programs.....	5,596,391	5,891,287	-	-	5,596,391	5,891,287
Unrestricted investment income.....	454,365	934,313	-	-	454,365	934,313
Gain on sales/disposals of capital assets.....	32,280	24,347	-	2,776	32,280	27,123
Other.....	3,002,856	1,752,802	-	-	3,002,856	1,752,802
Total revenues.....	356,848,347	348,010,547	46,042,665	39,386,433	402,891,012	387,396,980
Expenses						
General government.....	26,974,952	24,623,302	-	-	26,974,952	24,623,302
Public safety.....	55,800,259	52,168,801	-	-	55,800,259	52,168,801
Education.....	252,413,006	245,946,308	-	-	252,413,006	245,946,308
Public works.....	28,410,758	26,138,843	-	-	28,410,758	26,138,843
Health and human services.....	10,757,372	10,672,057	-	-	10,757,372	10,672,057
Culture and recreation.....	15,092,035	16,245,112	-	-	15,092,035	16,245,112
Debt service - interest.....	7,670,746	7,234,167	-	-	7,670,746	7,234,167
Water.....	-	-	14,260,631	13,780,687	14,260,631	13,780,687
Sewer.....	-	-	23,468,371	23,347,392	23,468,371	23,347,392
Total expenses.....	397,119,128	383,028,590	37,729,002	37,128,079	434,848,130	420,156,669
Change in net assets before transfers.....	(40,270,781)	(35,018,043)	8,313,663	2,258,354	(31,957,118)	(32,759,689)
Transfers, net.....	1,240,538	1,376,187	(1,240,538)	(1,376,187)	-	-
Change in net assets.....	(39,030,243)	(33,641,856)	7,073,125	882,167	(31,957,118)	(32,759,689)
Net assets - beginning of year.....	219,581,161	253,223,017	62,106,429	61,224,262	281,687,590	314,447,279
Net assets - end of year.....	\$ 180,550,918	\$ 219,581,161	\$ 69,179,554	\$ 62,106,429	\$ 249,730,472	\$ 281,687,590

The City's total revenues for the year ended June 30, 2011 increased by \$15.5 million (4%) from the prior year. Approximately half the increase resulted from increased property taxes used to fund governmental activities and the balance from water and sewer user charges used to fund business type activities. The 3% increase in property taxes represents a combination of the 2 1/2% increase allowed in the tax levy plus new growth. Water and sewer rates are adjusted annually in an effort to generate sufficient revenue to meet all water and sewer expenses and to provide sufficient flexibility to off-set the impact of weather related consumption volatility.

The \$2.8 million reduction in payment in lieu of tax revenue is reflective of the fact that the City received a non-recurring in lieu of tax payment on an urban redevelopment property during the last month of fiscal year 2010.

Hotel room and occupancy and meals tax revenue growth is principally reflective of a full year of tax revenues from the increased room occupancy tax increase and meals tax implementation that was put in place by the City during the fall of 2009. The reduced level of investment income earnings is a function of both smaller capital project fund available cash balances and record low short term interest rates.

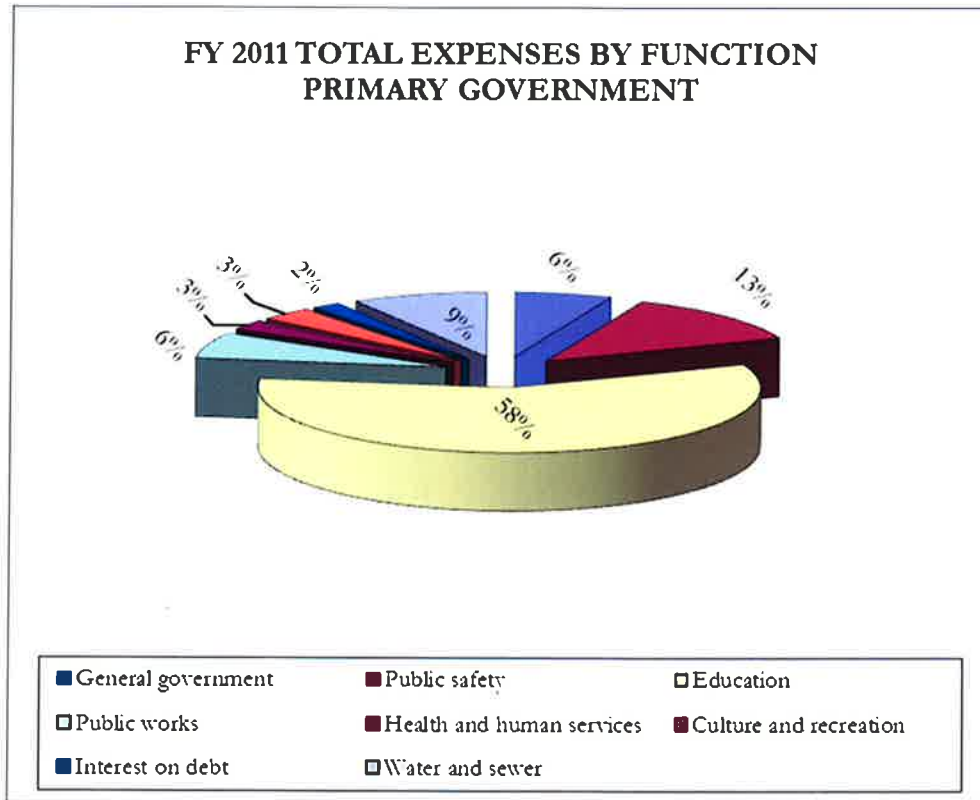
The following chart illustrates the distribution of total current year revenues for the primary government, by major source.



Total expenses increased by \$14.7 million or 3.5% during the year. The \$34.6 million expense associated with fourth year implementation of Governmental Accounting Standards Board Statement 45 accounted for all of the expense growth for the year. A schedule summarizing the cumulative impact of the implementation of GASB Statement 45 on all activities is presented on page 63 of this report.

The percentage of total expenditures devoted to education, the City's single largest category of spending, remained constant at 58.0%.

The following chart illustrates the distribution of expenses by major function for the primary government for the year ended June 30, 2011.



Governmental activities – Governmental activities decreased the City’s net assets by \$39 million or 17.8% during fiscal 2011, for the reasons cited above. A summary of revenues and major functional expenses is included in the tables presented previously. 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 19 and 20 of this report, provides a detailed accounting of all major service expenses, related revenues, and each service’s consumption of general revenues (principally property taxes).

As has been the case in all years since the City has adopted this reporting model, all governmental activity services, except for inspectional services, relied on subsidies from general revenues to one degree or another during fiscal year 2011. Inspectional service department program revenues exceeded total program expenses by \$2.7 million for the year.

Business-type activities – Business-type activities increased the City’s net assets by \$7.1 million or 11.4% during fiscal year 2011. This is primarily the result of increased user charge revenue resulting from a rate increase that was put in place effective July 1, 2010, and enhanced revenue collections from the City’s new water meters.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the City's governmental funds reported a combined fund balance totaling \$60.7 million, a \$24.1 million decrease from the prior year reported financial position. As noted on page 23, the \$12.8 million decline in the financial position of the High School Improvement Fund accounts for slightly more than half the change in financial position. This is the result of the fact that during fiscal year 2011 a total of \$24.1 million was expended on demolition of the old North High School building and site work while \$11 million in project financing was obtained in the form of a loan from the Massachusetts School Building Authority.

During the fiscal year ended June 30, 2011 the Community Preservation Fund's financial position declined slightly - \$505,929. This is a result of the fact that during the year project expenditures were incurred against appropriations funded in prior fiscal years. The fund ended fiscal year 2011 with \$9.4 million in fund equity or slightly more than three years of total fund revenue. A total of \$5.2 million (55.3%) of this sum consists of unexpended multi-year appropriations. The remaining \$4.2 million is available for appropriation for community preservation purposes.

The general fund is the primary operating fund of the City. At June 30, 2011 the general fund reported a total fund balance of \$30.8 million, \$4.3 million or 12.3% less than the total fund balance for the previous fiscal year. The unassigned portion of fund balance, however, increased slightly to \$14.1 million or approximately 4.4% of total fund revenues and other financing sources. Note 14, on page 67 of this report provides a detailed analysis of the major components of each fund balance category.

**City of Newton, Massachusetts
General Fund
Fund Trends – Fiscal year 2011 and (5) previous fiscal years**

	2011 (1)	2010	2009	2008	2007	2006
Total fund balance	\$ 30,773,574	\$ 19,312,545	\$ 20,169,278	\$ 19,433,216	\$ 23,609,407	\$ 20,294,872
Less: Fund balance restrictions for:						
Debt service.....	683,320	749,640	881,707	-	-	-
Capital.....	108,107	-	-	-	-	-
Other postemployment benefits.....	137,295	-	-	-	-	-
Less: Fund balance committed for:						
Subsequent year's expenditures.....	2,066,320	2,675,133	5,051,017	2,900,000	3,400,000	1,700,000
Capital.....	9,714,755	-	-	-	-	-
Continued appropriations.....	3,096,013	3,192,017	2,335,964	2,223,358	2,438,391	2,071,369
Less: Fund balance assigned for:						
Encumbrances.....	727,814	1,804,606	1,377,372	867,806	1,446,323	2,106,351
Capital.....	116,627	-	-	-	-	-
Unassigned fund balance.....	14,123,323	10,891,149	10,523,218	13,442,052	16,324,693	14,417,152
Total revenues & other financing sources.....	\$ 321,055,179	\$ 318,872,777	\$ 310,562,043	\$ 296,667,211	\$ 286,109,886	\$ 272,578,602
Total fund balance as % total revenues and ofs.....	9.6%	6.1%	6.5%	6.6%	8.3%	7.4%
Unassigned fund balance as % total revenues and ofs.....	4.4%	3.4%	3.4%	4.5%	5.7%	5.3%

(1) Starting in fiscal year 2011 general fund balance is being reported in accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Total fiscal year 2011 general fund revenues and other financing sources increased by \$2.2 million or 0.7%, to \$321.1 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 240,732,647	75.0%	\$ 7,006,470	3.0%
Motor vehicle excise taxes.....	10,463,796	3.3%	241,262	2.4%
Hotel room occupancy taxes.....	1,588,882	0.5%	420,787	36.0%
Meals taxes.....	1,308,191	0.4%	925,257	241.6%
Penalties and interest on taxes.....	1,011,005	0.3%	8,199	0.8%
Licenses and permits.....	5,130,138	1.6%	996,556	24.1%
Intergovernmental.....	50,534,834	15.7%	(2,797,570)	-5.2%
Charges for services.....	1,623,604	0.5%	(23,739)	-1.4%
Fines and forfeitures.....	1,897,413	0.6%	(187,538)	-9.0%
Investment income.....	431,344	0.1%	(456,225)	-51.4%
Payments in lieu of taxes.....	439,721	0.1%	(2,655,338)	-85.8%
Special assessments.....	131,050	0.0%	56,776	76.4%
Miscellaneous.....	1,061,254	0.3%	825,759	350.6%
Total revenues.....	316,353,879	98.5%	4,360,656	1.4%
Premium from issuance of bonds/notes.....	168,147	0.1%	(647,210)	-79.4%
Sale of capital assets.....	16,438	0.0%	(2,103)	-11.3%
Transfers from other funds.....	4,516,715	1.4%	(1,528,941)	-25.3%
Total revenues and other financing sources.....	\$ 321,055,179	100.0%	\$ 2,182,402	0.7%

Property tax growth of \$7 million (3.3%) was off-set by revenue declines of \$2.8 million in intergovernmental revenues and \$2.7 million in payments in lieu of taxes. The \$2.8 million reduction in intergovernmental revenue is the result of the fact that Newton received the final Massachusetts School Building Authority (MSBA) project debt service reimbursement in fiscal year 2010. All future MSBA reimbursements are dedicated to direct capital project funding and not debt service payments. The \$2.7 million in lieu of tax payment reduction is reflective of the fact that the City received a non-recurring payment on an urban redevelopment property in late 2010.

Revenue growth in meals and hotel room and occupancy tax revenue is reflective of the first full year effects of changes made in these two local option taxes during fiscal year 2010. Eighty-two percent of the reported increase in license and permit revenue can be accounted for in a single building permit which was issued during the fall of 2010 for new construction on the campus of Boston College.

Total general fund expenditures and transfers to other funds totaled \$325.4 million, an increase of \$5.6 million or 1.9% over the previous fiscal year.

	Amount	%	Increase/ (Decrease)	%
		of Total		Change
General government.....	\$ 12,417,168	3.8%	(1,030,157)	-7.7%
Public safety.....	34,762,099	10.6%	585,653	1.7%
Education.....	165,810,597	51.0%	2,077,259	1.3%
Public works.....	21,455,318	6.6%	610,665	2.9%
Health and human services.....	3,790,917	1.2%	4,946	0.1%
Culture and recreation.....	8,962,738	2.8%	(1,235,505)	-12.1%
Retirement benefits.....	53,157,157	16.3%	3,216,209	6.4%
Workers' compensation insurance.....	1,048,014	0.3%	(301,986)	-22.4%
Property and liability insurance.....	397,789	0.1%	71,620	22.0%
Claims and judgements.....	160,733	0.0%	60,280	60.0%
State assessments and charges.....	5,472,487	1.7%	(146,830)	-2.6%
Debt service				
Principal.....	8,705,500	2.7%	1,212,000	16.2%
Interest.....	7,381,915	2.3%	465,647	6.7%
Total expenditures.....	323,522,432	99.4%	5,589,801	1.8%
Transfers to other funds.....	1,854,928	0.6%	58,049	3.2%
Total expenditures and transfers.....	\$ 325,377,360	100.0%	\$ 5,647,850	1.8%

The largest growth area in the General Fund spending was for retirement benefits. Expenditures for retirement benefits (including pay-as-you-go post retirement health and life benefits and the Commonwealth's on behalf contribution to the Massachusetts Teachers Retirement System for Newton educators) increased by \$3.2 million or 7.3% for the year. This amounted to 57.1% of total spending growth for the City's General fund for the year. The \$3.2 million increase in retirement spending consisted of \$1.7 million in additional contributions to the Newton Retirement System; \$1.4 in additional Commonwealth of Massachusetts on-behalf payments made to the Massachusetts Teachers' Retirement System for Newton educators; and \$140,000 in increased pay-as-you-go retiree health premium growth.

Although public education spending continued to represent the single largest spending priority of the City, growth in spending for this purpose was limited to \$2.1 million or 1.4% more than the prior fiscal year. Reported increases in debt service and property insurance premiums were related to new debt service requirements for the new Newton North High School and increased property insurance premiums on the new high school building.

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, 2011, the City realized \$3 million in CPA fund revenue, \$2.4 million (80%) of which came from the local property tax surcharge. State matching funds continued to decline, from \$761,914 in fiscal year 2010 to \$616,589 in fiscal year 2011. Fund expenditures totaled \$3.5 million for the year, \$2.4 million (68.6%) of which was for community housing purposes and \$882,788 (25.2%) was for debt service on two land acquisition projects.

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 2011 with a \$3.3 million fund balance.

On June 14, 2010 the new North High School project architect certified substantial completion of the project and the building was turned over to the City of Newton for use as a public school building for the 2010 – 2011 academic - year.

During fiscal year 2011 expenditures of \$24.1 million were made for demolition of the old North High School building and for project site work. All project financing is now complete.

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 \$3.3 million to \$36.4 million at June 30, 2011. This resulted from a combination of a July 1, 2010 sewer use charge rate increase and billings and collections resulting from the installation of new meters. A total of \$25.9 million or 71% of the fund's net assets represent investments in capital assets (net of debt) and another \$1 million represents resources legally restricted for future sewer system capital improvements. Unrestricted fund net assets amounted to \$9.5 million at June 30, 2011.

The financial position of the City's water fund also improved during the last fiscal year from \$29 million at June 30, 2010 to \$32.7 million at June 30, 2011. The \$3.8 million improvement in the financial position of this fund was also a function of the July 1, 2010 water rate increase and improved billings and collections resulting from the installation of new water meters.

A total of \$20.9 million or 72% of the total fund net assets represents the City's investment in water system capital assets (net of debt) and another \$6.3 million represents resources legally restricted for future water system capital improvements. Unrestricted fund net assets were \$5.5 million.

The City is currently in the process of completing the replacement of all water meters that are used for purposes of water and sewer fund billings.

The financial position of the City's Internal Service Funds declined by \$247,970, or 1.9%, to \$13 million during the year ended June 30, 2011. 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 \$699.7 million in insured City buildings and contents. Detailed information on the self-insurance funds is presented on pages 86-89.

The financial position of the City's group health self -insurance fund declined by \$512,538 (4.7%) during the year, principally as a result of a decision not to increase premiums for the City's Tufts Health plan. The year-end net asset balance of \$10.4 million represents approximately 2.7 months of average paid claims for the year and is in line with the City's fund equity policy for this fund. As noted in the notes to the financial statements, the City did implement certain changes in health plan design subsequent to June 30, 2011. These plan design changes are intended to keep the City's health insurance and employee compensation cost growth (exclusive of pension and OPEB) at not more than 2.5% per year over the next three fiscal years.

The financial position of the City's workers' compensation self- insurance fund improved by \$503,821 during the year as a result of positive investment earnings on fund assets under professional management. The June 30, 2011 fund equity of \$1.6 million provides a cushion against volatility in investment performance and extraordinary and unforeseen claims experience, the later of which is particularly important because the City does not purchase any commercial stop loss insurance on workers' compensation program claims.

The financial condition of the City's building insurance fund continued to decline as a result of the fact that fund investment income does not match the resources withdrawn from the fund each year for commercial property

insurance premiums. At the current rate of resource use, the fund will no longer be available to finance building insurance premiums within three years.

Fiduciary funds – The net assets of the City’s contributory retirement system increased by \$18.8 million (8.4%) to \$241.4 million during the system’s fiscal year that ended December 31, 2010, as a result of positive investment performance. The City made its actuarially required contribution to the fund in full. More specific information about the local retirement system may be found on pages 68-71 of this report.

General Fund Budgetary Highlights:

The difference between the original General Fund budget of \$297.5 million (including prior year encumbrances and continuing appropriations) and the final amended budget of \$305.6 million amounts to 2.7% and can be summarized as follows:

Description	Amount
Snow and ice control.....	\$ 2,565,000
Stabilization fund.....	2,643,271
Capital outlay and improvements.....	1,437,437
School health insurance.....	821,664
Public safety salaries & overtime.....	335,000
Other.....	328,506
Total supplemental appropriations.....	\$ 8,130,878

There were no deficits incurred in the appropriations of the various departments of the City. All but \$1.7 million (0.5%) of total appropriations were expended, encumbered, or continued into fiscal year 2012 for completion of the appropriated purposes at June 30, 2011. Please refer to pages 98–107 for a complete accounting of budget to actual experience for all City departments, at their legal level of control.

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 \$195.7 million, as of June 30, 2011, amounts to \$476.8 million. The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010
Land and improvements.....	\$ 22,226,126	\$ 22,226,126	\$ 284,785	\$ 284,785	\$ 22,510,911	\$ 22,510,911
Buildings and improvements.....	309,965,778	120,264,614	2,359,102	2,431,391	312,324,880	122,696,005
Machinery and equipment.....	18,725,294	19,746,669	2,214,077	2,405,243	20,939,371	22,151,912
Infrastructure.....	42,311,034	41,037,324	62,128,469	57,100,909	104,439,503	98,138,233
Construction in progress.....	9,360,188	175,076,100	7,245,184	3,049,917	16,605,372	178,126,017
Total capital assets.....	\$ 402,588,420	\$ 378,350,833	\$ 74,231,617	\$ 65,272,245	\$ 476,820,037	\$ 443,623,078

Total capital assets, net of accumulated depreciation, increased by \$33.2 million or 7.5%. Major capital asset events during 2011 included the following:

- Business-type activity net capital assets increased by \$9 million, principally due to the ongoing water meter replacement program, but also due to water and sewer system improvements funded with Massachusetts Water Resources Authority grants and interest free loans.

- Governmental activity capital assets (net) increased by \$24.2 million, principally as a result of ongoing activity at the new Newton North High School facility. The new North High School facility, which had been classified as construction in progress as of June 30, 2010, was placed in service as a public school building on September 7, 2010.

Additional information on the City's capital assets may be found on pages 51-53 of this report.

Debt outstanding – At June 30, 2011, the City had total long term debt outstanding of \$221.7 million, \$192.0 million for governmental activities and \$29.7 million for business-type activities. There were no bond anticipation notes outstanding at June 30, 2011. 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>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Education buildings.....	\$ 169,600,000	\$ 163,432,000	\$ -	\$ -	\$ 169,600,000	\$ 163,432,000
Municipal buildings.....	11,045,000	11,723,000	-	-	11,045,000	11,723,000
Departmental equipment.....	6,755,000	6,968,000	-	-	6,755,000	6,968,000
Landfill closure.....	1,169,800	1,307,300	-	-	1,169,800	1,307,300
Street reconstruction.....	395,000	470,000	-	-	395,000	470,000
Land acquisition.....	3,030,000	3,785,000	-	-	3,030,000	3,785,000
Water system.....	-	-	20,046,257	18,105,254	20,046,257	18,105,254
Sanitary sewer system.....	-	-	9,677,757	11,056,496	9,677,757	11,056,496
Total bonds and notes.....	\$ 191,994,800	\$ 187,685,300	\$ 29,724,014	\$ 29,161,750	\$ 221,718,814	\$ 216,847,050

During the year just ended, the City added \$18.7 million in new bonds and retired \$13.8 million in existing bonds. General fund interest and principal payments amounted to \$16.1 million or 5% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$882,788, or 29.3%, of fund revenues.

All existing long-term debt of the City's existing debt will be repaid in full by the year 2041.

At June 30, 2011 the City's authorized and unissued long term debt amounted to \$15.4 million, a decrease of \$14.5 million (48.5%) from June 30, 2010.

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 on pages 56-61 of this report. In addition, debt trend information is available on pages 132-135 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 favorably with the U.S median family income of \$55,832. The City's 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 as September 30, 2011 was 5%, which compares favorably with the statewide unemployment rate of 7.2%.

- According to the City's Board of Assessors, the 2011 median value of a single family home in Newton was \$674,650; the median value of a commercial property was \$726,400; and the median value of industrial property was \$833,250.

The City of Newton's fiscal year 2012 general fund operating budget, as amended through the date of this report, amounts to \$308.3 million. This represents an increase of \$2.7 million, or 0.9%, from the final fiscal year 2011 budget total.

Request for Information

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

Basic Financial Statements

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

JUNE 30, 2011

ASSETS	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Current assets:				
Cash and cash equivalents.....	\$ 66,905,155	\$ 5,776,116	\$ 72,681,271	\$ 688,434
Restricted cash and cash equivalents.....	34,073,957	7,321,657	41,395,614	331,881
Investments.....	8,954,796	-	8,954,796	-
Restricted investments.....	593,839	-	593,839	-
Interest and dividends.....	34,424	-	34,424	448,633
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	4,030,480	-	4,030,480	-
Tax and utility liens.....	6,232,196	468,702	6,700,898	-
Motor vehicle excise.....	645,984	-	645,984	-
Community preservation surcharges.....	43,713	-	43,713	-
Charges for service.....	553,726	14,063,126	14,616,852	-
Departmental and other.....	729,957	-	729,957	11,006
Intergovernmental.....	2,458,030	229,763	2,687,793	-
Special assessments.....	1,195	28,666	29,861	-
Loans.....	-	-	-	85,026
Other assets.....	35,306	-	35,306	457
Due from fiduciary funds.....	30,813	-	30,813	-
Prepaid expenses.....	-	-	-	4,030
Inventory.....	-	-	-	782
Working capital deposit.....	500,419	-	500,419	-
Total current assets.....	125,823,990	27,888,030	153,712,020	1,570,249
Noncurrent assets:				
Restricted investments.....	69,457	-	69,457	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	3,226,051	-	3,226,051	-
Departmental and other.....	4,213,577	-	4,213,577	-
Intergovernmental.....	2,576,389	2,065,159	4,641,548	-
Special assessments.....	602,687	53,682	656,369	-
Loans.....	-	-	-	3,902,599
Capital assets:				
Nondepreciable.....	31,586,314	7,529,969	39,116,283	-
Depreciable, net of accumulated depreciation.....	371,002,106	66,701,648	437,703,754	2,064,700
Total noncurrent assets.....	413,276,581	76,350,458	489,627,039	5,967,299
Total assets.....	539,100,571	104,238,488	643,339,059	7,537,548
LIABILITIES				
Current liabilities:				
Warrants payable.....	3,697,602	567,516	4,265,118	72,207
Accrued liabilities.....	5,031,142	1,022,362	6,053,504	104,083
Accrued payroll.....	12,157,984	66,185	12,224,169	-
Revenue refunds payable.....	6,112,523	-	6,112,523	-
Health claims payable.....	4,022,849	-	4,022,849	-
Other liabilities.....	1,840,845	-	1,840,845	-
Accrued interest.....	1,799,393	182,029	1,981,422	-
Abandoned property.....	504,941	-	504,941	-
Liabilities payable from restricted assets.....	357,392	387,849	745,241	-
Bonds payable.....	9,408,367	4,610,497	14,018,864	-
Landfill closure and other environmental liabilities.....	105,000	-	105,000	-
Compensated absences.....	2,768,537	31,673	2,800,210	-
Workers' compensation benefits.....	1,127,680	-	1,127,680	-
Total current liabilities.....	48,934,255	6,868,111	55,802,366	176,290

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

JUNE 30, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent liabilities:				
Bonds payable.....	\$ 182,586,433	\$ 25,113,517	\$ 207,699,950	\$ -
Landfill closure and other environmental liabilities.....	700,000	-	700,000	-
Compensated absences.....	5,169,172	285,049	5,454,221	-
Net OPEB obligation.....	115,270,563	2,792,257	118,062,820	-
Workers' compensation benefits.....	5,889,230	-	5,889,230	-
Total noncurrent liabilities.....	309,615,398	28,190,823	337,806,221	-
Total liabilities.....	358,549,653	35,058,934	393,608,587	176,290
NET ASSETS				
Invested in capital assets, net of related debt.....	211,763,420	46,802,526	258,565,946	2,064,700
Restricted for:				
Capital purposes.....	11,975,854	7,321,657	19,297,511	-
Community preservation activities.....	10,058,947	-	10,058,947	-
Education activities.....	2,485,421	-	2,485,421	-
Other post employment benefits.....	137,295	-	137,295	-
Debt service.....	683,320	-	683,320	-
Perpetual funds:				
Expendable.....	793,638	-	793,638	-
Nonexpendable.....	445,570	-	445,570	-
Other specific purposes.....	7,516,715	-	7,516,715	-
Unrestricted.....	(65,309,262)	15,055,372	(50,253,891)	5,296,558
Total net assets.....	\$ 180,550,918	\$ 69,179,554	\$ 249,730,472	\$ 7,361,258

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government					
Legislative & executive.....	\$ 2,667,321	\$ 287,893	\$ 15,967	\$ 8,210	\$ (2,355,251)
Elections.....	748,163	1,097	30,768	-	(716,298)
Financial administration.....	3,972,074	207,767	929	-	(3,763,378)
Administrative support.....	4,388,540	333,396	8	-	(4,055,136)
Planning & development.....	9,520,915	400,369	5,024,785	-	(4,095,761)
Public building maintenance & operation.....	5,677,939	29,880	557,959	-	(5,090,100)
Public safety					
Police.....	28,622,512	4,268,602	350,826	-	(24,003,084)
Fire.....	25,562,938	574,153	30,099	-	(24,958,686)
Inspectional services.....	1,523,953	4,255,904	-	-	2,731,951
Other public safety.....	90,856	20,491	-	-	(70,365)
Education	252,413,006	6,342,631	58,158,842	-	(187,911,533)
Public works					
Streets & sidewalks.....	14,835,743	2,811,108	280,076	1,756,048	(9,988,511)
Control of snow & ice.....	4,337,064	-	527,048	-	(3,810,016)
Collection & disposal of solid waste.....	7,081,167	162,752	177	-	(6,918,238)
Engineering.....	2,156,784	61,254	-	-	(2,095,530)
Health & human services					
Public health & human services.....	9,461,598	116,806	211,241	-	(9,133,551)
Senior services.....	898,653	2,704	370,222	-	(525,727)
Veteran services.....	397,121	-	230,466	-	(166,655)
Culture and recreation					
Libraries.....	7,249,449	126,441	516,852	-	(6,606,156)
Parks & recreation.....	7,496,567	1,911,977	441,313	-	(5,143,277)
Newton History museum.....	346,019	-	1,963	-	(344,056)
Debt service - interest.....	7,670,746	-	227,095	-	(7,443,651)
Total governmental activities.....	397,119,128	21,915,225	66,976,636	1,764,258	(306,463,009)
Business-type activities:					
Water.....	14,260,631	18,961,903	531,858	15,740	5,248,870
Sewer.....	23,468,371	26,209,576	315,146	8,442	3,064,793
Total business-type activities.....	37,729,002	45,171,479	847,004	24,182	8,313,663
Total Primary Government.....	\$ 434,848,130	\$ 67,086,704	\$ 67,823,640	\$ 1,788,440	\$ (298,149,346)
Component units:					
Newton Commonwealth Foundation, Inc.....	\$ 202,130	\$ 307,026	\$ 4,105	\$ -	\$ 109,001
Newton Community Development Authority.....	1,972,686	-	28	-	(1,972,658)
Newton Community Farm, Inc.....	133,053	97,540	58,276	-	22,763
Total Component Units.....	\$ 2,307,869	\$ 404,566	\$ 62,409	\$ -	\$ (1,840,894)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (306,463,009)	\$ 8,313,663	\$ (298,149,346)	\$ (1,840,894)
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	239,761,554	-	239,761,554	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,352,389	-	2,352,389	-
Motor vehicle and other excise taxes.....	10,541,624	-	10,541,624	-
Hotel room occupancy taxes.....	1,588,882	-	1,588,882	-
Meals taxes.....	1,308,191	-	1,308,191	-
Penalties and interest on taxes.....	1,038,225	-	1,038,225	-
Payments in lieu of taxes.....	515,471	-	515,471	-
Grants and contributions not restricted to specific programs.....	5,596,391	-	5,596,391	-
Unrestricted investment income.....	454,365	-	454,365	-
Gain on sales/disposals of capital assets.....	32,280	-	32,280	-
Other.....	3,002,856	-	3,002,856	3,717,830
<i>Transfers, net</i>	1,240,538	(1,240,538)	-	-
Total general revenues and transfers.....	267,432,766	(1,240,538)	266,192,228	3,717,830
Change in net assets.....	(39,030,243)	7,073,125	(31,957,118)	1,876,936
Net assets - beginning of year.....	219,581,161	62,106,429	281,687,590	5,484,322
Net assets - end of year.....	\$ 180,550,918	\$ 69,179,554	\$ 249,730,472	\$ 7,361,258

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2011

ASSETS	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 50,839,822	\$ -	\$ -	\$ -	\$ 50,839,822
Interest and dividends.....	-	-	-	2,946	2,946
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	4,030,480	-	-	-	4,030,480
Real estate tax deferrals.....	3,226,051	-	-	-	3,226,051
Tax and utility liens.....	6,224,328	-	-	7,868	6,232,196
Motor vehicle excise.....	645,984	-	-	-	645,984
Community preservation surcharges.....	-	43,713	-	-	43,713
Charges for services.....	41,881	-	-	511,845	553,726
Departmental and other.....	4,916,577	-	-	26,958	4,943,535
Intergovernmental.....	1,207,146	625,763	2,328,858	872,652	5,034,419
Special assessments.....	603,882	-	-	-	603,882
Due from other funds.....	204,321	-	-	-	204,321
Due from fiduciary funds.....	30,813	-	-	-	30,813
Other assets.....	5,306	-	-	30,000	35,306
Restricted assets:					
Cash and cash equivalents.....	928,722	9,390,701	4,755,691	18,998,843	34,073,957
Investments.....	-	-	-	663,296	663,296
TOTAL ASSETS.....	\$ 72,905,313	\$ 10,060,177	\$ 7,084,549	\$ 21,114,408	\$ 111,164,447
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,470,670	\$ -	\$ 1,231,711	\$ 975,130	\$ 3,677,511
Accrued liabilities.....	3,526,122	-	226,369	1,157,087	4,909,578
Accrued payroll.....	11,389,090	1,231	-	749,952	12,140,273
Revenue refunds payable.....	6,112,523	-	-	-	6,112,523
Other liabilities.....	-	-	-	498,175	498,175
Abandoned property.....	504,941	-	-	-	504,941
Liabilities due depositors.....	357,392	-	-	-	357,392
Deferred revenue.....	18,771,001	649,142	2,328,858	270,029	22,019,030
Due to other funds.....	-	-	-	204,321	204,321
TOTAL LIABILITIES.....	42,131,739	650,373	3,786,938	3,854,694	50,423,744
FUND BALANCES:					
Nonspendable.....	-	-	-	445,570	445,570
Restricted.....	928,722	9,409,804	3,297,611	16,281,748	29,917,885
Committed.....	14,877,088	-	-	886,894	15,763,982
Assigned.....	844,441	-	-	-	844,441
Unassigned.....	14,123,323	-	-	(354,498)	13,768,825
TOTAL FUND BALANCES.....	30,773,574	9,409,804	3,297,611	17,259,714	60,740,703
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 72,905,313	\$ 10,060,177	\$ 7,084,549	\$ 21,114,408	\$ 111,164,447

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**

JUNE 30, 2011

Total governmental fund balances (page 21).....	\$	60,740,703
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		402,588,420
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		22,019,030
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(1,799,392)
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.....		(191,994,800)
Landfill closure and other environmental liabilities.....		(805,000)
Compensated absences.....		(7,937,709)
Net OPEB obligation.....		(115,270,563)
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.....		13,010,229
Net assets of governmental activities (page 18).....	\$	180,550,918

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, 2011

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes.....	\$ 240,732,647	\$ -	\$ -	\$ -	\$ 240,732,647
Motor vehicle excise taxes.....	10,463,796	-	-	-	10,463,796
Hotel room occupancy taxes.....	1,588,882	-	-	-	1,588,882
Meals taxes.....	1,308,191	-	-	-	1,308,191
Community preservation surcharges.....	-	2,365,422	-	-	2,365,422
Penalties and interest on taxes.....	1,011,005	-	-	27,219	1,038,224
Licenses and permits.....	5,130,138	-	-	393,475	5,523,613
Intergovernmental.....	50,534,834	616,589	-	22,705,255	73,856,678
Charges for services.....	1,623,604	-	-	13,050,474	14,674,078
Fines and forfeitures.....	1,897,413	-	-	10,058	1,907,471
Investment income.....	431,344	31,230	-	91,899	554,473
Contributions and donations.....	-	-	-	1,382,243	1,382,243
Payments in lieu of taxes.....	439,721	-	-	-	439,721
Miscellaneous.....	1,061,254	-	276,217	339,392	1,676,863
Special assessments.....	131,050	-	-	123,588	254,638
TOTAL REVENUES.....	316,353,879	3,013,241	276,217	38,123,603	357,766,940
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	1,838,797	4,700	-	10,075	1,853,572
Elections.....	471,122	-	-	11,979	483,101
Financial administration.....	2,889,152	-	-	-	2,889,152
Administrative support.....	3,182,934	-	-	-	3,182,934
Planning & development.....	1,092,377	2,488,386	-	5,482,145	9,062,908
Public building maintenance & operations.....	2,942,786	55,725	-	7,024,964	10,023,475
Public safety:					
Police.....	17,332,892	-	-	2,730,578	20,063,470
Fire.....	16,287,302	-	-	228,504	16,515,806
Inspectional services.....	1,067,453	-	-	4,100	1,071,553
Other public safety.....	74,452	-	-	-	74,452
Education:					
Education.....	165,810,597	-	24,062,467	24,929,180	214,802,244
Public works:					
Streets & sidewalks.....	6,381,074	-	-	3,115,479	9,496,553
Control of snow & ice.....	3,915,717	-	-	-	3,915,717
Collection & disposal of solid waste.....	6,215,904	-	-	97,636	6,313,540
Vehicle maintenance.....	2,117,111	-	-	1,110	2,118,221
Engineering.....	1,375,773	-	-	61,254	1,437,027
Administration & support.....	1,449,739	-	-	-	1,449,739
Health and human services:					
Health & human services.....	2,933,638	-	-	182,615	3,116,253
Senior services.....	568,427	-	-	203,983	772,410
Veteran services.....	288,852	-	-	-	288,852
Culture and recreation:					
Libraries.....	4,730,458	24,377	-	449,727	5,204,562
Parks & recreation.....	3,983,303	14,360	-	1,729,905	5,727,568
Newton History museum.....	248,977	47,105	-	4,596	300,678
Retirement benefits.....	53,157,157	-	-	-	53,157,157
Workers' compensation insurance.....	1,048,014	-	-	-	1,048,014
Property and liability insurance.....	397,789	-	-	-	397,789
Claims and judgments.....	160,733	-	-	-	160,733
State assessments & charges.....	5,472,487	-	-	-	5,472,487
Debt service:					
Principal.....	8,705,500	755,000	-	-	9,460,500
Interest.....	7,381,915	127,788	-	-	7,509,703
TOTAL EXPENDITURES.....	323,522,432	3,517,441	24,062,467	46,267,830	397,370,170
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(7,168,553)	(504,200)	(23,786,250)	(8,144,227)	(39,603,230)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	4,516,715	-	-	1,869,928	6,386,643
Issuance of general obligation bonds.....	-	-	11,000,000	2,770,000	13,770,000
Premium from issuance of bonds and notes.....	168,147	-	-	-	168,147
Sale of capital assets.....	16,438	-	-	19,824	36,262
Transfers out.....	(1,854,928)	(1,729)	-	(3,011,866)	(4,868,523)
TOTAL OTHER FINANCING SOURCES (USES).....	2,846,372	(1,729)	11,000,000	1,647,886	15,492,529
NET CHANGE IN FUND BALANCES.....	(4,322,181)	(505,929)	(12,786,250)	(6,496,341)	(24,110,701)
FUND BALANCES AT BEGINNING OF YEAR.....	35,095,755	9,915,733	16,083,861	23,756,055	84,851,404
FUND BALANCES AT END OF YEAR.....	\$ 30,773,574	\$ 9,409,804	\$ 3,297,611	\$ 17,259,714	\$ 60,740,703

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, 2011

Net change in fund balances - total governmental funds (page 23).....	\$ (24,110,701)
<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.....	38,782,510
Depreciation.....	(14,540,941)
<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>	
	(3,982)
<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>	
	(1,092,463)
<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.....	(13,770,000)
Bond maturities.....	9,460,500
<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>	
	(161,042)
<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.....	40,000
Landfill closure and other environmental liabilities.....	105,000
Compensated absences.....	244,139
Net OPEB obligation.....	(33,735,293)
<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>	
	<u>(247,970)</u>
Changes in net assets of governmental activities (page 20).....	\$ <u><u>(39,030,243)</u></u>

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, 2011

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes.....	\$ 238,302,002	238,752,520	\$ 240,263,282	\$ 1,510,762
Motor vehicle excise taxes.....	10,000,000	9,900,000	10,008,481	108,481
Hotel room occupancy taxes.....	1,303,314	1,365,000	1,588,882	223,882
Meals tax.....	1,455,209	1,178,500	1,308,191	129,691
Penalties and interest on taxes.....	1,000,000	1,000,000	1,011,005	11,005
Licenses and permits.....	3,150,000	3,328,023	5,130,138	1,802,115
Intergovernmental.....	19,272,700	20,101,150	20,546,918	445,768
Charges for services.....	1,551,000	1,513,600	1,623,604	110,004
Fines and forfeitures.....	2,030,000	2,030,000	1,897,413	(132,587)
Investment income.....	1,100,000	880,000	417,144	(462,856)
Payments in lieu of taxes.....	405,000	405,000	439,721	34,721
Miscellaneous.....	150,000	150,000	481,546	331,546
Special assessments.....	100,000	74,000	131,050	57,050
TOTAL REVENUES.....	279,819,225	280,677,793	284,847,375	4,169,582
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	1,856,160	1,873,265	1,838,797	34,468
Elections.....	523,035	521,298	471,122	50,176
Financial administration.....	3,208,522	3,237,200	2,889,152	348,048
Administrative support.....	3,881,567	3,849,995	3,376,759	473,236
Planning & development.....	1,162,817	1,134,341	1,092,377	41,964
Public building maintenance & operations.....	3,128,970	3,645,147	2,939,236	705,911
Public safety:				
Police.....	17,602,937	18,787,672	18,702,239	85,433
Fire.....	15,959,389	16,153,570	15,986,047	167,523
Inspectional services.....	1,143,904	1,148,904	1,067,453	81,451
Other public safety.....	76,319	76,319	74,452	1,867
Education.....				
Education.....	166,305,930	167,283,875	166,260,250	1,023,625
Public works:				
Streets & sidewalks.....	6,785,661	7,121,039	6,363,498	757,541
Control of snow & ice.....	1,085,030	3,983,974	3,915,717	68,257
Collection & disposal of solid waste.....	6,354,796	6,216,274	6,215,904	370
Vehicle maintenance.....	2,370,035	2,436,765	2,117,111	319,654
Engineering.....	1,382,467	1,385,670	1,369,198	16,472
Administration & support.....	1,522,474	1,527,051	1,449,739	77,312
Health and human services:				
Health & human services.....	3,061,312	2,978,149	2,920,138	58,011
Senior services.....	580,746	579,267	568,427	10,840
Veteran services.....	211,062	290,680	288,852	1,828
Culture and recreation:				
Libraries.....	5,029,031	4,979,824	4,730,458	249,366
Parks & recreation.....	4,397,110	4,656,261	3,972,178	684,083
Newton History museum.....	263,933	263,359	248,977	14,382
Retirement benefits.....	23,382,339	23,808,731	23,774,440	34,291
Workers' compensation insurance.....	1,000,000	1,048,014	1,048,014	-
Property and liability insurance.....	404,823	404,823	397,789	7,034
Claims and judgments.....	70,000	161,133	160,733	400
Reserve fund.....	1,631,022	52,275	-	52,275
State assessments & charges.....	5,552,182	5,589,087	5,472,487	116,600
Debt service:				
Principal.....	8,666,975	8,666,975	8,666,975	-
Interest.....	7,343,756	7,343,756	7,342,289	1,467
TOTAL EXPENDITURES.....	295,944,304	301,204,693	295,720,808	5,483,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(16,125,079)	(20,526,900)	(10,873,433)	9,653,467
OTHER FINANCING SOURCES (USES)				
Transfers in.....	9,115,627	10,127,311	10,147,264	19,953
Premium from issuance of bonds and notes.....	-	-	168,147	168,147
Sale of capital assets.....	-	-	16,438	16,438
Transfers out.....	(1,543,326)	(4,413,817)	(4,413,817)	-
TOTAL OTHER FINANCING SOURCES (USES).....	7,572,301	5,713,494	5,918,032	204,538
NET CHANGE IN FUND BALANCE.....	(8,552,778)	(14,813,406)	(4,955,401)	9,858,005
FUND BALANCE AT BEGINNING OF YEAR.....	27,888,321	27,888,321	27,888,321	-
FUND BALANCE AT END OF YEAR.....	\$ 19,335,543	\$ 13,074,915	\$ 22,932,920	\$ 9,858,005

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, 2011

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 2,353,480	2,353,480	\$ 2,345,089	(8,391)
Intergovernmental	681,605	616,589	616,589	-
Investment income.....	54,000	54,000	31,230	(22,770)
TOTAL REVENUES.....	3,089,085	3,024,069	2,992,908	(31,161)
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	5,200	51,340	4,700	46,640
Planning & development.....	3,258,024	3,942,080	2,940,385	1,001,695
Public building maintenance & operations.....	629,866	728,646	55,725	672,921
Public works:				
Streets & sidewalks.....	430	-	-	-
Culture and recreation:				
Libraries.....	36,545	36,545	24,377	12,168
Parks & recreation.....	37,289	488,939	14,360	474,579
Newton History museum.....	3,005,175	3,005,175	47,105	2,958,070
Reserve fund.....	2,060,307	699,095	-	699,095
Debt service:				
Principal.....	755,000	755,000	755,000	-
Interest.....	127,788	127,788	127,788	-
TOTAL EXPENDITURES.....	9,915,624	9,834,608	3,969,440	5,865,168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(6,826,539)	(6,810,539)	(976,532)	5,834,007
OTHER FINANCING SOURCES (USES)				
Transfers out.....	(10,000)	(26,000)	(1,729)	24,271
NET CHANGE IN FUND BALANCE.....	(6,836,539)	(6,836,539)	(978,261)	5,858,278
FUND BALANCE AT BEGINNING OF YEAR.....	10,367,733	10,367,733	10,367,733	-
FUND BALANCE AT END OF YEAR.....	\$ 3,531,194	\$ 3,531,194	\$ 9,389,472	\$ 5,858,278

See notes to basic financial statements.

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

JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Fund</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 3,055,236	\$ 2,720,879	\$ 5,776,115	\$ 16,065,334
Restricted cash and cash equivalents.....	1,015,966	6,305,691	7,321,657	-
Investments.....	-	-	-	8,954,796
Interest and dividends.....	-	-	-	31,477
Receivables, net of allowance for uncollectibles:				
Charges for service.....	8,224,144	5,838,981	14,063,125	-
Utility liens.....	272,293	196,409	468,702	-
Special assessments.....	28,666	-	28,666	-
Intergovernmental.....	229,763	-	229,763	-
Working capital deposit.....	-	-	-	500,419
Total current assets.....	12,826,068	15,061,960	27,888,028	25,552,026
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	53,682	-	53,682	-
Intergovernmental.....	2,065,159	-	2,065,159	-
Capital assets:				
Nondepreciable.....	26,245	7,503,724	7,529,969	-
Depreciable, net of accumulated depreciation.....	33,211,942	33,489,706	66,701,648	-
Total noncurrent assets.....	35,357,028	40,993,430	76,350,458	-
Total assets.....	48,183,096	56,055,390	104,238,486	25,552,026
LIABILITIES				
Current liabilities:				
Warrants payable.....	105,838	461,676	567,514	20,092
Accrued liabilities.....	149,019	873,343	1,022,362	121,563
Accrued payroll.....	33,598	32,587	66,185	17,713
Other liabilities.....	-	-	-	1,342,670
Liabilities payable from restricted assets.....	165,943	221,906	387,849	-
Accrued interest.....	124,088	57,941	182,029	-
Accrued health claims payable.....	-	-	-	4,022,849
Workers' compensation claims.....	-	-	-	1,127,680
Compensated absences.....	16,878	14,795	31,673	-
Long-term bonds and notes payable.....	1,383,079	3,227,418	4,610,497	-
Total current liabilities.....	1,978,443	4,889,666	6,868,109	6,652,567
Noncurrent liabilities:				
Workers' compensation claims.....	-	-	-	5,889,230
Compensated absences.....	151,897	133,152	285,049	-
Net OPEB obligation.....	1,309,841	1,482,416	2,792,257	-
Long-term bonds and notes payable.....	8,294,678	16,818,839	25,113,517	-
Total noncurrent liabilities.....	9,756,416	18,434,407	28,190,823	5,889,230
Total liabilities.....	11,734,859	23,324,073	35,058,932	12,541,797
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	25,855,352	20,947,174	46,802,526	-
Restricted for:				
Capital purposes.....	1,015,966	6,305,691	7,321,657	-
Unrestricted.....	9,576,919	5,478,453	15,055,372	13,010,229
Total net assets.....	\$ 36,448,237	\$ 32,731,317	\$ 69,179,554	\$ 13,010,229

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, 2011

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services.....	\$ 26,177,827	\$ 18,961,904	\$ 45,139,731	\$ -
Special assessments.....	31,748	-	31,748	-
Employer contributions.....	-	-	-	41,183,157
Employee contributions.....	-	-	-	10,285,804
Miscellaneous.....	-	-	-	40
TOTAL OPERATING REVENUES	<u>26,209,575</u>	<u>18,961,904</u>	<u>45,171,479</u>	<u>51,469,001</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	2,911,176	3,048,452	5,959,628	-
Other operating expenses.....	734,398	895,172	1,629,570	3,173,417
MWRA assessment.....	18,034,955	8,710,520	26,745,475	-
Workers' compensation.....	267,662	150,000	417,662	-
Self insurance claims.....	-	-	-	49,590,756
Depreciation.....	1,051,048	940,356	1,991,404	-
TOTAL OPERATING EXPENSES	<u>22,999,239</u>	<u>13,744,500</u>	<u>36,743,739</u>	<u>52,764,173</u>
OPERATING INCOME (LOSS)	<u>3,210,336</u>	<u>5,217,404</u>	<u>8,427,740</u>	<u>(1,295,172)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	315,146	349,699	664,845	-
Investment income.....	8,442	15,740	24,182	1,324,784
Interest expense.....	(469,132)	(516,131)	(985,263)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(145,544)</u>	<u>(150,692)</u>	<u>(296,236)</u>	<u>1,324,784</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,064,792</u>	<u>5,066,712</u>	<u>8,131,504</u>	<u>29,612</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Transfers in.....	1,078,575	-	1,078,575	-
Premium from issuance of bonds.....	-	182,159	182,159	-
Transfers out.....	(837,801)	(1,481,312)	(2,319,113)	(277,582)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>240,774</u>	<u>(1,299,153)</u>	<u>(1,058,379)</u>	<u>(277,582)</u>
CHANGE IN FUND NET ASSETS	<u>3,305,566</u>	<u>3,767,559</u>	<u>7,073,125</u>	<u>(247,970)</u>
FUND NET ASSETS AT BEGINNING OF YEAR	<u>33,142,671</u>	<u>28,963,758</u>	<u>62,106,429</u>	<u>13,258,199</u>
FUND NET ASSETS AT END OF YEAR	<u>\$ 36,448,237</u>	<u>\$ 32,731,317</u>	<u>\$ 69,179,554</u>	<u>\$ 13,010,229</u>

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 26,602,067	\$ 17,785,398	\$ 44,387,465	\$ 10,285,804
Receipts from interfund services provided.....	-	-	-	41,183,197
Payments to vendors/providers.....	(20,482,228)	(11,718,070)	(32,200,298)	(51,339,332)
Payments to employees.....	(1,641,016)	(1,715,918)	(3,356,934)	-
NET CASH FROM OPERATING ACTIVITIES.....	<u>4,478,823</u>	<u>4,351,410</u>	<u>8,830,233</u>	<u>129,669</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	1,078,575	-	1,078,575	-
Transfers out.....	(837,801)	(1,481,312)	(2,319,113)	(277,582)
Cash advance repayment to general fund.....	(214,893)	-	(214,893)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>25,881</u>	<u>(1,481,312)</u>	<u>(1,455,431)</u>	<u>(277,582)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	-	4,933,657	4,933,657	-
Premium from the issuance of bonds and notes.....	-	182,159	182,159	-
Acquisition and construction of capital assets.....	(2,843,203)	(8,107,573)	(10,950,776)	-
Principal payments on bonds and notes.....	(1,156,377)	(2,992,654)	(4,149,031)	-
Interest expense.....	(159,772)	(143,998)	(303,770)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(4,159,352)</u>	<u>(6,128,409)</u>	<u>(10,287,761)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments.....	-	-	-	(1,314,882)
Investment income.....	8,442	15,740	24,182	1,329,042
NET CASH FROM INVESTING ACTIVITIES.....	<u>8,442</u>	<u>15,740</u>	<u>24,182</u>	<u>14,160</u>
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	353,794	(3,242,571)	(2,888,777)	(133,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
(Includes \$3,717,408 and \$9,780,580 reported as restricted in the sewer and water enterprise funds, respectively).....	3,717,408	12,269,141	15,986,549	16,199,087
CASH AND CASH EQUIVALENTS AT END OF YEAR				
(Includes \$1,015,966 and \$6,305,691 reported as restricted in the sewer and water enterprise funds, respectively).....	<u>\$ 4,071,202</u>	<u>\$ 9,026,570</u>	<u>\$ 13,097,772</u>	<u>\$ 16,065,334</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ 3,210,336	\$ 5,217,404	\$ 8,427,740	\$ (1,295,172)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities not requiring current expenditure of cash:				
Depreciation.....	1,051,048	940,356	1,991,404	-
Net OPEB obligation.....	385,140	469,534	854,674	-
Changes in assets and liabilities requiring current expenditure of cash:				
Utility liens.....	945	(13,864)	(12,919)	-
Water fees.....	-	(1,162,642)	(1,162,642)	-
Sewer fees.....	410,280	-	410,280	-
Special assessments.....	(18,733)	-	(18,733)	-
Working capital deposit.....	-	-	-	(102,002)
Warrants payable.....	(47,237)	(170)	(47,407)	(328,075)
Accrued liabilities.....	(47,396)	(337,303)	(384,699)	80,718
Accrued payroll.....	(21,302)	(19,247)	(40,549)	(10,941)
Other liabilities.....	(455,101)	(755,593)	(1,210,694)	1,342,670
Liabilities payable from restricted assets.....	2,536	8,405	10,941	-
Accrued health claims payable.....	-	-	-	110,422
Workers' compensation.....	-	-	-	332,049
Accrued compensated absences.....	8,307	4,530	12,837	-
Total adjustments.....	<u>1,268,487</u>	<u>(865,994)</u>	<u>402,493</u>	<u>1,424,841</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 4,478,823</u>	<u>\$ 4,351,410</u>	<u>\$ 8,830,233</u>	<u>\$ 129,669</u>
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT and MWRRA).....	<u>\$ 537,508</u>	<u>\$ 349,699</u>	<u>\$ 887,207</u>	<u>\$ -</u>

See notes to basic financial statements.

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

JUNE 30, 2011

ASSETS	Pension Trust Fund (As of 12/31/10)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 5,899,140	\$ 1,777,235	\$ 1,225,873
Investments.....	-	7,289,810	-
Equities.....	139,635,395	-	-
Mutual bond funds.....	42,623,884	-	-
Real estate.....	28,308,762	-	-
Alternative.....	24,652,125	-	-
Interest and dividends.....	-	22,258	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	260,782	-	-
Loans.....	-	20,436	-
Total assets.....	<u>241,380,088</u>	<u>9,109,739</u>	<u>1,225,873</u>
LIABILITIES			
Warrants payable.....	7,602	-	-
Payroll withholdings.....	-	-	204,433
Other liabilities.....	-	-	1,021,440
Due to the general fund.....	-	30,813	-
Total liabilities.....	<u>7,602</u>	<u>30,813</u>	<u>1,225,873</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 241,372,486</u>	<u>\$ 9,078,926</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, 2011

	<u>Pension Trust Fund (As of 12/31/10)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 15,127,456	\$ -
Plan member.....	7,661,211	-
Private donations.....	-	172,939
	<u>22,788,667</u>	<u>172,939</u>
Total contributions.....		
	22,788,667	172,939
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	21,040,141	-
Interest.....	7,623,816	1,081,339
	<u>28,663,957</u>	<u>1,081,339</u>
Total investment income (loss).....		
	28,663,957	1,081,339
Less investment expense.....		
	<u>(1,103,868)</u>	<u>-</u>
Net investment income (loss).....		
	27,560,089	1,081,339
Intergovernmental.....		
	<u>278,119</u>	<u>-</u>
Transfers from other systems.....		
	<u>993,065</u>	<u>-</u>
TOTAL ADDITIONS.....		
	<u>51,619,940</u>	<u>1,254,278</u>
DEDUCTIONS		
Retirement benefits.....	30,247,733	-
Refunds of contributions & transfers to other systems.....	2,321,187	-
Administration expense.....	264,776	32,996
Educational scholarships & awards.....	-	364,499
	<u>32,833,696</u>	<u>397,495</u>
TOTAL DEDUCTIONS.....		
	32,833,696	397,495
CHANGE IN NET ASSETS.....		
	18,786,244	856,783
NET ASSETS AT BEGINNING OF YEAR.....		
	<u>222,586,242</u>	<u>8,222,143</u>
NET ASSETS AT END OF YEAR.....		
	<u>\$ 241,372,486</u>	<u>\$ 9,078,926</u>

See notes to basic financial statements.

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

JUNE 30, 2011

	Component Units			Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/10)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/10)	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 561,893	\$ -	\$ 126,541	\$ 688,434
Restricted cash and cash equivalents.....	-	328,391	3,490	331,881
Interest and dividends.....	-	448,633	-	448,633
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	10,603	-	403	11,006
Loans.....	-	85,026	-	85,026
Other assets.....	-	-	457	457
Prepaid expenses.....	3,300	-	730	4,030
Inventory.....	-	-	782	782
Total current assets.....	<u>575,796</u>	<u>862,050</u>	<u>132,403</u>	<u>1,570,249</u>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Loans.....	-	3,902,599	-	3,902,599
Capital assets:				
Depreciable, net of accumulated depreciation.....	<u>1,820,337</u>	<u>-</u>	<u>244,363</u>	<u>2,064,700</u>
Total noncurrent assets.....	<u>1,820,337</u>	<u>3,902,599</u>	<u>244,363</u>	<u>5,967,299</u>
Total assets.....	<u>2,396,133</u>	<u>4,764,649</u>	<u>376,766</u>	<u>7,537,548</u>
LIABILITIES				
Current liabilities:				
Warrants payable.....	64,444	-	7,763	72,207
Accrued liabilities.....	-	104,083	-	104,083
Total liabilities.....	<u>64,444</u>	<u>104,083</u>	<u>7,763</u>	<u>176,290</u>
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	1,820,337	-	244,363	2,064,700
Unrestricted.....	<u>511,352</u>	<u>4,660,566</u>	<u>124,640</u>	<u>5,296,558</u>
Total net assets.....	<u>\$ 2,331,689</u>	<u>\$ 4,660,566</u>	<u>\$ 369,003</u>	<u>\$ 7,361,258</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, 2011

	Component Units			Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/10)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/10)	
OPERATING REVENUES				
Charges for services.....	\$ 307,026	\$ -	\$ 97,540	\$ 404,566
Contributions.....	-	-	57,427	57,427
Other.....	-	3,717,830	-	3,717,830
TOTAL OPERATING REVENUES.....	307,026	3,717,830	154,967	4,179,823
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	28,268	-	133,053	161,321
Other operating expenses.....	50,000	1,972,686	-	2,022,686
Depreciation.....	123,862	-	-	123,862
TOTAL OPERATING EXPENSES.....	202,130	1,972,686	133,053	2,307,869
OPERATING INCOME (LOSS).....	104,896	1,745,144	21,914	1,871,954
NONOPERATING REVENUES (EXPENSES)				
Investment income.....	4,105	28	849	4,982
CHANGE IN FUND NET ASSETS.....	109,001	1,745,172	22,763	1,876,936
FUND NET ASSETS AT BEGINNING OF YEAR.....	2,222,688	2,915,394	346,240	5,484,322
FUND NET ASSETS AT END OF YEAR.....	\$ 2,331,689	\$ 4,660,566	\$ 369,003	\$ 7,361,258

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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, 2011

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. Implementation of New Accounting Principles

For the year ending June 30, 2011, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB Statement No. 59, *Financial Instruments Omnibus*

GASB Statement No. 54 established standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund, capital projects fund, debt service fund, and permanent fund types are clarified by the provisions in this Statement.

The implementation of GASB Statement No. 57 and Statement No. 59 had no reporting impact for the City.

C. 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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 funds 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.

The City reports the following major governmental funds:

General Fund: The fund is used to account for and report all financial resources not accounted for and reported 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 percentage basis that can change annually.

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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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.

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 funds 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

D. 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.

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, 9.5% and 9.7% 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. Intergovernmental receivables 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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:

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 Balances

Government – wide financial statements and Proprietary Fund Financial Statements (Net Assets) – 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 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.
- Other postemployment benefits represent amounts restricted for other postemployment benefits.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

- Debt service represents amounts accumulated from Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction. This amount will be amortized over the next 16 fiscal years.
- 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.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of the Board of Alderman, which is the highest level of decision-making authority for the City. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Alderman.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the City's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

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 Funds 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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.

Investment income from proprietary funds is retained in the funds.

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 and as more fully described in Note 12, the City provides health and life insurance coverage for current and future retirees and their spouses.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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

Although unobligated annual appropriation balances generally lapse at year-end, it is the City's policy to continue certain appropriations into the following year under certain limited circumstances. These are limited to amounts voted as special (multi-year) appropriations (generally capital outlay and improvements), capital maintenance funds, 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 2011 General Fund and Community Preservation Fund budgets authorized \$297,487,630 and \$9,925,624 (including prior year encumbrances and continuing appropriations), 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 totaling \$8,130,878, and reduced appropriations for the Community Preservation Fund by \$65,016, for total budgets of \$305,618,510 and \$9,860,608, respectively.

Total General Fund expenditures and transfers to other funds totaled \$300,134,625, and \$3,823,827 in appropriation balances were carried forward into fiscal year 2012 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures and transfers to other funds were \$3,971,169, and \$5,158,444 in appropriation balances were carried forward into fiscal year 2012 to support encumbrances and continuing appropriations.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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 and Community Preservation Fund for the fiscal year ended June 30, 2011 are presented below:

	General Fund		
	Revenues	Expenditures	Other Financing Sources (Uses)
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 284,847,375	\$ 295,720,808	\$ 5,918,032
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	13,905	-	(3,208,660)
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	295	-	137,000
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	423,302	-	-
Net change in recording tax refunds payable.....	501,378	-	-
To record activity for landfill closure subsidy.....	78,151	78,151	-
To record activity of MTRS on-behalf payments.....	29,382,717	29,382,717	-
Net change in collective bargaining accrual.....	-	(1,426,147)	-
Net change in recording other revenues.....	1,106,756	-	-
Net change in recording other expenditures.....	-	(233,097)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 316,353,879	\$ 323,522,432	\$ 2,846,372

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

	<u>Community Preservation Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 2,992,908	\$ 3,969,440
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	20,333	
Net change in recording other expenditures.....	<u>-</u>	<u>(451,999)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 3,013,241</u>	<u>\$ 3,517,441</u>

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 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, 2011, \$61,633,282 of the City's bank balance of \$83,099,833 was uninsured and uncollateralized.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Investments Summary

The City's investments at June 30, 2011 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.....	\$ 3,731,305	\$ 101,109	\$ 2,914,058	\$ -	\$ 716,138
U.S. Agencies.....	1,439,094	302,225	1,136,869	-	-
Corporate bonds.....	349,200	157,083	165,651	26,466	-
Money market mutual funds.....	821,146	821,146	-	-	-
Mutual bond funds.....	506,777	506,777	-	-	-
Certificate of deposits.....	263,965	64,708	199,257	-	-
External investment pools.....	40,521,031	40,521,031	-	-	-
Total debt securities.....	<u>47,632,518</u>	<u>\$ 42,474,079</u>	<u>\$ 4,415,835</u>	<u>\$ 26,466</u>	<u>\$ 716,138</u>
<u>Other Investments:</u>					
Equity securities.....	10,643,118				
Equity mutual funds.....	143,150				
Real estate investments.....	<u>402,779</u>				
Total other investments.....	<u>11,189,047</u>				
Total investments.....	<u>\$ 58,821,565</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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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, 2011, \$7,532,014 of the City's investments of \$58,821,565 were uninsured, not registered in the name of the City 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.....	\$ 811,804	\$ -	\$ 811,804
U.S. Agencies.....	757,876	-	757,876
Corporate bonds.....	349,200	-	349,200
Money market mutual funds.....	507,861	507,861	-
Mutual bond funds.....	506,777	-	506,777
Equity securities.....	4,191,381	-	4,191,381
Equity mutual funds.....	143,150	143,150	-
Certificates of deposit.....	263,965	263,965	-
Total.....	\$ 7,532,014	\$ 914,976	\$ 6,617,038

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, 2011, the credit quality ratings of the City's investments in debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings*</u>				
		<u>AA-2</u>	<u>Aa2</u>	<u>A1</u>	<u>A2</u>	<u>Unrated</u>
Corporate bonds.....	\$ 349,200	\$ 40,256	\$ 101,527	\$ 99,894	\$ 107,523	\$ -
Money market mutual funds.....	821,146	-	-	-	-	821,146
Mutual bond funds.....	506,777	-	-	-	-	506,777
Certificates of deposit.....	263,965	-	-	-	-	263,965
External investment pools.....	40,521,031	-	-	-	-	40,521,031
Total.....	\$ 42,462,119	\$ 40,256	\$ 101,527	\$ 99,894	\$ 107,523	\$ 42,112,919

* 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, 2011

Pension Trust Fund (The System)

Pension trust fund investments (more fully described in note 18), include a combination of public and private real estate limited partnership investments, which represents 11.7% 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.

The Pension Reserve Investment Trust (PRIT) 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 and provides regulatory oversight. The reported value of the pool is the same as the fair value of the City's position in pool shares.

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, 2010, the System is not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2010 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds (PRIT).....	\$ 200,037	\$ 200,037
Debt security mutual funds (PRIT).....	42,623,884	42,623,884
External investment pools.....	<u>5,699,103</u>	<u>5,699,103</u>
 Total debt securities.....	 <u>48,523,024</u>	 <u>\$ 48,523,024</u>
<u>Other Investments:</u>		
Equity mutual funds.....	139,635,395	
Real estate investments (PRIT).....	18,016,745	
Real estate investments (non PRIT).....	10,292,017	
Alternative investments (PRIT).....	<u>24,652,125</u>	
 Total other investments.....	 <u>192,596,282</u>	
 Total investments.....	 <u>\$ 241,119,306</u>	

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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.

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, 2010, the System's investments were not exposed to custodial credit.

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, 2010, the credit quality ratings of the System's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings* Unrated
Money market mutual funds.....	\$ 200,037	\$ 200,037
Debt security mutual funds (PRT).....	42,623,884	42,623,884
External investment pools.....	5,699,103	5,699,103
Total.....	\$ 48,523,024	\$ 48,523,024

* 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, 2011

Note 4 - Receivables

At June 30, 2011, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

	Gross	Allowance	Net
	Amount	for	Amount
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,327,359	\$ (296,879)	\$ 4,030,480
Real estate tax deferrals.....	3,226,051	-	3,226,051
Tax and utility liens.....	6,232,196	-	6,232,196
Motor vehicle excise taxes.....	1,829,220	(1,183,236)	645,984
Community preservation surcharges.....	43,713	-	43,713
Charges for services.....	553,726	-	553,726
Special assessments.....	603,882	-	603,882
Departmental and other.....	7,787,714	(2,844,179)	4,943,535
Intergovernmental.....	5,295,201	-	5,295,201
Loans.....	20,436	-	20,436
	<u>\$ 29,919,498</u>	<u>\$ (4,324,294)</u>	<u>\$ 25,595,204</u>

At June 30, 2011, receivables for the Enterprise Funds consist of the following:

	Gross	Allowance	Net
	Amount	for	Amount
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Charges for services.....	\$ 15,290,660	\$ (1,227,535)	\$ 14,063,125
Utility liens.....	468,702	-	468,702
Special assessments.....	82,348	-	82,348
Intergovernmental.....	2,294,922	-	2,294,922
	<u>\$ 18,136,632</u>	<u>\$ (1,227,535)</u>	<u>\$ 16,909,097</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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, 2011, 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.....	\$ 3,134,301	\$ -	\$ -	\$ -	\$ 3,134,301
Real estate tax deferrals.....	3,226,051	-	-	-	3,226,051
Tax and utility liens.....	6,224,328	-	-	7,868	6,232,196
Motor vehicle excise taxes.....	96,857	-	-	-	96,857
Community preservation surcharges.....	-	23,379	-	-	23,379
Charges for services.....	41,881	-	-	262,161	304,042
Special assessments.....	603,882	-	-	-	603,882
Departmental and other.....	4,916,577	-	-	-	4,916,577
Intergovernmental (state school construction)....	-	-	2,328,858	-	2,328,858
Intergovernmental (other state and federal).....	527,124	625,763	-	-	1,152,887
Total.....	\$ 18,771,001	\$ 649,142	\$ 2,328,858	\$ 270,029	\$ 22,019,030

The MSBA has approved a grant totaling \$46,577,166 for the Newton North High School project. The grant amount represents 60% of total eligible project costs, not to exceed the approved amount. The City has received \$44,248,308 of such assistance. An intergovernmental receivable and corresponding deferred revenue for the remaining balance of \$2,328,858 has been recorded in the High School Improvements major governmental fund's financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 22,226,126	\$ -	\$ -	\$ 22,226,126
Construction in progress.....	175,076,100	3,832,428	(169,548,340)	9,360,188
Sub-total	<u>197,302,226</u>	<u>3,832,428</u>	<u>(169,548,340)</u>	<u>31,586,314</u>
Capital assets being depreciated:				
Buildings and improvements.....	213,109,389	198,438,784	-	411,548,173
Equipment and machinery.....	55,944,634	3,292,961	(551,068)	58,686,527
Road network.....	61,910,742	2,766,677	-	64,677,419
Sub-total.....	<u>330,964,765</u>	<u>204,498,422</u>	<u>(551,068)</u>	<u>534,912,119</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(92,844,775)	(8,737,620)	-	(101,582,395)
Equipment and machinery.....	(36,197,965)	(4,310,354)	547,086	(39,961,233)
Road network.....	(20,873,418)	(1,492,967)	-	(22,366,385)
Sub-total.....	<u>(149,916,158)</u>	<u>(14,540,941)</u>	<u>547,086</u>	<u>(163,910,013)</u>
Total capital assets being depreciated, net.....	<u>181,048,607</u>	<u>189,957,481</u>	<u>(3,982)</u>	<u>371,002,106</u>
Governmental capital assets, net.....	\$ <u>378,350,833</u>	\$ <u>193,789,909</u>	\$ <u>(169,552,322)</u>	\$ <u>402,588,420</u>

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

Legislative & executive.....	\$ 3,585
Elections.....	25,861
Administrative support.....	135,535
Public building maintenance and operations.....	155,459
Police.....	783,426
Fire.....	691,916
Inspectional services.....	12,085
Other public safety.....	1,541
Education.....	8,888,805
Streets and sidewalks.....	2,607,157
Control of snow and ice.....	13,250
Solid waste.....	998
Public health.....	3,600
Senior services.....	48,665
Libraries.....	933,706
Parks and recreation.....	229,762
Newton history museum.....	5,590
Total depreciation expense - governmental activities.....	\$ <u>14,540,941</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2011 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Water system:</u>				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Construction in progress.....	3,049,917	4,195,267	-	7,245,184
Sub-total.....	<u>3,308,457</u>	<u>4,195,267</u>	<u>-</u>	<u>7,503,724</u>
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	4,431,632	-	-	4,431,632
Water system.....	36,726,335	3,912,306	-	40,638,641
Sub-total.....	<u>43,361,459</u>	<u>3,912,306</u>	<u>-</u>	<u>47,273,765</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(1,014,870)	(33,163)	-	(1,048,033)
Equipment and machinery.....	(3,287,283)	(129,905)	-	(3,417,188)
Water system.....	(8,541,550)	(777,288)	-	(9,318,838)
Sub-total.....	<u>(12,843,703)</u>	<u>(940,356)</u>	<u>-</u>	<u>(13,784,059)</u>
Total capital assets being depreciated, net.....	<u>30,517,756</u>	<u>2,971,950</u>	<u>-</u>	<u>33,489,706</u>
Water system capital assets, net.....	\$ <u>33,826,213</u>	\$ <u>7,167,217</u>	\$ <u>-</u>	\$ <u>40,993,430</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Sewer system</u>				
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.....	2,327,833	76,816	-	2,404,649
Sanitary sewer system.....	44,206,918	2,766,387	-	46,973,305
Sub-total.....	<u>48,402,410</u>	<u>2,843,203</u>	<u>-</u>	<u>51,245,613</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(624,890)	(39,126)	-	(664,016)
Equipment and machinery.....	(1,066,939)	(138,077)	-	(1,205,016)
Sanitary sewer system.....	(15,290,794)	(873,845)	-	(16,164,639)
Sub-total.....	<u>(16,982,623)</u>	<u>(1,051,048)</u>	<u>-</u>	<u>(18,033,671)</u>
Total capital assets being depreciated, net.....	<u>31,419,787</u>	<u>1,792,155</u>	<u>-</u>	<u>33,211,942</u>
Sewer system capital assets, net.....	\$ <u>31,446,032</u>	\$ <u>1,792,155</u>	\$ <u>-</u>	\$ <u>33,238,187</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Capital asset activity for individual component units for the fiscal year ended June 30, 2011 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Newton Commonwealth Foundation (Golf course):</u>				
Capital assets being depreciated:				
Land improvements.....	\$ 2,579,886	\$ 76,365	\$ -	\$ 2,656,251
Buildings and improvements.....	69,481	-	-	69,481
Equipment and machinery.....	58,722	2,559	-	61,281
Sub-total.....	<u>2,708,089</u>	<u>78,924</u>	<u>-</u>	<u>2,787,013</u>
Less: accumulated depreciation:				
Land improvements.....	(757,252)	(117,550)	-	(874,802)
Buildings and improvements.....	(47,201)	(1,943)	-	(49,144)
Equipment and machinery.....	(38,361)	(4,369)	-	(42,730)
Sub-total.....	<u>(842,814)</u>	<u>(123,862)</u>	<u>-</u>	<u>(966,676)</u>
Golf course capital assets, net.....	\$ <u>1,865,275</u>	\$ <u>(44,938)</u>	\$ <u>-</u>	\$ <u>1,820,337</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Newton Community Farm:</u>				
Capital assets being depreciated:				
Equipment and machinery.....	\$ 297,252	\$ 4,610	\$ -	\$ 301,862
Less: accumulated depreciation:				
Equipment and machinery.....	(38,328)	(19,171)	-	(57,499)
Newton community farm capital assets, net.....	\$ <u>258,924</u>	\$ <u>(14,561)</u>	\$ <u>-</u>	\$ <u>244,363</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 6 – Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt at June 30, 2011 is summarized as follows:

Governmental Activities

Capital assets, net of accumulated depreciation.....	\$	402,588,420
Less: total long-term debt outstanding.....		(191,994,800)
Add: long-term debt outstanding not related to asset acquisition.....		<u>1,169,800</u>
Invested in capital assets, net of related debt.....	\$	<u><u>211,763,420</u></u>

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets, net of accumulated depreciation.....	\$ 40,993,430	\$ 33,238,187	\$ 74,231,617
Less: total long-term debt outstanding.....	(20,046,257)	(9,677,757)	(29,724,014)
Add: grant receivable to fund capital debt.....	<u>-</u>	<u>2,294,922</u>	<u>2,294,922</u>
Invested in capital assets, net of related debt.....	<u><u>\$ 20,947,174</u></u>	<u><u>\$ 25,855,352</u></u>	<u><u>\$ 46,802,526</u></u>

Note 7 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2011, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community development block grant - non major governmental fund	\$ 6,077 {1}
General Fund	Street improvements - non major governmental fund	<u>198,244 {2}</u>
	Total due from other funds	<u><u>204,321</u></u>
General Fund	Chaffin education - private purpose trust fund	<u><u>30,813 {3}</u></u>

{1} Advance funding pending receipt of Community development block grant reimbursements.

{2} Advance funding pending receipt of state chapter 90 highway construction grant reimbursements.

{3} Advance funding pending receipt of Chaffin fund reimbursements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Inter-fund transfer activity for the fiscal year ended June 30, 2011 consisted of the following:

Transfer Purpose	General Fund	Community Preservation Fund	Non-Major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	Total All Funds
School Lunch fund subsidy.....	\$ (462,000)	\$ -	\$ 462,000	\$ -	\$ -	\$ -	\$ -
School Student Athletic Revolving fund subsidy	(903,678)	-	903,678	-	-	-	-
School Security Federal Grant Matching funds	(125,750)	-	125,750	-	-	-	-
Traffic signalization Federal Grant Matching funds.....	40,000	-	(40,000)	-	-	-	-
Traffic signalization Federal Grant Matching funds.....	(40,000)	-	40,000	-	-	-	-
Elementary School modular design.....	(75,000)	-	75,000	-	-	-	-
Fire Station design funding change.....	(4,954)	-	4,954	-	-	-	-
Fire Station design funding change - CSF to Municipal Bldg Fund.....	(125,046)	-	125,046	-	-	-	-
Parking Meter Receipts Reserved fund subsidy of traffic control.....	1,200,000	-	(1,200,000)	-	-	-	-
Parking Meter Receipts Reserved fund - Street paving.....	500,000	-	(500,000)	-	-	-	-
Stormwater Management Fund reimburse unused NSHS field design funding.....	16,005	-	(16,005)	-	-	-	-
BAA Marathon Receipts Reserved fund - Playground improvements.....	50,000	-	(50,000)	-	-	-	-
BAA Marathon Receipts Reserved fund - Emerson CC equipment.....	10,000	-	(10,000)	-	-	-	-
Water Fund administration and support reimbursement.....	558,534	-	-	(558,534)	-	-	-
Water Fund administration reimbursement to Sewer Fund.....	-	-	-	(922,778)	922,778	-	-
Sewer Fund administration and support reimbursement.....	837,801	-	-	-	(837,801)	-	-
Sale of Recyclable Materials Receipts Reserved fund - solid waste collection/disposal.....	400,000	-	(400,000)	-	-	-	-
CATV Receipts Reserved fund - Planning/legal/IT staff.....	100,000	-	(100,000)	-	-	-	-
Newton Wellesley Hospital Traffic Mitigation reimbursement.....	2,469	-	(2,469)	-	-	-	-
Bicycle Rack Installation.....	1,600	-	(1,600)	-	-	-	-
NCGF Mayor's Golf Day Receipts Reserved fund - Camp scholarships.....	-	-	(15,000)	-	-	-	(15,000)
NCGF Mayor's Golf Day Receipts Reserved fund - Camp scholarships.....	-	-	15,000	-	-	-	15,000
NCGF Mayor's Golf Day Receipts Reserved fund - 4th of July Celebrations.....	10,000	-	(10,000)	-	-	-	-
CPA Fund engineering and legal support services.....	1,729	(1,729)	-	-	-	-	-
School E-Rate Receipts Reserved - School technology.....	235,232	-	(235,232)	-	-	-	-
FEMA flooding grant reimbursement for building improvements.....	120,000	-	(120,000)	-	-	-	-
FEMA flooding grant reimbursement - close balance to reimburse General Fund.....	4,278	-	(4,278)	-	-	-	-
FEMA flooding grant reimbursement - close balance to reimburse Sewer Fund.....	-	-	(155,797)	-	155,797	-	-
Medicaid reimbursement for flu vaccines.....	5,297	-	(5,297)	-	-	-	-
Municipal Building Insurance Fund - FY 2011 property insurance premiums.....	277,582	-	-	-	-	(277,582)	-
Close MEMA storm reimbursement to reimburse General Fund.....	174	-	(174)	-	-	-	-
Police Station Lobby Improvements (CSF to Municipal Bldg Improv Fund).....	(118,500)	-	118,500	-	-	-	-
Municipal Building project energy conservation rebates transferred to CSF.....	136,627	-	(136,627)	-	-	-	-
Close out unexpended parks equipment balance to CSF.....	9,387	-	(9,387)	-	-	-	-
Transfers from other funds.....	\$ 4,516,715	\$ -	\$ 1,869,928	\$ -	\$ 1,078,575	\$ -	\$ 7,465,218
Transfers to other funds.....	\$ (1,854,928)	\$ (1,729)	\$ (3,011,866)	\$ (1,481,312)	\$ (837,801)	\$ (277,582)	\$ (7,465,218)

Note 8 - Short-Term Debt

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).

The City has no short term debt outstanding at June 30, 2011, and did not issue or retire any short term debt during the fiscal year.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 9 - Long-Term Obligations

The follow represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2011:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 187,685,300	\$ 13,770,000	\$ (9,460,500)	\$ 191,994,800	\$ 9,408,367
Landfill closure and other environmental....	910,000	-	(105,000)	805,000	105,000
Workers compensation.....	6,684,861	2,151,116	(1,819,067)	7,016,910	1,127,680
Claims and judgments.....	40,000	-	(40,000)	-	-
Compensated absences.....	8,181,848	-	(244,139)	7,937,709	2,768,537
Net OPEB obligation.....	<u>81,535,270</u>	<u>48,628,143</u>	<u>(14,892,850)</u>	<u>115,270,563</u>	<u>-</u>
Total.....	\$ <u>285,037,279</u>	\$ <u>64,549,259</u>	\$ <u>(26,561,556)</u>	\$ <u>323,024,982</u>	\$ <u>13,409,584</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 29,161,750	\$ 4,933,657	\$ (4,371,393)	\$ 29,724,014	\$ 4,610,497
Compensated absences.....	303,885	12,837	-	316,722	31,673
Net OPEB obligation.....	<u>1,937,583</u>	<u>1,132,633</u>	<u>(277,959)</u>	<u>2,792,257</u>	<u>-</u>
Total.....	\$ <u>31,403,218</u>	\$ <u>6,079,127</u>	\$ <u>(4,649,352)</u>	\$ <u>32,832,993</u>	\$ <u>4,642,170</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, \$7,016,910 of the internal service funds accrued liabilities (workers' compensation claims) is included above.

The outstanding long-term debt related to land acquisition (Kessler Woods, Angino Farm and Rogers Street) 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 - Long-Term Debt

Massachusetts General Laws Chapter 44, Section 10 authorizes indebtedness of up to a limit of 5% of the equalized valuation of the City. The City's long term debt at June 30, 2011 along with future year debt service requirements is as follows:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
MWPAT landfill closure.....	02/15/1998	4.60	\$ 1,307,300	\$ -	\$ (137,500)	\$ 1,169,800
School renovations.....	07/15/2000	4.40-4.85	425,000	-	(425,000)	-
School renovations.....	08/15/2001	3.65	910,000	-	(500,000)	410,000
School renovations.....	08/15/2003	3.06	2,280,000	-	(570,000)	1,710,000
Land acquisition (CPA).....	12/15/2003	2.0-3.4	2,000,000	-	(500,000)	1,500,000
School renovations.....	02/15/2005	3.0-4.0	7,500,000	-	(500,000)	7,000,000
School renovations.....	02/15/2006	3.0-4.3	9,110,000	-	(625,000)	8,485,000
Road improvements.....	02/15/2006	3.0-4.3	305,000	-	(55,000)	250,000
Public works equipment.....	02/15/2006	3.0-4.3	610,000	-	(60,000)	550,000
Fire equipment.....	02/15/2006	3.0-4.3	610,000	-	(60,000)	550,000
School renovations.....	02/01/2007	4.0-5.0	7,340,000	-	(515,000)	6,825,000
Fire station improvements.....	02/01/2007	4.0-5.0	265,000	-	(25,000)	240,000
Public works equipment.....	02/01/2007	4.0-5.0	570,000	-	(60,000)	510,000
Land acquisition (CPA).....	11/01/2007	3.98	1,785,000	-	(255,000)	1,530,000
Fire station improvements.....	11/01/2007	3.98	450,000	-	(40,000)	410,000
School renovations.....	11/01/2007	3.98	180,000	-	(10,000)	170,000
School new construction.....	11/01/2007	3.98	17,075,000	-	(970,000)	16,105,000
School new construction.....	06/15/2008	4.37	22,645,000	-	(450,000)	22,195,000
School renovations.....	06/15/2008	3.80	1,980,000	-	(110,000)	1,870,000
Fire equipment.....	06/15/2008	3.80	390,000	-	(30,000)	360,000
Public works equipment.....	06/15/2008	3.80	520,000	-	(40,000)	480,000
School new construction.....	04/01/2009	2.0-5.0	73,640,000	-	(1,390,000)	72,250,000
School renovations.....	04/01/2009	2.0-5.0	1,925,000	-	(105,000)	1,820,000
School renovations.....	04/01/2009	2.0-5.0	210,000	-	(15,000)	195,000
School renovations.....	04/01/2009	2.0-5.0	735,000	-	(40,000)	695,000
South high school athletic fields.....	04/01/2009	2.0-5.0	3,000,000	-	(215,000)	2,785,000
Fire station renovations.....	04/01/2009	2.0-5.0	2,315,000	-	(170,000)	2,145,000
Fire station design.....	04/01/2009	2.0-5.0	275,000	-	(70,000)	205,000
City hall boiler replacement.....	04/01/2009	2.0-5.0	210,000	-	(15,000)	195,000
Bencliffe circle construction.....	04/01/2009	2.0-5.0	165,000	-	(20,000)	145,000
Fire equipment.....	04/01/2009	2.0-5.0	745,000	-	(55,000)	690,000
Parks equipment.....	04/01/2009	2.0-5.0	100,000	-	(10,000)	90,000
DPW equipment.....	04/01/2009	2.0-5.0	560,000	-	(40,000)	520,000
School new construction.....	05/01/2010	3.0-4.0	11,650,000	-	(390,000)	11,260,000
Fire station renovations.....	05/01/2010	2.0-4.0	4,538,000	-	(238,000)	4,300,000
Underground fuel tanks.....	05/01/2010	2.0-4.0	453,000	-	(48,000)	405,000
Modular classrooms.....	05/01/2010	2.0-4.0	1,400,000	-	(95,000)	1,305,000
School renovations.....	05/01/2010	2.0-4.0	1,427,000	-	(117,000)	1,310,000
Energy conservation.....	05/01/2010	2.0-4.0	3,670,000	-	(245,000)	3,425,000
Fire equipment.....	05/01/2010	2.0-4.0	500,000	-	(50,000)	450,000
Public works equipment.....	05/01/2010	2.0-4.0	1,910,000	-	(195,000)	1,715,000
School new construction.....	03/30/2011	2.0	-	11,000,000	-	11,000,000
School renovations.....	04/14/2011	3.0-4.5	-	2,210,000	-	2,210,000
City hall windows.....	04/14/2011	3.0-4.5	-	125,000	-	125,000
Public works equipment.....	04/14/2011	3.0-4.5	-	435,000	-	435,000
Total.....			\$ 187,685,300	\$ 13,770,000	\$ (9,460,500)	\$ 191,994,800

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

During fiscal year 2011, the City issued \$13,770,000 in new general obligation bonds; \$11,000,000 for school construction; \$2,210,000 for school renovations; \$125,000 for City hall windows; and \$435,000 for public works equipment.

During 1998, the City entered into a twenty-year loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide \$2,675,000 in funding for the closure of the City's remaining sanitary landfill. The loan agreement provides for both principal and interest subsidies over the term of the loan. At June 30, 2011, a balance of \$1,169,800 was outstanding on this loan. A principal subsidy of \$38,525 and an interest subsidy of \$39,626 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 Ending	Principal	Interest	Total
2012	\$ 9,408,367	\$ 7,570,861	\$ 16,979,228
2013	9,057,167	7,444,195	16,501,362
2014	9,128,867	7,060,860	16,189,727
2015	8,048,367	6,758,076	14,806,443
2016	8,087,967	6,477,680	14,565,647
2017	8,047,667	6,207,150	14,254,817
2018	7,857,467	5,917,292	13,774,759
2019	7,927,267	5,603,164	13,530,431
2020	7,821,667	5,283,760	13,105,427
2021	7,551,667	4,961,051	12,512,718
2022	7,421,667	4,647,691	12,069,358
2023	7,461,667	4,358,694	11,820,361
2024	7,531,667	4,067,350	11,599,017
2025	7,186,667	3,772,579	10,959,246
2026	6,281,667	3,485,639	9,767,306
2027	5,836,667	3,236,570	9,073,237
2028	5,736,667	3,000,062	8,736,729
2029	4,971,667	2,783,703	7,755,370
2030	5,001,667	2,577,507	7,579,174
2031	4,936,667	2,364,836	7,301,503
2032	5,041,667	2,153,796	7,195,463
2033	5,251,667	1,921,357	7,173,024
2034	5,481,667	1,678,667	7,160,334
2035	5,721,667	1,424,752	7,146,419
2036	5,976,667	1,159,138	7,135,805
2037	6,241,667	880,592	7,122,259
2038	6,521,667	589,121	7,110,788
2039	5,336,667	283,975	5,620,642
2040	751,667	31,030	782,697
2041	366,657	7,333	373,990
Total	\$ 191,994,800	\$ 107,708,481	\$ 299,703,281

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
MWRA Water	09/28/2000	0.00	\$ 107,483	\$ -	\$ (107,483)	\$ -
MWRA Water	02/15/2001	0.00	151,120	-	(151,120)	-
MWRA Water	02/15/2002	0.00	517,204	-	(258,602)	258,602
MWRA Water	08/15/2002	0.00	775,805	-	(258,601)	517,204
MWRA Water	02/26/2004	0.00	1,034,408	-	(258,602)	775,806
MWRA Water	11/18/2004	0.00	1,293,010	-	(258,602)	1,034,408
MWRA Water	05/18/2006	0.00	1,551,611	-	(258,602)	1,293,009
MWRA Water	05/31/2007	0.00	1,810,213	-	(258,602)	1,551,611
Water meter replacement.....	04/01/2009	2.0-5.0	5,400,000	-	(600,000)	4,800,000
MWRA Water	05/21/2009	0.00	3,240,000	-	(360,000)	2,880,000
MWRA Water	05/20/2010	0.00	2,224,400	-	(222,440)	2,001,960
MWRA Water	02/15/2011	0.00	-	1,933,657	-	1,933,657
Water meter replacement.....	04/14/2011	3.0-4.5	-	3,000,000	-	3,000,000
Total.....			<u>\$ 18,105,254</u>	<u>\$ 4,933,657</u>	<u>\$ (2,992,654)</u>	<u>\$ 20,046,257</u>

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, 2011, the City was the recipient of a \$1,933,657 ten-year interest free water system rehabilitation loan.

At June 30, 2011, the City had \$12,246,257 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2011 totaled \$349,699.

During fiscal year 2011 the City also issued \$3,000,000 of general obligation debt for water meter replacements.

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

Fiscal Year	Ending	Principal	Interest	Total
2012	\$	3,227,418	\$ 238,992	\$ 3,466,410
2013		2,968,816	222,000	3,190,816
2014		2,710,214	201,000	2,911,214
2015		2,451,612	177,000	2,628,612
2016		2,193,009	151,500	2,344,509
2017		1,934,407	121,500	2,055,907
2018		1,675,806	91,500	1,767,306
2019		1,675,805	60,000	1,735,805
2020		715,805	27,000	742,805
2021		493,365	13,500	506,865
Total	\$	<u>20,046,257</u>	<u>\$ 1,303,992</u>	<u>\$ 21,350,249</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
MWRA Sewer.....	02/16/2006	0.00	\$ 10,505	\$ -	\$ (10,505)	\$ -
MWPAT Sewer.....	10/06/1999	5.16	3,690,000	-	(320,000)	3,370,000
MWPAT Sewer.....	11/10/2000	5.20	4,751,331	-	(371,331)	4,380,000
MWPAT Sewer.....	07/03/2002	0.00	86,435	-	(5,301)	81,134
MWRA Sewer.....	02/15/2007	0.00	121,880	-	(60,940)	60,940
MWRA Sewer.....	06/14/2007	0.00	452,320	-	(226,160)	226,160
MWRA Sewer.....	08/23/2007	0.00	31,680	-	(10,560)	21,120
MWRA Sewer.....	11/29/2007	0.00	92,169	-	(30,723)	61,446
MWRA Sewer.....	09/09/2008	0.00	448,096	-	(112,024)	336,072
MWRA Sewer.....	02/19/2009	0.00	635,580	-	(158,895)	476,685
MWRA Sewer.....	03/01/2010	0.00	236,500	-	(47,300)	189,200
Sewer system improvements.....	05/01/2010	2.0-4.0	500,000	-	(25,000)	475,000
Total			\$ 11,056,496	\$ -	\$ (1,378,739)	\$ 9,677,757

The MWRA's sanitary sewer infiltration/inflow reduction financial assistance program provides financial assistance for eligible projects in the form of a combination of grants and five-year interest-free loans. At June 30, 2011, the City had \$1,371,623 in MWRA sewer infiltration/inflow reduction loans outstanding.

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2011 the City had \$7,831,134 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2011 were \$315,146 and \$222,362, respectively.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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

Fiscal Year Ending	Principal	Interest	Total
2012	\$ 1,383,079	\$ 407,909	\$ 1,790,988
2013	1,121,159	360,059	1,481,218
2014	1,104,219	334,529	1,438,748
2015	853,300	285,411	1,138,711
2016	831,000	241,137	1,072,137
2017	856,000	196,493	1,052,493
2018	891,000	147,991	1,038,991
2019	921,000	104,573	1,025,573
2020	941,000	61,093	1,002,093
2021	531,000	24,033	555,033
2022	35,000	9,750	44,750
2023	35,000	8,250	43,250
2024	25,000	7,000	32,000
2025	25,000	6,000	31,000
2026	25,000	5,000	30,000
2027	25,000	4,000	29,000
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	25,000	1,000	26,000
Total	\$ 9,677,757	\$ 2,209,228	\$ 11,886,985

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

At June 30, 2011 the City had a total of \$15,409,120 in authorized and unissued debt, which is summarized as follows:

	Authorized and Unissued Debt			End of Year
	Beginning of Year	Increases	Decreases	
High school improvements.....	\$ 17,329,692	\$ -	\$ (11,000,000)	\$ 6,329,692
School improvements.....	-	2,210,000	(2,210,000)	-
Energy conservation audits.....	167,400	-	-	167,400
Public works equipment.....	820,000	265,000	(1,085,000)	-
Sewer system improvements	1,009,800	-	-	1,009,800
Sewer system improvements	-	2,277,000	-	2,277,000
Sewer I&I removal.....	102,155	-	-	102,155
Sewer I&I removal-MWPAT.....	2,995,073	-	-	2,995,073
Water main rehabilitation.....	1,933,657	-	(1,933,657)	-
Water meter replacement.....	5,528,000	-	(3,000,000)	2,528,000
Newton city hall window repair.....	-	125,000	(125,000)	-
Total.....	\$ 29,885,777	\$ 4,877,000	\$ (19,353,657)	\$ 15,409,120

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 11 – 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 \$595,000 at June 30, 2011 for future year landfill site monitoring and maintenance. Estimated costs per year total \$35,000. 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 12 – Other Post Employment Benefits

Plan Description – The City provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2011, the latest actuarial valuation, is as follows:

Active employees.....	2,091
Retired employees and beneficiaries.....	<u>3,526</u>
Total.....	<u><u>5,617</u></u>

Funding Policy - The contribution requirements of Plan members and the City are established and may be amended by the City. The required health insurance contribution rates of Plan members and the City are 20% and 80%, respectively. In addition, the City reimburses 80% of the Medicare Part B premiums paid by retirees. The Plan members and City each contribute 50% towards a \$5,000 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

The following table shows the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the total net OPEB obligation:

	<u>Amount</u> <u>(in thousands)</u>	
Annual required contribution.....	\$	52,181
Interest on net OPEB obligation.....		1,670
Adjustment to annual required contribution.....		<u>(3,953)</u>
Annual OPEB cost.....		49,898
Contributions made.....		<u>(15,308)</u>
Increase in net OPEB obligation.....		34,590
Net OPEB obligation at beginning of year.....		<u>83,473</u>
Net OPEB obligation at end of year.....	\$	<u><u>118,063</u></u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

	<u>Dollar Amounts in Thousands</u>		
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2009.....	\$ 46,999	30.1%	\$ 54,868
June 30, 2010.....	43,384	31.4%	83,473
June 30, 2011.....	49,898	32.6%	118,063

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2011, the most recent actuarial valuation, was as follows:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Dollar Amounts in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/11	\$ -	\$ 639,110	\$ 639,110	-	\$ 176,191	363%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	June 30, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	27 years (closed)
Interest discount rate:	2.00%
Healthcare/Medical cost trend rate:	10.8% for 2011; 9.8% for 2012; 8.7% for 2013; 7.6% for 2014; 6.6% for 2015; 6.5% for 2016 through 2020; 6.3% for 2025; 6.1% for 2030; 5.4% for 2040; 5.1% for 2050; 4.9% for 2060; 4.8% for 2070; 4.5% for 2080; 4.2% starting in 2085 to an ultimate level of 4.2% per year

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Allocation of AOPEBC – AOPEBC costs were allocated to the City’s functions as follows:

Governmental Activities:

Legislative & Executive.....	\$ 498,978
Elections.....	124,744
Financial administration.....	618,732
Administrative support.....	603,763
Planning & development.....	279,428
Public building maintenance & operation.....	598,773
Police.....	4,450,882
Fire.....	4,605,565
Inspectional services.....	264,458
Education.....	31,036,417
Streets & sidewalks.....	1,616,688
Collection & disposal of solid waste.....	94,806
Equipment maintenance.....	459,060
Engineering.....	329,325
Administration & support.....	319,346
Public health.....	733,497
Senior services.....	109,775
Veteran services.....	64,867
Libraries.....	1,047,853
Parks & recreation.....	743,477
Newton history museum.....	<u>49,898</u>
 Total AOPEBC - governmental activities.....	 <u><u>48,650,332</u></u>
 Business-Type Activities:	
Water.....	698,568
Sewer.....	<u>548,876</u>
 Total AOPEBC - business-type activities.....	 <u><u>1,247,444</u></u>
 Total AOPEBC.....	 <u><u>\$ 49,897,776</u></u>

Note 13 – 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

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 and retirees 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, 2011, the City's health claims liability totaled \$4,022,849 and is based on approximately one month claims paid average. Changes in the reported liability since July 1, 2009 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimate</u>		<u>Claims Payments</u>		<u>Balance at Fiscal Year-end</u>
Fiscal year 2010.....	\$ 4,412,246	\$	46,320,935	\$	(46,820,754)	\$	3,912,427
Fiscal year 2011.....	3,912,427		47,168,457		(47,058,035)		4,022,849

Subsequent to year end the City has implemented several changes in health plan design for active employees and their dependents. The changes include introduction of an annual deductible for employees and their dependents; increased copayments for health benefits; and an increase in the employee contribution from 20% to 25% for new employees of certain collective bargaining groups.

Workers' compensation claims are administered by the City's Personnel Department. The City contracts for an annual actuarial valuation of the program, and based on this study, has recorded a liability of \$7,016,910 at June 30, 2011, of which \$1,127,680 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, 2012. The liability includes an estimate of the IBNR claims.

The June 30, 2011 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, 2009 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimate</u>		<u>Claims Payments</u>		<u>Balance at Fiscal Year-end</u>
Fiscal year 2010.....	\$ 6,679,405	\$	1,758,272	\$	(1,752,816)	\$	6,684,861
Fiscal year 2011.....	6,684,861		2,151,116		(1,819,067)		7,016,910

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 14 – Fund Balances

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Community Preservation</u>	<u>High School Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 445,570	\$ 445,570
Restricted:					
Debt service.....	683,320	-	-	-	683,320
General government.....	-	-	-	2,927,686	2,927,686
Public safety.....	-	-	-	325,353	325,353
Education.....	-	-	-	2,410,568	2,410,568
School construction.....	-	-	3,297,611	3,730,234	7,027,845
Public works.....	-	-	-	1,417,155	1,417,155
Health and human services.....	-	-	-	409,935	409,935
Culture and recreation.....	-	-	-	2,632,328	2,632,328
Community preservation.....	-	3,659,054	-	-	3,659,054
CPA- community housing.....	-	1,663,731	-	-	1,663,731
CPA- historic resources.....	-	3,723,784	-	-	3,723,784
CPA- open space.....	-	363,235	-	-	363,235
Capital.....	108,107	-	-	-	108,107
Other post employment benefits.....	137,295	-	-	-	137,295
School lunch.....	-	-	-	11,753	11,753
Insurance proceeds.....	-	-	-	52,972	52,972
Receipts reserved.....	-	-	-	2,363,764	2,363,764
Sub-total - Restricted.....	<u>928,722</u>	<u>9,409,804</u>	<u>3,297,611</u>	<u>16,281,748</u>	<u>29,917,885</u>
Committed:					
Subsequent year's expenditures.....	2,066,320	-	-	-	2,066,320
Capital.....	9,714,755	-	-	-	9,714,755
Continuing appropriations.....	3,096,013	-	-	-	3,096,013
Receipts reserved.....	-	-	-	886,894	886,894
Sub-total - Committed.....	<u>14,877,088</u>	<u>-</u>	<u>-</u>	<u>886,894</u>	<u>15,763,982</u>
Assigned:					
Encumbrances.....	727,814	-	-	-	727,814
Capital.....	116,627	-	-	-	116,627
Sub-total - Assigned.....	<u>844,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,441</u>
Unassigned.....	<u>14,123,323</u>	<u>-</u>	<u>-</u>	<u>(354,498)</u>	<u>13,768,825</u>
	<u>\$ 30,773,574</u>	<u>\$ 9,409,804</u>	<u>\$ 3,297,611</u>	<u>\$ 17,259,714</u>	<u>\$ 60,740,703</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Note 15 – Stabilization Funds

The City maintains capital and rainy day stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require approval of the Mayor and Board of Aldermen. Investment income is retained by the funds.

The balance of the capital and rainy day stabilization funds at June 30, 2011 total \$9,939,489 and \$2,648,966, respectively, and are reported in the general fund as restricted (\$108,107), committed (\$9,714,755), assigned (\$116,627) and unassigned (\$2,648,966).

Note 16 - 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 perpetual funds in the Statement of Net Assets and restricted fund balance 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 17 – Prior Period Reclassifications

The beginning fund balance of the general fund has been restated from \$19,312,545 to \$35,095,755 and the beginning fund balance of the nonmajor governmental funds has been restated from \$39,539,265 to \$23,756,055 to reflect the reclassification of stabilization funds to the general fund.

Note 18 – 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.

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.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

At December 31, 2010, the System's membership consisted of the following:

Active members.....	1,662
Inactive members.....	602
Disabled members.....	151
Retirees and beneficiaries currently receiving benefits.....	<u>1,178</u>
Total.....	<u>3,593</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 Administration Commission (PERAC).

Effective July 1, 2007, the Newton Contributory Retirement Board transferred 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$14,829,525; \$13,364,434; and \$12,682,312; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2011 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2009 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included an 8% rate of return on investments (net of administrative expenses); an inflationary rate of 3% and projected salary increases of 4% for the current year and 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.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Dollar Amounts In Thousands					
	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, 2011	\$ 260,156	\$ 473,083	\$ 212,927	55.0%	\$ 81,378	261.7%

The schedules of funding progress, presented as required supplementary information (RSI) following notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 3.75% per year
Remaining amortization period:	27 years (closed)
Asset valuation method:	Actuarial assets equal preliminary asset value plus 25% of the difference between market value and preliminary asset value. Preliminary asset value is the previous years' actuarial asset amount increased by net cash flow and expected investment income. The result must be within 20% of market value.
Investment rate of return:	7.75%

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Projected salary increases: 2.0% per year in 2012; 2.5% per year in 2013; 3.0% per year in 2014; starting in 2015 the annual increases will be 3.5%

Cost of living adjustments: 3.0%

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2010 are as follows:

Description	Amount	Purpose
Annuity Savings Fund..... \$	76,724,534	Active members' contribution balance
Annuity Reserve Fund....	28,839,701	Retired members' contribution account
Military Service Fund.....	44,816	Military leave of absence contribution balance
Pension Fund.....	<u>135,763,435</u>	Remaining net assets
Total..... \$	<u><u>241,372,486</u></u>	

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, 2011, 2010, and 2009 were \$347,374, \$369,779 and \$421,905, 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 19 – Massachusetts Teachers Retirement System

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$29,382,717 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

Note 20 – Commitments and Contingencies

The new Newton North High School was opened in September of 2010 and demolition of the old Newton North High School building and major site work at the location of the new Newton North High School building is substantially complete. Final project close out and the MSBA audit of the project budget is pending.

Subsequent to year end, the City entered into three year retroactive collective bargaining agreements with all employees of the City and most of the Newton Public Schools’ employees. The initial year of each contract has been funded by the Board of Aldermen and School Committee.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2011

Other significant commitments include the continuing appropriations and encumbrances outstanding for the general fund and CPA fund, for which outstanding balances at June 30, 2011, totaled \$3,823,827 and \$5,158,444, respectively.

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, 2011, 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, 2011 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2011.

Note 21 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. The implementation of this Statement will not impact the basic financial statements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which is required to be implemented during fiscal year 2012. The implementation of this Statement will not impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.



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Required Supplementary Information

CITY OF NEWTON, MASSACHUSETTS
 Required Supplementary Information
 Fiscal Year Ended June 30, 2011

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the City is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

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, 2011	\$ 260,156	\$ 473,083	\$ 212,927	55.0%	\$ 81,378	261.7%
January 1, 2010	254,035	462,104	208,069	55.0%	83,844	248.2%
January 1, 2009	252,117	443,010	190,893	56.9%	82,014	232.8%
January 1, 2008	281,115	419,001	137,886	67.1%	79,206	174.1%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2005	\$ 10,273,356	100
2006	10,667,820	100
2007	11,747,762	100
2008	12,843,635	100
2009	13,547,778	100
2010	15,029,827	100

CITY OF NEWTON, MASSACHUSETTS
 Required Supplementary Information
 Fiscal Year Ended June 30, 2011

The following schedule provides information related to the City's portion of the System's ARC:

CITY SHARE OF SYSTEM ARC

<u>Fiscal Year Ended</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>City ARC as a Percentage of System ARC (%)</u>
2006	\$ 10,176,916	100	99.1%
2007	10,552,659	100	98.9%
2008	11,594,554	100	98.7%
2009	12,682,312	100	98.7%
2010	13,364,434	100	98.6%
2011	14,829,525	100	98.7%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

The following schedule provides information related to the City's other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Dollar Amounts in Thousands

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/11	\$ -	\$ 639,110	\$ 639,110	-	\$ 176,191	363%
06/30/10	-	531,675	531,675	-	175,729	303%
06/30/09	-	595,672	595,672	-	174,021	342%
06/30/08	-	432,960	432,960	-	201,970	214%

The significant change to the methods and assumptions used in the 06/30/10 and 06/30/11 actuarial valuations identified above that impacted trends in the schedules of funding progress is the increase in the trend on healthcare and medical costs.

**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 1/2. 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.

Federal ARRA Fund

This fund is used to account for American Recovery and Reinvestment Act (ARRA) grant funds.

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.

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.

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, 2011

Special Revenue Funds

ASSETS	School Lunch	Revolving	Receipts Reserved	Federal ARRA Fund	Community Development Block Grant
Interest and dividends.....	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:					
Tax liens.....	-	-	-	-	-
Charges for services.....	-	367,045	-	-	-
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	36,916	-	-	-	51,294
Other assets.....	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents.....	454,716	3,900,538	3,250,658	254,249	29,657
Investments.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 491,632	\$ 4,267,583	\$ 3,250,658	\$ 254,249	\$ 80,951
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 335,827	\$ 120,436	\$ -	\$ 23,309	\$ 4,687
Accrued liabilities.....	42,189	50,372	-	16,310	12,940
Accrued payroll.....	-	141,058	-	148,269	7,325
Other liabilities.....	101,863	396,312	-	-	-
Deferred revenue.....	-	244,320	-	-	-
Due to other funds.....	-	-	-	-	6,076
TOTAL LIABILITIES.....	479,879	952,498	-	187,888	31,028
FUND BALANCES:					
Nonspendable.....	-	-	-	-	-
Restricted.....	11,753	3,669,583	2,363,764	66,361	49,923
Committed.....	-	-	886,894	-	-
Unassigned.....	-	(354,498)	-	-	-
TOTAL FUND BALANCES.....	11,753	3,315,085	3,250,658	66,361	49,923
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 491,632	\$ 4,267,583	\$ 3,250,658	\$ 254,249	\$ 80,951

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	7,868	7,868
-	-	-	-	-	144,800	511,845
-	-	-	-	26,958	-	26,958
59,838	4,163	490	119,697	-	-	272,398
-	-	-	-	-	-	-
190,069	501,780	264,674	306,652	1,343,019	739,702	11,235,714
<u>249,907</u>	<u>505,943</u>	<u>265,164</u>	<u>426,349</u>	<u>1,369,977</u>	<u>892,370</u>	<u>12,054,783</u>
\$ 24,304	\$ 20,438	\$ -	\$ 43,968	\$ 2,496	\$ 56,230	\$ 631,695
40,912	5,050	526	450	315	-	169,064
-	30,702	115,334	281,589	17,934	5,427	747,638
-	-	-	-	-	-	498,175
-	-	-	-	-	25,709	270,029
-	-	-	-	-	-	6,076
<u>65,216</u>	<u>56,190</u>	<u>115,860</u>	<u>326,007</u>	<u>20,745</u>	<u>87,366</u>	<u>2,322,677</u>
-	-	-	-	-	-	-
184,691	449,753	149,304	100,342	1,349,232	805,004	9,199,710
-	-	-	-	-	-	886,894
-	-	-	-	-	-	(354,498)
<u>184,691</u>	<u>449,753</u>	<u>149,304</u>	<u>100,342</u>	<u>1,349,232</u>	<u>805,004</u>	<u>9,732,106</u>
<u>\$ 249,907</u>	<u>\$ 505,943</u>	<u>\$ 265,164</u>	<u>\$ 426,349</u>	<u>\$ 1,369,977</u>	<u>\$ 892,370</u>	<u>\$ 12,054,783</u>

(Continued)

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

JUNE 30, 2011

Capital Projects Funds

ASSETS	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
Interest and dividends.....	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:				
Tax liens.....	-	-	-	-
Charges for services.....	-	-	-	-
Departmental and other.....	-	-	-	-
Intergovernmental.....	-	600,254	-	600,254
Other assets.....	-	-	-	-
Restricted assets:				
Cash and cash equivalents.....	7,199,727	-	20,436	7,220,163
Investments.....	-	-	-	-
TOTAL ASSETS.....	\$ 7,199,727	\$ 600,254	\$ 20,436	\$ 7,820,417
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 138,578	\$ 199,557	\$ 5,300	\$ 343,435
Accrued liabilities.....	919,143	68,880	-	988,023
Accrued payroll.....	1,200	1,114	-	2,314
Other liabilities.....	-	-	-	-
Deferred revenue.....	-	-	-	-
Due to other funds.....	-	198,245	-	198,245
TOTAL LIABILITIES.....	1,058,921	467,796	5,300	1,532,017
FUND BALANCES:				
Nonspendable.....	-	-	-	-
Restricted.....	6,140,806	132,458	15,136	6,288,400
Committed.....	-	-	-	-
Unassigned.....	-	-	-	-
TOTAL FUND BALANCES.....	6,140,806	132,458	15,136	6,288,400
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,199,727	\$ 600,254	\$ 20,436	\$ 7,820,417

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ 681	\$ 2,265	\$ 2,946	\$ 2,946
-	-	-	7,868
-	-	-	511,845
-	-	-	26,958
-	-	-	872,652
30,000	-	30,000	30,000
402,184	140,782	542,966	18,998,843
69,457	593,839	663,296	663,296
<u>\$ 502,322</u>	<u>\$ 736,886</u>	<u>\$ 1,239,208</u>	<u>\$ 21,114,408</u>
\$ -	\$ -	\$ -	975,130
-	-	-	1,157,087
-	-	-	749,952
-	-	-	498,175
-	-	-	270,029
-	-	-	204,321
-	-	-	3,854,694
445,570	-	445,570	445,570
56,752	736,886	793,638	16,281,748
-	-	-	886,894
-	-	-	(354,498)
502,322	736,886	1,239,208	17,259,714
<u>\$ 502,322</u>	<u>\$ 736,886</u>	<u>\$ 1,239,208</u>	<u>\$ 21,114,408</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, 2011

Special Revenue Funds

	School Lunch	Revolving	Receipts Reserved	Federal ARRA Fund	Community Development Block Grant
REVENUES					
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits.....	-	-	393,475	-	-
Intergovernmental.....	495,796	646	-	3,845,677	1,878,748
Charges for services.....	1,867,114	8,895,390	1,542,071	-	-
Fines and forfeitures.....	-	2,808	7,250	-	-
Investment income.....	1,180	1,004	996	-	-
Contributions and donations.....	-	171,024	90,200	-	-
Miscellaneous.....	-	63,161	139,603	-	-
Special assessments.....	-	123,588	-	-	-
TOTAL REVENUES.....	2,364,090	9,257,621	2,173,595	3,845,677	1,878,748
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	-	175	-	-	-
Elections.....	-	-	-	-	-
Planning & development.....	-	120,134	-	1,094,326	1,848,838
Public building maintenance & operations.....	-	824	-	578,571	-
Public safety:					
Police.....	-	2,461,204	-	-	-
Fire.....	-	168,253	-	-	-
Inspectional services.....	-	4,100	-	-	-
Education.....	2,964,869	5,136,373	-	2,165,164	-
Public works:					
Streets & sidewalks.....	-	220,423	-	-	-
Collection & disposal of solid waste.....	-	34,028	-	-	-
Vehicle maintenance.....	-	1,110	-	-	-
Engineering.....	-	61,254	-	-	-
Health and human services:					
Health & human services.....	-	482	-	-	-
Senior services.....	-	44,924	-	-	-
Culture and recreation:					
Libraries.....	-	22,190	-	-	-
Parks & recreation.....	-	1,675,256	-	-	-
Newton History museum.....	-	4,596	-	-	-
TOTAL EXPENDITURES.....	2,964,869	9,955,326	-	3,838,061	1,848,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(600,779)	(697,705)	2,173,595	7,616	29,910
OTHER FINANCING SOURCES (USES)					
Transfers in.....	462,000	918,678	-	40,000	-
Issuance of general obligation bonds.....	-	-	-	-	-
Sale of capital assets.....	-	19,824	-	-	-
Transfers out.....	-	-	(2,564,301)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	462,000	938,502	(2,564,301)	40,000	-
NET CHANGE IN FUND BALANCES.....	(138,779)	240,797	(390,706)	47,616	29,910
FUND BALANCES AT BEGINNING OF YEAR.....	150,532	3,074,288	3,641,364	18,745	20,013
FUND BALANCES AT END OF YEAR.....	\$ 11,753	\$ 3,315,085	\$ 3,250,658	\$ 66,361	\$ 49,923

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,219	\$ 27,219
2,576,670	1,289,193	4,664,600	6,192,874	5,000	-	393,475
-	-	-	-	-	745,899	20,949,204
-	18	-	-	-	-	13,050,474
-	-	-	-	1,737	-	10,058
-	-	-	-	870,069	-	4,935
-	-	-	-	-	-	1,131,293
-	-	-	-	-	-	202,764
-	-	-	-	-	-	123,588
<u>2,576,670</u>	<u>1,289,211</u>	<u>4,664,600</u>	<u>6,192,874</u>	<u>876,806</u>	<u>773,118</u>	<u>35,893,010</u>
-	-	-	-	9,900	-	10,075
2,401,565	11,979	-	-	-	-	11,979
-	11,120	-	-	6,162	-	5,482,145
-	511,741	-	-	-	-	1,091,136
86,731	180,034	-	-	2,609	-	2,730,578
30,769	29,482	-	-	-	-	228,504
-	-	5,390,507	6,183,241	589,874	-	4,100
-	-	-	-	-	-	22,430,028
-	63,608	-	-	-	692,919	913,342
-	-	-	-	-	-	97,636
-	-	-	-	-	-	1,110
-	-	-	-	-	-	61,254
15,141	165,548	-	-	1,444	-	182,615
-	154,156	-	-	4,903	-	203,983
21,009	92,271	-	-	33,534	-	169,004
-	13,077	-	-	41,572	-	1,729,905
-	-	-	-	-	-	4,596
<u>2,555,215</u>	<u>1,233,016</u>	<u>5,390,507</u>	<u>6,183,241</u>	<u>689,998</u>	<u>692,919</u>	<u>35,351,990</u>
<u>21,455</u>	<u>56,195</u>	<u>(725,907)</u>	<u>9,633</u>	<u>186,808</u>	<u>80,199</u>	<u>541,020</u>
125,750	-	-	-	-	-	1,546,428
-	-	-	-	-	-	-
(285,372)	(174)	-	-	-	-	19,824
-	-	-	-	-	(16,005)	(2,865,852)
<u>(159,622)</u>	<u>(174)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,005)</u>	<u>(1,299,600)</u>
(138,167)	56,021	(725,907)	9,633	186,808	64,194	(758,580)
<u>322,858</u>	<u>393,732</u>	<u>875,211</u>	<u>90,709</u>	<u>1,162,424</u>	<u>740,810</u>	<u>10,490,686</u>
<u>\$ 184,691</u>	<u>\$ 449,753</u>	<u>\$ 149,304</u>	<u>\$ 100,342</u>	<u>\$ 1,349,232</u>	<u>\$ 805,004</u>	<u>\$ 9,732,106</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, 2011

Capital Projects Funds

	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
REVENUES				
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees.....	-	-	-	-
Intergovernmental.....	-	1,756,051	-	1,756,051
Charges for services.....	-	-	-	-
Fines and forfeitures.....	-	-	-	-
Investment income.....	-	-	-	-
Contributions and donations.....	-	-	-	-
Miscellaneous.....	136,628	-	-	136,628
Special assessments.....	-	-	-	-
TOTAL REVENUES.....	136,628	1,756,051	-	1,892,679
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	-	-	-	-
Elections.....	-	-	-	-
Planning & development.....	-	-	-	-
Public building maintenance & operations.....	5,933,828	-	-	5,933,828
Public safety:				
Police.....	-	-	-	-
Fire.....	-	-	-	-
Inspectional services.....	-	-	-	-
Education.....	2,499,152	-	-	2,499,152
Public works:				
Streets & sidewalks.....	-	1,756,051	446,086	2,202,137
Collection & disposal of solid waste.....	-	-	-	-
Vehicle maintenance.....	-	-	-	-
Engineering.....	-	-	-	-
Health and human services:				
Health & human services.....	-	-	-	-
Senior services.....	-	-	-	-
Culture and recreation:				
Libraries.....	-	-	-	-
Parks & recreation.....	-	-	-	-
Newton History museum.....	-	-	-	-
TOTAL EXPENDITURES.....	8,432,980	1,756,051	446,086	10,635,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....				
	(8,296,352)	-	(446,086)	(8,742,438)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	323,500	-	-	323,500
Issuance of general obligation bonds.....	2,335,000	-	435,000	2,770,000
Sale of capital assets.....	-	-	-	-
Transfers out.....	(136,628)	-	(9,386)	(146,014)
TOTAL OTHER FINANCING SOURCES (USES).....	2,521,872	-	425,614	2,947,486
NET CHANGE IN FUND BALANCES.....	(5,774,480)	-	(20,472)	(5,794,952)
FUND BALANCES AT BEGINNING OF YEAR.....	11,915,286	132,458	35,608	12,083,352
FUND BALANCES AT END OF YEAR.....	\$ 6,140,806	\$ 132,458	\$ 15,136	\$ 6,288,400

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 27,219
-	-	-	393,475
-	-	-	22,705,255
-	-	-	13,050,474
-	-	-	10,058
1,928	85,036	86,964	91,899
-	250,950	250,950	1,382,243
-	-	-	339,392
-	-	-	123,588
<u>1,928</u>	<u>335,986</u>	<u>337,914</u>	<u>38,123,603</u>
-	-	-	10,075
-	-	-	11,979
-	-	-	5,482,145
-	-	-	7,024,964
-	-	-	2,730,578
-	-	-	228,504
-	-	-	4,100
-	-	-	24,929,180
-	-	-	3,115,479
-	-	-	97,636
-	-	-	1,110
-	-	-	61,254
-	-	-	182,615
-	-	-	203,983
-	280,723	280,723	449,727
-	-	-	1,729,905
-	-	-	4,596
<u>-</u>	<u>280,723</u>	<u>280,723</u>	<u>46,267,830</u>
<u>1,928</u>	<u>55,263</u>	<u>57,191</u>	<u>(8,144,227)</u>
-	-	-	1,869,928
-	-	-	2,770,000
-	-	-	19,824
-	-	-	(3,011,866)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,886</u>
<u>1,928</u>	<u>55,263</u>	<u>57,191</u>	<u>(6,496,341)</u>
<u>500,394</u>	<u>681,623</u>	<u>1,182,017</u>	<u>23,756,055</u>
<u>\$ 502,322</u>	<u>\$ 736,886</u>	<u>\$ 1,239,208</u>	<u>\$ 17,259,714</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, 2011

ASSETS	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
Current assets:					
Cash and cash equivalents.....	\$ 15,342,018	\$ 469,304	\$ 31,980	\$ 222,032	\$ 16,065,334
Investments.....	-	8,168,241	786,555	-	8,954,796
Interest and dividends.....	-	25,469	6,008	-	31,477
Working capital deposit.....	500,419	-	-	-	500,419
Total assets.....	15,842,437	8,663,014	824,543	222,032	25,552,026
LIABILITIES					
Current liabilities:					
Warrants payable.....	-	20,092	-	-	20,092
Accrued liabilities.....	116,520	5,043	-	-	121,563
Accrued payroll.....	-	17,713	-	-	17,713
Other liabilities.....	1,342,670	-	-	-	1,342,670
Accrued health claims payable.....	4,022,849	-	-	-	4,022,849
Workers' compensation claims.....	-	1,127,680	-	-	1,127,680
Total current liabilities.....	5,482,039	1,170,528	-	-	6,652,567
Noncurrent liabilities:					
Workers' compensation claims.....	-	5,889,230	-	-	5,889,230
Total liabilities.....	5,482,039	7,059,758	-	-	12,541,797
FUND NET ASSETS					
Unrestricted.....	\$ 10,360,398	\$ 1,603,256	\$ 824,543	\$ 222,032	\$ 13,010,229

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, 2011

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
OPERATING REVENUES					
Employer contributions.....	\$ 39,717,481	\$ 1,465,676	\$ -	\$ -	\$ 41,183,157
Employee contributions.....	10,285,804	-	-	-	10,285,804
Miscellaneous.....	-	-	-	40	40
TOTAL OPERATING REVENUES.....	50,003,285	1,465,676	-	40	51,469,001
OPERATING EXPENSES					
Change in incurred but not reported liability.....	398,231	332,049	-	-	730,280
Self insurance claims.....	47,041,409	1,819,067	-	-	48,860,476
Insurance premiums.....	498,653	-	-	-	498,653
Administrative expenses.....	2,618,069	56,695	-	-	2,674,764
TOTAL OPERATING EXPENSES.....	50,556,362	2,207,811	-	-	52,764,173
OPERATING INCOME (LOSS).....	(553,077)	(742,135)	-	40	(1,295,172)
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	40,539	1,245,956	37,619	670	1,324,784
INCOME (LOSS) BEFORE TRANSFERS.....	(512,538)	503,821	37,619	710	29,612
TRANSFERS					
Transfers out.....	-	-	(277,582)	-	(277,582)
CHANGE IN FUND NET ASSETS.....	(512,538)	503,821	(239,963)	710	(247,970)
FUND NET ASSETS AT BEGINNING OF YEAR.....	10,872,936	1,099,435	1,064,506	221,322	13,258,199
FUND NET ASSETS AT END OF YEAR.....	\$ 10,360,398	\$ 1,603,256	\$ 824,543	222,032	\$ 13,010,229

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 10,285,804	\$ -	\$ -	\$ -	\$ 10,285,804
Receipts from interfund services provided.....	39,717,481	1,465,676	-	40	41,183,197
Payments to vendors/providers.....	(49,359,935)	(1,979,397)	-	-	(51,339,332)
NET CASH FROM OPERATING ACTIVITIES.....	643,350	(513,721)	-	40	129,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out.....	-	-	(277,582)	-	(277,582)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments.....	-	(1,411,153)	96,271	-	(1,314,882)
Investment income.....	40,539	1,248,069	39,764	670	1,329,042
NET CASH FROM INVESTING ACTIVITIES.....	40,539	(163,084)	136,035	670	14,160
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	683,889	(676,805)	(141,547)	710	(133,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	14,658,129	1,146,109	173,527	221,322	16,199,087
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 15,342,018	\$ 469,304	\$ 31,980	\$ 222,032	\$ 16,065,334
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ (553,077)	\$ (742,135)	\$ -	\$ 40	\$ (1,295,172)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Working capital deposit.....	(102,002)	-	-	-	(102,002)
Warrants payable.....	(271,183)	(56,892)	-	-	(328,075)
Accrued payroll.....	-	(10,941)	-	-	(10,941)
Other liabilities.....	1,342,670	-	-	-	1,342,670
Accrued liabilities.....	116,520	(35,802)	-	-	80,718
Accrued health claims payable.....	110,422	-	-	-	110,422
Workers' compensation.....	-	332,049	-	-	332,049
Total adjustments.....	1,196,427	228,414	-	-	1,424,841
NET CASH FROM OPERATING ACTIVITIES.....	\$ 643,350	\$ (513,721)	\$ -	\$ 40	\$ 129,669

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, 2011

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
ASSETS				
Cash and cash equivalents.....	\$ 243,647	\$ 32,169	\$ 5,727	\$ 627,220
Investments.....	4,469,520	1,044,241	-	1,253,890
Interest and dividends.....	12,299	3,767	-	4,160
Receivables, net of allowance for uncollectibles:				
Loans.....	-	-	20,436	-
Total assets.....	4,725,466	1,080,177	26,163	1,885,270
LIABILITIES				
Due to other funds.....	30,813	-	-	-
Total liabilities.....	30,813	-	-	-
NET ASSETS				
Held in trust for other purposes.....	\$ 4,694,653	\$ 1,080,177	\$ 26,163	\$ 1,885,270

<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>
\$ 728,612	\$ 3,102	\$ 43,049	\$ 4,649	\$ 37,919	\$ 749	\$ 50,392	\$ 1,777,235
522,159	-	-	-	-	-	-	7,289,810
2,032	-	-	-	-	-	-	22,258
-	-	-	-	-	-	-	20,436
<u>1,252,803</u>	<u>3,102</u>	<u>43,049</u>	<u>4,649</u>	<u>37,919</u>	<u>749</u>	<u>50,392</u>	<u>9,109,739</u>
-	-	-	-	-	-	-	30,813
-	-	-	-	-	-	-	30,813
<u>\$ 1,252,803</u>	<u>\$ 3,102</u>	<u>\$ 43,049</u>	<u>4,649</u>	<u>\$ 37,919</u>	<u>\$ 749</u>	<u>\$ 50,392</u>	<u>\$ 9,078,926</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Chaffin Education</u>	<u>Scovell Education</u>	<u>Gorin Education</u>	<u>Cousens Welfare</u>
ADDITIONS				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 17,797
Net investment income:				
Interest.....	592,217	146,323	-	269,041
TOTAL ADDITIONS.....	<u>592,217</u>	<u>146,323</u>	<u>-</u>	<u>286,838</u>
DEDUCTIONS				
Administration expense.....	1,207	-	-	30,483
Educational scholarships & awards.....	179,774	25,250	-	59,587
TOTAL DEDUCTIONS.....	<u>180,981</u>	<u>25,250</u>	<u>-</u>	<u>90,070</u>
CHANGE IN NET ASSETS.....	411,236	121,073	-	196,768
NET ASSETS AT BEGINNING OF YEAR.....	<u>4,283,417</u>	<u>959,104</u>	<u>26,163</u>	<u>1,688,502</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 4,694,653</u>	<u>\$ 1,080,177</u>	<u>\$ 26,163</u>	<u>\$ 1,885,270</u>

<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>
\$ 151,166	\$ -	\$ -	\$ -	\$ -	\$ 3,976	\$ -	\$ 172,939
73,326	10	133	15	115	5	154	1,081,339
224,492	10	133	15	115	3,981	154	1,254,278
600	-	706	-	-	-	-	32,996
96,013	-	-	-	-	3,875	-	364,499
96,613	-	706	-	-	3,875	-	397,495
127,879	10	(573)	15	115	106	154	856,783
1,124,924	3,092	43,622	4,634	37,804	643	50,238	8,222,143
\$ <u>1,252,803</u>	\$ <u>3,102</u>	\$ <u>43,049</u>	\$ <u>4,649</u>	\$ <u>37,919</u>	\$ <u>749</u>	\$ <u>50,392</u>	\$ <u>9,078,926</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, 2011

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2010</u>			<u>June 30, 2011</u>
ASSETS				
Cash and cash equivalents.....	\$ 2,426,344	142,656,599	(143,857,070)	\$ 1,225,873
LIABILITIES				
Warrants payable.....	217,624	143,639,022	(143,856,646)	-
Accrued payroll.....	424	-	(424)	-
Payroll withholdings.....	1,443,934	140,780,748	(142,020,249)	204,433
Other liabilities.....	764,362	1,875,851	(1,618,773)	1,021,440
 Total liabilities.....	 \$ 2,426,344	 \$ 286,295,621	 \$ (287,496,092)	 \$ 1,225,873



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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, 2011

	Continued Appropriations	FY 2011 Original Budget	FY 2011 Budget Revisions
City Clerk/Clerk of the Board			
Personal Services	\$ -	\$ 818,299	\$ -
Expenses	-	50,910	6,000
Fringe Benefits	-	210,863	8,890
Total City Clerk/Clerk of the Board	<u>-</u>	<u>1,080,072</u>	<u>14,890</u>
Mayor's Office			
Personal Services	-	668,543	(10,000)
Expenses	103	40,625	-
Fringe Benefits	-	66,817	4,090
Total Mayor's Office	<u>103</u>	<u>775,985</u>	<u>(5,910)</u>
Comptroller's Office/Property Insurance			
Personal Services	-	424,878	-
Expenses	11,193	479,235	-
Fringe Benefits	-	60,959	7,164
Total Comptroller's Office/Property Insurance	<u>11,193</u>	<u>965,072</u>	<u>7,164</u>
Purchasing/General Services			
Personal Services	-	326,740	(15,000)
Expenses	-	73,903	(5,000)
Capital Outlay	-	3,000	5,000
Fringe Benefits	-	51,480	5,076
Total Purchasing/General Services	<u>-</u>	<u>455,123</u>	<u>(9,924)</u>
Assessing Department			
Personal Services	-	990,949	(15,000)
Expenses	-	40,000	-
Fringe Benefits	-	182,357	(15,965)
Total Assessing Department	<u>-</u>	<u>1,213,306</u>	<u>(30,965)</u>
Treasury & Collection Department			
Personal Services	-	505,595	40,000
Expenses	11,805	411,569	24,852
Fringe Benefits	-	100,466	(12,373)
Total Treasury & Collection Department	<u>11,805</u>	<u>1,017,630</u>	<u>52,479</u>
City Solicitor/Judgments & Settlements			
Personal Services	-	813,716	10,168
Expenses	-	237,443	62,966
Fringe Benefits	-	102,977	(11,022)
Total City Solicitor's Office/Settlements	<u>-</u>	<u>1,154,136</u>	<u>62,112</u>

FY 2011 Budget As Amended	Total Revised FY 2011 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 818,299	\$ 818,299	\$ 812,882	\$ -	\$ 5,417
56,910	56,910	50,200	5,621	1,089
219,753	219,753	219,518	-	235
<u>1,094,962</u>	<u>1,094,962</u>	<u>1,082,600</u>	<u>5,621</u>	<u>6,741</u>
658,543	658,543	655,426	-	3,117
40,625	40,728	29,928	-	10,800
70,907	70,907	70,843	-	64
<u>770,075</u>	<u>770,178</u>	<u>756,197</u>	<u>-</u>	<u>13,981</u>
424,878	424,878	407,483	-	17,395
479,235	490,428	482,017	8,033	378
68,123	68,123	67,764	-	359
<u>972,236</u>	<u>983,429</u>	<u>957,264</u>	<u>8,033</u>	<u>18,132</u>
311,740	311,740	302,298	-	9,442
68,903	68,903	35,655	-	33,248
8,000	8,000	6,173	-	1,827
56,556	56,556	56,097	-	459
<u>445,199</u>	<u>445,199</u>	<u>400,223</u>	<u>-</u>	<u>44,976</u>
975,949	975,949	967,383	-	8,566
40,000	40,000	39,999	-	1
166,392	166,392	166,026	-	366
<u>1,182,341</u>	<u>1,182,341</u>	<u>1,173,408</u>	<u>-</u>	<u>8,933</u>
545,595	545,595	543,956	-	1,639
436,421	448,226	402,465	2,700	43,061
88,093	88,093	87,897	-	196
<u>1,070,109</u>	<u>1,081,914</u>	<u>1,034,318</u>	<u>2,700</u>	<u>44,896</u>
823,884	823,884	823,884	-	-
300,409	300,409	292,124	-	8,285
91,955	91,955	91,803	-	152
<u>1,216,248</u>	<u>1,216,248</u>	<u>1,207,811</u>	<u>-</u>	<u>8,437</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, 2011

	Continued Appropriations	FY 2011 Original Budget	FY 2011 Budget Revisions
Human Resources Department			
Personal Services	-	603,879	(55,462)
Expenses	298	107,549	-
Capital Outlay	-	1,700	-
Fringe Benefits	-	205,858	124,100
Total Human Resources Department	<u>298</u>	<u>918,986</u>	<u>68,638</u>
Information Technology Department			
Personal Services	-	650,626	(40,000)
Expenses	89	320,662	-
Capital Outlay	-	25,500	-
Fringe Benefits	-	118,906	(29,265)
Total Information Technology Department	<u>89</u>	<u>1,115,694</u>	<u>(69,265)</u>
Election Commission			
Personal Services	-	383,949	-
Expenses	-	82,188	-
Fringe Benefits	-	56,898	(1,737)
Total Election Commission	<u>-</u>	<u>523,035</u>	<u>(1,737)</u>
Licensing Commission			
Expenses	-	1,896	-
Planning & Development Department			
Personal Services	-	852,821	(10,206)
Expenses	35,077	29,057	(2,070)
Capital Outlay	-	-	2,070
Fringe Benefits	-	150,289	(42,654)
Total Planning & Development Department	<u>35,077</u>	<u>1,032,167</u>	<u>(52,860)</u>
Public Building Department			
Personal Services	-	1,755,994	(48,014)
Expenses	61,186	751,320	18,445
Capital Outlay	-	1,000	-
Fringe Benefits	-	394,625	(52,804)
Total Public Building Department	<u>61,186</u>	<u>2,902,939</u>	<u>(82,373)</u>
GENERAL GOVERNMENT TOTAL			
	<u>119,751</u>	<u>13,156,041</u>	<u>(47,751)</u>
Police Department			
Personal Services	497,331	13,710,898	1,226,022
Expenses	11,171	804,013	60,000
Capital Outlay	49,078	71,507	-
Fringe Benefits	-	2,281,294	(112,787)
Total Police Department	<u>557,580</u>	<u>16,867,712</u>	<u>1,173,235</u>

<u>FY 2011 Budget As Amended</u>	<u>Total Revised FY 2011 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
548,417	548,417	522,507	-	25,910
107,549	107,847	102,384	-	5,463
1,700	1,700	1,071	-	629
<u>329,958</u>	<u>329,958</u>	<u>292,577</u>	<u>-</u>	<u>37,381</u>
<u>987,624</u>	<u>987,922</u>	<u>918,539</u>	<u>-</u>	<u>69,383</u>
610,626	610,626	567,612	-	43,014
320,662	320,751	316,600	766	3,385
25,500	25,500	25,413	-	87
89,641	89,641	88,483	-	1,158
<u>1,046,429</u>	<u>1,046,518</u>	<u>998,108</u>	<u>766</u>	<u>47,644</u>
383,949	383,949	373,031	-	10,918
82,188	82,188	42,933	4,200	35,055
55,161	55,161	55,157	-	4
<u>521,298</u>	<u>521,298</u>	<u>471,121</u>	<u>4,200</u>	<u>45,977</u>
<u>1,896</u>	<u>1,896</u>	<u>1,559</u>	<u>-</u>	<u>337</u>
842,615	842,615	834,008	-	8,607
26,987	62,064	32,534	21,217	8,313
2,070	2,070	-	2,045	25
107,635	107,635	106,485	-	1,150
<u>979,307</u>	<u>1,014,384</u>	<u>973,027</u>	<u>23,262</u>	<u>18,095</u>
1,707,980	1,707,980	1,657,352	-	50,628
769,765	830,951	797,939	30,364	2,648
1,000	1,000	858	142	-
341,821	341,821	340,500	-	1,321
<u>2,820,566</u>	<u>2,881,752</u>	<u>2,796,649</u>	<u>30,506</u>	<u>54,597</u>
<u>13,108,290</u>	<u>13,228,041</u>	<u>12,770,824</u>	<u>75,088</u>	<u>382,129</u>
14,936,920	15,434,251	15,373,481	-	60,770
864,013	875,184	853,208	1,498	20,478
71,507	120,585	119,744	-	841
2,168,507	2,168,507	2,166,661	-	1,846
<u>18,040,947</u>	<u>18,598,527</u>	<u>18,513,094</u>	<u>1,498</u>	<u>83,935</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, 2011

	Continued Appropriations	FY 2011 Original Budget	FY 2011 Budget Revisions
Fire Department			
Personal Services	-	12,989,316	233,000
Expenses	500	555,462	49,300
Capital Outlay	20,480	27,000	-
Fringe Benefits	-	2,336,025	(98,546)
Total Fire Department	<u>20,980</u>	<u>15,907,803</u>	<u>183,754</u>
Inspectional Services Department			
Personal Services	-	884,766	5,000
Expenses	-	53,810	-
Capital Outlay	-	20,000	-
Fringe Benefits	-	141,103	-
Total Inspectional Services Department	<u>-</u>	<u>1,099,679</u>	<u>5,000</u>
Weights & Measures Department			
Personal Services	-	66,196	10
Expenses	-	3,615	(10)
Fringe Benefits	-	6,508	-
Total Weights & Measures Department	<u>-</u>	<u>76,319</u>	<u>-</u>
<hr/>			
PUBLIC SAFETY TOTAL	<u>578,560</u>	<u>33,951,513</u>	<u>1,361,989</u>
<hr/>			
NEWTON PUBLIC SCHOOLS	<u>894,457</u>	<u>164,726,002</u>	<u>736,564</u>
<hr/>			
Public Works Department			
Personal Services	-	7,640,532	549,500
Expenses	60,736	9,353,930	2,248,000
Capital Outlay	146,421	68,770	-
Fringe Benefits	-	1,575,853	(67,100)
Total Public Works Department	<u>207,157</u>	<u>18,639,085</u>	<u>2,730,400</u>
<hr/>			
PUBLIC WORKS TOTAL	<u>207,157</u>	<u>18,639,085</u>	<u>2,730,400</u>

FY 2011 Budget As Amended	Total Revised FY 2011 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
13,222,316	13,222,316	13,123,633	-	98,683
604,762	605,262	583,033	15,365	6,864
27,000	47,480	27,607	19,747	126
<u>2,237,479</u>	<u>2,237,479</u>	<u>2,234,388</u>	<u>-</u>	<u>3,091</u>
<u>16,091,557</u>	<u>16,112,537</u>	<u>15,968,661</u>	<u>35,112</u>	<u>108,764</u>
889,766	889,766	889,766	-	-
53,810	53,810	37,912	5,100	10,798
20,000	20,000	-	-	20,000
141,103	141,103	139,776	-	1,327
<u>1,104,679</u>	<u>1,104,679</u>	<u>1,067,454</u>	<u>5,100</u>	<u>32,125</u>
66,206	66,206	66,204	-	2
3,605	3,605	1,773	-	1,832
<u>6,508</u>	<u>6,508</u>	<u>6,475</u>	<u>-</u>	<u>33</u>
<u>76,319</u>	<u>76,319</u>	<u>74,452</u>	<u>-</u>	<u>1,867</u>
<u>35,313,502</u>	<u>35,892,062</u>	<u>35,623,661</u>	<u>41,710</u>	<u>226,691</u>
<u>165,462,566</u>	<u>166,357,023</u>	<u>165,980,480</u>	<u>375,273</u>	<u>1,270</u>
8,190,032	8,190,032	7,997,073	-	192,959
11,601,930	11,662,666	11,380,030	50,664	231,972
68,770	215,191	26,056	185,079	4,056
<u>1,508,753</u>	<u>1,508,753</u>	<u>1,503,488</u>	<u>-</u>	<u>5,265</u>
<u>21,369,485</u>	<u>21,576,642</u>	<u>20,906,647</u>	<u>235,743</u>	<u>434,252</u>
<u>21,369,485</u>	<u>21,576,642</u>	<u>20,906,647</u>	<u>235,743</u>	<u>434,252</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, 2011

	Continued Appropriations	FY 2011 Original Budget	FY 2011 Budget Revisions
Health & Human Services Department			
Personal Services	-	2,213,314	(50,000)
Expenses	181	322,301	-
Capital Outlay	4,500	-	-
Fringe Benefits	-	489,272	(33,163)
Total Public Health Department	<u>4,681</u>	<u>3,024,887</u>	<u>(83,163)</u>
Senior Services Department			
Personal Services	-	228,980	-
Expenses	-	301,444	-
Fringe Benefits	-	50,322	(1,479)
Total Human Services Department	<u>-</u>	<u>580,746</u>	<u>(1,479)</u>
Veteran Services Department			
Personal Services	-	140,658	500
Expenses	-	47,275	70,000
Fringe Benefits	-	23,129	9,118
Total Veteran Services Department	<u>-</u>	<u>211,062</u>	<u>79,618</u>
<hr/>			
HEALTH & HUMAN SERVICES TOTAL	<u>4,681</u>	<u>3,816,695</u>	<u>(5,024)</u>
Newton Public Library			
Personal Services	-	3,334,243	(50,000)
Expenses	-	1,088,484	-
Fringe Benefits	-	606,304	793
Total Newton Public Library	<u>-</u>	<u>5,029,031</u>	<u>(49,207)</u>
Parks & Recreation Department			
Personal Services	-	2,282,652	1,690
Expenses	-	1,195,965	146,115
Fringe Benefits	-	322,690	41,346
Total Parks & Recreation Department	<u>-</u>	<u>3,801,307</u>	<u>189,151</u>
Newton History Museum			
Personal Services	-	195,190	-
Expenses	-	19,721	-
Fringe Benefits	-	36,822	(574)
Total Newton History Museum	<u>-</u>	<u>251,733</u>	<u>(574)</u>
<hr/>			
CULTURE & RECREATION TOTAL	<u>-</u>	<u>9,082,071</u>	<u>139,370</u>

FY 2011 Budget As Amended	Total Revised FY 2011 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
2,163,314	2,163,314	2,159,991	-	3,323
322,301	322,482	286,938	-	35,544
-	4,500	4,391	-	109
456,109	456,109	449,481	-	6,628
<u>2,941,724</u>	<u>2,946,405</u>	<u>2,900,801</u>	<u>-</u>	<u>45,604</u>
228,980	228,980	218,224	-	10,756
301,444	301,444	301,444	-	-
48,843	48,843	48,759	-	84
<u>579,267</u>	<u>579,267</u>	<u>568,427</u>	<u>-</u>	<u>10,840</u>
141,158	141,158	141,157	-	1
117,275	117,275	115,545	-	1,730
32,247	32,247	32,150	-	97
<u>290,680</u>	<u>290,680</u>	<u>288,852</u>	<u>-</u>	<u>1,828</u>
<u>3,811,671</u>	<u>3,816,352</u>	<u>3,758,080</u>	<u>-</u>	<u>58,272</u>
3,284,243	3,284,243	3,133,480	-	150,763
1,088,484	1,088,484	990,105	-	98,379
607,097	607,097	606,873	-	224
<u>4,979,824</u>	<u>4,979,824</u>	<u>4,730,458</u>	<u>-</u>	<u>249,366</u>
2,284,342	2,284,342	2,254,075	-	30,267
1,342,080	1,342,080	1,274,612	-	67,468
364,036	364,036	360,507	-	3,529
<u>3,990,458</u>	<u>3,990,458</u>	<u>3,889,194</u>	<u>-</u>	<u>101,264</u>
195,190	195,190	194,626	-	564
19,721	19,721	19,484	-	237
36,248	36,248	34,867	-	1,381
<u>251,159</u>	<u>251,159</u>	<u>248,977</u>	<u>-</u>	<u>2,182</u>
<u>9,221,441</u>	<u>9,221,441</u>	<u>8,868,629</u>	<u>-</u>	<u>352,812</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, 2011

	Continued Appropriations	FY 2011 Original Budget	FY 2011 Budget Revisions
DEBT SERVICE (PRINCIPAL & INTEREST)			
Debt Service	-	16,010,731	-
RETIREMENT			
Personal Services	-	179,103	-
Expenses	-	70,525	-
Fringe Benefits	-	23,132,711	426,392
Total Retirement	-	23,382,339	426,392
APPROPRIATED RESERVES			
Wage & Salary Reserve	881,022	-	(881,022)
Reserve Fund (Budget Reserve)	-	750,000	(697,725)
Total Budgetary Reserves	881,022	750,000	(1,578,747)
STATE & COUNTY ASSESSMENTS	-	5,552,182	36,904
SPECIAL APPROPRIATIONS	3,192,017	-	1,412,279
TOTAL EXPENDITURES	5,877,645	289,066,659	5,212,376
TRANSFERS TO OTHER FUNDS:			
Workers Comp Self Insurance Fund - Municipal	-	750,000	48,014
Workers Comp Self Insurance Fund - School	-	250,000	-
School Athletic Revolving Fund - School	-	903,678	-
School Lunch Fund - School	-	502,648	(40,648)
School Building Improvement Fund	-	-	75,000
Municipal Building Improvement Fund	-	-	4,954
Capital Stabilization Fund - Municipal	-	-	22,163
Rainy Day Stabilization Fund	-	-	2,643,271
Municipal Federal Grants - Municipal	-	-	40,000
Municipal Federal Grants - School	-	-	125,750
OPEB Fund	-	137,000	-
Total Transfers to Other Funds	-	2,543,326	2,918,504
TOTAL EXPENDITURES AND TRANSFERS	\$ 5,877,645	\$ 291,609,985	\$ 8,130,880

<u>FY 2011 Budget As Amended</u>	<u>Total Revised FY 2011 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
<u>16,010,731</u>	<u>16,010,731</u>	<u>16,009,264</u>	<u>-</u>	<u>1,467</u>
179,103	179,103	179,101	-	2
70,525	70,525	70,525	-	-
<u>23,559,103</u>	<u>23,559,103</u>	<u>23,524,814</u>	<u>-</u>	<u>34,289</u>
<u>23,808,731</u>	<u>23,808,731</u>	<u>23,774,440</u>	<u>-</u>	<u>34,291</u>
(881,022)	-	-	-	-
<u>52,275</u>	<u>52,275</u>	<u>-</u>	<u>-</u>	<u>52,275</u>
<u>(828,747)</u>	<u>52,275</u>	<u>-</u>	<u>-</u>	<u>52,275</u>
<u>5,589,086</u>	<u>5,589,086</u>	<u>5,472,487</u>	<u>-</u>	<u>116,599</u>
<u>1,412,279</u>	<u>4,604,296</u>	<u>1,508,283</u>	<u>3,096,013</u>	<u>-</u>
<u>294,279,035</u>	<u>300,156,680</u>	<u>294,672,795</u>	<u>3,823,827</u>	<u>1,660,058</u>
798,014	798,014	798,014	-	-
250,000	250,000	250,000	-	-
903,678	903,678	903,678	-	-
462,000	462,000	462,000	-	-
75,000	75,000	75,000	-	-
4,954	4,954	4,954	-	-
22,163	22,163	22,163	-	-
2,643,271	2,643,271	2,643,271	-	-
40,000	40,000	40,000	-	-
125,750	125,750	125,750	-	-
<u>137,000</u>	<u>137,000</u>	<u>137,000</u>	<u>-</u>	<u>-</u>
<u>5,461,830</u>	<u>5,461,830</u>	<u>5,461,830</u>	<u>-</u>	<u>-</u>
<u>299,740,865</u> \$	<u>305,618,510</u> \$	<u>300,134,625</u> \$	<u>3,823,827</u> \$	<u>1,660,058</u>

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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, 2011

	Continued Appropriations	Current Year Appropriations	Original Budget
Administration & operations	\$ 1,625	145,990	\$ 147,615
2010 CPA appropriation reserve	-	1,442,489	1,442,489
Open space:			
Open space reserve	-	-	-
Flowed Meadow improvements	30,700	-	30,700
Cheesecake Brook Greenway development	430	-	430
Kessler Woods debt service	-	555,750	555,750
Total - Open space projects	<u>31,130</u>	<u>555,750</u>	<u>586,880</u>
Historic resources:			
Historic preservation reserve	-	308,909	308,909
Archival survey	-	-	-
Historic building assessment (1830-1840)	-	-	-
Municipal building historic assessment	-	-	-
Mayor Hyde portrait restoration	5,200	-	5,200
Historical burial grounds restoration	13,076	-	13,076
Historical burial grounds restoration Phase II	194,782	-	194,782
Durant Kenrick Homestead	104	-	104
Durant Kenrick Homestead preservation restriction	2,717,300	-	2,717,300
Heritage landscape inventory	444	-	444
Newton History Museum Archives Project	79,913	-	79,913
Farlow Park Pond Improvements	24,360	-	24,360
Jackson Homestead Museum Restoration	61,866	-	61,866
Archives Preservation	36,545	-	36,545
Angino farm barn rehabilitation	85,200	-	85,200
Warren House Preservation	2,500	-	2,500
Archaeological Resources Survey	36,134	-	36,134
Total - Historic preservation	<u>3,257,424</u>	<u>308,909</u>	<u>3,566,333</u>

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ -	\$ 147,615	\$ 102,905	\$ 12,810	\$ 31,900
(1,181,666)	260,823	-	-	260,823
430	430	-	-	430
-	30,700	-	30,700	-
(430)	-	-	-	-
-	555,750	555,750	-	-
-	586,880	555,750	30,700	430
(179,976)	128,933	-	-	128,933
46,640	46,640	-	46,640	-
37,500	37,500	-	37,500	-
98,780	98,780	-	98,780	-
(500)	4,700	4,700	-	-
-	13,076	-	13,076	-
-	194,782	16,612	178,170	-
-	104	-	104	-
-	2,717,300	-	2,717,300	-
(444)	-	-	-	-
-	79,913	30,493	49,420	-
-	24,360	14,360	10,000	-
-	61,866	32,122	29,744	-
-	36,545	24,377	12,168	-
-	85,200	5,804	79,396	-
(2,500)	-	-	-	-
-	36,134	26,250	9,884	-
(500)	3,565,833	154,718	3,282,182	128,933

(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, 2011

	<u>Continued Appropriations</u>	<u>Current Year Appropriations</u>	<u>Original Budget</u>
Community housing:			
Community housing reserve	-	308,909	308,909
192 Lexington Street housing	2,046,000	-	2,046,000
2148-2150 Commonwealth Avenue housing	375,000	-	375,000
61 Pearl Street housing	-	-	-
Newton Homebuyer Assistance Program	629,631	-	629,631
Total - community housing	<u>3,050,631</u>	<u>308,909</u>	<u>3,359,540</u>
Community recreation:			
20 Rogers Street land acquisition debt service	-	327,038	327,038
20 Rogers Street land acquisition BAN interest	-	-	-
Albemarle community classroom - Parks	12,929	-	12,929
Angino farm barn rehabilitation	482,800	-	482,800
Total - community recreation	<u>495,729</u>	<u>327,038</u>	<u>822,767</u>
TOTAL CPA FUND	<u>\$ 6,836,539</u>	<u>\$ 3,089,085</u>	<u>\$ 9,925,624</u>

<u>Budget Revisions</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
-	308,909	-	-	308,909
-	2,046,000	1,986,001	59,999	-
-	375,000	375,000	-	-
665,500	665,500	-	665,500	-
-	629,631	308	629,323	-
<u>665,500</u>	<u>4,025,040</u>	<u>2,361,309</u>	<u>1,354,822</u>	<u>308,909</u>
-	327,038	327,038	-	-
451,650	451,650	451,650	-	-
-	12,929	-	12,929	-
-	482,800	17,799	465,001	-
<u>451,650</u>	<u>1,274,417</u>	<u>796,487</u>	<u>477,930</u>	<u>-</u>
<u>\$ (65,016)</u>	<u>\$ 9,860,608</u>	<u>\$ 3,971,169</u>	<u>\$ 5,158,444</u>	<u>\$ 730,995</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, 2011

	Continued Appropriations	FY 2011 Appropriations	Transfers
School Building Improvement Fund:			
Newton South High Athletic Field Improvements	\$ 794,659	\$ -	\$ -
Burr Elementary Window Replacement	619,400	-	-
Education Center Emergency Generator Replacement	202,000	-	-
Williams Boiler Replacement	187,835	-	-
Countryside Elevator Lift	145,250	-	-
Peirce Elementary School Repairs	189,128	-	-
F.A Day HVAC Improvements	459,219	-	-
Angier School Boiler Replacement	83,324	-	-
Horance Mann School Window/Door Replacement	-	500,000	-
Elementary School Roof Top Exhaust Units	-	100,000	-
School Masonry Repairs	-	450,000	-
School Boiler Replacement	-	350,000	-
School Roof Repairs	-	810,000	-
Varous Elementary School Modulars	-	75,000	-
F.A Day/Oak Hill Modulars	1,263,571	-	-
Total School Building Improvement Fund	3,944,386	2,285,000	-
High School Renovation Fund:			
Newton South High School Renovations	18,054	-	-
Newton North High School Renovations	33,497,836	-	-
Total High School Renovation Fund	33,515,890	-	-
Municipal Building Improvement Fund:			
Energy Audits - Various Buildings	165,070	-	-
Energy Conservation - Various Buildings	3,168,601	128,992	(128,992)
Police Station HQ lobby safety improvements	-	-	118,500
City Hall Window Replacement/Repairs - 2011	-	125,000	-
Crafts St DPW Yard Fuel Tank Replacment	386,093	-	-
Fire Station #3 & #10 Architectural Study	-	130,000	-
Fire Station #7 Renovations	4,403,576	-	-
Fire Station #4 Plantings & Landscaping	14,962	7,635	(7,635)
Total Municipal Building Improvement Fund	8,138,302	391,627	(18,127)
CH 90 Highway Improvement Fund:			
MA 3246207	166,641	-	-
MA 0035509	22,650	(20,000)	-
MA 0044606	24,560	-	-
MA 0048380	85,041	-	-
MA 0050910	3,942,471	2,369,481	-
Total CH 90 Highway Improvement Fund	4,241,363	2,349,481	-
Municipal Equipment Replacement Fund:			
Parks Equipment Replacement - 2009	9,386	-	(9,386)
Automated Trash & Recycling Receptacles - 2009	668,154	(650,000)	-
Trommel Screen - 2010	170,000	-	-
Public Works Equipment Replacement - 2011	-	265,000	-
Fire Engine Replacement - 2010	8,069	-	-
Total Municipal Equipment Replacement Fund	855,609	(385,000)	(9,386)

	Expended	Encumbered	Following Year Budget	Balance
\$	142,971	\$ 9,075	\$ 642,613	\$ -
	251,640	86,980	280,780	-
	2,172	-	199,828	-
	156,317	-	31,518	-
	104,383	-	40,867	-
	186,341	-	2,787	-
	454,069	-	5,150	-
	36,075	-	47,249	-
	5,500	-	494,500	-
	-	-	100,000	-
	-	-	450,000	-
	-	-	350,000	-
	17,429	4,500	788,071	-
	23,580	-	51,420	-
	1,118,675	-	144,896	-
	<u>2,499,152</u>	<u>100,555</u>	<u>3,629,679</u>	<u>-</u>
	14,668	3,386	-	-
	<u>24,123,371</u>	<u>5,632,685</u>	<u>3,741,780</u>	<u>-</u>
	<u>24,138,039</u>	<u>5,636,071</u>	<u>3,741,780</u>	<u>-</u>
	-	-	165,070	-
	3,161,862	-	6,739	-
	-	-	118,500	-
	-	-	125,000	-
	352,827	-	33,266	-
	-	-	130,000	-
	2,419,140	1,461,418	523,018	-
	-	14,395	567	-
	<u>5,933,829</u>	<u>1,475,813</u>	<u>1,102,160</u>	<u>-</u>
	-	-	166,641	-
	-	-	2,650	-
	14,178	10,382	-	-
	-	-	85,041	-
	<u>1,741,871</u>	<u>1,375,300</u>	<u>3,194,781</u>	<u>-</u>
	<u>1,756,049</u>	<u>1,385,682</u>	<u>3,449,113</u>	<u>-</u>
	-	-	-	-
	17,556	-	598	-
	164,500	-	5,500	-
	265,000	-	-	-
	(969)	-	9,038	-
	<u>446,087</u>	<u>-</u>	<u>15,136</u>	<u>-</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, 2011

	Continued Appropriations	FY 2011 Appropriations	Transfers
Water System Improvement Fund:			
MWRA - Water System - Accumulated Interest Income	9,721	15,740	-
MWRA - Water System Improvements - Loan of 2005	87,170	-	-
MWRA - Water System Improvements - Loan of 2006	85,818	-	-
MWRA - Water System Improvements - Loan of 2007	42,010	-	-
MWRA - Water System Improvements - Loan of 2009	1,879,841	-	-
MWRA - Water System Improvements - III Transfer	664,379	-	-
MWRA - Water System Improvements - Loan of 2010	2,189,813	-	-
MWRA - Water System Improvements - Loan of 2011	-	1,933,657	-
Water Meter Replacement - 2009	8,478,083	-	-
Waban Hill Reservoir Improvements - 2001 / 2003	254,811	-	-
Total Water System Improvement Fund	<u>13,691,646</u>	<u>1,949,397</u>	<u>-</u>
Sanitary Sewer Improvement Fund:			
Sewer Emergency Repairs (City of Newton)	10,000	-	-
Cochituate Sewer Repair (Town of Wellesley Contb)	135,478	-	-
Oakdale Rd Sewer Improvements - 2010	50,500	-	(24,417)
Farina Rd Sewer Improvements - 2010	57,642	-	-
Irving St Sewer Improvements - 2010	116,500	-	-
Old Farm Rd Sewer Improvements - 2010	170,500	-	-
Woodland/Studio Rd Sewer Improvements - 2010	-	-	24,417
Old Farm Rd Sewer Improvements - 2011	-	787,000	-
Aspen Ave /Hawthorne Ave/Studio Ed Ext - 2011	-	800,000	-
Quinobequin Rd Sewer Repairs - 2011	-	200,000	-
Grodon Rd Sewer Repairs - 2011	-	170,000	-
Newtonville Ave Sewer Repairs - 2011	-	160,000	-
Wood End Rd Sewer Repairs - 2011	-	160,000	-
MWRA - Sewer I&I - Accumulated Interest Income	8,356	8,442	-
MWRA - Infiltration/Inflow - 2007	106,684	-	-
MWRA - Infiltration/Inflow - 2007	308,009	-	-
MWRA - Infiltration/Inflow - 2008	269,301	-	-
MWRA - Infiltration/Inflow - 2009	913,405	-	-
MWRA - Infiltration/Inflow - 2009	652,779	-	-
MWRA - Infiltration/Inflow - 2010	683,192	-	-
Total Sanitary Sewer Improvement Fund	<u>3,482,346</u>	<u>2,285,442</u>	<u>-</u>
Total Capital Projects Funds	<u>\$ 67,869,542</u>	<u>\$ 8,875,947</u>	<u>\$ (27,513)</u>

<u>Expended</u>	<u>Encumbered</u>	<u>Following Year Budget</u>	<u>Balance</u>
-	-	25,461	-
69,690	-	17,480	-
85,818	-	-	-
42,010	-	-	-
1,863,632	-	16,209	-
489,729	174,649	1	-
1,361,426	727,999	100,388	-
-	-	1,933,657	-
4,192,701	1,886,891	2,398,491	-
2,566	3,959	248,286	-
<u>8,107,572</u>	<u>2,793,498</u>	<u>4,739,973</u>	<u>-</u>
-	-	10,000	-
-	-	135,478	-
-	-	26,083	-
7,142	-	50,500	-
55,982	-	60,518	-
125,612	44,888	-	-
-	24,417	-	-
-	-	787,000	-
-	-	800,000	-
-	-	200,000	-
-	-	170,000	-
-	-	160,000	-
-	-	160,000	-
-	-	16,798	-
96,334	10,290	60	-
254,782	43,124	10,103	-
217,669	51,631	1	-
913,400	-	5	-
648,775	-	4,004	-
354,244	328,948	-	-
<u>2,673,940</u>	<u>503,298</u>	<u>2,590,550</u>	<u>-</u>
<u>\$ 45,554,668</u>	<u>\$ 11,894,917</u>	<u>\$ 19,268,391</u>	<u>\$ -</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, 2011

	Continued <u>Appropriations</u>	FY 2011 <u>Original Budget</u>	FY 2011 <u>Budget Revisions</u>
Sewer Maintenance & Operation			
Personal Services	\$ -	\$ 2,012,674	\$ (117,662)
Expenses	143,820	1,422,150	(37,000)
Capital Outlay	510,660	943,500	(555,000)
Fringe Benefits	-	406,968	-
Total	<u>654,480</u>	<u>4,785,292</u>	<u>(709,662)</u>
MWRA Sewer Assessment	-		
Intergovernmental	<u>-</u>	<u>18,087,335</u>	<u>(52,000)</u>
Debt Maturities & Interest	<u>-</u>	<u>1,495,812</u>	<u>-</u>
Retirement	<u>-</u>	<u>339,190</u>	<u>-</u>
Employee Benefits	<u>-</u>	<u>276,534</u>	<u>(276,000)</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>150,000</u>	<u>117,662</u>
Transfer - General Fund	<u>-</u>	<u>837,801</u>	<u>-</u>
Total Sewer Enterprise Fund	\$ <u>654,480</u>	\$ <u>25,971,964</u>	\$ <u>(920,000)</u>

<u>FY 2011 Budget As Amended</u>	<u>Total Revised FY 2011 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,895,012	\$ 1,895,012	\$ 1,662,399	\$ 4,100	\$ 228,513
1,385,150	1,528,970	757,514	264,585	506,871
388,500	899,160	260,795	636,364	2,001
406,968	406,968	397,392	-	9,576
<u>4,075,630</u>	<u>4,730,110</u>	<u>3,078,100</u>	<u>905,049</u>	<u>746,961</u>
<u>18,035,335</u>	<u>18,035,335</u>	<u>18,034,955</u>	<u>-</u>	<u>380</u>
<u>1,495,812</u>	<u>1,495,812</u>	<u>1,316,148</u>	<u>-</u>	<u>179,664</u>
<u>339,190</u>	<u>339,190</u>	<u>339,190</u>	<u>-</u>	<u>-</u>
<u>534</u>	<u>534</u>	<u>-</u>	<u>-</u>	<u>534</u>
<u>267,662</u>	<u>267,662</u>	<u>267,662</u>	<u>-</u>	<u>-</u>
<u>837,801</u>	<u>837,801</u>	<u>837,801</u>	<u>-</u>	<u>-</u>
<u>\$ 25,051,964</u>	<u>\$ 25,706,444</u>	<u>\$ 23,873,856</u>	<u>\$ 905,049</u>	<u>\$ 927,539</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Continued <u>Appropriations</u>	FY 2011 <u>Original Budget</u>	FY 2011 <u>Budget Revisions</u>
Water Maintenance & Operation			
Personal Services	\$ -	\$ 2,116,840	\$ -
Expenses	239,119	1,306,389	(310,000)
Capital Outlay	142,940	498,000	(171,000)
Fringe Benefits	-	430,398	-
Total	<u>382,059</u>	<u>4,351,627</u>	<u>(481,000)</u>
Debt Maturities & Interest	<u>-</u>	<u>3,172,816</u>	<u>-</u>
Retirement	<u>-</u>	<u>381,798</u>	<u>-</u>
MWRA/DEP Assessments & Charges	<u>-</u>	<u>8,745,520</u>	<u>-</u>
Budget Reserve	<u>-</u>	<u>110,373</u>	<u>-</u>
Transfer - Sewer Fund	<u>-</u>	<u>922,778</u>	<u>-</u>
Transfer - General Fund	<u>-</u>	<u>558,534</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>150,000</u>	<u>-</u>
Total Water Enterprise Fund	\$ <u>382,059</u>	\$ <u>18,393,446</u>	\$ <u>(481,000)</u>

FY 2011 Budget As Amended	Total Revised FY 2011 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 2,116,840	\$ 2,116,840	\$ 1,757,254	\$ 4,800	\$ 354,786
996,389	1,235,508	844,316	176,044	215,148
327,000	469,940	50,854	412,086	7,000
430,398	430,398	407,545	-	22,853
<u>3,870,627</u>	<u>4,252,686</u>	<u>3,059,969</u>	<u>592,930</u>	<u>599,787</u>
<u>3,172,816</u>	<u>3,172,816</u>	<u>3,136,654</u>	<u>-</u>	<u>36,162</u>
<u>381,798</u>	<u>381,798</u>	<u>377,110</u>	<u>-</u>	<u>4,688</u>
<u>8,745,520</u>	<u>8,745,520</u>	<u>8,738,199</u>	<u>-</u>	<u>7,321</u>
<u>110,373</u>	<u>110,373</u>	<u>-</u>	<u>-</u>	<u>110,373</u>
<u>922,778</u>	<u>922,778</u>	<u>922,778</u>	<u>-</u>	<u>-</u>
<u>558,534</u>	<u>558,534</u>	<u>558,534</u>	<u>-</u>	<u>-</u>
<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
<u>\$ 17,912,446</u>	<u>\$ 18,294,505</u>	<u>\$ 16,943,244</u>	<u>\$ 592,930</u>	<u>\$ 758,331</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 122 - 127)

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 128 - 131)

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

Debt Capacity (pages 132 - 135)

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 (page 136)

This schedule offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information (pages 137 - 138)

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 TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
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	\$ 174,706,210	\$ 150,650,131	\$ 194,301,691	\$ 211,763,420
Restricted	29,282,090	13,669,675	14,029,054	21,270,042	15,267,985	13,842,544	35,459,940	104,838,430	52,363,403	34,096,760
Unrestricted	26,813,182	24,407,942	34,366,681	35,865,065	48,962,078	67,671,362	39,781,710	(2,265,544)	(27,083,933)	(65,309,262)
Total governmental activities net assets	\$ 127,062,512	\$ 130,717,136	\$ 171,551,491	\$ 210,657,424	\$ 217,264,979	\$ 249,057,380	\$ 249,947,860	\$ 253,223,017	\$ 219,581,161	\$ 180,550,918
Business-Type Activities										
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	\$ 46,364,172	\$ 32,694,954	\$ 38,627,779	\$ 46,802,526
Restricted	5,211,172	6,475,918	6,624,240	8,410,167	9,007,804	10,418,683	6,581,929	15,657,948	13,497,989	7,321,657
Unrestricted	17,473,387	8,628,722	11,844,840	11,936,815	13,583,611	13,295,771	9,359,270	12,871,360	9,980,661	15,055,372
Total business-type activities net assets	\$ 47,338,713	\$ 49,140,150	\$ 48,094,443	\$ 50,149,654	\$ 53,676,780	\$ 56,415,784	\$ 62,305,371	\$ 61,224,262	\$ 62,106,429	\$ 69,179,554
Primary Government										
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	\$ 221,070,382	\$ 183,345,085	\$ 232,929,470	\$ 258,565,946
Restricted	34,493,262	20,145,593	20,653,294	29,680,209	24,275,789	24,261,227	42,041,869	120,496,378	65,861,392	41,418,417
Unrestricted	44,286,569	33,036,664	46,211,521	47,801,880	62,545,689	80,967,133	49,140,980	10,605,816	(17,103,272)	(50,253,891)
Total primary government net assets	\$ 174,401,225	\$ 179,857,286	\$ 219,645,934	\$ 260,807,078	\$ 270,941,759	\$ 305,473,164	\$ 312,253,231	\$ 314,447,279	\$ 281,687,590	\$ 249,730,472

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

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
General government.....	\$ 17,788,044	\$ 19,132,571	\$ 20,594,439	\$ 19,275,760	\$ 24,609,259	\$ 20,617,999	\$ 25,791,496	\$ 22,581,716	\$ 24,623,302	\$ 26,974,952
Public safety.....	45,465,764	40,635,284	40,102,814	41,690,193	43,062,252	44,207,931	48,896,370	52,614,816	52,168,801	55,800,259
Education.....	134,259,240	157,020,633	162,268,826	175,722,669	181,638,581	188,026,627	218,716,994	236,024,500	245,946,308	252,413,006
Public works.....	18,502,301	18,987,391	19,755,181	23,440,299	21,666,417	21,643,562	25,208,763	27,229,098	26,138,843	28,410,758
Health and human services.....	10,378,352	9,119,333	8,470,667	8,864,530	8,979,409	9,273,626	9,980,301	10,463,388	10,672,057	10,757,372
Culture and recreation.....	11,873,650	11,805,253	12,252,669	14,253,032	13,802,334	13,471,254	15,864,538	16,806,140	16,245,112	15,092,035
Other.....	-	-	-	-	-	-	24,080	-	-	-
Debt service - interest.....	2,122,459	2,055,115	2,121,882	2,570,332	2,350,756	2,237,287	2,494,422	4,375,013	7,234,167	7,670,746
Total expenses.....	240,389,810	258,755,580	265,566,478	285,816,815	296,109,008	299,478,286	346,976,964	370,094,671	383,028,590	397,119,128
Program Revenues										
Charges for services.....	18,114,260	19,697,646	19,253,150	20,056,263	21,298,907	22,854,391	21,185,123	21,413,394	20,969,889	21,915,225
Operating grants and contributions.....	40,775,454	44,209,235	43,365,401	48,562,260	50,529,662	54,150,398	60,500,259	66,344,326	65,706,164	66,976,636
Capital grants and contributions.....	6,420,028	2,686,298	1,810,615	36,589,529	642,315	11,118,572	21,684,895	30,179,116	1,960,084	1,764,258
Total program revenues.....	65,309,742	66,593,179	64,429,166	105,208,052	72,470,884	88,123,361	103,370,277	117,936,836	88,636,137	90,656,119
Net (expense)/revenue.....	(175,080,068)	(192,162,401)	(201,137,312)	(180,608,763)	(223,638,124)	(211,354,925)	(243,606,687)	(252,157,835)	(294,392,453)	(306,463,009)
General Revenues and Other Changes in Net Assets										
Real estate and personal property taxes.....	160,622,246	178,891,217	187,446,868	192,457,450	200,966,839	209,105,186	211,886,334	226,800,860	232,774,689	239,761,554
Motor vehicle and other excise taxes.....	10,108,340	10,006,839	10,537,142	11,202,714	10,803,654	10,396,428	10,859,789	10,479,922	9,860,220	10,541,624
Hotel/motel taxes.....	1,291,950	1,151,838	851,157	979,194	1,060,052	1,138,921	1,103,549	1,108,199	1,168,095	1,588,882
Meal taxes.....	-	-	-	-	-	-	-	-	382,934	1,308,191
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,166,429	830,030	1,049,712	1,055,344	1,223,300	1,026,507	1,038,225
Payments in lieu of taxes.....	1,190,418	449,556	340,010	529,600	553,920	2,851,122	767,439	273,359	3,270,902	515,471
Community preservation surcharges.....	1,522,800	1,813,888	1,829,757	1,893,219	1,963,982	2,032,942	2,114,805	2,193,701	2,288,314	2,352,389
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	8,705,545	7,435,280	5,891,287	5,596,391
Unrestricted investment income.....	2,185,703	1,485,848	949,028	1,687,125	3,290,981	4,757,698	4,306,424	2,610,098	934,313	454,365
Gain (Loss) on sale of capital assets.....	-	-	(48,600)	36,000	10,702	-	-	-	24,347	32,280
Other.....	214,750	665,612	1,065,172	554,259	1,133,664	1,302,478	2,522,970	1,761,048	1,752,802	3,002,856
Transfers, net.....	999,141	1,230,245	1,305,717	1,219,955	1,278,128	1,223,658	1,264,968	1,457,225	1,376,187	1,240,538
Total general revenues and other changes in net assets.....	186,246,512	203,169,641	212,805,763	219,714,696	230,245,679	243,147,326	244,587,167	255,342,992	260,750,597	267,432,766
Change in net assets.....	\$ 11,166,444	\$ 11,007,240	\$ 11,668,451	\$ 39,105,933	\$ 6,607,555	\$ 31,792,401	\$ 980,480	\$ 3,185,157	\$ (33,641,856)	\$ (39,030,243)

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

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Sewer.....	\$ 17,206,366	\$ 17,749,399	\$ 18,167,283	\$ 17,891,749	\$ 18,404,780	\$ 20,033,778	\$ 21,208,637	\$ 21,879,634	\$ 23,347,392	\$ 23,468,371
Water.....	8,144,940	9,138,695	9,465,285	10,045,997	10,939,117	11,467,754	12,212,234	13,623,595	13,780,687	14,260,631
Total expenses.....	25,351,306	26,888,094	27,632,568	27,937,746	29,343,897	31,501,532	33,420,871	35,503,229	37,128,079	37,729,002
Program Revenues										
Charges for services.....	31,690,684	28,393,528	27,032,083	29,763,876	32,981,905	33,084,089	39,034,143	33,761,633	38,405,378	45,171,479
Operating grants and contributions.....	4,141,117	900,806	758,501	1,289,586	838,241	835,397	814,428	857,561	732,948	847,004
Capital grants and contributions.....	300,075	609,076	51,994	159,450	329,005	1,544,708	726,855	1,260,151	245,331	24,182
Total program revenues.....	36,131,876	29,903,410	27,842,578	31,212,912	34,149,151	35,464,194	40,575,426	35,879,345	39,383,657	46,042,665
Net (expense)/revenue.....	10,780,570	3,015,316	210,010	3,275,166	4,805,254	3,962,662	7,154,555	376,116	2,255,578	8,313,663
General Revenues and Transfers										
Gain on sale of capital asset.....	-	-	-	-	-	-	-	-	2,776	-
Premium from issuance of bonds and notes.....	-	-	-	-	-	-	-	-	-	-
Transfers, net.....	(949,141)	(1,131,230)	(1,255,717)	(1,219,959)	(1,278,128)	(1,223,658)	(1,264,968)	(1,457,225)	(1,376,187)	(1,240,538)
Change in net assets.....	\$ 9,831,429	\$ 1,884,086	\$ (1,045,707)	\$ 2,055,211	\$ 3,527,126	\$ 2,739,004	\$ 5,889,587	\$ (1,081,109)	\$ 882,167	\$ 7,073,125

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

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total expenses.....	\$ 265,741,116	\$ 285,643,674	\$ 293,199,046	\$ 313,754,561	\$ 325,918,453	\$ 330,979,818	\$ 380,397,835	\$ 405,597,900	\$ 420,156,669	\$ 434,848,130
Total program revenues.....	101,441,618	96,496,589	92,271,744	136,420,964	107,200,814	123,587,555	143,945,703	153,816,181	128,019,794	136,698,784
Net (expense)/revenue.....	(164,299,498)	(189,147,085)	(200,927,302)	(177,333,597)	(218,717,639)	(207,392,263)	(236,452,132)	(251,781,719)	(292,136,875)	(298,149,346)
Total general revenues, transfers and other changes in net assets.....	185,297,371	202,038,411	211,550,046	218,494,741	228,967,551	241,923,668	243,322,199	253,885,767	259,377,186	266,192,228
Change in net assets.....	\$ 20,997,873	\$ 12,891,326	\$ 10,622,744	\$ 41,161,144	\$ 10,249,912	\$ 34,531,405	\$ 6,870,067	\$ 2,104,048	\$ (32,759,689)	\$ (31,957,118)

GOVERNMENTAL FUNDS
FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
General Fund										
Reserved.....	\$ 4,089,296	\$ 4,049,314	\$ 5,125,252	\$ 3,696,513	\$ 4,177,720	\$ 3,884,714	\$ 3,091,164	\$ 4,595,043	\$ 5,746,263	\$ -
Unreserved.....	11,349,447	13,111,188	12,161,196	10,125,954	16,117,152	19,724,693	16,342,052	15,574,235	13,566,282	-
Restricted.....	-	-	-	-	-	-	-	-	-	928,722
Committed.....	-	-	-	-	-	-	-	-	-	14,877,088
Assigned.....	-	-	-	-	-	-	-	-	-	844,441
Unassigned.....	-	-	-	-	-	-	-	-	-	14,123,323
Total general fund.....	\$ 15,438,743	\$ 17,160,502	\$ 17,286,448	\$ 13,822,467	\$ 20,294,872	\$ 23,609,407	\$ 19,433,216	\$ 20,169,278	\$ 19,312,545	\$ 30,773,574
All Other Governmental Funds										
Reserved.....	\$ 795,000	\$ 28,792,926	\$ 4,675,240	\$ 7,188,858	\$ 7,333,993	\$ 6,181,855	\$ 7,904,778	\$ 8,153,969	\$ 25,926,689	\$ -
Unreserved, reported in:										
Special revenue funds.....	7,237,334	7,369,358	8,108,905	7,651,781	6,828,092	7,213,248	10,478,029	13,253,604	10,704,933	-
Capital projects funds.....	(11,417,544)	(46,879,322)	(39,972,245)	(9,421,471)	1,450,147	17,319,824	38,560,162	93,303,737	28,167,213	-
Permanent funds.....	977,907	923,315	868,171	1,012,798	874,461	925,527	817,614	736,678	740,024	-
Nonspendable.....	-	-	-	-	-	-	-	-	-	445,570
Restricted.....	-	-	-	-	-	-	-	-	-	28,989,163
Committed.....	-	-	-	-	-	-	-	-	-	886,894
Unassigned.....	-	-	-	-	-	-	-	-	-	(354,498)
Total all other governmental funds.....	\$ (2,407,303)	\$ (9,793,723)	\$ (26,319,929)	\$ 6,431,966	\$ 16,486,693	\$ 31,640,454	\$ 57,760,583	\$ 115,447,988	\$ 65,538,859	\$ 29,967,129

(1) Starting in fiscal year 2011 governmental fund balances are being reported in accordance with Governmental Accounting Standards Board Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

LAST NINE FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Real estate and personal property taxes.....	\$ 160,230,063	\$ 179,025,142	\$ 187,056,486	\$ 192,554,388	\$ 200,165,525	\$ 207,245,638	\$ 211,435,422	\$ 224,437,442	\$ 233,726,177	\$ 240,732,647
Motor vehicle and other excise taxes.....	9,848,559	10,645,450	10,258,795	11,467,867	11,298,282	10,197,596	11,131,712	10,098,579	10,222,534	10,463,796
Hotel/motel tax.....	1,291,950	1,151,838	851,157	979,194	1,060,052	1,138,921	1,103,549	1,108,199	1,168,095	1,588,882
Meals tax.....	-	-	-	-	-	-	-	-	382,934	1,308,191
Payments in lieu of taxes.....	309,695	377,867	340,010	394,563	418,202	411,841	358,957	489,108	3,095,059	439,721
Community preservation surcharges.....	1,522,800	1,768,225	1,830,144	1,878,091	1,978,999	2,027,379	2,107,392	2,207,442	2,296,523	2,365,422
Charges for services.....	9,992,038	11,242,611	11,847,663	11,765,228	11,895,186	14,110,021	14,088,742	14,209,678	14,821,694	14,674,078
Intergovernmental.....	49,874,632	53,219,152	55,057,266	85,837,606	60,266,994	75,564,011	78,760,492	122,879,420	75,443,469	73,856,678
Special assessments.....	-	-	-	-	-	215,216	157,281	218,438	158,481	254,638
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,225,224	830,030	1,049,712	1,055,344	1,223,300	1,026,507	1,038,224
Licenses and permits.....	4,485,956	4,566,185	4,896,721	4,991,489	7,172,004	5,764,582	4,928,179	4,575,496	4,564,508	5,523,613
Fines and forfeitures.....	1,820,973	1,717,200	1,916,239	1,987,816	2,002,406	1,850,503	1,899,661	2,022,175	2,101,518	1,907,471
Contributions.....	978,344	1,368,799	645,007	1,462,588	1,187,036	796,807	1,395,023	1,320,527	1,185,340	1,382,243
Investment income.....	1,695,643	1,315,562	1,031,017	1,985,227	3,362,563	4,960,859	4,435,423	2,642,189	1,016,818	554,473
Miscellaneous/other.....	945,986	1,278,662	678,394	588,220	1,326,054	947,985	1,813,990	1,686,507	667,540	1,676,863
TOTAL REVENUES.....	243,788,199	268,703,877	277,365,971	317,117,501	302,963,333	326,281,071	334,671,167	389,118,500	351,877,197	357,766,940
EXPENDITURES										
Current:										
General government.....	15,249,553	17,364,672	24,829,089	20,272,046	21,671,422	18,456,441	22,190,508	21,756,050	22,007,737	27,495,142
Public safety.....	29,706,902	31,900,736	33,442,336	33,467,775	33,207,890	36,540,065	36,960,093	37,438,138	37,999,263	37,725,281
Education.....	143,450,681	158,405,020	158,699,064	156,983,456	157,219,646	166,363,295	202,577,476	252,917,406	254,430,394	214,802,244
Public works.....	17,448,356	19,195,401	20,323,463	23,574,662	20,074,536	23,001,792	24,844,231	24,944,049	26,357,440	24,730,797
Health and human services.....	4,692,835	3,763,331	3,215,469	3,565,435	3,594,966	4,054,211	3,989,849	4,080,313	4,305,785	4,177,515
Culture and recreation.....	9,670,437	10,462,029	11,044,089	12,376,821	12,156,563	14,441,900	12,837,823	12,438,606	12,637,414	11,232,808
Retirement benefits.....	26,054,970	29,244,524	32,609,146	36,643,546	39,366,562	42,079,659	44,134,609	47,480,693	49,940,948	53,157,157
Property and liability insurance.....	1,367,674	1,464,628	1,638,348	1,596,923	1,621,121	1,666,576	1,690,977	1,891,488	1,676,169	1,445,803
Claims and judgments.....	189,509	118,032	290,227	176,472	214,058	143,335	97,254	250,509	100,453	160,733
Health insurance subsidy.....	-	-	-	-	-	173,495	-	-	-	-
Other.....	-	-	-	-	-	-	24,080	-	-	-
State and county charges.....	5,142,581	5,081,422	5,086,760	5,045,783	5,209,013	5,375,365	5,512,027	5,453,169	5,619,317	5,472,487
Debt service:										
Principal.....	4,884,800	4,878,900	4,281,100	5,118,200	5,595,500	8,472,050	6,146,900	7,652,100	8,548,500	9,460,500
Interest.....	1,716,690	1,929,122	2,744,328	2,483,216	2,215,170	2,129,315	2,378,302	3,694,574	7,079,256	7,509,703
TOTAL EXPENDITURES.....	259,574,988	283,807,817	298,203,419	301,304,335	302,146,447	322,897,499	363,384,129	419,997,095	430,702,676	397,370,170
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,786,789)	(15,103,940)	(20,837,448)	15,813,166	816,886	3,383,572	(28,712,962)	(30,878,595)	(78,825,479)	(39,603,230)
OTHER FINANCING SOURCES (USES)										
Transfers in.....	6,456,951	8,254,035	9,279,721	7,768,303	8,195,281	9,793,750	12,584,287	15,539,377	8,860,150	6,386,643
Proceeds of bonds and notes.....	4,910,000	5,700,000	5,000,000	11,500,000	13,835,000	10,600,000	48,792,000	86,010,000	25,548,000	13,770,000
Premium from issuance of bonds and notes.....	-	-	375,267	406,462	293,090	92,732	262,441	1,557,255	815,357	168,147
Sale of capital assets.....	-	-	-	36,000	26,446	40,752	49,909	-	42,491	36,262
Transfers out.....	(5,342,810)	(7,023,790)	(7,697,615)	(6,236,017)	(6,639,571)	(8,292,510)	(11,031,737)	(13,804,570)	(7,206,381)	(4,868,523)
TOTAL OTHER FINANCING SOURCES (USES).....	6,024,141	6,930,245	6,957,373	13,474,748	15,710,246	12,234,724	50,656,900	89,302,062	28,059,617	15,492,529
EXTRAORDINARY ITEM										
Proceeds of structured settlement contract.....	-	-	-	-	-	2,850,000	-	-	-	-
NET CHANGE IN FUND BALANCES.....	\$ (9,762,648)	\$ (8,173,695)	\$ (13,880,075)	\$ 29,287,914	\$ 16,527,132	\$ 18,468,296	\$ 21,943,938	\$ 58,423,467	\$ (50,765,862)	\$ (24,110,701)
DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....										
	2.5%	2.4%	2.4%	2.5%	2.6%	3.3%	2.3%	2.7%	3.6%	4.3%

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				
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%
2008	18,478,928,698	1,767,239,702	211,461,100	20,457,629,500	10.44	22,207,139,600	92.12%
2009	18,659,283,807	1,788,640,793	266,624,600	20,714,549,200	10.72	22,207,139,600	93.28%
2010	18,384,685,100	1,819,972,600	283,174,000	20,487,831,700	11.25	22,506,213,100	91.03%
2011	18,113,668,363	1,830,045,937	289,095,700	20,232,810,000	11.80	22,506,213,100	89.90%

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

<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
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
2008	9.70	18.46	18.46	10.44
2009	9.96	19.00	19.00	10.72
2010	10.41	19.93	19.93	11.25
2011	10.90	20.89	20.89	11.80

Source: City of Newton Tax Recap 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 TEN YEARS AGO

Taxpayer	2011			2001		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Riverside Project, LLC - Office	\$ 2,243,425	1	0.97%	\$ 1,467,687	1	1.00%
NSTAR Electric - Electric Utility	1,518,619	2	0.66%	-	-	-
Mayflower Atrium, LLC - Retail	1,455,377	3	0.63%	1,206,150	2	0.82%
Daniel Rothenberg - Retail	1,388,802	4	0.60%	848,355	3	0.58%
Verizon, New England Inc. - Telecommunications	1,150,893	5	0.50%	-	-	-
Julian Cohen & Daniel Rothenberg Trust - Retail	1,087,724	6	0.47%	810,340	4	0.55%
NS Wells Acquisitions LLC - Office	873,277	7	0.38%	718,732	7	0.49%
CHSP Newton, LLC - Hotel	850,298	8	0.37%	767,500	5	0.52%
Thomas White Trust - Office	807,092	9	0.35%	584,722	8	0.40%
Avalon Upper Falls, LLC - Residential	547,584	10	0.24%	-	-	-
Schroder Newton Limited Partnership	-	-	-	727,308	6	0.49%
Newton Wellesley Hospital	-	-	-	367,439	9	0.25%
Two Newton Place Acquisition LLC	-	-	-	350,880	10	0.24%
Total	\$ 11,923,091		5.17%	\$ 7,849,113		5.34%

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			Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected	Actual Subsequent Collections	Total Tax Collections	Total Collections as a % of Net Levy (1)
2002	\$ 160,122,038	\$ 158,569,112	99.03%	\$ 2,996,464	\$ 161,565,576	100.90%
2003	177,652,048	177,072,455	99.67%	2,588,516	179,660,971	101.13%
2004	184,772,348	184,463,684	99.83%	2,193,032	186,656,716	101.02%
2005	191,516,639	189,884,213	99.15%	2,341,150	192,225,363	100.37%
2006	198,431,418	197,604,301	99.58%	1,845,616	199,449,917	100.51%
2007	205,603,998	204,425,747	99.43%	2,445,083	206,870,830	100.62%
2008	213,670,594	211,782,357	99.12%	2,220,075	214,002,432	100.16%
2009	222,124,895	221,179,256	99.57%	1,757,081	222,936,337	100.37%
2010	230,471,466	228,861,998	99.30%	1,768,005	230,630,003	100.07%
2011	238,752,520	237,347,484	99.41%	-	237,347,484	99.41%

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		
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	24,790,065	74,552,865	903
2008	92,327,900	-	40,000	22,117,941	114,485,841	1,415
2009	170,685,800	-	6,000,000	24,259,834	200,945,634	2,418
2010	187,685,300	-	5,900,000	23,261,750	216,847,050	2,597
2011	191,994,800	-	8,275,000	21,449,014	221,718,814	2,639

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

Fiscal Year	Net General Bonded Debt Outstanding				
	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)
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%
2008	92,367,900	-	92,367,900	0.42%	2.04%
2009	170,685,800	(881,707)	169,804,093	0.76%	3.66%
2010	187,685,300	(749,640)	186,935,660	0.83%	4.01%
2011	191,994,800	(683,320)	191,311,480	0.85%	4.07%

(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 DEBT

JUNE 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Massachusetts Water Resources Authority.....	\$ 6,038,990,000	4.9%/4.5%	\$ 277,206,694
City direct debt.....			<u>221,718,814</u>
Total direct and overlapping debt.....			<u>\$ 498,925,508</u>

Sources: MWRA, City of Newton Treasurer's Office

LEGAL DEBT MARGIN INFORMATION

LAST FIVE FISCAL YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Equalized valuation.....	\$ 22,506,213,100	\$ 22,506,213,100	\$ 22,207,139,600	\$ 22,207,139,600	\$ 21,590,027,600
Normal debt limit (5% of equalized valuation).....	1,125,310,655	1,125,310,655	1,110,356,980	1,110,356,980	1,079,501,380
Debt applicable to limit:					
Total bonded debt.....	221,718,814	216,847,050	200,945,634	114,485,841	74,552,865
Less: General obligation bonds exempted by authority of state legislature.....	<u>(29,724,014)</u>	<u>(29,161,750)</u>	<u>(30,259,834)</u>	<u>(22,157,941)</u>	<u>(24,870,065)</u>
Total net debt applicable to limit.....	<u>191,994,800</u>	<u>187,685,300</u>	<u>170,685,800</u>	<u>92,327,900</u>	<u>49,682,800</u>
Legal debt margin.....	<u>\$ 933,315,855</u>	<u>\$ 937,625,355</u>	<u>\$ 939,671,180</u>	<u>\$ 1,018,029,080</u>	<u>\$ 1,029,818,580</u>
Total net debt applicable to the limit as a percentage of normal debt limit.....	<u>17.1%</u>	<u>16.7%</u>	<u>15.4%</u>	<u>8.3%</u>	<u>4.6%</u>

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 (%)
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%
2007	80,917	38.7	55,891	4,522,532,047	124,893	11,570	3.9%
2008	83,112	38.7	55,891	4,645,212,792	124,893	11,570	6.3%
2009	83,501	38.7	55,891	4,666,954,391	124,893	11,607	6.5%
2010	84,024	38.7	55,891	4,696,185,384	124,893	11,775	5.0%

Sources: Population from City census

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

Unemployment rates from Massachusetts Division of Unemployment Assistance for September of each year.

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

EMPLOYEES BY FUNCTION/PROGRAM

LAST FIVE FISCAL YEARS

<u>Employees as of June 30</u>					
<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government.....	133	125	129	135	139
Public safety.....	373	379	362	383	388
Education.....	1195	1,268	1,283	1,217	1,198
Public works.....	131	139	143	143	137
Health and human services.....	48	48	48	50	50
Culture and recreation.....	82	93	100	102	105
Water.....	31	27	27	28	29
Sewer.....	32	36	36	36	34
Total.....	<u>2,025</u>	<u>2,115</u>	<u>2,128</u>	<u>2,094</u>	<u>2,080</u>

Source: City of Newton payroll

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST FIVE FISCAL YEARS

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Public safety					
Police					
Stations.....	1	1	1	1	1
Vehicles.....	69	69	69	69	69
Fire					
Stations.....	6	6	6	6	6
Firefighting Vehicles.....	9	9	9	9	9
Education					
Public school buildings.....	21	21	21	21	21
Public works					
Streets (miles).....	310	310	310	310	310
Streetlights.....	8,595	8,595	8,595	8,595	8,595
Traffic signals.....	98	98	98	98	98
Parking meters.....	1,671	1,671	1,671	1,671	1,671
Culture and recreation					
Public libraries					
Main library.....	1	1	1	1	1
Branch libraries.....	-	-	-	4	4
Park & playground Acreage.....	590	590	590	590	590
Outdoor swimming facilities.....	2	2	2	2	2
Indoor swimming facilities.....	1	1	1	1	1
Public street trees	30,000	30,000	30,000	30,000	30,000
Water					
Water mains (miles).....	300	300	300	300	300
Fire hydrants.....	2,400	2,400	2,400	2,400	2,400
Storage capacity (thousands of gallons).....	26,000,000	26,000,000	26,000,000	26,000,000	26,000,000
Sewer					
Sanitary sewers (miles).....	300	300	300	300	300
Sewer pump stations.....	10	10	10	10	10
Stormdrains (miles).....	324	324	324	324	324

Sources: Various departments of the City of Newton