

City of Newton, Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012



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Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



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November 26, 2012

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, 2012. 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 Governmental 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, 2012 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 85,146 according to the 2010 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. Quarterly 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 issued prior to the end of the calendar year.

Economic Condition and Outlook

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

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

Accounting System and Budgetary Control

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

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

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

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

An analysis of all legally adopted operating and capital budgets are presented on pages 98 - 121 of this report.

The City's books on fiscal year 2012 were closed within 60 days of year end and on September 7, 2012 the Massachusetts Department of Revenue certified the City's June 30, 2012 free cash (General Fund fund balance available for appropriation) at \$4,939,145. Of this sum, \$1,850,000 has been transferred to the City's Rainy Day Stabilization Fund, bringing the total amount accumulated in this reserve to slightly more than \$8 million – approximately half the City's target funding level. All statutory filings have also been made with the Massachusetts Department of Revenue.

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 is a \$147.9 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. As a result of two small prior year appropriations, the City had accumulated a total of \$312,973 for this purpose as of June 30, 2012. Beginning on July 1 of 2012 the City began making a contribution of 2.5% of compensation for all new health plan participants. The 2.5% contribution level is expected to be reviewed annually and gradually adjusted to come closer to the actuarial required contribution to fund normal cost for the health benefits. Please refer to note 12 (pages 62-65) for more detailed information on the City's health benefit obligations.

Collective Bargaining Agreements

During fiscal year 2012 the City entered into three year collective bargaining agreements with all employees of the City and the Newton Public Schools. 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. Appointments to the City were made in fiscal year 2012 and the Committee held a number of meetings with management and the City's independent auditors. A complete accounting of the work of the Audit Committee is documented on their page of the City web site. Special thanks to Audit Committee Chair Alderman Ruthanne Fuller for all of her work in organizing the City's new audit committee.

Awards and Acknowledgments

During the fiscal year ended June 30, 2012, 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, including: Julie Zakak (retired August 31, 2012); Regina Zegarelli; Mary Santoes; Denise Paone; Ann-Marie Daley and Maria Mastroinni. I'd also like to thank the Chair of the Finance Committee, Alderman Leonard Gentile, and members of the Finance Committee for their assistance and support over the past year. Special thanks also go to the public accounting firm of Sullivan, Rogers & Company for the efficient completion of this year's audit and for all of their advice and assistance in the preparation of this report and over the course of the year.

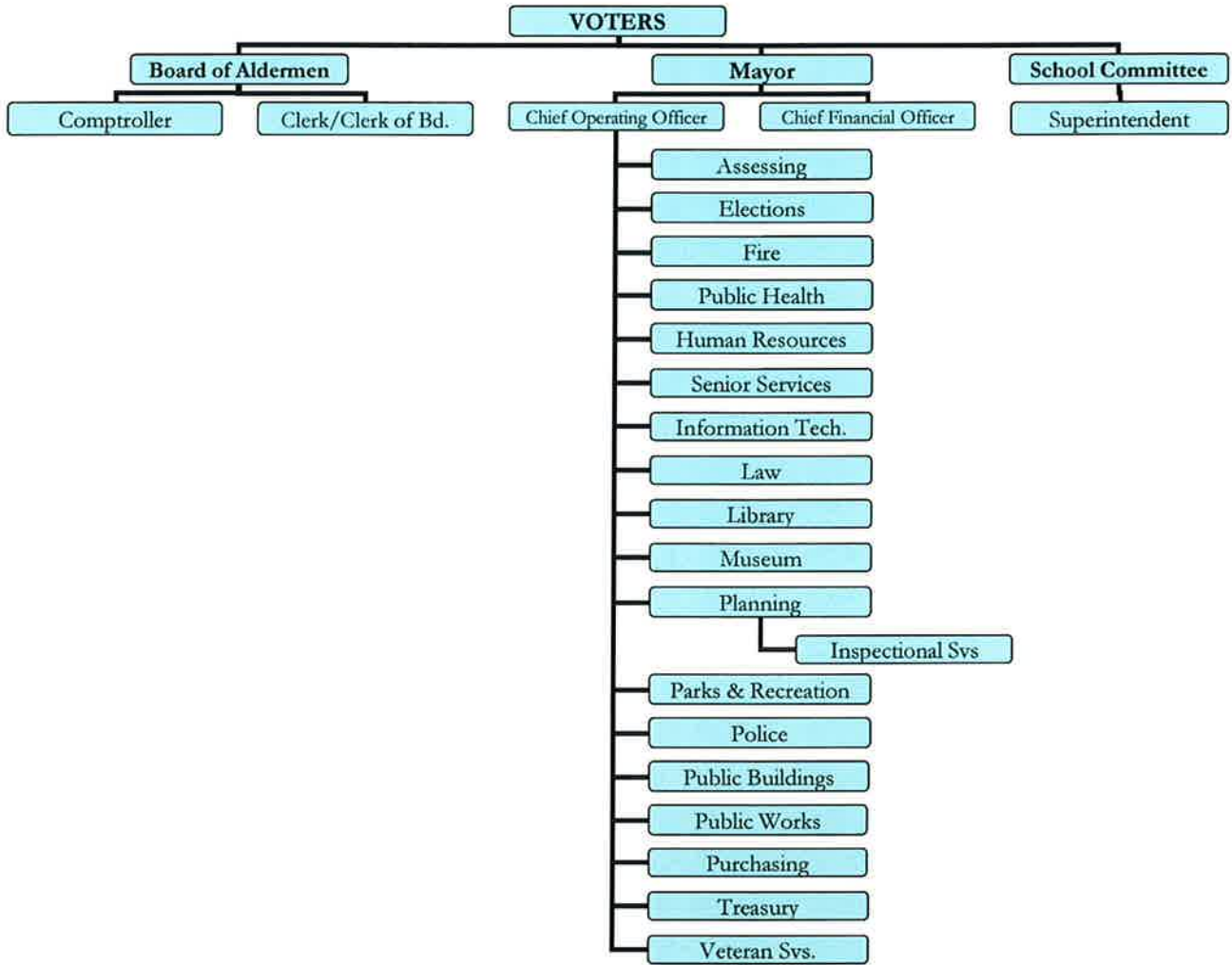
Respectfully,

A handwritten signature in black ink, appearing to read 'D. Wilkinson', with a 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
Cheryl Lappin, Vice President & Finance Committee
R. Lisle Baker, President Emeritus
Susan Albright
Richard Blazar, Finance Committee
Allan Ciccone, Jr., Finance Committee
Deborah Crossley
Victoria Danberg
Mitchell Fischman
Ruthanne Fuller, Finance Committee
Leonard Gentile, Finance Committee Chair
John Harney
Ted Hess-Mahan
Marcia Johnson
David Kalis
Marc Laredo
Stephen Linsky, Finance Committee
Carleton Merrill
John Rice, Finance Committee
Amy Mah Sangiolo
Anthony Salvucci, Finance Committee
Gregory Swartz
Greer Tan Swiston
Brian Yates

SCHOOL COMMITTEE

Claire Sokoloff, Chair
Matt Hills, Vice Chair
Geoff Epstein
Diana Fisher-Gomberg
Angela Pitter-Wright
Steven Siegel
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
Ana Gonzalez, Director of Community Engagement
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: Bruce Proia, Fire Chief
Health & Human Services: Dori Zaleznik Commissioner
Human Resources: Dolores Hamilton, Director
Financial Information Systems: Ann Cornaro, Director
Information Technology: Joe Mulvey (Interim Director)
Inspectional Services: John Lojek Commissioner
Newton History Museum: Cynthia Stone, Director
Law: Donnalyn Kahn, City Solicitor
Library: Philip McNulty, 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: Maureen Lemieux, (interim CPO)
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

SULLIVAN, ROGERS & COMPANY, LLC

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Burlington, Massachusetts 01803

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts (City), as of and for the fiscal year ended June 30, 2012 (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, 2011), 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 32.4% and 5.1%; 32.0% and 5.1%; and 56.2% and 32.6% 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.

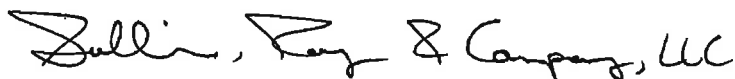
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012 (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, 2011), 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, 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 74 through 75) 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.



November 26, 2012

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 (primary government) for the fiscal year ended June 30, 2012.

Financial Highlights:

- Total assets of the City exceeded total liabilities at the close of the most recent fiscal year by \$238.3 million (*net assets*). The City has negative unrestricted net assets totaling (\$93.5 million) in the City's governmental activities and \$21.1 million in unrestricted net assets in its business type activities (water & sewer utilities).
- The City's total net assets decreased by \$11.5 million or 4.6% in fiscal year 2012. Net assets of governmental activities decreased by \$19.3 million, a 10.7% decline from fiscal year 2011, while net assets of business-type activities increased by \$7.8 million, or 11.3%, from the prior fiscal year.
- Unrestricted governmental net assets decreased by \$28.2 million to (\$93.5) million at June 30, 2012. The decline in unrestricted governmental activities net assets continues to be the result of the recognition of new liabilities associated with the City's post-retirement health benefit (OPEB) obligations. During the fiscal year just ended, \$29.1 in new liabilities were recognized, bringing the total OPEB liability that has been recognized since the implementation of Governmental Accounting Standards Board Statement 45 to \$144.3 million.
- The total cost of all City services for fiscal year 2012 was \$429.8 million, \$389.7 million (90.7%) of which was for governmental services, and \$40.1 million (9.3%) of which was for business type services. The total cost of City services declined by \$5.0 million or 1.1% from the total cost of services in the previous fiscal year, largely as a result of a lesser demand for snow and ice control spending and a reduced level of community preservation and development activity.
- A total of \$94.0 million or 24.1% of governmental services were financed from program revenue, leaving 75.9% to be financed from general revenues and inter-fund transfers. Real estate and personal property tax revenue continues to represent the single largest source of general revenue.
- At June 30, 2012, the City's governmental funds reported a combined fund balance of \$59.0 million. The combined governmental funds fund balance decreased by \$1.7 million (2.8%) from the prior year's ending fund balance.
- The City's general fund reported total fund balance of \$28.2 million at the end of fiscal year 2012, a \$2.5 million (8%) decrease from the total fund balance at June 30 of the prior fiscal year. The unassigned portion of the fund balance, however, increased by \$763,017 to \$14.9 million or 4.5% of total general fund revenues and other financing sources. The unassigned fund balance includes \$6.2 million that the City set aside over the course of the two most recent fiscal years as a "Rainy Day" Stabilization fund and \$4.9 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) declined by \$4.1 million or 1.8% to \$217.6 million during the year. Newton North project debt accounted for \$134.1 million or 61.6% 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 123-126 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 76 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 127 and 128 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 87 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 91 of this report. The fiduciary funds financial statements can be found on pages 30 and 31 of this report.

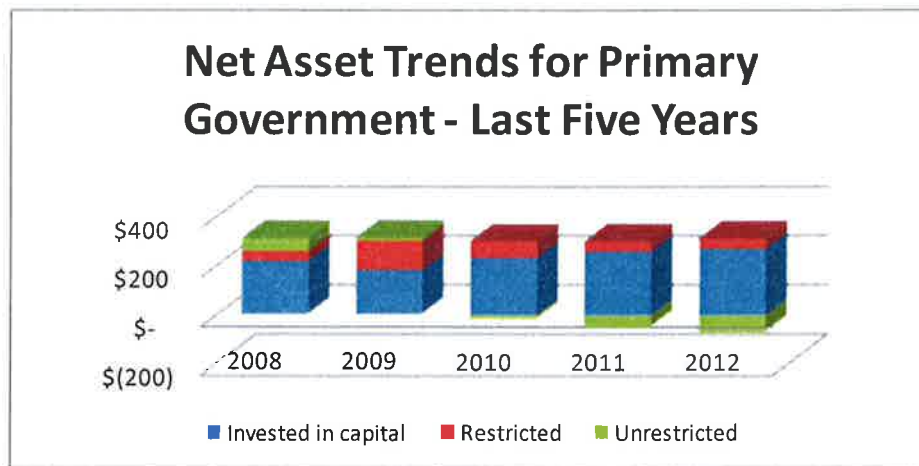
Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-73 of this report. A brief description of new 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.

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 74 and 75 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 \$238.3 million at June 30, 2012. This represents a \$11.5 million or 4.6% decline from total net assets at June 30 of the prior year, and a decline of \$74 million or 23.7% since fiscal year 2008 when the City first began recognizing post-employment health benefit liabilities in its external financial statements. Trend information for total net assets and its major components over the past five year period is summarized graphically below:



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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current assets..... S	126,635,436	S 125,823,990	S 33,584,864	S 27,888,030	S 160,220,300	S 153,712,020
Noncurrent assets (excluding capital assets).....	10,389,494	10,688,161	1,886,096	2,118,841	12,275,590	12,807,002
Capital assets (net).....	<u>407,523,975</u>	<u>402,588,420</u>	<u>76,316,320</u>	<u>74,231,617</u>	<u>483,840,295</u>	<u>476,820,037</u>
Total assets.....	<u>544,548,905</u>	<u>539,100,571</u>	<u>111,787,280</u>	<u>104,238,488</u>	<u>656,336,185</u>	<u>643,339,059</u>
Liabilities						
Current liabilities (excluding debt).....	39,489,312	39,525,888	1,646,618	2,257,614	41,135,930	41,783,502
Noncurrent liabilities (excluding debt).....	155,495,193	127,028,965	3,793,774	3,077,306	159,288,967	130,106,271
Current debt.....	9,596,167	9,408,367	4,458,055	4,610,497	14,054,222	14,018,864
Noncurrent debt.....	<u>178,724,266</u>	<u>182,586,433</u>	<u>24,867,962</u>	<u>25,113,517</u>	<u>203,592,228</u>	<u>207,699,950</u>
Total liabilities.....	<u>383,304,938</u>	<u>358,549,653</u>	<u>34,766,409</u>	<u>35,058,934</u>	<u>418,071,347</u>	<u>393,608,587</u>
Net Assets						
Invested in capital assets (net of related debt).....	220,231,642	211,763,420	49,055,462	46,802,526	269,287,104	258,565,946
Restricted.....	34,560,724	34,096,760	6,834,944	7,321,657	41,395,668	41,418,417
Unrestricted.....	<u>(93,548,399)</u>	<u>(65,309,262)</u>	<u>21,130,465</u>	<u>15,055,371</u>	<u>(72,417,934)</u>	<u>(50,253,891)</u>
Total net assets..... S	<u>161,243,967</u>	<u>S 180,550,918</u>	<u>S 77,020,871</u>	<u>S 69,179,554</u>	<u>S 238,264,838</u>	<u>S 249,730,472</u>

The largest portion of the City's total net assets, \$269.3 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 53) 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 \$13.7 million (33.3%) represents resources restricted for capital project financing and \$9.3 million (22.5%) 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, 2012, total unrestricted net assets declined by \$22.2 million as a direct result of the recognition of \$29.8 million new post-retirement health benefit liabilities (\$29.1 million in governmental activities and \$0.7 million in business type activities). All governmental activities unrestricted net assets have been consumed over the past five 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 five years.

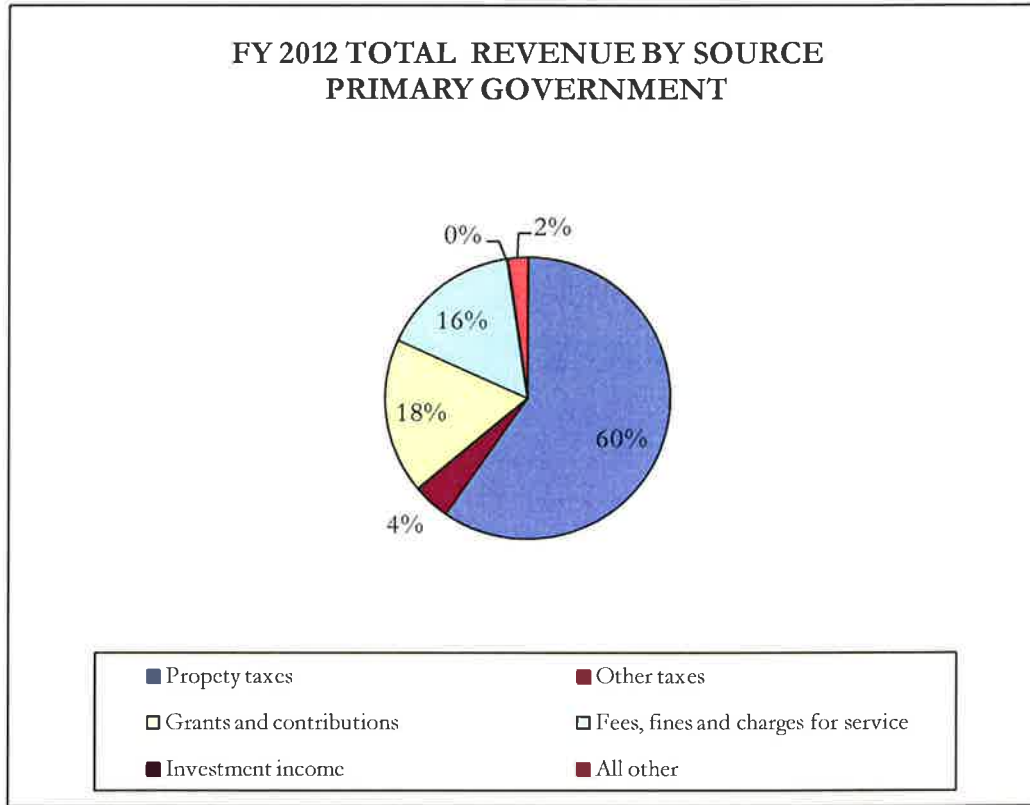
Changes in net assets:

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 25,732,684	\$ 21,915,225	\$ 48,273,768	\$ 45,171,479	\$ 74,006,452	\$ 67,086,704
Operating grants and contributions.....	65,780,261	66,976,636	646,975	847,004	66,427,236	67,823,640
Capital grants and contributions.....	2,519,356	1,764,258	489,333	24,182	3,008,689	1,788,440
<i>General Revenues:</i>						
Real estate and personal property taxes.....	249,340,011	239,761,554	-	-	249,340,011	239,761,554
Motor vehicle and other excise taxes.....	10,514,832	10,541,624	-	-	10,514,832	10,541,624
Hotel room occupancy taxes.....	1,814,792	1,588,882	-	-	1,814,792	1,588,882
Mcals taxes.....	1,403,261	1,308,191	-	-	1,403,261	1,308,191
Penalties and interest on taxes.....	1,146,496	1,038,225	-	-	1,146,496	1,038,225
Payments in lieu of taxes.....	529,294	515,471	-	-	529,294	515,471
Community preservation surcharges.....	2,431,863	2,352,389	-	-	2,431,863	2,352,389
Grants and contributions not restricted to specific programs.....	5,263,525	5,596,391	-	-	5,263,525	5,596,391
Unrestricted investment income.....	278,106	454,365	-	-	278,106	454,365
Gain/(loss) on sales/disposals of capital assets.....	-	32,280	-	-	-	32,280
Other.....	2,169,238	3,002,856	-	-	2,169,238	3,002,856
Total revenues.....	<u>368,923,719</u>	<u>356,848,347</u>	<u>49,410,076</u>	<u>46,042,665</u>	<u>418,333,795</u>	<u>402,891,012</u>
Expenses						
General government.....	21,992,988	26,974,952	-	-	21,992,988	26,974,952
Public safety.....	56,061,495	55,800,259	-	-	56,061,495	55,800,259
Education.....	252,922,994	252,413,006	-	-	252,922,994	252,413,006
Public works.....	24,221,365	28,410,758	-	-	24,221,365	28,410,758
Health and human services.....	10,684,932	10,757,372	-	-	10,684,932	10,757,372
Culture and recreation.....	16,216,945	15,092,035	-	-	16,216,945	15,092,035
Debt service - interest.....	7,559,469	7,670,746	-	-	7,559,469	7,670,746
Water.....	-	-	15,185,784	14,260,631	15,185,784	14,260,631
Sewer.....	-	-	24,953,457	23,468,371	24,953,457	23,468,371
Total expenses.....	<u>389,660,188</u>	<u>397,119,128</u>	<u>40,139,241</u>	<u>37,729,002</u>	<u>429,799,429</u>	<u>434,848,130</u>
Change in net assets before transfers.....	(20,736,469)	(40,270,781)	9,270,835	8,313,663	(11,465,634)	(31,957,118)
Transfers, net.....	<u>1,429,518</u>	<u>1,240,538</u>	<u>(1,429,518)</u>	<u>(1,240,538)</u>	<u>-</u>	<u>-</u>
Change in net assets.....	(19,306,951)	(39,030,243)	7,841,317	7,073,125	(11,465,634)	(31,957,118)
Net assets - beginning of year.....	<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>
Net assets - end of year.....	<u>\$ 161,243,967</u>	<u>\$ 180,550,918</u>	<u>\$ 77,020,871</u>	<u>\$ 69,179,554</u>	<u>\$ 238,264,838</u>	<u>\$ 249,730,472</u>

The City's total revenues for the year ended June 30, 2012 increased by \$15.4 million (3.8%) from the prior year. Property taxes and water and sewer utility charges for service were responsible for a large majority of the increase. The 4% increase in property taxes represents a combination of a 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 following chart illustrates the distribution of total current year revenues for the primary government, by major source.

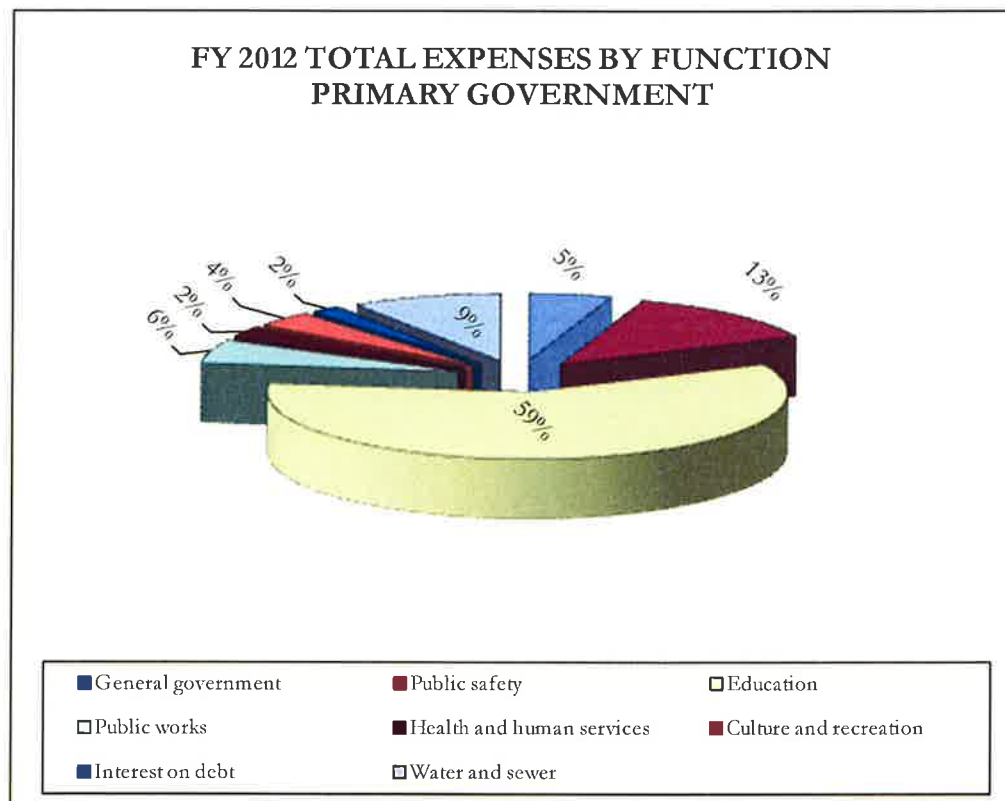


Total expenses declined by \$5.0 million or 1.1% during the year. General government and public works function spending reductions accounted for most of the overall reduction in spending. The general government spending decline occurred principally in the planning and development activities and was related to reduced levels of activity in the Community Preservation Fund, and in federal housing and community development grant funds. The decline in public works spending is principally a function of the fact that snow and ice control costs were limited to less than \$1.0 million during fiscal year 2012, compared with total spending for this purpose in the prior year amounted to \$4.3 million.

At the same time that expenditures declined in general government and public works functions, increased spending occurred in cultural and recreation and water and sewer functions. Parks and recreation and water utility spending increased by \$0.9 million each, and sanitary sewer utility spending increased by \$1.5 million. The Parks and recreation spending increase was principally related to increased demand for emergency tree maintenance activities resulting from two significant storms in the late summer and early fall of the year; the water utility increase was related to an increase in depreciation expense associated with the new meters and water distribution system improvements; and the \$1.5 increase in sewer utility spending was entirely a function of an increase in the Massachusetts Water Resources Authority (MWRA) charges for sewage collection and treatment.

Public education continues to be the function receiving the largest commitment of City resources. For the year ended June 30, 2012, total spending for education purposes was \$252.9 million or 58.8% of total spending, and 64.9% of governmental activity spending.

The following chart illustrates the distribution of expenses by major function for the primary government for the year ended June 30, 2012.



Governmental activities – Governmental activities decreased the City’s net assets by \$19.3 million or 10.7% during fiscal 2012, for the reasons cited previously. 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 2012. Inspectional service department program revenues exceeded total program expenses by \$2.9 million for the year.

Business-type activities – Business-type activities increased the City’s net assets by \$7.8 million or 11.3% during fiscal year 2012. This is primarily the result of increased user charge revenue resulting from a rate increase that was put in place effective July 1, 2011; enhanced revenue collections from the City’s new water meters; and a decline in the value of abatements for prior meter reading errors.

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, 2012, the City’s governmental funds reported a combined fund balance totaling \$59.0 million, a \$1.7 million (2.8%) decrease from the prior year reported financial position. All three major governmental funds reported reduced levels of fund balance as of June 30, 2012, while the combined fund balance of all non-major funds increased by \$4.8 million.

High School Improvement Fund expenditures exceeded fund revenues by \$3.2 million for the year as final athletic field and site work was completed on the North High School project. All project financing had been completed prior to the start of 2012. Subsequent to year end the Board of Aldermen amended the project budget to account for the fact that final project costs are \$6.0 million less than the \$197.5 million budget previously approved for the project. This action also means that a \$2.3 Massachusetts School Building Authority (MSBA) grant receivable balance (withheld by MSBA pending final close out and audit of the project) will be used to retire existing MSBA interest subsidized loans, instead of funding project construction costs. The intergovernmental receivable has therefore been reclassified from the capital project fund to the City's General Fund.

During the fiscal year ended June 30, 2012 the Community Preservation Fund's financial position declined by \$0.8 million. 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 2012 with \$8.6 million in fund balance. A total of \$2.3 million (26.7%) of this sum consists of unexpended multi-year appropriations. The remaining \$6.3 million (or the equivalent of two years of fund revenue) is available for appropriation for community preservation purposes.

The general fund is the primary operating fund of the City, and at June 30, 2012 reported a total fund balance of \$28.2 million, \$2.5 million or 8.1% less than the total fund balance for the previous fiscal year. The unassigned portion of fund balance, however, continued to improve, increasing from \$14.1 million or approximately 4.4% of total fund revenues and other financing sources at June 30, 2011 to \$14.9 million or 4.5% of fund revenues and other financing sources at June 30, 2012. 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 2012 and (5) previous fiscal years

	2012	2011 (1)	2010	2009	2008	2007
Total fund balance	\$ 28,224,341	30,773,574	\$ 19,312,545	\$ 20,169,278	\$ 19,433,216	\$ 23,609,407
Less: Fund balance restrictions for:						
Debt service.....	617,572	683,320	749,640	881,707	-	-
Capital.....	7,729	108,107	-	-	-	-
Other postemployment benefits.....	312,973	137,295	-	-	-	-
Less: Fund balance committed for:						
Subsequent year's expenditures.....	2,565,748	2,066,320	2,675,133	5,051,017	2,900,000	3,400,000
Capital.....	5,049,725	9,714,755	-	-	-	-
Continued appropriations.....	2,201,193	3,096,013	3,192,017	2,335,964	2,223,358	2,438,391
Less: Fund balance assigned for:						
Encumbrances.....	2,435,508	727,814	1,804,606	1,377,372	867,806	1,446,323
Capital.....	147,553	116,627	-	-	-	-
Unassigned fund balance.....	14,886,340	14,123,323	10,891,149	10,523,218	13,442,052	16,324,693
Total revenues & other financing sources.....	\$ 329,962,477	321,055,179	\$ 318,872,777	\$ 310,562,043	\$ 296,667,211	\$ 286,109,886
Total fund balance as % total revenues and ofs.....	8.6%	9.6%	6.1%	6.5%	6.6%	8.3%
Unassigned fund balance as % total revenues and ofs.....	4.5%	4.4%	3.4%	3.4%	4.5%	5.7%

(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 2012 general fund revenues and other financing sources increased by \$8.9 million or 2.8%, to \$330.0 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes..... S	248,503,570	75.3% S	7,770,923	3.2%
Motor vehicle excise taxes.....	10,567,479	3.2%	103,683	1.0%
Hotel room occupancy taxes.....	1,814,792	0.5%	225,910	14.2%
Meals taxes.....	1,403,261	0.4%	95,070	7.3%
Penalties and interest on taxes.....	1,117,001	0.3%	105,996	10.5%
Licenses and permits.....	5,416,982	1.6%	286,844	5.6%
Intergovernmental.....	50,925,414	15.4%	390,580	0.8%
Charges for services.....	1,739,638	0.5%	116,034	7.1%
Fines and forfeitures.....	2,000,386	0.6%	102,973	5.4%
Investment income.....	261,298	0.1%	(170,046)	-39.4%
Payments in lieu of taxes.....	479,617	0.1%	39,896	9.1%
Special assessments.....	73,537	0.0%	(57,513)	-43.9%
Miscellaneous.....	681,078	0.2%	(380,176)	-35.8%
Total revenues.....	324,984,053	98.5%	8,630,174	2.7%
Premium from issuance of bonds/notes.....	131,379	0.0%	(36,768)	-21.9%
Sale of capital assets.....	35,048	0.0%	18,610	113.2%
Transfers from other funds.....	4,811,997	1.5%	295,282	6.5%
Total revenues and other financing sources..... S	329,962,477	100.0% S	8,907,298	2.8%

Property tax growth of \$7.8 million accounted for 87.2% of all revenue growth for the year.

Intergovernmental revenue includes \$30.7 million in Commonwealth of Massachusetts on-behalf payments for Newton participants in the Massachusetts Teachers Retirement System.

A detailed schedule of inter-fund transfer activity is presented in note 7, on page 55 of this report.

Total general fund expenditures and transfers to other funds totaled \$332.5 million, an increase of \$7.1 million or 2.2% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	\$ 13,869,244	4.2%	1,452,076	11.7%
Public safety.....	35,348,087	10.7%	585,988	1.7%
Education.....	169,673,728	51.0%	3,863,131	2.3%
Public works.....	18,197,012	5.5%	(3,258,306)	-15.2%
Health and human services.....	3,732,746	1.1%	(58,171)	-1.5%
Culture and recreation.....	9,439,177	2.8%	476,439	5.3%
Retirement benefits.....	56,055,483	16.9%	2,898,326	5.5%
Workers' compensation insurance.....	1,149,375	0.3%	101,361	9.7%
Property and liability insurance.....	409,899	0.1%	12,110	3.0%
Claims and judgements.....	58,504	0.0%	(102,229)	-63.6%
State assessments and charges.....	5,503,956	1.7%	31,469	0.6%
Debt service				
Principal.....	8,653,367	2.6%	(52,133)	-0.6%
Interest.....	7,471,534	2.2%	89,619	1.2%
Total expenditures.....	329,562,112	99.1%	6,039,680	1.9%
Transfers to other funds.....	2,949,598	0.9%	1,094,670	59.0%
Total expenditures and transfers.....	\$ 332,511,710	100.0%	\$ 7,134,350	2.2%

The two functions reporting the largest growth in spending (in dollar terms) were Education and Retirement benefits.

General fund public education spending for the year increased by \$3.9 million or 2.3% to \$169.7 million.

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 \$2.9 million or 5.5% for the year. This amounted to 40.8% of total spending growth for the City's General fund for the year. The \$2.9 million increase in retirement spending consisted of \$1.0 million (6.7%) in additional contributions to the Newton Retirement System; \$1.3 (4.5%) in additional Commonwealth of Massachusetts on-behalf payments made to the Massachusetts Teachers' Retirement System for Newton educators; and a \$0.6 million (6.5%) in increased pay-as-you-go retiree health premium growth.

Public building maintenance and operation spending accounted for \$1 million of the \$1.5 million increase in General Government function spending and \$403,500 of this sum represented water and sewer use charges for public school buildings that had previously been budgeted and reported as Education expenditures. The remaining \$0.5 increase in General Government spending represents statutory interest on personal property tax refunds that were made to Verizon Communications as a result of an unfavorable court decision regarding the taxation of certain communication personal property. All refunded taxes had previously been classified as refunds payable and were fully reserved in the Board of Assessor's Allowance for Abatements and Exemptions (overlay accounts).

The \$3.3 million (15.2%) reduction in public works spending is entirely related to the decline in the demand for snow and ice control spending in 2012, which was related to the lack of inclement weather during the winter and the \$476,439 increase in culture and recreation spending was primarily storm related emergency tree activities.

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, 2012, the City realized \$3.1 million in CPA fund revenue, \$2.4 million (77.4%) of which came from the local property tax surcharge. State matching funds amounted to \$0.6 million. Fund

expenditures totaled \$3.8 million for the year, \$2.0 million (52.6%) of which was for historic preservation project purposes and \$0.9 million (23.7%) 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. Both projects are now complete and the fund ended the fiscal year with a fund balance of \$88,270.

The overall financial position of all non-major governmental funds increased by \$4.8 million (27.7%) during the year. Special revenue funds, notably receipts reserved for appropriation; school state grant funds; and revolving funds accounted for \$3.8 million or 79.2% of the increase. Parking meter receipts; cable television license fees; and the reservation of \$555,023 in storm related state and federal grant reimbursements for future year inclement weather service needs, accounted for the increase in the receipts reserved for appropriation. The Newton Public school's reservation of an additional \$1.3 million in special education circuit breaker reimbursements for future year special education services was responsible for the increase fund balance in the school state grant fund

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 \$4.5 million to \$41.0 million at June 30, 2012. This resulted from a combination of a July 1, 2011 sewer use charge rate increase and improved billings and collections resulting from the installation of new meters. A total of \$24.6 million or 60% of the fund's net assets represent investments in capital assets (net of debt) and another \$2.9 million represents resources legally restricted for future sewer system capital improvements. Unrestricted fund net assets amounted to \$13.5 million at June 30, 2012, the equivalent of 6 months of operating expenditures.

The financial position of the City's water fund also improved during the last fiscal year from \$32.7 million at June 30, 2011 to \$36.0 million at June 30, 2012. The \$3.3 million improvement in the financial position of this fund was also a function of the July 1, 2011 water rate increase and improved billings and collections resulting from the installation of new water meters. A total of \$24.4 million or 67.8% of the total fund net assets represents the City's investment in water system capital assets (net of debt) and another \$4.0 million represents resources legally restricted for future water system capital improvements. Unrestricted fund net assets were \$7.6 million, also approximately 6 months of operating expenditures.

The financial position of the City's Internal Service Funds increased by \$2.1 million, or 16.2%, to \$15.1 million during the year ended June 30, 2012. 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 \$741.0 million in insured City buildings and contents. Detailed information on the self-insurance funds is presented on pages 87-90.

The financial position of the City's group health self-insurance fund improved by \$2.4 (23.1%) during the year and accounted for all of the improvement in the financial position of the internal service funds. The improvement resulted principally from the fact that paid claims declined by \$1.5 million (3.1%) and the City's estimated of incurred, but unreported claims liability decreased by \$0.6 million. The year-end net asset balance of \$12.8 million represents approximately 3.4 months of average paid claims for the year. As noted in the notes to the financial statements, the City implemented several changes in health plan design over the past year through the collective bargaining process. These plan design changes are intended to limit the City's total employee compensation cost growth (exclusive of pension and OPEB) to 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 \$128,161 during the year principally as a result a reduction in the actuarial accrued liability of the fund and increased employer fund contributions made during the year to off-set the impact of decreased investment income earnings. The June 30, 2012 fund equity of \$1.7 million provides a cushion against volatility in investment performance and extraordinary and unforeseen claims experience, the latter 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. The \$434,300 June 30, 2012 net asset balance is sufficient to pay approximately one year of building insurance premiums.

Fiduciary funds – The net assets of the City's contributory retirement system declined by \$8.0 million (3.3%) to \$233.3 million during the system's fiscal year that ended December 31, 2011, entirely as a result of poor investment performance. According to the Commonwealth of Massachusetts Public Employee Retirement Administration Commission's 2011 Annual Report, the Newton Contributory Retirement System's investment portfolio returned 0.58% for the year. This is largely the result of the fact that the Massachusetts Pension Reserve Investment Trust's (PRIT) core portfolio returned only 0.14% for the year and all but two real estate investments are managed by the PRIT fund. The 2011 return is significantly below Newton's 7.75% assumed rate of return. 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 \$305.7 million (including prior year encumbrances and continuing appropriations) and the final amended budget of \$311.5 million amounts to 1.9% and can be summarized as follows:

Description	Amount
Rainy Day Stabilization fund.....	\$ 2,500,000
Capital Outlay and improvements.....	1,161,949
Municipal collective bargaining.....	737,917
School SPED tuitions.....	670,292
Property tax revaluation.....	250,000
OPEB fund contribution.....	175,000
Emergency tree maintenance.....	90,862
Veteran benefits.....	75,000
State assessments.....	38,830
Police bullet resistant vest replacement.....	36,000
Conservation land maintenance.....	27,048
Fire prevention activities.....	11,277
 Total supplemental appropriations.....	 \$ <u>5,774,175</u>

There were no deficits incurred in the appropriations of the various departments of the City, although we did record a \$493,719 liability for statutory interest on a series of personal property tax abatement related refunds that had not been provided for in an appropriation recommended by the Mayor and approved by the Board of Aldermen by June 30, 2012. Subsequent to year end, an appropriation for this amount was voted by the Board of Aldermen and funds were disbursed. All but \$1.9 million (0.6%) of total appropriations were expended, encumbered, or continued into fiscal year 2013 for completion of the appropriated purposes at June 30, 2012. Please refer to pages 99–108 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 \$212.0 million, as of June 30, 2012, amounts to \$483.8 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>	
	2012	2011	2012	2011	2012	2011
Land and improvements.....	\$ 22,226,126	\$ 22,226,126	\$ 284,785	\$ 284,785	\$ 22,510,911	\$ 22,510,911
Intangible assets.....	1,270,000	-	-	-	1,270,000	-
Buildings and improvements.....	318,092,734	309,965,778	2,286,814	2,359,102	320,379,548	312,324,880
Machinery and equipment.....	18,577,977	18,725,294	10,472,627	2,214,077	29,050,604	20,939,371
Infrastructure.....	44,064,082	42,311,034	63,267,749	62,128,469	107,331,831	104,439,503
Construction in progress.....	3,293,056	9,360,188	4,345	7,245,184	3,297,401	16,605,372
Total capital assets.....	\$ 407,523,975	\$ 402,588,420	\$ 76,316,320	\$ 74,231,617	\$ 483,840,295	\$ 476,820,037

Total capital assets, net of accumulated depreciation, increased by \$7.0 million or 1.5%. Major capital asset events during 2012 included the following:

- Business-type activity net capital assets increased by \$2.1 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 \$4.9 million, principally as a result of \$3.2 million in project close out activity at the new Newton North High School facility and the recognition of \$1.3 million in intangible assets related to the acquisition of a historic preservation restriction on the Durant Kenrick museum site.

Additional information on the City’s capital assets may be found on pages 50-53 of this report.

Debt outstanding – At June 30, 2012, the City had total long term debt outstanding of \$217.6 million, \$188.3 million for governmental activities and \$29.3 million for business-type activities. There were no bond anticipation notes outstanding at June 30, 2012. 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>	
	2012	2011	2012	2011	2012	2011
Education buildings.....	\$ 167,402,333	\$ 169,600,000	\$ -	\$ -	\$ 167,402,333	\$ 169,600,000
Municipal buildings.....	10,250,000	11,045,000	-	-	10,250,000	11,045,000
Departmental equipment.....	7,040,000	6,755,000	-	-	7,040,000	6,755,000
Landfill closure.....	1,028,100	1,169,800	-	-	1,028,100	1,169,800
Street reconstruction.....	325,000	395,000	-	-	325,000	395,000
Land acquisition.....	2,275,000	3,030,000	-	-	2,275,000	3,030,000
Water system.....	-	-	18,179,039	20,046,257	18,179,039	20,046,257
Sanitary sewer system.....	-	-	11,146,978	9,677,757	11,146,978	9,677,757
Total bonds and notes.....	\$ 188,320,433	\$ 191,994,800	\$ 29,326,017	\$ 29,724,014	\$ 217,646,450	\$ 221,718,814

During the year just ended, the City added \$9.9 million in new bonds and retired \$14.0 million in existing bonds. General fund interest and principal payments amounted to \$16.1 million or 4.9% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$857,906, or 27.9%, 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, 2012 the City's authorized and unissued long term debt amounted to \$36.8 million, an increase of \$21.4 million (139%) from June 30, 2011. Subsequent to year end, a total of \$6.3 million in bonds that had been authorized for the construction of the new Newton North High School were rescinded by vote of the Board of Aldermen since they were not needed to complete the project.

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 56-62 of this report. In addition, debt trend information is available on pages 133-136 of this report.

Economic Factors and Next Year's Budget and Rates

- According to the U.S Census Bureau, the 2010 median household income for the City was \$112,728. This compares favorably with the Massachusetts median household income of \$67,950, and the U.S median household income of \$54,595. The City's per capita income was \$59,877 compared with \$33,704 for the Commonwealth of Massachusetts, and \$26,505 for the nation as a whole.
- According to the U.S Bureau of Labor Statistics, the unemployment rate for the City as September 30, 2012 was 4.1%, which compared favorably with the statewide unemployment rate of 6.5% and the national unemployment rate of 7.8%.
- According to the City's Board of Assessors, the 2012 median value of a single family home in Newton was \$680,500; the median value of a commercial property was \$760,500; and the median value of industrial property was \$854,900.

The City of Newton's fiscal year 2013 general fund operating budget, as amended through the date of this report, amounts to \$317.8 million. This represents an increase of \$6.3 million, or 2%, from the final fiscal year 2012 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, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 49,460,156	\$ 11,891,457	\$ 61,351,613	\$ 690,299
Restricted cash and cash equivalents.....	52,003,252	6,834,944	58,838,196	143,656
Investments.....	-	-	-	-
Restricted investments.....	8,964,272	-	8,964,272	-
Interest and dividends.....	30,922	-	30,922	442,968
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	3,433,709	-	3,433,709	-
Tax and utility liens.....	7,643,146	317,485	7,960,631	-
Motor vehicle excise.....	778,620	-	778,620	-
Community preservation surcharges.....	31,244	-	31,244	-
Charges for service.....	799,815	14,314,015	15,113,830	-
Departmental and other.....	756,210	-	756,210	11,841
Intergovernmental.....	2,300,862	226,963	2,527,825	-
Special assessments.....	695	-	695	-
Loans.....	-	-	-	84,933
Other assets.....	37,500	-	37,500	457
Due from fiduciary funds.....	17,601	-	17,601	-
Prepaid expenses.....	-	-	-	4,078
Inventory.....	-	-	-	782
Working capital deposit.....	377,432	-	377,432	-
Total current assets.....	126,635,436	33,584,864	160,220,300	1,379,014
Noncurrent assets:				
Restricted investments.....	67,354	-	67,354	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	2,909,782	-	2,909,782	-
Departmental and other.....	4,240,896	-	4,240,896	-
Intergovernmental.....	2,576,389	1,838,196	4,414,585	-
Special assessments.....	595,073	47,900	642,973	-
Loans.....	-	-	-	4,114,515
Capital assets:				
Nondepreciable.....	26,789,182	289,130	27,078,312	-
Depreciable, net of accumulated depreciation.....	380,734,793	76,027,190	456,761,983	2,161,375
Total noncurrent assets.....	417,913,469	78,202,416	496,115,885	6,275,890
Total assets.....	544,548,905	111,787,280	656,336,185	7,654,904
LIABILITIES				
Current liabilities:				
Warrants payable.....	3,323,460	477,213	3,800,673	129,274
Accrued liabilities.....	5,822,506	413,631	6,236,137	104,083
Accrued payroll.....	12,165,411	44,924	12,210,335	-
Revenue refunds payable.....	5,049,803	-	5,049,803	-
Health claims payable.....	3,674,387	-	3,674,387	-
Other liabilities.....	2,398,522	49,199	2,447,721	-
Accrued interest.....	1,784,421	181,340	1,965,761	-
Abandoned property.....	789,373	-	789,373	-
Liabilities payable from restricted assets.....	247,349	452,713	700,062	-
Bonds payable.....	9,596,167	4,458,055	14,054,222	-
Landfill closure and other environmental liabilities.....	99,000	-	99,000	-
Compensated absences.....	2,825,574	27,598	2,853,172	-
Workers' compensation benefits.....	1,309,506	-	1,309,506	-
Total current liabilities.....	49,085,479	6,104,673	55,190,152	233,357

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

JUNE 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent liabilities:				
Bonds payable.....	\$ 178,724,266	\$ 24,867,962	\$ 203,592,228	\$ -
Landfill closure and other environmental liabilities.....	645,000	-	645,000	-
Compensated absences.....	5,337,470	248,380	5,585,850	-
Net OPEB obligation.....	144,333,034	3,545,394	147,878,428	-
Workers' compensation benefits.....	5,179,689	-	5,179,689	-
Total noncurrent liabilities.....	334,219,459	28,661,736	362,881,195	-
Total liabilities.....	383,304,938	34,766,409	418,071,347	233,357
NET ASSETS				
Invested in capital assets, net of related debt.....	220,231,642	49,055,462	269,287,104	2,161,375
Restricted for:				
Capital purposes.....	6,860,156	6,834,944	13,695,100	-
Community preservation activities.....	9,315,701	-	9,315,701	-
Education activities.....	3,778,746	-	3,778,746	-
Other post employment benefits.....	312,973	-	312,973	-
Debt service.....	2,946,430	-	2,946,430	-
Perpetual funds:				
Expendable.....	742,711	-	742,711	-
Nonexpendable.....	446,818	-	446,818	-
Other specific purposes.....	10,157,189	-	10,157,189	-
Unrestricted.....	(93,548,399)	21,130,465	(72,417,934)	5,260,172
Total net assets.....	\$ 161,243,967	\$ 77,020,871	\$ 238,264,838	\$ 7,421,547

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.....	\$ 2,584,686	\$ 648,649	\$ 318,423	\$ 6,961	\$ (1,610,653)
Elections.....	755,458	1,461	14,462	-	(739,535)
Financial administration.....	3,924,282	231,109	3,994	-	(3,689,179)
Administrative support.....	4,530,320	396,819	7	-	(4,133,494)
Planning & development.....	5,909,983	782,457	3,733,563	-	(1,393,963)
Public building maintenance & operation.....	3,794,540	35,626	8,762	-	(3,750,152)
Interest on property tax refunds.....	493,719	-	-	-	(493,719)
Public safety					
Police.....	28,938,264	5,262,616	497,947	-	(23,177,701)
Fire.....	25,464,496	601,532	43,844	-	(24,819,120)
Inspectional services.....	1,549,348	4,477,703	-	-	2,928,355
Other public safety.....	109,387	22,604	-	-	(86,783)
Education.....	252,922,994	7,547,398	59,482,585	-	(185,893,011)
Public works					
Streets & sidewalks.....	13,974,227	2,994,871	84,800	2,512,395	(8,382,161)
Control of snow & ice.....	1,041,222	-	-	-	(1,041,222)
Collection & disposal of solid waste.....	7,473,428	44,776	55,027	-	(7,373,625)
Engineering.....	1,732,488	37,601	-	-	(1,694,887)
Health & human services					
Public health & human services.....	9,317,270	109,238	201,623	-	(9,006,409)
Senior services.....	910,089	8,976	247,749	-	(653,364)
Veteran services.....	457,573	-	349,005	-	(108,568)
Culture and recreation					
Libraries.....	7,164,558	120,763	410,945	-	(6,632,850)
Parks & recreation.....	8,191,526	2,408,485	149,416	-	(5,633,625)
Newton History museum.....	860,861	-	1,891	-	(858,970)
Debt service - interest.....	7,559,469	-	176,218	-	(7,383,251)
Total governmental activities.....	389,660,188	25,732,684	65,780,261	2,519,356	(295,627,887)
Business-type activities:					
Water.....	15,185,784	19,695,478	317,607	12,866	4,840,167
Sewer.....	24,953,457	28,578,290	329,368	476,467	4,430,668
Total business-type activities.....	40,139,241	48,273,768	646,975	489,333	9,270,835
Total Primary Government.....	\$ 429,799,429	\$ 74,006,452	\$ 66,427,236	\$ 3,008,689	\$ (286,357,052)
Component units:					
Newton Commonwealth Foundation, Inc.....	\$ 229,474	\$ 269,488	\$ 4,496	\$ -	\$ 44,510
Newton Community Development Authority.....	122,192	-	74,633	-	(47,559)
Newton Community Farm, Inc.....	147,744	108,528	48,726	-	9,510
Total Component Units.....	\$ 499,410	\$ 378,016	\$ 127,855	\$ -	\$ 6,461

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (295,627,887)	\$ 9,270,835	\$ (286,357,052)	\$ 6,461
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	249,340,011	-	249,340,011	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,431,863	-	2,431,863	-
Motor vehicle and other excise taxes.....	10,514,832	-	10,514,832	-
Hotel room occupancy taxes.....	1,814,792	-	1,814,792	-
Meals taxes.....	1,403,261	-	1,403,261	-
Penalties and interest on taxes.....	1,146,496	-	1,146,496	-
Payments in lieu of taxes.....	529,294	-	529,294	-
Grants and contributions not restricted to specific programs.....	5,263,525	-	5,263,525	-
Unrestricted investment income.....	278,106	-	278,106	-
Other.....	2,169,238	-	2,169,238	53,828
<i>Transfers, net</i>	1,429,518	(1,429,518)	-	-
Total general revenues and transfers.....	276,320,936	(1,429,518)	274,891,418	53,828
Change in net assets.....	(19,306,951)	7,841,317	(11,465,634)	60,289
Net assets - beginning of year.....	180,550,918	69,179,554	249,730,472	7,361,258
Net assets - end of year.....	\$ 161,243,967	\$ 77,020,871	\$ 238,264,838	\$ 7,421,547

See notes to basic financial statements.

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

JUNE 30, 2012

ASSETS	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 49,460,156	\$ -	\$ -	\$ -	\$ 49,460,156
Interest and dividends	-	-	-	2,297	2,297
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	3,433,709	-	-	-	3,433,709
Real estate tax deferrals	2,909,782	-	-	-	2,909,782
Tax liens	7,638,519	-	-	4,627	7,643,146
Motor vehicle excise	778,620	-	-	-	778,620
Community preservation surcharges	-	31,244	-	-	31,244
Charges for services	50,083	-	-	749,732	799,815
Departmental and other	4,948,940	-	-	7,940	4,956,880
Intergovernmental	3,150,936	652,294	-	1,053,781	4,859,011
Special assessments	595,768	-	-	-	595,768
Due from other funds	240,400	-	-	-	240,400
Due from fiduciary funds	17,601	-	-	-	17,601
Other assets	7,500	-	-	30,000	37,500
Restricted assets:					
Cash and cash equivalents	938,274	8,745,965	336,789	22,857,006	32,878,034
Investments	-	-	-	530,429	530,429
TOTAL ASSETS	\$ 74,170,288	\$ 9,429,503	\$ 336,789	\$ 25,237,812	\$ 109,174,392
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable	\$ 2,365,300	\$ 112,878	\$ 35,813	\$ 522,434	\$ 3,036,425
Accrued liabilities	4,022,588	-	212,706	555,323	4,790,617
Accrued payroll	11,632,825	924	-	520,442	12,154,191
Revenue refunds payable	5,049,803	-	-	-	5,049,803
Other liabilities	-	-	-	948,905	948,905
Abandoned property	789,373	-	-	-	789,373
Liabilities due depositors	247,349	-	-	-	247,349
Deferred revenue	21,838,709	679,631	-	365,405	22,883,745
Due to other funds	-	-	-	240,400	240,400
TOTAL LIABILITIES	45,945,947	793,433	248,519	3,152,909	50,140,808
FUND BALANCES:					
Nonspendable	-	-	-	446,818	446,818
Restricted	938,274	8,636,070	88,270	19,892,876	29,555,490
Committed	9,816,666	-	-	1,745,209	11,561,875
Assigned	2,583,061	-	-	-	2,583,061
Unassigned	14,886,340	-	-	-	14,886,340
TOTAL FUND BALANCES	28,224,341	8,636,070	88,270	22,084,903	59,033,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 74,170,288	\$ 9,429,503	\$ 336,789	\$ 25,237,812	\$ 109,174,392

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, 2012

Total governmental fund balances (page 21).....	S	59,033,584
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		407,523,975
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		22,883,745
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.....		(1,784,421)
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.....		(188,320,433)
Landfill closure and other environmental liabilities.....		(744,000)
Compensated absences.....		(8,163,044)
Net OPEB obligation.....		(144,333,034)
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.....		15,147,595
Net assets of governmental activities (page 18).....	S	161,243,967

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, 2012

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes.....	\$ 248,503,570	\$ -	\$ -	\$ -	\$ 248,503,570
Motor vehicle excise taxes.....	10,567,479	-	-	-	10,567,479
Hotel room occupancy taxes.....	1,814,792	-	-	-	1,814,792
Meals taxes.....	1,403,261	-	-	-	1,403,261
Community preservation surcharges.....	-	2,427,905	-	-	2,427,905
Penalties and interest on taxes.....	1,117,001	-	-	29,495	1,146,496
Licenses and permits.....	5,416,982	-	-	664,406	6,081,388
Intergovernmental.....	50,925,414	625,763	-	21,485,529	73,036,706
Charges for services.....	1,739,638	-	-	15,600,829	17,340,467
Fines and forfeitures.....	2,000,386	-	-	16,699	2,017,085
Investment income.....	261,298	23,768	-	(13,816)	271,250
Contributions and donations.....	-	-	-	1,299,748	1,299,748
Payments in lieu of taxes.....	479,617	-	-	-	479,617
Miscellaneous.....	681,078	-	-	541,153	1,222,231
Special assessments.....	73,537	-	-	277,102	350,639
TOTAL REVENUES	324,984,053	3,077,436	-	39,901,145	367,962,634
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	1,813,159	-	-	-	1,813,159
Elections.....	461,392	-	-	36,263	497,655
Financial administration.....	2,828,920	-	-	-	2,828,920
Administrative support.....	3,403,169	-	-	-	3,403,169
Planning & development.....	939,781	1,002,280	-	3,567,594	5,509,655
Public building maintenance & operations.....	3,929,104	140,508	-	2,600,476	6,670,088
Interest on property tax refunds.....	493,719	-	-	-	493,719
Public safety:					
Police.....	17,691,819	-	-	3,566,751	21,258,570
Fire.....	16,516,085	-	-	770,446	17,286,531
Inspectional services.....	1,063,722	-	-	2,025	1,065,747
Other public safety.....	76,461	-	-	-	76,461
Education.....	169,673,728	-	3,209,330	23,603,427	196,486,485
Public works:					
Streets & sidewalks.....	6,391,291	-	-	3,667,140	10,058,431
Control of snow & ice.....	920,327	-	-	-	920,327
Collection & disposal of solid waste.....	6,557,584	-	-	15,066	6,572,650
Vehicle maintenance.....	1,922,730	-	-	1,437	1,924,167
Engineering.....	1,057,945	-	-	37,601	1,095,546
Administration & support.....	1,347,135	-	-	-	1,347,135
Health and human services:					
Health & human services.....	2,829,423	-	-	170,020	2,999,443
Senior services.....	569,105	-	-	220,732	789,837
Veteran services.....	334,218	-	-	-	334,218
Culture and recreation:					
Libraries.....	4,768,650	3,087	-	392,546	5,164,283
Parks & recreation.....	4,437,079	11,503	-	2,152,308	6,600,890
Newton History museum.....	233,448	1,833,964	-	6,461	2,073,873
Retirement benefits.....	56,055,483	-	-	-	56,055,483
Workers' compensation insurance.....	1,149,375	-	-	-	1,149,375
Property and liability insurance.....	409,899	-	-	-	409,899
Claims and judgments.....	58,504	-	-	-	58,504
State assessments & charges.....	5,503,956	-	-	-	5,503,956
Debt service:					
Principal.....	8,653,367	755,000	-	-	9,408,367
Interest.....	7,471,534	102,906	-	-	7,574,440
TOTAL EXPENDITURES	329,562,112	3,849,248	3,209,330	40,810,293	377,430,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,578,059)	(771,812)	(3,209,330)	(909,148)	(9,468,349)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	4,811,997	-	-	3,601,440	8,413,437
Issuance of general obligation bonds.....	-	-	-	5,734,000	5,734,000
Premium from issuance of bonds and notes.....	131,379	-	-	-	131,379
Sale of assets.....	35,048	-	-	32,562	67,610
Transfers out.....	(2,949,598)	(1,922)	(11)	(3,633,665)	(6,585,196)
TOTAL OTHER FINANCING SOURCES (USES)	2,028,826	(1,922)	(11)	5,734,337	7,761,230
NET CHANGE IN FUND BALANCES	(2,549,233)	(773,734)	(3,209,341)	4,825,189	(1,707,119)
FUND BALANCES AT BEGINNING OF YEAR	30,773,574	9,409,804	3,297,611	17,259,714	60,740,703
FUND BALANCES AT END OF YEAR	\$ 28,224,341	\$ 8,636,070	\$ 88,270	\$ 22,084,903	\$ 59,033,584

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, 2012

Net change in fund balances - total governmental funds (page 23).....	S	(1,707,119)
<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.....		19,258,312
Depreciation.....		(14,263,189)
<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>		
		(59,568)
<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>		
		864,715
<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.....		(5,734,000)
Bond maturities.....		9,408,367
<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>		
		14,971
<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>		
Landfill closure and other environmental liabilities.....		61,000
Compensated absences.....		(225,335)
Net OPEB obligation.....		(29,062,471)
<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>2,137,366</u>
Changes in net assets of governmental activities (page 20).....	S	<u>(19,306,951)</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, 2012

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes	\$ 247,767,871	247,532,017	\$ 248,246,368	\$ 714,351
Motor vehicle excise taxes	10,100,000	10,000,000	10,382,196	382,196
Hotel room occupancy taxes	1,800,000	1,650,000	1,814,792	164,792
Meals tax	1,300,000	1,300,000	1,403,261	103,261
Penalties and interest on taxes	1,010,000	1,010,000	1,117,001	107,001
Licenses and permits	4,874,820	4,874,820	5,416,982	542,162
Intergovernmental	19,534,749	20,109,496	20,679,982	570,486
Charges for services	1,502,675	1,541,156	1,739,638	198,482
Fines and forfeitures	1,911,392	1,911,392	2,000,386	88,994
Investment income	750,000	270,000	244,319	(25,681)
Payments in lieu of taxes	405,000	430,000	479,617	49,617
Miscellaneous	91,015	677,471	831,929	154,458
Special assessments	110,000	110,000	73,537	(36,463)
TOTAL REVENUES	291,177,522	291,416,352	294,430,008	3,013,656
EXPENDITURES				
Current:				
General government:				
Legislative & executive	2,104,090	1,876,528	1,813,159	63,369
Elections	570,405	572,136	461,392	110,744
Financial administration	3,059,027	3,366,551	2,828,920	537,631
Administrative support	3,938,255	4,091,535	3,403,169	688,366
Planning & development	928,027	996,542	939,781	56,761
Public building maintenance & operations	4,168,106	4,245,610	3,929,104	316,506
Interest on property tax refunds	-	-	493,719	(493,719)
Public safety:				
Police	17,595,847	17,736,139	17,676,253	59,886
Fire	16,488,785	17,308,554	16,840,925	467,629
Inspectional services	1,130,032	1,134,473	1,063,722	70,751
Other public safety	75,586	76,628	76,461	167
Education	171,222,112	171,323,146	169,673,728	1,649,418
Public works:				
Streets & sidewalks	6,873,390	6,921,591	6,423,540	498,051
Control of snow & ice	1,000,000	960,709	920,327	40,382
Collection & disposal of solid waste	6,517,577	6,581,941	6,557,584	24,357
Vehicle maintenance	2,584,745	2,339,950	1,922,730	417,220
Engineering	1,055,015	1,098,448	1,064,520	33,928
Administration & support	1,403,647	1,419,459	1,347,135	72,324
Health and human services:				
Health & human services	2,968,122	3,009,416	2,842,923	166,493
Senior services	569,826	572,091	569,105	2,986
Veteran services	292,498	369,138	334,218	34,920
Culture and recreation:				
Libraries	5,026,438	4,976,760	4,768,650	208,110
Parks & recreation	4,481,963	5,397,581	4,437,079	960,502
Newton History museum	248,974	250,555	233,448	17,107
Retirement benefits	25,279,149	25,412,669	25,352,632	60,037
Workers' compensation insurance	950,000	1,149,375	1,149,375	-
Property and liability insurance	437,184	437,184	409,899	27,285
Claims and judgments	100,000	100,000	58,504	41,496
Reserve fund	1,861,225	361,225	-	361,225
State assessments & charges	5,550,761	5,589,591	5,503,956	85,635
Debt service:				
Principal	8,610,165	8,610,165	8,610,164	1
Interest	7,446,535	7,446,535	7,445,108	1,427
TOTAL EXPENDITURES	304,537,486	305,732,225	299,151,230	6,580,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,359,964)	(14,315,873)	(4,721,222)	9,594,651
OTHER FINANCING SOURCES (USES)				
Transfers in	8,607,806	9,213,287	9,107,375	(105,912)
Premium from issuance of bonds and notes	-	-	131,379	131,379
Sale of assets	-	-	35,048	35,048
Transfers out	(1,170,240)	(5,749,676)	(5,749,676)	-
TOTAL OTHER FINANCING SOURCES (USES)	7,437,566	3,463,611	3,524,126	60,515
NET CHANGE IN FUND BALANCE	(5,922,398)	(10,852,262)	(1,197,096)	9,655,166
FUND BALANCE AT BEGINNING OF YEAR	22,932,920	22,932,920	22,932,920	-
FUND BALANCE AT END OF YEAR	\$ 17,010,522	\$ 12,080,658	\$ 21,735,824	\$ 9,655,166

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, 2012

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 2,411,094	2,303,097	\$ 2,444,331	141,234
Intergovernmental	517,766	625,763	625,763	-
Investment income.....	-	-	23,768	23,768
TOTAL REVENUES.....	2,928,860	2,928,860	3,093,862	165,002
EXPENDITURES				
Current:				
General government:				
Planning & development.....	1,636,605	1,693,685	1,002,280	691,405
Public building maintenance & operations.....	672,921	656,693	140,508	516,185
Culture and recreation:				
Libraries.....	12,168	4,308	3,087	1,221
Parks & recreation.....	22,929	11,503	11,503	-
Newton History museum.....	2,958,070	2,958,070	1,833,964	1,124,106
Reserve fund.....	1,926,704	2,043,138	-	2,043,138
Debt service:				
Principal.....	755,000	755,000	755,000	-
Interest.....	102,907	102,907	102,906	1
TOTAL EXPENDITURES.....	8,087,304	8,225,304	3,849,248	4,376,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,158,444)	(5,296,444)	(755,386)	4,541,058
OTHER FINANCING SOURCES (USES)				
Transfers out.....	-	-	(1,922)	(1,922)
NET CHANGE IN FUND BALANCE.....	(5,158,444)	(5,296,444)	(757,308)	4,539,136
FUND BALANCE AT BEGINNING OF YEAR.....	9,389,472	9,389,472	9,389,472	-
FUND BALANCE AT END OF YEAR.....	\$ 4,231,028	\$ 4,093,028	\$ 8,632,164	\$ 4,539,136

See notes to basic financial statements.

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

JUNE 30, 2012

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 7,051,158	\$ 4,840,299	\$ 11,891,457	\$ -
Restricted cash and cash equivalents.....	2,861,041	3,973,903	6,834,944	19,125,219
Restricted investments.....	-	-	-	8,501,197
Interest and dividends.....	-	-	-	28,625
Receivables, net of allowance for uncollectibles:				
Charges for service.....	8,475,823	5,838,192	14,314,015	-
Utility liens.....	192,225	125,260	317,485	-
Departmental and other.....	-	-	-	40,227
Intergovernmental.....	226,963	-	226,963	18,239
Working capital deposit.....	-	-	-	377,432
Total current assets.....	18,807,210	14,777,654	33,584,864	28,090,939
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	47,900	-	47,900	-
Intergovernmental.....	1,838,196	-	1,838,196	-
Capital assets:				
Nondepreciable.....	26,245	262,885	289,130	-
Depreciable, net of accumulated depreciation.....	33,680,896	42,346,294	76,027,190	-
Total noncurrent assets.....	35,593,237	42,609,179	78,202,416	-
Total assets.....	54,400,447	57,386,833	111,787,280	28,090,939
LIABILITIES				
Current liabilities:				
Warrants payable.....	108,796	368,417	477,213	287,034
Accrued liabilities.....	26,647	386,984	413,631	1,031,890
Accrued payroll.....	21,117	23,807	44,924	11,220
Other liabilities.....	4,634	44,565	49,199	1,449,618
Liabilities payable from restricted assets.....	158,904	293,809	452,713	-
Accrued interest.....	126,600	54,740	181,340	-
Accrued health claims payable.....	-	-	-	3,674,387
Workers' compensation claims.....	-	-	-	1,309,506
Compensated absences.....	15,266	12,332	27,598	-
Long-term bonds and notes payable.....	1,353,219	3,104,836	4,458,055	-
Total current liabilities.....	1,815,183	4,289,490	6,104,673	7,763,655
Noncurrent liabilities:				
Workers' compensation claims.....	-	-	-	5,179,689
Compensated absences.....	137,396	110,984	248,380	-
Net OPEB obligation.....	1,646,392	1,899,002	3,545,394	-
Long-term bonds and notes payable.....	9,793,759	15,074,203	24,867,962	-
Total noncurrent liabilities.....	11,577,547	17,084,189	28,661,736	5,179,689
Total liabilities.....	13,392,730	21,373,679	34,766,409	12,943,344
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	24,625,322	24,430,140	49,055,462	-
Restricted for:				
Capital purposes.....	2,861,041	3,973,903	6,834,944	-
Unrestricted.....	13,521,354	7,609,111	21,130,465	15,147,595
Total net assets.....	\$ 41,007,717	\$ 36,013,154	\$ 77,020,871	\$ 15,147,595

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, 2012

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services.....	\$ 28,569,871	\$ 19,695,479	\$ 48,265,350	\$ -
Special assessments.....	8,420	-	8,420	-
Employer contributions.....	-	-	-	41,927,793
Plan member contributions.....	-	-	-	10,125,077
TOTAL OPERATING REVENUES.....	28,578,291	19,695,479	48,273,770	52,052,870
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	2,899,697	3,146,699	6,046,396	-
Other operating expenses.....	780,392	757,089	1,537,481	3,261,925
MWRA assessment.....	19,546,086	8,939,785	28,485,871	-
Workers' compensation.....	194,884	233,016	427,900	-
Self insurance claims.....	-	-	-	46,271,212
Depreciation.....	1,084,407	1,546,813	2,631,220	-
TOTAL OPERATING EXPENSES.....	24,505,466	14,623,402	39,128,868	49,533,137
OPERATING INCOME (LOSS).....	4,072,825	5,072,077	9,144,902	2,519,733
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	759,856	317,607	1,077,463	-
Investment income.....	5,767	12,866	18,633	16,356
Premium from issuance of bonds.....	40,212	-	40,212	-
Interest expense.....	(447,992)	(553,397)	(1,001,389)	-
Gain (loss) on disposal of capital assets.....	-	(8,986)	(8,986)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	357,843	(231,910)	125,933	16,356
INCOME (LOSS) BEFORE TRANSFERS.....	4,430,668	4,840,167	9,270,835	2,536,089
TRANSFERS				
Transfers in.....	808,330	-	808,330	-
Transfers out.....	(679,518)	(1,558,330)	(2,237,848)	(398,723)
TOTAL TRANSFERS.....	128,812	(1,558,330)	(1,429,518)	(398,723)
CHANGE IN FUND NET ASSETS.....	4,559,480	3,281,837	7,841,317	2,137,366
FUND NET ASSETS AT BEGINNING OF YEAR.....	36,448,237	32,731,317	69,179,554	13,010,229
FUND NET ASSETS AT END OF YEAR.....	\$ 41,007,717	\$ 36,013,154	\$ 77,020,871	\$ 15,147,595

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 28,441,128	\$ 19,767,417	\$ 48,208,545	\$ 10,125,077
Receipts from interfund services provided.....	-	-	-	41,869,327
Payments to vendors/providers.....	(21,456,473)	(11,311,822)	(32,768,295)	(49,008,603)
Payments to employees.....	(1,778,448)	(1,844,742)	(3,623,190)	-
NET CASH FROM OPERATING ACTIVITIES.....	<u>5,206,207</u>	<u>6,610,853</u>	<u>11,817,060</u>	<u>2,985,801</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	808,330	-	808,330	-
Transfers out.....	(679,518)	(1,558,330)	(2,237,848)	(398,723)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>128,812</u>	<u>(1,558,330)</u>	<u>(1,429,518)</u>	<u>(398,723)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	2,852,300	1,360,200	4,212,500	-
Premium from the issuance of bonds and notes.....	40,212	-	40,212	-
Capital contributions.....	470,759	-	470,759	-
Acquisition and construction of capital assets.....	(1,553,361)	(3,171,548)	(4,724,909)	-
Principal payments on bonds and notes.....	(1,153,317)	(3,227,418)	(4,380,735)	-
Interest expense.....	(156,382)	(238,991)	(395,373)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>500,211</u>	<u>(5,277,757)</u>	<u>(4,777,546)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of investments.....	-	-	-	453,599
Investment income.....	5,767	12,866	18,633	19,208
NET CASH FROM INVESTING ACTIVITIES.....	<u>5,767</u>	<u>12,866</u>	<u>18,633</u>	<u>472,807</u>
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	5,840,997	(212,368)	5,628,629	3,059,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
(Includes \$1,015,966 and \$6,305,691 reported as restricted in the sewer and water enterprise funds, respectively).....	4,071,202	9,026,570	13,097,772	16,065,334
CASH AND CASH EQUIVALENTS AT END OF YEAR				
(Includes \$2,861,041, \$3,973,903 and \$19,125,219 reported as restricted in the sewer, water enterprise funds and internal service funds respectively).....	<u>\$ 9,912,199</u>	<u>\$ 8,814,202</u>	<u>\$ 18,726,401</u>	<u>\$ 19,125,219</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ 4,072,825	\$ 5,072,077	\$ 9,144,902	\$ 2,519,733
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities not requiring current cash flows:				
Depreciation.....	1,084,407	1,546,813	2,631,220	-
Net OPEB obligation.....	336,551	416,586	753,137	-
Changes in assets and liabilities requiring current cash flows:				
Utility liens.....	80,068	71,149	151,217	-
Water fees.....	-	789	789	-
Sewer fees.....	(251,679)	-	(251,679)	-
Special assessments.....	34,448	-	34,448	-
Departmental and other.....	-	-	-	(40,227)
Intergovernmental.....	-	-	-	(18,239)
Working capital deposit.....	-	-	-	122,987
Warrants payable.....	2,958	(93,259)	(90,301)	266,942
Accrued liabilities.....	(122,372)	(486,359)	(608,731)	910,327
Accrued payroll.....	(12,481)	(8,780)	(21,261)	(6,493)
Other liabilities.....	4,634	44,565	49,199	106,948
Liabilities payable from restricted assets.....	(7,039)	71,903	64,864	-
Accrued health claims payable.....	-	-	-	(348,462)
Workers' compensation.....	-	-	-	(527,715)
Accrued compensated absences.....	(16,113)	(24,631)	(40,744)	-
Total adjustments.....	<u>1,133,382</u>	<u>1,538,776</u>	<u>2,672,158</u>	<u>466,068</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 5,206,207</u>	<u>\$ 6,610,853</u>	<u>\$ 11,817,060</u>	<u>\$ 2,985,801</u>
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT and MWRA).....	\$ 518,860	\$ 317,607	\$ 836,467	\$ -

See notes to basic financial statements.

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

JUNE 30, 2012

ASSETS	Pension Trust Fund (As of 12/31/11)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 6,712,517	\$ 1,907,619	\$ 1,959,284
Investments.....	-	7,173,923	-
Equities.....	123,577,397	-	-
Mutual bond funds.....	47,609,455	-	-
Real estate.....	30,453,055	-	-
Alternative.....	24,452,181	-	-
Interest and dividends.....	-	19,060	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	18,452
Intergovernmental.....	536,859	-	-
Loans.....	-	19,663	-
Prepaid expenses.....	11,272	-	-
Total assets.....	<u>233,352,736</u>	<u>9,120,265</u>	<u>1,977,736</u>
LIABILITIES			
Warrants payable.....	9,522	1,000	1,054
Payroll withholdings.....	-	-	819,485
Other liabilities.....	-	-	1,157,197
Due to the general fund.....	-	17,601	-
Total liabilities.....	<u>9,522</u>	<u>18,601</u>	<u>1,977,736</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 233,343,214</u>	<u>\$ 9,101,664</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, 2012

	<u>Pension Trust Fund (As of 12/31/11)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 16,307,878	\$ -
Plan members.....	7,730,262	-
Private donations.....	-	88,431
Other.....	19,437	-
	<u>24,057,577</u>	<u>88,431</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	(5,727,152)	-
Interest.....	7,471,170	317,760
	<u>1,744,018</u>	<u>317,760</u>
Less investment expense.....	(1,219,337)	-
	<u>524,681</u>	<u>317,760</u>
Intergovernmental.....	1,055,702	-
Transfers from other systems.....	764,205	-
	<u>26,402,165</u>	<u>406,191</u>
DEDUCTIONS		
Retirement benefits.....	31,870,521	-
Refunds of contributions & transfers to other systems.....	2,306,155	-
Administration expense.....	254,761	31,989
Educational scholarships & awards.....	-	351,464
	<u>34,431,437</u>	<u>383,453</u>
CHANGE IN NET ASSETS.....	(8,029,272)	22,738
NET ASSETS AT BEGINNING OF YEAR.....	<u>241,372,486</u>	<u>9,078,926</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 233,343,214</u>	<u>\$ 9,101,664</u>

See notes to basic financial statements.

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

JUNE 30, 2012

	Component Units			
	Newton Commonwealth Foundation, Inc. (As of 12/31/11)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/11)	Total
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 546,438	\$ -	\$ 143,861	\$ 690,299
Restricted cash and cash equivalents.....	-	140,162	3,494	143,656
Interest and dividends.....	-	442,968	-	442,968
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	2,672	-	9,169	11,841
Loans.....	-	84,933	-	84,933
Other assets.....	-	-	457	457
Prepaid expenses.....	1,980	-	2,098	4,078
Inventory.....	-	-	782	782
Total current assets.....	<u>551,090</u>	<u>668,063</u>	<u>159,861</u>	<u>1,379,014</u>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Loans.....	-	4,114,515	-	4,114,515
Capital assets:				
Depreciable, net of accumulated depreciation.....	<u>1,928,106</u>	<u>-</u>	<u>233,269</u>	<u>2,161,375</u>
Total noncurrent assets.....	<u>1,928,106</u>	<u>4,114,515</u>	<u>233,269</u>	<u>6,275,890</u>
Total assets.....	<u>2,479,196</u>	<u>4,782,578</u>	<u>393,130</u>	<u>7,654,904</u>
LIABILITIES				
Current liabilities:				
Warrants payable.....	102,997	11,660	14,617	129,274
Accrued liabilities.....	<u>-</u>	<u>104,083</u>	<u>-</u>	<u>104,083</u>
Total liabilities.....	<u>102,997</u>	<u>115,743</u>	<u>14,617</u>	<u>233,357</u>
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	1,928,106	-	233,269	2,161,375
Unrestricted.....	<u>448,093</u>	<u>4,666,835</u>	<u>145,244</u>	<u>5,260,172</u>
Total net assets.....	<u>\$ 2,376,199</u>	<u>\$ 4,666,835</u>	<u>\$ 378,513</u>	<u>\$ 7,421,547</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, 2012

	Component Units			Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/11)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/11)	
OPERATING REVENUES				
Charges for services.....	\$ 269,488	\$ -	\$ 108,528	\$ 378,016
Contributions.....	-	-	47,707	47,707
Other.....	-	53,828	-	53,828
TOTAL OPERATING REVENUES.....	269,488	53,828	156,235	479,551
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	32,040	-	128,821	160,861
Other operating expenses.....	50,000	122,192	-	172,192
Depreciation.....	147,434	-	18,923	166,357
TOTAL OPERATING EXPENSES.....	229,474	122,192	147,744	499,410
OPERATING INCOME (LOSS).....	40,014	(68,364)	8,491	(19,859)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	-	74,625	-	74,625
Investment income.....	4,496	8	1,019	5,523
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	4,496	74,633	1,019	80,148
CHANGE IN FUND NET ASSETS.....	44,510	6,269	9,510	60,289
FUND NET ASSETS AT BEGINNING OF YEAR.....	2,331,689	4,660,566	369,003	7,361,258
FUND NET ASSETS AT END OF YEAR.....	\$ 2,376,199	\$ 4,666,835	\$ 378,513	\$ 7,421,547

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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, 2012

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

B. Basis of Presentation, Basis of Accounting

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

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

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

Internal service funds of the City (which provide services primarily to other funds of the City) are presented, in summary form, as part of the proprietary 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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.

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

The City also reports the following fund types:

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

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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 Funds 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.

C. Assets, Liabilities and Equity

Cash and Cash Equivalents and Investments

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

Restricted Cash and Cash Equivalents and Investments

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

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Based upon an analysis of water and sewer receivable activity over the past three years, 6.2% and 5.7% 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.

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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.
- 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 15 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2012 General Fund and Community Preservation Fund budgets authorized \$305,707,726 and \$8,087,304 (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 and Community Preservation Fund totaling \$5,774,175, and \$138,000, for total budgets of \$311,481,901 and \$8,225,304, respectively.

Total General Fund expenditures and transfers to other funds totaled \$304,900,906, and \$4,636,701 in appropriation balances were carried forward into fiscal year 2013 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures and transfers to other funds were \$3,851,170, and \$2,296,493 in appropriation balances were carried forward into fiscal year 2013 to support encumbrances and continuing appropriations.

B. Budget to GAAP Reconciliation

Accounting principles followed for purposes of preparing the financial statements on a budgetary basis differ from those used to present financial statements in accordance with GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund and Community Preservation Fund for the fiscal year ended June 30, 2012 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.....	\$ 294,430,008	\$ 299,151,230	\$ 3,524,126
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	445,159	-	(1,670,300)
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	677	-	175,000
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	(620,235)	-	-
Net change in recording tax refunds payable.....	1,062,720	-	-
To record activity for landfill closure subsidy.....	69,629	69,629	-
To record activity of MTRS on-behalf payments.....	30,702,851	30,702,851	-
Net change in recording other revenues.....	(1,106,756)	-	-
Net change in recording other expenditures.....	-	(361,598)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 324,984,053	\$ 329,562,112	\$ 2,028,826

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

	Community Preservation Fund
	<u>Revenues</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 3,093,862
<u>Adjustment</u>	
Net change in recording 60-day receipts.....	<u>(16,426)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 3,077,436</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, 2012, \$68,414,478 of the City's bank balance of \$94,158,675 was uninsured and uncollateralized.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Investments Summary

The City's investments at June 30, 2012 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.....	\$ 3,439,349	\$ 867,124	\$ 1,711,640	\$ -	\$ 860,585
U.S. Agencies.....	750,973	25,090	725,883	-	-
Corporate bonds.....	211,829	95,595	90,419	25,815	-
Money market mutual funds.....	665,401	665,401	-	-	-
Mutual bond funds.....	1,748,055	1,748,055	-	-	-
Certificate of deposits.....	196,267	112,019	84,248	-	-
External investment pools.....	36,652,427	36,652,427	-	-	-
Total debt securities.....	<u>43,664,301</u>	<u>\$ 40,165,711</u>	<u>\$ 2,612,190</u>	<u>\$ 25,815</u>	<u>\$ 860,585</u>
<u>Other Investments:</u>					
Equity securities.....	9,747,876				
Equity mutual funds.....	261,080				
Real estate investments.....	<u>550,863</u>				
Total other investments.....	<u>10,559,819</u>				
Total investments.....	<u>\$ 54,224,120</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, 2012

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, 2012, \$7,856,674 of the City's investments of \$54,224,120 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.....	\$ 430,092	\$ -	\$ 430,092
U.S. Agencies.....	208,945	-	208,945
Corporate bonds.....	211,829	-	211,829
Money market mutual funds.....	627,142	627,142	-
Mutual bond funds.....	1,188,025	-	1,188,025
Equity securities.....	4,182,431	-	4,182,431
Equity mutual funds.....	261,080	-	261,080
Certificates of deposit.....	196,267	196,267	-
Real estate investments.....	550,863	-	550,863
Total.....	\$ 7,856,674	\$ 823,409	\$ 7,033,265

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, 2012, 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+</u>	<u>AA</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>Unrated</u>
Corporate bonds.....	\$ 211,829	\$ 16,527	\$ 25,815	\$ 27,063	\$ 95,596	\$ 46,829	\$ -
Money market mutual funds.....	665,401	-	-	-	-	-	665,401
Mutual bond funds.....	1,748,055	-	-	-	-	-	1,748,055
Certificates of deposit.....	196,267	-	-	-	-	-	196,267
External investment pools.....	36,652,427	-	-	-	-	-	36,652,427
Total.....	\$ 39,473,979	\$ 16,527	\$ 25,815	\$ 27,063	\$ 95,596	\$ 46,829	\$ 39,262,150

* 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, 2012

Pension Trust Fund (The System)

Pension trust fund investments (more fully described in note 17), include a combination of public and private real estate limited partnership investments, which represents 13.1% 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, 2011, the System is not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 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
<u>Debt Securities:</u>		
Money market mutual funds (PRIT).....	\$ 200,025	\$ 200,025
Mutual bond funds (PRIT).....	47,609,455	47,609,455
External investment pools.....	6,512,492	6,512,492
Total debt securities.....	54,321,972	\$ 54,321,972
<u>Other Investments:</u>		
Equity mutual funds (PRIT).....	123,577,397	
Real estate investments (PRIT).....	20,178,985	
Real estate investments (non PRIT).....	10,274,070	
Alternative investments (PRIT).....	24,452,181	
Total other investments.....	178,482,633	
Total investments.....	\$ 232,804,605	

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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, 2011, the System's investments were not exposed to custodial credit risk.

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, 2011, the credit quality ratings of the System's debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings*</u>	
			<u>Unrated</u>
Money market mutual funds (PRIT).....	\$ 200,025	\$	200,025
Debt security mutual funds (PRIT).....	47,609,455		47,609,455
External investment pools.....	6,512,492		6,512,492
Total.....	\$ 54,321,972	\$	54,321,972

* 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, 2012

Note 4 - Receivables

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

	Gross	Allowance	Net
	Amount	for	Amount
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 3,751,182	\$ (317,473)	\$ 3,433,709
Real estate tax deferrals.....	2,909,782	-	2,909,782
Tax liens.....	7,643,146	-	7,643,146
Motor vehicle excise taxes.....	1,997,747	(1,219,127)	778,620
Community preservation surcharges.....	31,244	-	31,244
Charges for services.....	799,815	-	799,815
Special assessments.....	595,768	-	595,768
Departmental and other.....	8,064,995	(3,049,437)	5,015,558
Intergovernmental.....	5,414,110	-	5,414,110
Loans.....	19,663	-	19,663
	<u>\$ 31,227,452</u>	<u>\$ (4,586,037)</u>	<u>\$ 26,641,415</u>

At June 30, 2012, 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.....	\$ 14,815,873	\$ (501,858)	\$ 14,314,015
Utility liens.....	317,485	-	317,485
Special assessments.....	47,900	-	47,900
Intergovernmental.....	2,065,159	-	2,065,159
	<u>\$ 17,246,417</u>	<u>\$ (501,858)</u>	<u>\$ 16,744,559</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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, 2012, the various components of deferred revenue reported in the governmental funds were:

	General Fund	Community Preservation Fund (Major)	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 2,872,817	\$ -	\$ -	\$ 2,872,817
Real estate tax deferrals.....	2,909,782	-	-	2,909,782
Tax liens.....	7,638,519	-	4,627	7,643,146
Motor vehicle excise taxes.....	44,210	-	-	44,210
Community preservation surcharges.....	-	27,337	-	27,337
Charges for services.....	50,083	-	107,838	157,921
Special assessments.....	595,768	-	-	595,768
Departmental and other.....	4,879,005	-	7,940	4,886,945
Intergovernmental (state school construction).....	2,328,858	-	-	2,328,858
Intergovernmental (other state and federal).....	519,667	652,294	245,000	1,416,961
 Total.....	 \$ 21,838,709	 \$ 679,631	 \$ 365,405	 \$ 22,883,745

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 General Fund's financial statements for future debt service payments. 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, 2012

Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 22,226,126	\$ -	\$ -	\$ 22,226,126
Construction in progress.....	9,360,188	3,062,759	(9,129,891)	3,293,056
Intangible assets.....	-	1,270,000	-	1,270,000
Sub-total	<u>31,586,314</u>	<u>4,332,759</u>	<u>(9,129,891)</u>	<u>26,789,182</u>
Capital assets being depreciated:				
Buildings and improvements.....	411,548,173	17,437,806	-	428,985,979
Equipment and machinery.....	58,686,527	3,294,240	(559,094)	61,421,673
Road network.....	64,677,419	3,323,398	-	68,000,817
Sub-total	<u>534,912,119</u>	<u>24,055,444</u>	<u>(559,094)</u>	<u>558,408,469</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(101,582,395)	(9,310,850)	-	(110,893,245)
Equipment and machinery.....	(39,961,233)	(3,381,989)	499,526	(42,843,696)
Road network.....	(22,366,385)	(1,570,350)	-	(23,936,735)
Sub-total.....	<u>(163,910,013)</u>	<u>(14,263,189)</u>	<u>499,526</u>	<u>(177,673,676)</u>
Total capital assets being depreciated, net.....	<u>371,002,106</u>	<u>9,792,255</u>	<u>(59,568)</u>	<u>380,734,793</u>
Governmental capital assets, net.....	<u>\$ 402,588,420</u>	<u>\$ 14,125,014</u>	<u>\$ (9,189,459)</u>	<u>\$ 407,523,975</u>

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012

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

Legislative & executive.....	\$	3,585
Elections.....		25,861
Administrative support.....		130,095
Public building maintenance and operations.....		148,459
Police.....		480,675
Fire.....		693,422
Inspectional services.....		12,085
Other public safety.....		1,541
Education.....		9,340,542
Streets and sidewalks.....		2,177,300
Control of snow and ice.....		13,250
Solid waste.....		998
Public health.....		3,600
Senior services.....		50,004
Libraries.....		946,664
Parks and recreation.....		223,417
Newton history museum.....		11,691
Total depreciation expense - governmental activities.....	\$	<u>14,263,189</u>

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2012 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water system:				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Construction in progress.....	<u>7,245,184</u>	<u>1,779</u>	<u>(7,242,618)</u>	<u>4,345</u>
Sub-total.....	<u>7,503,724</u>	<u>1,779</u>	<u>(7,242,618)</u>	<u>262,885</u>
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	4,431,632	8,981,441	(99,969)	13,313,104
Water system.....	<u>40,638,641</u>	<u>1,430,946</u>	<u>-</u>	<u>42,069,587</u>
Sub-total.....	<u>47,273,765</u>	<u>10,412,387</u>	<u>(99,969)</u>	<u>57,586,183</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(1,048,033)	(33,162)	-	(1,081,195)
Equipment and machinery.....	(3,417,188)	(706,190)	90,983	(4,032,395)
Water system.....	<u>(9,318,838)</u>	<u>(807,461)</u>	<u>-</u>	<u>(10,126,299)</u>
Sub-total.....	<u>(13,784,059)</u>	<u>(1,546,813)</u>	<u>90,983</u>	<u>(15,239,889)</u>
Total capital assets being depreciated, net.....	<u>33,489,706</u>	<u>8,865,574</u>	<u>(8,986)</u>	<u>42,346,294</u>
Water system capital assets, net.....	\$ <u>40,993,430</u>	\$ <u>8,867,353</u>	\$ <u>(7,251,604)</u>	\$ <u>42,609,179</u>

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012

	Beginning Balances	Increases	Decreases	Ending Balances
<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.....	2,404,649	139,756	-	2,544,405
Sanitary sewer system.....	46,973,305	1,413,605	-	48,386,910
Sub-total.....	51,245,613	1,553,361	-	52,798,974
Less: accumulated depreciation:				
Buildings and improvements.....	(664,016)	(39,126)	-	(703,142)
Equipment and machinery.....	(1,205,016)	(147,471)	-	(1,352,487)
Sanitary sewer system.....	(16,164,639)	(897,810)	-	(17,062,449)
Sub-total.....	(18,033,671)	(1,084,407)	-	(19,118,078)
Total capital assets being depreciated, net.....	33,211,942	468,954	-	33,680,896
Sewer system capital assets, net.....	\$ 33,238,187	\$ 468,954	\$ -	\$ 33,707,141

Capital asset activity for individual component units for the fiscal year ended June 30, 2012 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Newton Commonwealth Foundation (Golf course):</u>				
Capital assets being depreciated:				
Land improvements.....	\$ 2,656,251	\$ 253,644	\$ -	\$ 2,909,895
Buildings and improvements.....	69,481	-	-	69,481
Equipment and machinery.....	61,281	1,559	-	62,840
Sub-total.....	2,787,013	255,203	-	3,042,216
Less: accumulated depreciation:				
Land improvements.....	(874,802)	(141,219)	-	(1,016,021)
Buildings and improvements.....	(49,144)	(1,943)	-	(51,087)
Equipment and machinery.....	(42,730)	(4,272)	-	(47,002)
Sub-total.....	(966,676)	(147,434)	-	(1,114,110)
Golf course, net.....	\$ 1,820,337	\$ 107,769	\$ -	\$ 1,928,106

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

	<u>Beginning Balances</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balances</u>
Newton Community Farm:							
Capital assets being depreciated:							
Equipment and machinery..... \$	301,862	\$	7,829	\$	-	\$	309,691
Less: accumulated depreciation:							
Equipment and machinery.....	(57,499)		(18,923)		-		(76,422)
Newton community farm capital assets, net..... \$	<u>244,363</u>	\$	<u>(11,094)</u>	\$	<u>-</u>	\$	<u>233,269</u>

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

Invested in capital assets, net of related debt at June 30, 2012 is summarized as follows:

Governmental Activities

Capital assets, net of accumulated depreciation..... \$	407,523,975
Less: total long-term debt outstanding.....	(188,320,433)
Add: long-term debt outstanding not related to asset acquisition.....	<u>1,028,100</u>
Invested in capital assets, net of related debt..... \$	<u><u>220,231,642</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..... \$	42,609,179	\$	33,707,141	\$	76,316,320
Less: total long-term debt outstanding.....	(18,179,039)		(11,146,978)		(29,326,017)
Add: grant receivable to fund capital debt.....	-		2,065,159		<u>2,065,159</u>
Invested in capital assets, net of related debt..... \$	<u>24,430,140</u>	\$	<u>24,625,322</u>	\$	<u><u>49,055,462</u></u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Note 7 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2012, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal ARRA grant fund - non major governmental fund	\$ <u>240,400</u> {1}
General Fund	Chaffin education - private purpose trust fund	<u>17,601</u> {2}
	Total	<u>258,001</u>

{1} Advance funding pending receipt of Federal ARRA grant reimbursement.

{2} Advance funding pending receipt of Chaffin fund reimbursement.

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012

Inter-fund transfer activity for the fiscal year ended June 30, 2012 consisted of the following:

	General Fund	Community Preservation Fund	High School Improvement Fund	Non-Major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	Total All Funds
Building insurance funding - transfer from Building Insurance Fund.....	\$ 398,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (398,723)	\$ -
Stormwater fund reimbursement to General Fund.....	16,356	-	-	(16,356)	-	-	-	-
Sewer fund reimbursement to General Fund.....	679,518	-	-	-	-	(679,518)	-	-
Water fund reimbursement to General Fund.....	750,000	-	-	-	(750,000)	-	-	-
Water fund reimbursement to Sewer Fund (admin & support).....	-	-	-	-	(808,330)	808,330	-	-
Parking meter receipt funding of parking & traffic control activities.....	1,325,000	-	-	(1,325,000)	-	-	-	-
Sale of Recyclable materials funding of rubbish collection activities.....	39,725	-	-	(39,725)	-	-	-	-
Automated trash collection program income funding for rubbish collection.....	175,000	-	-	(175,000)	-	-	-	-
BAA Marathon contribution funding for recreation activities.....	55,000	-	-	(55,000)	-	-	-	-
CATV receipts funding for CATV regulation and contract activities.....	198,000	-	-	(198,000)	-	-	-	-
CPA fund reimbursement of engineering support services for CPA projects.....	1,922	(1,922)	-	-	-	-	-	-
School Athletic Revolving Fund subsidy - school budget.....	(886,414)	-	-	886,414	-	-	-	-
School Food Service Fund subsidy - school budget.....	(190,000)	-	-	-	-	-	-	-
Federal Safe School grant match - school budget.....	(125,750)	-	-	125,750	-	-	-	-
Fire prevention program activities funding from fine revenue.....	11,277	-	-	(11,277)	-	-	-	-
Forestry vehicle purchase funded with tree ordinance receipts.....	258,000	-	-	(258,000)	-	-	-	-
E-rate receipt appropriation - school technology purposes.....	212,666	-	-	(212,666)	-	-	-	-
Transfer completed Angier boiler balance to Bowen boiler project budget.....	-	-	-	(32,421)	-	-	-	(32,421)
Transfer completed Angier boiler balance to Bowen boiler project budget.....	-	-	-	32,421	-	-	-	32,421
BAA Marathon funding for park and playground improvements.....	45,000	-	-	(45,000)	-	-	-	-
Transfer completed Angier boiler balance to Countryside boiler project budget.....	-	-	-	(12,176)	-	-	-	(12,176)
Transfer completed Williams boiler balance to Countryside boiler project budget.....	-	-	-	(12,824)	-	-	-	(12,824)
Transfer completed Countryside elevator balance to Countryside boiler project budget.....	-	-	-	(25,000)	-	-	-	(25,000)
Transfer - Countryside boiler project.....	-	-	-	50,000	-	-	-	50,000
CSF appropriation for Lincoln-Eliot mechanical system improvements.....	(250,000)	-	-	250,000	-	-	-	-
CSF appropriation for Bowen masonry repairs.....	(60,000)	-	-	60,000	-	-	-	-
CSF appropriation for Burr mechanical system improvements.....	(250,000)	-	-	250,000	-	-	-	-
Angier School reconstruction feasibility study (school operating budget).....	(750,000)	-	-	750,000	-	-	-	-
Energy conservation audit funding from CSF.....	(148,481)	-	-	148,481	-	-	-	-
Lower Falls Community Center improvements from CSF.....	(104,826)	-	-	104,826	-	-	-	-
Lower Falls Community Center improvements from CSF.....	(44,624)	-	-	44,624	-	-	-	-
Lower Falls Community Center ADA compliance study.....	(25,000)	-	-	25,000	-	-	-	-
Police station lobby improvements from CSF.....	(74,503)	-	-	74,503	-	-	-	-
Manet Rd communication building improvement design.....	(40,000)	-	-	40,000	-	-	-	-
Intersection improvements - Development mitigation receipts.....	50,000	-	-	(50,000)	-	-	-	-
Bicycle racks - Development mitigation receipts.....	1,490	-	-	(1,490)	-	-	-	-
Conservation Land maintenance - FEMA reimbursement.....	27,048	-	-	(27,048)	-	-	-	-
FEMA/MEMA grant reimbursements to Inclement Weather receipts reserved.....	-	-	-	(555,021)	-	-	-	(555,021)
FEMA/MEMA grant reimbursements to Inclement Weather receipts reserved.....	-	-	-	555,021	-	-	-	555,021
PY reimbursement - federal ARRA grant - bicycle rack installation.....	23,400	-	-	(23,400)	-	-	-	-
PY reimbursement - state police dispatch grant.....	39,248	-	-	(39,248)	-	-	-	-
PY reimb - police asset forfeiture grant exp on behalf of state reimb grant.....	-	-	-	(14,400)	-	-	-	(14,400)
PY reimb - police asset forfeiture grant exp on behalf of state reimb grant.....	-	-	-	14,400	-	-	-	14,400
Close completed FA Day HVAC project balance to CSF.....	5,150	-	-	(5,150)	-	-	-	-
Close completed Burr window project balance to CSF.....	264,008	-	-	(264,008)	-	-	-	-
Close completed Angier boiler project balance to CSF.....	2,652	-	-	(2,652)	-	-	-	-
Close completed Williams boiler project balance to CSF.....	1,160	-	-	(1,160)	-	-	-	-
Close completed Countryside elevator project balance to CSF.....	15,868	-	-	(15,868)	-	-	-	-
Close completed Bowen boiler project balance to CSF.....	2,597	-	-	(2,597)	-	-	-	-
Close completed Countryside boiler project balance to CSF.....	16,508	-	-	(16,508)	-	-	-	-
Close completed Education Center generator project balance to CSF.....	150,000	-	-	(150,000)	-	-	-	-
Close completed NSHS renovation project balance to CSF.....	11	-	(11)	-	-	-	-	-
Close completed Automated trash collection cart balance to CSF.....	598	-	-	(598)	-	-	-	-
Close completed Trommel screen equipment project balance to CSF.....	5,500	-	-	(5,500)	-	-	-	-
Close completed Fire Station #4 landscaping project balance to CSF.....	567	-	-	(567)	-	-	-	-
Close completed DPW fuel system project balance to CSF.....	33,266	-	-	(33,266)	-	-	-	-
Close completed Energy conservation system project balance to CSF.....	6,739	-	-	(6,739)	-	-	-	-
Transfers from other funds.....	\$ 4,811,997	\$ -	\$ -	\$ 3,601,440	\$ -	\$ 808,330	\$ -	\$ 9,221,767
Transfers to other funds.....	\$ (2,949,598)	\$ (1,922)	\$ (11)	\$ (3,633,665)	\$ (1,558,330)	\$ (679,518)	\$ (398,723)	\$ (9,221,767)

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, 2012, 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, 2012

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, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 191,994,800	\$ 5,734,000	\$ (9,408,367)	\$ 188,320,433	\$ 9,596,167
Landfill closure and other environmental....	805,000	-	(61,000)	744,000	99,000
Workers' compensation.....	7,016,910	1,334,587	(1,862,302)	6,489,195	1,309,506
Compensated absences.....	7,937,709	225,335	-	8,163,044	2,825,574
Net OPEB obligation.....	<u>115,270,563</u>	<u>45,246,158</u>	<u>(16,183,687)</u>	<u>144,333,034</u>	<u>-</u>
Total.....	\$ <u>323,024,982</u>	\$ <u>52,540,080</u>	\$ <u>(27,515,356)</u>	\$ <u>348,049,706</u>	\$ <u>13,830,247</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 29,724,014	\$ 4,212,500	\$ (4,610,497)	\$ 29,326,017	\$ 4,458,055
Compensated absences.....	316,722	-	(40,744)	275,978	27,598
Net OPEB obligation.....	<u>2,792,257</u>	<u>1,172,527</u>	<u>(419,390)</u>	<u>3,545,394</u>	<u>-</u>
Total.....	\$ <u>32,832,993</u>	\$ <u>5,385,027</u>	\$ <u>(5,070,631)</u>	\$ <u>33,147,389</u>	\$ <u>4,485,653</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year-end, \$6,489,195 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

The City's long term debt at June 30, 2012, 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, 2012

Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2011	Issued	Redeemed	Outstanding June 30, 2012
MWPAT landfill closure.....	02/15/1998	4.60	\$ 1,169,800	\$ -	\$ (141,700)	\$ 1,028,100
School renovations.....	08/15/2001	3.65	410,000	-	(410,000)	-
School renovations.....	08/15/2003	3.06	1,710,000	-	(570,000)	1,140,000
Land acquisition (CPA).....	12/15/2003	2.0-3.4	1,500,000	-	(500,000)	1,000,000
School renovations.....	02/15/2005	3.0-4.0	7,000,000	-	(500,000)	6,500,000
School renovations.....	02/15/2006	3.0-4.3	8,485,000	-	(610,000)	7,875,000
Road improvements.....	02/15/2006	3.0-4.3	250,000	-	(50,000)	200,000
Public works equipment.....	02/15/2006	3.0-4.3	550,000	-	(60,000)	490,000
Fire equipment.....	02/15/2006	3.0-4.3	550,000	-	(55,000)	495,000
School renovations.....	02/01/2007	4.0-5.0	6,825,000	-	(515,000)	6,310,000
Fire station improvements.....	02/01/2007	4.0-5.0	240,000	-	(25,000)	215,000
Public works equipment.....	02/01/2007	4.0-5.0	510,000	-	(60,000)	450,000
Land acquisition (CPA).....	11/01/2007	3.98	1,530,000	-	(255,000)	1,275,000
Fire station improvements.....	11/01/2007	3.98	410,000	-	(30,000)	380,000
School renovations.....	11/01/2007	3.98	170,000	-	(10,000)	160,000
School new construction.....	11/01/2007	3.98	16,105,000	-	(955,000)	15,150,000
School new construction.....	06/15/2008	4.37	22,195,000	-	(460,000)	21,735,000
School renovations.....	06/15/2008	3.80	1,870,000	-	(110,000)	1,760,000
Fire equipment.....	06/15/2008	3.80	360,000	-	(30,000)	330,000
Public works equipment.....	06/15/2008	3.80	480,000	-	(40,000)	440,000
School new construction.....	04/01/2009	2.0-5.0	72,250,000	-	(1,415,000)	70,835,000
School renovations.....	04/01/2009	2.0-5.0	1,820,000	-	(105,000)	1,715,000
School renovations.....	04/01/2009	2.0-5.0	195,000	-	(15,000)	180,000
School renovations.....	04/01/2009	2.0-5.0	695,000	-	(40,000)	655,000
South high school athletic fields.....	04/01/2009	2.0-5.0	2,785,000	-	(215,000)	2,570,000
Fire station renovations.....	04/01/2009	2.0-5.0	2,145,000	-	(170,000)	1,975,000
Fire station design.....	04/01/2009	2.0-5.0	205,000	-	(70,000)	135,000
City hall boiler replacement.....	04/01/2009	2.0-5.0	195,000	-	(15,000)	180,000
Bencliff circle construction.....	04/01/2009	2.0-5.0	145,000	-	(20,000)	125,000
Fire equipment.....	04/01/2009	2.0-5.0	690,000	-	(55,000)	635,000
Parks equipment.....	04/01/2009	2.0-5.0	90,000	-	(10,000)	80,000
DPW equipment.....	04/01/2009	2.0-5.0	520,000	-	(40,000)	480,000
School new construction.....	05/01/2010	3.0-4.0	11,260,000	-	(390,000)	10,870,000
Fire station renovations.....	05/01/2010	2.0-4.0	4,300,000	-	(235,000)	4,065,000
Underground fuel tanks.....	05/01/2010	2.0-4.0	405,000	-	(45,000)	360,000
Modular classrooms.....	05/01/2010	2.0-4.0	1,305,000	-	(95,000)	1,210,000
School renovations.....	05/01/2010	2.0-4.0	1,310,000	-	(115,000)	1,195,000
Energy conservation.....	05/01/2010	2.0-4.0	3,425,000	-	(245,000)	3,180,000
Fire equipment.....	05/01/2010	2.0-4.0	450,000	-	(50,000)	400,000
Public works equipment.....	05/01/2010	2.0-4.0	1,715,000	-	(195,000)	1,520,000
School new construction.....	03/30/2011	2.0	11,000,000	-	(366,667)	10,633,333
School renovations.....	04/14/2011	3.0-4.5	2,210,000	-	(45,000)	2,165,000
City hall windows.....	04/14/2011	3.0-4.5	125,000	-	(5,000)	120,000
Public works equipment.....	04/14/2011	3.0-4.5	435,000	-	(65,000)	370,000
School renovations/upgrades.....	04/03/2012	2.0-3.0	-	4,494,000	-	4,494,000
Fire engine replacement.....	04/03/2012	2.0-3.0	-	600,000	-	600,000
Gath pool repairs.....	04/03/2012	2.0-3.0	-	100,000	-	100,000
Playground improvements.....	04/03/2012	2.0-3.0	-	150,000	-	150,000
Public works equipment.....	04/03/2012	2.0-3.0	-	390,000	-	390,000
Total.....			\$ 191,994,800	\$ 5,734,000	\$ (9,408,367)	\$ 188,320,433

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

During fiscal year 2012, the City issued \$5,734,000 in new general obligation bonds; \$4,494,000 for school renovations/upgrades; \$600,000 for fire engine replacement; \$390,000 for public works equipment; \$150,000 for playground improvements; and \$100,000 for Gath pool repairs.

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, 2012, a balance of \$1,028,100 was outstanding on this loan. A principal subsidy of \$43,203 and an interest subsidy of \$26,426 have been recorded in the general fund.

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

Fiscal Year	Principal	Interest	Total
Ending			
2013	\$ 9,596,167	\$ 7,565,696	\$ 17,161,863
2014	9,653,867	7,175,410	16,829,277
2015	8,568,367	6,862,126	15,430,493
2016	8,597,967	6,571,330	15,169,297
2017	8,552,667	6,290,600	14,843,267
2018	8,232,467	5,990,642	14,223,109
2019	8,302,267	5,669,014	13,971,281
2020	8,196,667	5,342,110	13,538,777
2021	7,921,667	5,010,026	12,931,693
2022	7,786,667	4,687,416	12,474,083
2023	7,716,667	4,389,294	12,105,961
2024	7,786,667	4,092,850	11,879,517
2025	7,441,667	3,791,704	11,233,371
2026	6,536,667	3,498,389	10,035,056
2027	6,091,667	3,242,945	9,334,612
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	\$ 188,320,433	\$ 101,035,421	\$ 289,355,854

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2011	Issued	Redeemed	Outstanding June 30, 2012
MWRA Water	02/15/2002	0.00	\$ 258,602	\$ -	\$ (258,602)	\$ -
MWRA Water	08/15/2002	0.00	517,204	-	(258,602)	258,602
MWRA Water	02/26/2004	0.00	775,806	-	(258,602)	517,204
MWRA Water	11/18/2004	0.00	1,034,408	-	(258,602)	775,806
MWRA Water	05/18/2006	0.00	1,293,009	-	(258,602)	1,034,407
MWRA Water	05/31/2007	0.00	1,551,611	-	(258,602)	1,293,009
Water meter replacement.....	04/01/2009	2.0-5.0	4,800,000	-	(600,000)	4,200,000
MWRA Water	05/21/2009	0.00	2,880,000	-	(360,000)	2,520,000
MWRA Water	05/20/2010	0.00	2,001,960	-	(222,440)	1,779,520
MWRA Water	02/15/2011	0.00	1,933,657	-	(193,366)	1,740,291
Water meter replacement.....	04/14/2011	3.0-4.5	3,000,000	-	(300,000)	2,700,000
MWRA Water	05/14/2012	0.00	-	1,360,200	-	1,360,200
Total.....			\$ 20,046,257	\$ 1,360,200	\$ (3,227,418)	\$ 18,179,039

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, 2012, the City was the recipient of a \$1,360,200 ten-year interest free water system rehabilitation loan.

At June 30, 2012, the City had \$11,279,039 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2012 totaled \$317,607.

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

Fiscal Year	Ending	Principal	Interest	Total
2013	\$	3,104,836	\$ 222,000	\$ 3,326,836
2014		2,846,234	201,000	3,047,234
2015		2,587,632	177,000	2,764,632
2016		2,329,029	151,500	2,480,529
2017		2,070,427	121,500	2,191,927
2018		1,811,826	91,500	1,903,326
2019		1,811,825	60,000	1,871,825
2020		851,825	27,000	878,825
2021		629,385	13,500	642,885
2022		136,020	-	136,020
Total	\$	18,179,039	\$ 1,065,000	\$ 19,244,039

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2011	Issued	Redeemed	Outstanding June 30, 2012
MWPAT Sewer.....	10/06/1999	5.16	\$ 3,370,000	\$ -	\$ (330,000)	\$ 3,040,000
MWPAT Sewer.....	11/10/2000	5.20	4,380,000	-	(376,000)	4,004,000
MWPAT Sewer.....	07/03/2002	0.00	81,134	-	(5,477)	75,657
MWRA Sewer.....	02/15/2007	0.00	60,940	-	(60,940)	-
MWRA Sewer.....	06/14/2007	0.00	226,160	-	(226,160)	-
MWRA Sewer.....	08/23/2007	0.00	21,120	-	(10,560)	10,560
MWRA Sewer.....	11/29/2007	0.00	61,446	-	(30,723)	30,723
MWRA Sewer.....	09/09/2008	0.00	336,072	-	(112,024)	224,048
MWRA Sewer.....	02/19/2009	0.00	476,685	-	(158,895)	317,790
MWRA Sewer.....	03/01/2010	0.00	189,200	-	(47,300)	141,900
Sewer system improvements.....	05/01/2010	2.0-4.0	475,000	-	(25,000)	450,000
MWRA Sewer.....	08/25/2010	0.00	-	575,300	-	575,300
Sewer system improvements.....	04/03/2012	2.0-3.0	-	2,277,000	-	2,277,000
Total			\$ 9,677,757	\$ 2,852,300	\$ (1,383,079)	\$ 11,146,978

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, 2012, the City had \$1,300,321 in MWRA sewer infiltration/inflow reduction loans outstanding. During fiscal year 2012, the City was the recipient of an MWRA grant of \$470,700 and a five-year interest free sewer infiltration/flow reduction loan in the amount of \$575,300.

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, 2012 the City had \$7,119,657 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2012 were \$289,098 and \$229,762, respectively.

During fiscal year 2012 the City also issued \$2,277,000 of general obligation debt for sewer system improvements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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

Fiscal Year	Ending	Principal	Interest	Total
2013	\$	1,353,219	\$ 412,908	\$ 1,766,127
2014		1,334,279	386,704	1,720,983
2015		1,083,360	335,286	1,418,646
2016		1,061,060	288,712	1,349,772
2017		1,086,060	241,768	1,327,828
2018		1,006,000	190,966	1,196,966
2019		1,036,000	145,248	1,181,248
2018		1,056,000	99,468	1,155,468
2021		646,000	59,533	705,533
2022		150,000	42,375	192,375
2023		150,000	38,000	188,000
2024		140,000	34,450	174,450
2025		140,000	30,575	170,575
2026		140,000	26,700	166,700
2027		140,000	22,825	162,825
2028		135,000	18,950	153,950
2029		135,000	14,925	149,925
2030		135,000	10,900	145,900
2031		110,000	6,600	116,600
2032		110,000	3,300	113,300
Total	\$	11,146,978	\$ 2,410,193	\$ 13,557,171

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

At June 30, 2012 the City had a total of \$36,815,017 in authorized and unissued debt, which is summarized as follows:

	Authorized and Unissued Debt			
	Beginning of Year	Increases	Decreases	End of Year
High school improvements*	\$ 6,329,692	\$ -	\$ -	\$ 6,329,692
School improvements	-	12,029,000	(4,494,000)	7,535,000
Energy conservation audits	167,400	(148,481)	-	18,919
Public works equipment	-	390,000	(390,000)	-
Sewer system improvements	1,009,800	-	(575,300)	434,500
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
Sewer system I&I removal - PH I USISIP	-	4,239,878	-	4,239,878
Water main rehabilitation - MWRA	-	13,602,000	(1,360,200)	12,241,800
Water meter replacement	2,528,000	-	-	2,528,000
Newton city hall improvements	-	300,000	-	300,000
Fire engine and station repairs	-	690,000	(600,000)	90,000
Playground improvements	-	150,000	(150,000)	-
Gath pool repairs	-	100,000	(100,000)	-
Total	\$ 15,409,120	\$ 31,352,397	\$ (9,946,500)	\$ 36,815,017

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

* Subsequent to year end, \$6,329,692 in high school improvement bond authorizations were rescinded due to project completion and \$3,979,000 in new long term debt has been authorized for the following purposes: water main cleaning & relining - \$2,700,000; public building energy conservation improvements - \$400,000; municipal building repairs - \$707,000; and public works equipment - \$172,000.

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 \$564,000 at June 30, 2012 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, 2012, the latest actuarial valuation, is as follows:

Active employees.....	2,320
Retired employees and beneficiaries.....	<u>3,236</u>
Total.....	<u><u>5,556</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 25%/30% and 75%/70%, 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, 2012

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:

	Amount (in thousands)	
Annual required contribution.....	\$	49,811
Interest on net OPEB obligation.....		2,362
Adjustment to annual required contribution.....		<u>(5,754)</u>
Annual OPEB cost.....		46,419
Contributions made.....		<u>(16,603)</u>
Increase in net OPEB obligation.....		29,816
Net OPEB obligation at beginning of year.....		<u>118,063</u>
Net OPEB obligation at end of year.....	\$	<u><u>147,879</u></u>

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

Fiscal Year Ending	Dollar Amounts in Thousands		
	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010.....	\$ 43,384	31.4%	\$ 83,473
June 30, 2011.....	49,898	32.6%	118,063
June 30, 2012.....	46,419	35.3%	147,879

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2012, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Dollar Amounts in Thousands						UAAL as a Percentage of Covered Payroll ((B-A)/C)
	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)		
06/30/12	\$ -	\$ 601,300	\$ 601,300	-	\$ 176,525	341%	

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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, 2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	26 years (closed)
Interest discount rate:	2.00%
Healthcare/Medical cost trend rate:	0.0% for 2012; 1.53% for 2013; 3.05% for 2014; 4.58% for 2015; 6.10% for 2016; 6.07% for 2017; 6.03% for 2018; 6.00% for 2019; 5.97% for 2020; 5.84% for 2025; 5.97% for 2030; 5.33% for 2040; 5.03% for 2050; 4.87% for 2060; 4.76% for 2070; 4.42% for 2080; 4.24% starting in 2085 to an ultimate level of 4.24% per year

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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

Governmental Activities:

Legislative & Executive.....	\$ 477,360
Elections.....	112,511
Financial administration.....	567,181
Administrative support.....	559,746
Planning & development.....	239,094
Public building maintenance & operation.....	606,362
Police.....	4,150,612
Fire.....	4,329,326
Inspectional services.....	257,660
Other public safety.....	13,889
Education.....	28,853,232
Streets & sidewalks.....	1,548,894
Collection & disposal of solid waste.....	89,185
Equipment maintenance.....	411,413
Engineering.....	244,898
Administration & support.....	301,350
Public health.....	638,373
Senior services.....	109,367
Veteran services.....	60,901
Libraries.....	954,384
Parks & recreation.....	679,879
Newton history museum.....	<u>40,541</u>
 Total AOPEBC - governmental activities.....	 <u>45,246,158</u>
 Business-Type Activities:	
Water.....	648,565
Sewer.....	<u>523,962</u>
 Total AOPEBC - business-type activities.....	 <u>1,172,527</u>
 Total AOPEBC.....	 <u>\$ 46,418,685</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, 2012

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 currently contribute between 20% and 30% of the cost of health care, and retirees contribute between 25% and 30% of their health care costs, and the remainder is funded 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, 2012, the City's health claims liability totaled \$3,674,387 and is based on approximately one month claims paid average. Changes in the reported liability since July 1, 2010 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2011.....	\$ 3,912,427	\$ 47,168,457	\$ (47,058,035)	\$ 4,022,849
Fiscal year 2012.....	4,022,849	45,184,335	(45,532,797)	3,674,387

During the fiscal year ended June 30, 2012 the City implemented several changes in health care plan design for active employees and their dependents through the collective bargaining process. The changes include introduction of annual deductibles; increased co-payments, and an increase in health premium contributions for new employees from 20% to either 25% or 30%, depending upon bargaining unit.

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 \$6,489,195 at June 30, 2012, of which \$1,309,506 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, 2013. The liability includes an estimate of the IBNR claims.

The June 30, 2012 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, 2010 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2011.....	\$ 6,684,861	\$ 2,151,116	\$ (1,819,067)	\$ 7,016,910
Fiscal year 2012.....	7,016,910	1,334,587	(1,862,302)	6,489,195

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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.....	\$ -	\$ -	\$ -	\$ 446,818	\$ 446,818
Restricted:					
Debt service.....	617,572	-	-	-	617,572
General government.....	-	-	-	1,396,177	1,396,177
Public safety.....	-	-	-	293,381	293,381
Education.....	-	-	-	4,468,834	4,468,834
School construction.....	-	-	88,270	5,354,510	5,442,780
Public works.....	-	-	-	1,855,960	1,855,960
Health and human services.....	-	-	-	516,354	516,354
Culture and recreation.....	-	-	-	2,943,668	2,943,668
Community preservation.....	-	4,719,507	-	-	4,719,507
CPA- community housing.....	-	1,125,499	-	-	1,125,499
CPA- historic resources.....	-	1,997,273	-	-	1,997,273
CPA- open space.....	-	349,580	-	-	349,580
CPA- community recreation.....	-	444,211	-	-	444,211
Capital.....	7,729	-	-	-	7,729
Other post employment benefits.....	312,973	-	-	-	312,973
School lunch.....	-	-	-	18,872	18,872
Insurance proceeds.....	-	-	-	12,923	12,923
Receipts reserved.....	-	-	-	3,032,197	3,032,197
Sub-total - Restricted.....	<u>938,274</u>	<u>8,636,070</u>	<u>88,270</u>	<u>19,892,876</u>	<u>29,555,490</u>
Committed:					
Subsequent year's expenditures.....	2,565,748	-	-	-	2,565,748
Capital.....	5,049,725	-	-	-	5,049,725
Continuing appropriations.....	2,201,193	-	-	-	2,201,193
Receipts reserved.....	-	-	-	1,745,209	1,745,209
Sub-total - Committed.....	<u>9,816,666</u>	<u>-</u>	<u>-</u>	<u>1,745,209</u>	<u>11,561,875</u>
Assigned:					
Encumbrances.....	2,435,508	-	-	-	2,435,508
Capital.....	147,553	-	-	-	147,553
Sub-total - Assigned.....	<u>2,583,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,583,061</u>
Unassigned.....	<u>14,886,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,886,340</u>
	<u>\$ 28,224,341</u>	<u>\$ 8,636,070</u>	<u>\$ 88,270</u>	<u>\$ 22,084,903</u>	<u>\$ 59,033,584</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Note 15 – Stabilization Funds

The City maintains capital and rainy day stabilization funds. 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, 2012 total \$5,205,007 and \$6,158,308, respectively, and are reported in the general fund as restricted (\$7,729), committed (\$5,049,725), assigned (\$147,553) and unassigned (\$6,158,308).

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 – 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, 2012

At December 31, 2011, the System's membership consisted of the following:

Active members.....	1,615
Inactive members.....	561
Disabled members.....	172
Retirees and beneficiaries currently receiving benefits.....	<u>1,161</u>
 Total.....	 <u><u>3,509</u></u>

B – Basis of Accounting

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

Investments of the System are stated at fair value.

C - Funding Policy

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

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

D – Investment Policy

The NCRB is responsible for the adoption of a formal asset allocation policy, the selection of professional investment managers to execute the investment policies, and the appointment of an investment consultant to assist with the evaluation of investment manager performance. All investment activities of the NCRB are subject to oversight by the Commonwealth of Massachusetts' Public Employee Retirement 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, 2012

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,077,924; \$14,829,525; and \$13,364,434; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2012 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010 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 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, 2012, 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, 2012	\$ 262,109	\$ 493,224	\$ 231,115	53.1%	\$ 80,337	287.7%

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, 2012
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 3.75% per year
Remaining amortization period:	26 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%
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% on the first \$12,000 in benefits

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2011 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 77,977,390	Active members' contribution balance
Annuity Reserve Fund....	30,113,950	Retired members' contribution account
Military Service Fund.....	54,430	Military leave of absence contribution balance
Pension Fund.....	<u>125,197,444</u>	Remaining net assets
Total.....	<u>\$ 233,343,214</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, 2012, 2011, and 2010 were \$298,065, \$347,374 and \$369,779, 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 18 – 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 \$30,702,851 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

Note 19 – Commitments and Contingencies

All construction work on the new Newton North High School project is now complete and a final close out package and audit by the Massachusetts School Building Authority (MSBA) is pending. MSBA payment of the \$2.3 million MSBA construction grant retention is contingent upon completion of these two tasks. The grant retention is expected to be used to retire an equal amount of subsidized construction loans currently outstanding from the MSBA.

Collective bargaining contracts with all City and Newton Public School employee groups are in place through June 30, 2014.

During the City’s fiscal year ended June 30, 2012 the City entered into a contract with a design firm to provide guidance on the most appropriate construction alternative for renovating or replacing the existing Angier Elementary School. The Mayor has recommended a property tax debt exclusion ballot question for funding the difference between the total project costs and funding that is expected to be provided by the Massachusetts School Building Authority. The Mayor’s recommendation is currently under review by the Board of Aldermen.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Subsequent to year end the City entered into a twenty year lease and related power purchase agreement with Ameresco Solar Inc., a solar photovoltaic firm, to install, operate, and maintain solar panels on the rooftop of four public school buildings, with the condition that any and all funding for monies owed to Ameresco Solar Inc., under the terms of the agreement, shall be included in an expense appropriation of the City's Public Building Department, and all energy credits earned as a result of the agreement, shall be applied to a municipal building electricity account, also under the control of the Public Buildings Department.

Other significant commitments include the continuing appropriations and encumbrances outstanding for the general fund and CPA fund, for which outstanding balances at June 30, 2012, totaled \$4,636,701 and \$2,296,493, 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, 2012, 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, 2012 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2012.

Note 20 – 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. Management does not believe the implementation of this Statement will 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. Management does not believe the implementation of this Statement will impact the 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. Management does not believe the implementation of this Statement will impact the 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 implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require a change to the title of the Statement of Fiduciary Net Assets to the Statement of Fiduciary Net Position, as well as expanded note disclosures and required supplementary information.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

CITY OF NEWTON, MASSACHUSETTS

Required Supplementary Information

Fiscal Year Ended June 30, 2012

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	Dollar Amounts in Thousands					UAAL as a Percentage of Covered Payroll ((B-A)/C)
	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	
January 1, 2012	\$ 262,109	\$ 493,224	\$ 231,115	53.1%	\$ 80,337	287.7%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
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
2011	16,252,351	100

CITY OF NEWTON, MASSACHUSETTS

Required Supplementary Information

Fiscal Year Ended June 30, 2012

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>
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%
2012	16,077,924	100	98.9%

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 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>
06/30/12	\$ -	\$ 601,300	\$ 601,300	-	\$ 176,525	341%
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 changes to the methods and assumptions used in the 06/30/11 and 06/30/12 actuarial valuations identified above that impacted trends in the schedules of funding progress are:

- All active employees must elect one of the (less expensive) "Advantage" plans.
- All active employees must contribute 25% (for unions constituting 88% of actives) or 30% (for the other 12%) instead of the previous 20%.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds

School Lunch Fund:

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

Revolving Fund

The Revolving Fund is used to account for a variety of municipal functions that are expected to be self-supporting, such as departmental private duty details. All revolving funds, except for damage recoveries of less than \$20,000; private duty details and assignments; wetlands protection and development review activities; and police asset forfeitures are authorized annually by vote of the Board of Aldermen under Massachusetts General Law Chapter 44, Section 53E ½. Fund expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen.

Receipts Reserved Fund

This fund is used to account for a variety of local revenues whose use is either legally restricted by state law, or has been restricted by vote of the City's Board of Aldermen, for specific purposes and can only be spent with the prior appropriation of the Board of Aldermen. The fund is used to account for proceeds from the sale of surplus real estate, parking meter receipts, development mitigation funds, and revenues generated from cable television license agreements and the sale of recyclable materials. No expenditures can be made directly from the fund; rather, resources are appropriated and transferred to the City's general fund for expenditure.

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 other than ARRA 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 other than ARRA 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 (and related fields and facilities). 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. A separate sub-fund is maintained within the fund for each major capital project.

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 and state construction grant for certain road and intersection improvements. 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, 2012

Special Revenue Funds

ASSETS	School Lunch	Revolving	Receipts Reserved	Federal ARRA Fund	Community Development Block Grant
Restricted cash and cash equivalents.....	\$ 371,184	\$ 4,696,262	\$ 4,777,406	\$ -	\$ 32,748
Restricted investments.....	-	-	-	-	-
Interest and dividends.....	-	-	-	-	-
Receivables, net of allowance for uncollectible amounts:					
Tax liens.....	-	-	-	-	-
Charges for services.....	-	622,073	-	-	-
Departmental and other.....	7,940	-	-	-	-
Intergovernmental.....	-	-	-	240,400	10,579
Other assets.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 379,124	\$ 5,318,335	\$ 4,777,406	\$ 240,400	\$ 43,327
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,513	\$ 176,312	\$ -	\$ -	\$ 11,646
Accrued liabilities.....	184,724	31,622	-	-	24,798
Accrued payroll.....	-	159,396	-	-	6,883
Other liabilities.....	166,075	782,830	-	-	-
Deferred revenue.....	7,940	106,016	-	-	-
Due to other funds.....	-	-	-	240,400	-
TOTAL LIABILITIES.....	360,252	1,256,176	-	240,400	43,327
FUND BALANCES:					
Nonspendable.....	-	-	-	-	-
Restricted.....	18,872	4,062,159	3,032,197	-	-
Committed.....	-	-	1,745,209	-	-
TOTAL FUND BALANCES.....	18,872	4,062,159	4,777,406	-	-
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 379,124	\$ 5,318,335	\$ 4,777,406	\$ 240,400	\$ 43,327

Special Revenue Funds

	<u>Municipal Federal Grant</u>	<u>Municipal State Grant</u>	<u>School State Grant</u>	<u>School Federal Grant</u>	<u>Gift</u>	<u>Stormwater Management</u>	<u>Sub-total</u>
\$	465,429	\$ 357,011	\$ 1,440,059	\$ 303,261	\$ 1,358,468	\$ 833,498	\$ 14,635,326
	-	-	-	-	-	-	-
	-	-	-	-	-	4,627	4,627
	-	-	-	-	-	127,659	749,732
	-	-	-	-	-	-	7,940
	254,017	-	116,684	277,000	-	-	898,680
	-	-	-	-	-	-	-
\$	<u>719,446</u>	<u>\$ 357,011</u>	<u>\$ 1,556,743</u>	<u>\$ 580,261</u>	<u>\$ 1,358,468</u>	<u>\$ 965,784</u>	<u>\$ 16,296,305</u>
\$	107,058	\$ 11,844	\$ 7,037	\$ 52,384	\$ 4,385	\$ 5,958	\$ 378,137
	2,300	6,810	600	20,885	1,039	600	273,378
	-	5,143	102,542	234,428	8,581	2,576	519,549
	-	-	-	-	-	-	948,905
	245,000	-	-	-	-	6,449	365,405
	-	-	-	-	-	-	240,400
	<u>354,358</u>	<u>23,797</u>	<u>110,179</u>	<u>307,697</u>	<u>14,005</u>	<u>15,583</u>	<u>2,725,774</u>
	-	-	-	-	-	-	-
	365,088	333,214	1,446,564	272,564	1,344,463	950,201	11,825,322
	-	-	-	-	-	-	1,745,209
	<u>365,088</u>	<u>333,214</u>	<u>1,446,564</u>	<u>272,564</u>	<u>1,344,463</u>	<u>950,201</u>	<u>13,570,531</u>
\$	<u>719,446</u>	<u>\$ 357,011</u>	<u>\$ 1,556,743</u>	<u>\$ 580,261</u>	<u>\$ 1,358,468</u>	<u>\$ 965,784</u>	<u>\$ 16,296,305</u>

(Continued)

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

JUNE 30, 2012

Capital Projects Funds

ASSETS	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
Cash and cash equivalents.....	\$ 7,019,535	\$ 90,535	\$ 484,807	\$ 7,594,877
Investments.....	-	-	-	-
Interest and dividends.....	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Tax liens.....	-	-	-	-
Charges for services.....	-	-	-	-
Departmental and other.....	-	-	-	-
Intergovernmental.....	-	157,101	-	157,101
Other assets.....	-	-	-	-
TOTAL ASSETS.....	\$ 7,019,535	\$ 247,636	\$ 484,807	\$ 7,751,978
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 98,167	\$ 30,977	\$ 15,153	\$ 144,297
Accrued liabilities.....	197,744	84,201	-	281,945
Accrued payroll.....	893	-	-	893
Other liabilities.....	-	-	-	-
Deferred revenue.....	-	-	-	-
Due to other funds.....	-	-	-	-
TOTAL LIABILITIES.....	296,804	115,178	15,153	427,135
 FUND BALANCES:				
Nonspendable.....	-	-	-	-
Restricted.....	6,722,731	132,458	469,654	7,324,843
Committed.....	-	-	-	-
TOTAL FUND BALANCES.....	6,722,731	132,458	469,654	7,324,843
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,019,535	\$ 247,636	\$ 484,807	\$ 7,751,978

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ 406,189	\$ 220,614	\$ 626,803	\$ 22,857,006
67,354	463,075	530,429	530,429
675	1,622	2,297	2,297
-	-	-	4,627
-	-	-	749,732
-	-	-	7,940
-	-	-	1,055,781
30,000	-	30,000	30,000
<u>\$ 504,218</u>	<u>\$ 685,311</u>	<u>\$ 1,189,529</u>	<u>\$ 25,237,812</u>

\$ -	\$ -	\$ -	\$ 522,434
-	-	-	555,323
-	-	-	520,442
-	-	-	948,905
-	-	-	365,405
-	-	-	240,400
-	-	-	<u>3,152,909</u>
446,818	-	446,818	446,818
57,400	685,311	742,711	19,892,876
-	-	-	1,745,209
504,218	685,311	1,189,529	22,084,903
<u>\$ 504,218</u>	<u>\$ 685,311</u>	<u>\$ 1,189,529</u>	<u>\$ 25,237,812</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, 2012

Special Revenue Funds

	School Lunch	Revolving	Receipts Reserved	Federal ARRA Fund	Community Development Block Grant
REVENUES					
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits.....	-	-	664,406	-	-
Intergovernmental.....	591,424	47,982	-	1,206,265	1,498,254
Charges for services.....	2,352,054	10,767,566	1,730,747	-	-
Fines and forfeitures.....	-	14,099	2,600	-	-
Investment income.....	1,620	1,320	482	-	-
Contributions and donations.....	-	125,959	349,000	-	-
Miscellaneous.....	-	-41,741	-419,800	-	79,612
Special assessments.....	-	277,102	-	-	-
TOTAL REVENUES.....	2,945,098	11,275,769	3,167,035	1,206,265	1,577,866
EXPENDITURES					
Current:					
General government:					
Elections.....	-	-	-	-	-
Planning & development.....	-	131,025	-	64,991	1,627,789
Public building maintenance & operations.....	-	-	-	163,843	-
Public safety:					
Police.....	-	2,997,263	-	-	-
Fire.....	-	191,645	-	-	-
Inspectional services.....	-	2,025	-	-	-
Education.....	3,127,979	5,502,539	-	895,592	-
Public works:					
Streets & sidewalks.....	-	419,543	-	124,800	-
Collection & disposal of solid waste.....	-	-	-	-	-
Vehicle maintenance.....	-	1,437	-	-	-
Engineering.....	-	37,601	-	-	-
Health and human services:					
Health & human services.....	-	3,197	-	-	-
Senior services.....	-	52,653	-	-	-
Culture and recreation:					
Libraries.....	-	24,557	-	-	-
Parks & recreation.....	-	1,916,275	-	-	-
Newton History museum.....	-	6,461	-	-	-
TOTAL EXPENDITURES.....	3,127,979	11,286,221	-	1,249,226	1,627,789
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(182,881)	(10,452)	3,167,035	(42,961)	(49,923)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	190,000	900,814	555,021	-	-
Issuance of general obligation bonds.....	-	-	-	-	-
Sale of assets.....	-	31,712	850	-	-
Transfers out.....	-	(175,000)	(2,196,158)	(23,400)	-
TOTAL OTHER FINANCING SOURCES (USES).....	190,000	757,526	(1,640,287)	(23,400)	-
NET CHANGE IN FUND BALANCES.....	7,119	747,074	1,526,748	(66,361)	(49,923)
FUND BALANCES AT BEGINNING OF YEAR.....	11,753	3,315,085	3,250,658	66,361	49,923
FUND BALANCES AT END OF YEAR.....	\$ 18,872	\$ 4,062,159	\$ 4,777,406	\$ -	\$ -

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,495	\$ 29,495
-	-	-	-	-	-	664,406
2,596,522	810,542	6,537,770	5,679,375	5,000	-	18,973,134
-	-	-	-	-	742,462	15,592,829
-	18	-	-	-	-	16,699
1,333	-	-	-	1,960	-	5,400
-	-	-	-	542,289	-	1,018,581
-	-	-	-	-	-	541,153
-	-	-	-	-	-	277,102
<u>2,597,855</u>	<u>810,560</u>	<u>6,537,770</u>	<u>5,679,375</u>	<u>549,249</u>	<u>771,957</u>	<u>37,118,799</u>
-	36,263	-	-	-	-	36,263
1,700,981	40,287	-	-	2,477	-	3,567,550
-	111,527	-	-	-	-	275,370
270,203	260,285	-	-	39,000	-	3,566,751
18,048	31,369	-	-	-	-	241,062
-	-	-	-	-	-	2,025
-	-	5,240,510	5,507,153	357,871	-	20,631,644
-	-	-	-	-	610,402	1,154,745
-	15,066	-	-	-	-	15,066
-	-	-	-	-	-	1,437
-	-	-	-	-	-	37,601
24,428	140,138	-	-	2,257	-	170,020
-	162,794	-	-	5,285	-	220,732
2,500	10,571	-	-	42,271	-	79,899
-	10,130	-	-	104,857	-	2,031,262
-	-	-	-	-	-	6,461
<u>2,016,160</u>	<u>818,430</u>	<u>5,240,510</u>	<u>5,507,153</u>	<u>554,018</u>	<u>610,402</u>	<u>32,037,888</u>
581,695	(7,870)	1,297,260	172,222	(4,769)	161,555	5,080,911
125,750	-	-	-	-	-	1,771,585
-	-	-	-	-	-	32,562
(527,048)	(108,669)	-	-	-	(16,358)	(3,046,633)
(401,298)	(108,669)	-	-	-	(16,358)	(1,242,486)
180,397	(116,539)	1,297,260	172,222	(4,769)	145,197	3,838,425
184,691	449,753	149,304	100,342	1,349,232	805,004	9,732,106
<u>\$ 365,088</u>	<u>\$ 333,214</u>	<u>\$ 1,446,564</u>	<u>\$ 272,564</u>	<u>\$ 1,344,463</u>	<u>\$ 950,201</u>	<u>\$ 13,570,531</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, 2012

Capital Projects Funds

	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
REVENUES				
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees.....	-	-	-	-
Intergovernmental.....	-	2,512,395	-	2,512,395
Charges for services.....	-	-	-	-
Fines and forfeitures.....	-	-	-	-
Investment income.....	-	-	-	-
Contributions and donations.....	-	-	-	-
Miscellaneous.....	-	-	-	-
Special assessments.....	-	-	-	-
TOTAL REVENUES.....	-	2,512,395	-	2,512,395
EXPENDITURES				
Current:				
General government:				
Elections.....	-	-	-	-
Planning & development.....	-	-	-	-
Public building maintenance & operations.....	2,318,167	-	-	2,318,167
Public safety:				
Police.....	-	-	-	-
Fire.....	-	-	529,384	529,384
Inspectional services.....	-	-	-	-
Education.....	2,971,783	-	-	2,971,783
Public works:				
Streets & sidewalks.....	-	2,512,395	-	2,512,395
Collection & disposal of solid waste.....	-	-	-	-
Vehicle maintenance.....	-	-	-	-
Engineering.....	-	-	-	-
Health and human services:				
Health & human services.....	-	-	-	-
Senior services.....	-	-	-	-
Culture and recreation:				
Libraries.....	-	-	-	-
Parks & recreation.....	121,046	-	-	121,046
Newton History museum.....	-	-	-	-
TOTAL EXPENDITURES.....	5,410,996	2,512,395	529,384	8,452,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(3,410,996)	-	(529,384)	(5,940,380)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	1,829,855	-	-	1,829,855
Issuance of general obligation bonds.....	4,744,000	-	990,000	5,734,000
Sale of assets.....	-	-	-	-
Transfers out.....	(580,934)	-	(6,098)	(587,032)
TOTAL OTHER FINANCING SOURCES (USES).....	5,992,921	-	983,902	6,976,823
NET CHANGE IN FUND BALANCES.....	581,925	-	454,518	1,036,443
FUND BALANCES AT BEGINNING OF YEAR.....	6,140,806	132,458	15,136	6,288,400
FUND BALANCES AT END OF YEAR.....	\$ 6,722,731	\$ 132,458	\$ 469,654	\$ 7,324,843

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 29,495
-	-	-	664,406
-	-	-	21,485,529
8,000	-	8,000	15,600,829
-	-	-	16,699
879	(20,095)	(19,216)	(13,816)
-	281,167	281,167	1,299,748
-	-	-	541,153
-	-	-	277,102
<u>8,879</u>	<u>261,072</u>	<u>269,951</u>	<u>39,901,145</u>
-	-	-	36,263
44	-	44	3,567,594
6,939	-	6,939	2,600,476
-	-	-	3,566,751
-	-	-	770,446
-	-	-	2,025
-	-	-	23,603,427
-	-	-	3,667,140
-	-	-	15,066
-	-	-	1,437
-	-	-	37,601
-	-	-	170,020
-	-	-	220,732
-	312,647	312,647	392,546
-	-	-	2,152,308
-	-	-	6,461
<u>6,983</u>	<u>312,647</u>	<u>319,630</u>	<u>40,810,293</u>
<u>1,896</u>	<u>(51,575)</u>	<u>(49,679)</u>	<u>(909,148)</u>
-	-	-	3,601,440
-	-	-	5,734,000
-	-	-	32,562
-	-	-	(3,633,665)
-	-	-	5,734,337
1,896	(51,575)	(49,679)	4,825,189
<u>502,322</u>	<u>736,886</u>	<u>1,239,208</u>	<u>17,259,714</u>
<u>\$ 504,218</u>	<u>\$ 685,311</u>	<u>\$ 1,189,529</u>	<u>\$ 22,084,903</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 70%/75% of group health benefits, and employees contribute 25%/30% 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, 2012

ASSETS	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
Current assets:					
Restricted cash and cash equivalents.....	\$ 18,726,981	\$ 152,537	\$ 23,098	\$ 222,603	\$ 19,125,219
Restricted investments.....	-	8,092,060	409,137	-	8,501,197
Interest and dividends.....	-	26,560	2,065	-	28,625
Receivables, net of allowance for uncollectible amounts:					
Departmental and other.....	40,227	-	-	-	40,227
Intergovernmental.....	18,239	-	-	-	18,239
Working capital deposit.....	377,432	-	-	-	377,432
Total assets.....	19,162,879	8,271,157	434,300	222,603	28,090,939
LIABILITIES					
Current liabilities:					
Warrants payable.....	247,709	39,325	-	-	287,034
Accrued liabilities.....	1,031,890	-	-	-	1,031,890
Accrued payroll.....	-	11,220	-	-	11,220
Other liabilities.....	1,449,618	-	-	-	1,449,618
Liabilities due depositors.....	-	-	-	-	-
Unearned revenue.....	-	-	-	-	-
Due to other funds.....	-	-	-	-	-
Accrued health claims payable.....	3,674,387	-	-	-	3,674,387
Workers' compensation claims.....	-	1,309,506	-	-	1,309,506
Total current liabilities.....	6,403,604	1,360,051	-	-	7,763,655
Noncurrent liabilities:					
Workers' compensation claims.....	-	5,179,689	-	-	5,179,689
Total liabilities.....	6,403,604	6,539,740	-	-	12,943,344
FUND NET ASSETS					
Unrestricted.....	\$ 12,759,275	\$ 1,731,417	\$ 434,300	\$ 222,603	\$ 15,147,595

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, 2012

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
OPERATING REVENUES					
Employer contributions.....	\$ 40,350,518	\$ 1,577,275	\$ -	\$ -	\$ 41,927,793
Plan member contributions.....	10,125,077	-	-	-	10,125,077
TOTAL OPERATING REVENUES.....	50,475,595	1,577,275	-	-	52,052,870
OPERATING EXPENSES					
Change in incurred but not reported liability.....	(636,271)	(527,715)	-	-	(1,163,986)
Self insurance claims.....	45,572,896	1,862,302	-	-	47,435,198
Insurance premiums.....	542,076	-	-	-	542,076
Administrative expenses.....	2,643,840	76,009	-	-	2,719,849
TOTAL OPERATING EXPENSES.....	48,122,541	1,410,596	-	-	49,533,137
OPERATING INCOME (LOSS).....	2,353,054	166,679	-	-	2,519,733
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	45,823	(38,518)	8,480	571	16,356
INCOME (LOSS) BEFORE TRANSFERS.....	2,398,877	128,161	8,480	571	2,536,089
TRANSFERS					
Transfers out.....	-	-	(398,723)	-	(398,723)
CHANGE IN FUND NET ASSETS.....	2,398,877	128,161	(390,243)	571	2,137,366
FUND NET ASSETS AT BEGINNING OF YEAR.....	10,360,398	1,603,256	824,543	222,032	13,010,229
FUND NET ASSETS AT END OF YEAR.....	\$ 12,759,275	\$ 1,731,417	\$ 434,300	222,603	\$ 15,147,595

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 10,125,077	\$ -	\$ -	\$ -	\$ 10,125,077
Receipts from interfund services provided.....	40,292,052	1,577,275	-	-	41,869,327
Payments to vendors/providers.....	(47,077,989)	(1,930,614)	-	-	(49,008,603)
NET CASH FROM OPERATING ACTIVITIES.....	3,339,140	(353,339)	-	-	2,985,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out.....	-	-	(398,723)	-	(398,723)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of investments.....	-	76,181	377,418	-	453,599
Investment income.....	45,823	(39,609)	12,423	571	19,208
NET CASH FROM INVESTING ACTIVITIES.....	45,823	36,572	389,841	571	472,807
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,384,963	(316,767)	(8,882)	571	3,059,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	15,342,018	469,304	31,980	222,032	16,065,334
CASH AND CASH EQUIVALENTS AT END OF YEAR (reported as restricted).....	\$ 18,726,981	\$ 152,537	\$ 23,098	\$ 222,603	\$ 19,125,219
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ 2,353,054	\$ 166,679	\$ -	\$ -	\$ 2,519,733
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	(40,227)	-	-	-	(40,227)
Intergovernmental.....	(18,239)	-	-	-	(18,239)
Working capital deposit.....	122,987	-	-	-	122,987
Warrants payable.....	247,709	19,233	-	-	266,942
Accrued payroll.....	-	(6,493)	-	-	(6,493)
Other liabilities.....	106,948	-	-	-	106,948
Accrued liabilities.....	915,370	(5,043)	-	-	910,327
Accrued health claims payable.....	(348,462)	-	-	-	(348,462)
Workers' compensation.....	-	(527,715)	-	-	(527,715)
Total adjustments.....	986,086	(520,018)	-	-	466,068
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,339,140	\$ (353,339)	\$ -	\$ -	\$ 2,985,801

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, 2012

	<u>Chaffin</u> <u>Education</u>	<u>Scovell</u> <u>Education</u>	<u>Gorin</u> <u>Education</u>	<u>Cousens</u> <u>Welfare</u>
ASSETS				
Cash and cash equivalents.....	\$ 282,544	\$ 28,218	\$ 6,500	\$ 755,890
Investments.....	4,383,783	1,049,239	-	1,205,439
Interest and dividends.....	9,552	3,434	-	4,019
Receivables, net of allowance for uncollectibles:				
Loans.....	-	-	19,663	-
Total assets.....	<u>4,675,879</u>	<u>1,080,891</u>	<u>26,163</u>	<u>1,965,348</u>
LIABILITIES				
Warrants payable.....	-	-	-	-
Due to the general fund.....	<u>17,601</u>	-	-	-
Total liabilities.....	<u>17,601</u>	-	-	-
NET ASSETS				
Held in trust for other purposes.....	<u>\$ 4,658,278</u>	<u>\$ 1,080,891</u>	<u>\$ 26,163</u>	<u>\$ 1,965,348</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>
\$ 695,007	\$ 3,110	\$ 43,161	\$ 4,661	\$ 38,017	\$ 1,139	\$ 49,372	\$ 1,907,619
535,462	-	-	-	-	-	-	7,173,923
2,055	-	-	-	-	-	-	19,060
-	-	-	-	-	-	-	19,663
<u>1,232,524</u>	<u>3,110</u>	<u>43,161</u>	<u>4,661</u>	<u>38,017</u>	<u>1,139</u>	<u>49,372</u>	<u>9,120,265</u>
1,000	-	-	-	-	-	-	1,000
-	-	-	-	-	-	-	17,601
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,601</u>
<u>\$ 1,231,524</u>	<u>\$ 3,110</u>	<u>\$ 43,161</u>	<u>\$ 4,661</u>	<u>\$ 38,017</u>	<u>\$ 1,139</u>	<u>\$ 49,372</u>	<u>\$ 9,101,664</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Chaffin Education</u>	<u>Scovell Education</u>	<u>Gorin Education</u>	<u>Cousens Welfare</u>
ADDITIONS				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 21,696
Net investment income:				
Interest.....	128,680	28,714	-	149,024
TOTAL ADDITIONS.....	<u>128,680</u>	<u>28,714</u>	<u>-</u>	<u>170,720</u>
DEDUCTIONS				
Administration expense.....	1,389	-	-	30,250
Educational scholarships & awards.....	163,666	28,000	-	60,392
TOTAL DEDUCTIONS.....	<u>165,055</u>	<u>28,000</u>	<u>-</u>	<u>90,642</u>
CHANGE IN NET ASSETS.....	(36,375)	714	-	80,078
NET ASSETS AT BEGINNING OF YEAR.....	<u>4,694,653</u>	<u>1,080,177</u>	<u>26,163</u>	<u>1,885,270</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 4,658,278</u>	<u>\$ 1,080,891</u>	<u>\$ 26,163</u>	<u>\$ 1,965,348</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>
\$ 65,148	\$ -	\$ -	\$ -	\$ -	\$ 1,587	\$ -	\$ 88,431
<u>10,979</u>	<u>8</u>	<u>112</u>	<u>12</u>	<u>98</u>	<u>3</u>	<u>130</u>	<u>317,760</u>
<u>76,127</u>	<u>8</u>	<u>112</u>	<u>12</u>	<u>98</u>	<u>1,590</u>	<u>130</u>	<u>406,191</u>
350	-	-	-	-	-	-	31,989
<u>97,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,150</u>	<u>351,464</u>
<u>97,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,150</u>	<u>383,453</u>
(21,279)	8	112	12	98	390	(1,020)	22,738
<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>
<u>\$ 1,231,524</u>	<u>\$ 3,110</u>	<u>\$ 43,161</u>	<u>\$ 4,661</u>	<u>\$ 38,017</u>	<u>\$ 1,139</u>	<u>\$ 49,372</u>	<u>\$ 9,101,664</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, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and cash equivalents.....	\$ 1,225,873	77,854,951	(77,121,540)	\$ 1,959,284
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	344,195	(325,743)	18,452
Total assets.....	\$ 1,225,873	\$ 78,199,146	\$ (77,447,283)	\$ 1,977,736
LIABILITIES				
Warrants payable.....	\$ -	\$ 77,104,142	\$ (77,103,088)	\$ 1,054
Payroll withholdings.....	204,433	75,615,198	(75,000,146)	819,485
Other liabilities.....	1,021,440	2,239,753	(2,103,996)	1,157,197
Total liabilities.....	\$ 1,225,873	\$ 154,959,093	\$ (154,207,230)	\$ 1,977,736



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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, 2012

	Encumbrances/ Continued Appropriations	FY 2012 Original Budget	FY 2012 Budget Revisions
City Clerk/Clerk of the Board			
Personal Services	\$ -	\$ 816,393	\$ 12,602
Expenses	5,621	73,439	-
Capital Outlay	-	245,472	(7,500)
Fringe Benefits	-	-	-
Total City Clerk/Clerk of the Board	<u>5,621</u>	<u>1,135,304</u>	<u>5,102</u>
Mayor's Office			
Personal Services	-	843,544	(232,426)
Expenses	-	38,739	-
Capital Outlay	-	-	-
Fringe Benefits	-	80,882	(238)
Total Mayor's Office	<u>-</u>	<u>963,165</u>	<u>(232,664)</u>
Comptroller's Office/Property Insurance			
Personal Services	-	405,108	9,610
Expenses	8,033	509,463	-
Capital Outlay	-	-	-
Fringe Benefits	-	77,904	(4,525)
Total Comptroller's Office/Property Insurance	<u>8,033</u>	<u>992,475</u>	<u>5,085</u>
Purchasing/General Services			
Personal Services	-	280,200	10,562
Expenses	-	47,806	-
Capital Outlay	-	-	-
Fringe Benefits	-	50,155	(3,750)
Total Purchasing/General Services	<u>-</u>	<u>378,161</u>	<u>6,812</u>
Assessing Department			
Personal Services	-	933,244	18,988
Expenses	-	37,835	-
Fringe Benefits	-	162,087	(9,750)
Total Assessing Department	<u>-</u>	<u>1,133,166</u>	<u>9,238</u>
Treasury & Collection Department			
Personal Services	-	554,516	10,574
Expenses	2,700	417,742	40,127
Capital Outlay	-	-	-
Fringe Benefits	-	101,196	(7,500)
Total Treasury & Collection Department	<u>2,700</u>	<u>1,073,454</u>	<u>43,201</u>
City Solicitor/Judgments & Settlements			
Personal Services	-	881,654	17,089
Expenses	-	199,252	-
Fringe Benefits	-	84,499	22,497
Total City Solicitor's Office/Settlements	<u>-</u>	<u>1,165,405</u>	<u>39,586</u>

<u>FY 2012 Budget As Amended</u>	<u>Total Revised FY 2012 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 828,995	\$ 828,995	\$ 822,938	\$ -	\$ 6,057
73,439	79,060	68,906	5,058	5,096
237,972	237,972	235,573	-	2,399
-	-	-	-	-
<u>1,140,406</u>	<u>1,146,027</u>	<u>1,127,417</u>	<u>5,058</u>	<u>13,552</u>
611,118	611,118	585,125	-	25,993
38,739	38,739	38,486	-	253
-	-	-	-	-
80,644	80,644	62,132	-	18,512
<u>730,501</u>	<u>730,501</u>	<u>685,743</u>	<u>-</u>	<u>44,758</u>
414,718	414,718	399,762	-	14,956
509,463	517,496	486,491	30,285	720
-	-	-	-	-
73,379	73,379	70,620	-	2,759
<u>997,560</u>	<u>1,005,593</u>	<u>956,873</u>	<u>30,285</u>	<u>18,435</u>
290,762	290,762	270,178	-	20,584
47,806	47,806	(2,333)	2,538	47,601
-	-	-	-	-
46,405	46,405	36,459	-	9,946
<u>384,973</u>	<u>384,973</u>	<u>304,304</u>	<u>2,538</u>	<u>78,131</u>
952,232	952,232	945,615	-	6,617
37,835	37,835	37,363	-	472
152,337	152,337	135,741	-	16,596
<u>1,142,404</u>	<u>1,142,404</u>	<u>1,118,719</u>	<u>-</u>	<u>23,685</u>
565,090	565,090	558,622	-	6,468
457,869	460,569	417,766	6,253	36,550
-	-	-	-	-
93,696	93,696	87,263	-	6,433
<u>1,116,655</u>	<u>1,119,355</u>	<u>1,063,651</u>	<u>6,253</u>	<u>49,451</u>
898,743	898,743	884,405	-	14,338
199,252	199,252	145,116	41,916	12,220
106,996	106,996	106,994	-	2
<u>1,204,991</u>	<u>1,204,991</u>	<u>1,136,515</u>	<u>41,916</u>	<u>26,560</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, 2012

	Encumbrances/ Continued Appropriations	FY 2012 Original Budget	FY 2012 Budget Revisions
Human Resources Department			
Personal Services	-	598,287	12,004
Expenses	-	151,121	-
Fringe Benefits	-	332,708	(5,301)
Total Human Resources Department	-	1,082,116	6,703
Information Technology Department			
Personal Services	-	569,421	(18,820)
Expenses	766	351,587	-
Capital Outlay	-	95,528	30,000
Fringe Benefits	-	97,371	(6,000)
Total Information Technology Department	766	1,113,907	5,180
Election Commission			
Personal Services	-	427,712	4,731
Expenses	4,200	76,050	-
Fringe Benefits	-	62,443	(3,000)
Total Election Commission	4,200	566,205	1,731
Licensing Commission			
Expenses	-	1,675	-
Planning & Development Department			
Personal Services	-	766,403	22,680
Expenses	21,217	43,215	-
Capital Outlay	2,045	-	-
Fringe Benefits	-	94,541	17,503
Total Planning & Development Department	23,262	904,159	40,183
Public Building Department			
Personal Services	3,550	1,848,435	(26,739)
Expenses	30,364	1,278,265	-
Capital Outlay	142	4,500	-
Fringe Benefits	-	382,042	871
Total Public Building Department	34,056	3,513,242	(25,868)
GENERAL GOVERNMENT TOTAL			
	78,638	14,022,434	(95,711)
Police Department			
Personal Services	-	14,063,665	267,009
Expenses	1,498	921,257	10,000
Capital Outlay	-	225,000	-
Fringe Benefits	-	2,384,427	(195,275)
Total Police Department	1,498	17,594,349	81,734

FY 2012 Budget As Amended	Total Revised FY 2012 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
610,291	610,291	535,501	-	74,790
151,121	151,121	125,162	9,404	16,555
327,407	327,407	262,371	-	65,036
1,088,819	1,088,819	923,034	9,404	156,381
550,601	550,601	497,624	-	52,977
351,587	352,353	344,629	-	7,724
125,528	125,528	87,581	37,903	44
91,371	91,371	84,301	-	7,070
1,119,087	1,119,853	1,014,135	37,903	67,815
432,443	432,443	342,690	-	89,753
76,050	80,250	69,576	-	10,674
59,443	59,443	49,126	-	10,317
567,936	572,136	461,392	-	110,744
1,675	1,675	1,128	-	547
789,083	789,083	788,675	-	408
43,215	64,432	39,609	20,249	4,574
-	2,045	2,045	-	-
112,044	112,044	109,052	-	2,992
944,342	967,604	939,381	20,249	7,974
1,821,696	1,825,246	1,782,319	-	42,927
1,278,265	1,308,629	1,231,748	46,118	30,763
4,500	4,642	3,685	957	-
382,913	382,913	382,796	-	117
3,487,374	3,521,430	3,400,548	47,075	73,807
13,926,723	14,005,361	13,132,840	200,681	671,840
14,330,674	14,330,674	14,309,263	-	21,411
931,257	932,755	923,950	61	8,744
225,000	225,000	223,704	-	1,296
2,189,152	2,189,152	2,160,778	-	28,374
17,676,083	17,677,581	17,617,695	61	59,825

(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, 2012

	Encumbrances/ Continued Appropriations	FY 2012 Original Budget	FY 2012 Budget Revisions
Fire Department			
Personal Services	-	13,214,499	760,373
Expenses	15,365	651,320	75,000
Capital Outlay	19,747	31,000	-
Fringe Benefits	-	2,533,206	(320,428)
Total Fire Department	<u>35,112</u>	<u>16,430,025</u>	<u>514,945</u>
Inspectional Services Department			
Personal Services	-	881,996	8,202
Expenses	5,100	43,165	-
Fringe Benefits	-	155,546	(3,761)
Total Inspectional Services Department	<u>5,100</u>	<u>1,080,707</u>	<u>4,441</u>
Weights & Measures Department			
Personal Services	-	66,195	1,625
Expenses	-	2,160	-
Capital Outlay	-	-	-
Fringe Benefits	-	7,231	(583)
Total Weights & Measures Department	<u>-</u>	<u>75,586</u>	<u>1,042</u>
PUBLIC SAFETY TOTAL	<u>41,710</u>	<u>35,180,667</u>	<u>602,162</u>
NEWTON PUBLIC SCHOOLS	<u>375,273</u>	<u>170,199,760</u>	<u>(581,924)</u>
Public Works Department			
Personal Services	17,576	7,304,779	8,295
Expenses	50,664	9,472,992	-
Capital Outlay	185,079	172,000	-
Fringe Benefits	-	1,661,671	(170,570)
Total Public Works Department	<u>253,319</u>	<u>18,611,442</u>	<u>(162,275)</u>
PUBLIC WORKS TOTAL	<u>253,319</u>	<u>18,611,442</u>	<u>(162,275)</u>

<u>FY 2012 Budget As Amended</u>	<u>Total Revised FY 2012 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
13,974,872	13,974,872	13,927,980	-	46,892
726,320	741,685	670,446	34,387	36,852
31,000	50,747	13,958	36,789	-
<u>2,212,778</u>	<u>2,212,778</u>	<u>2,185,137</u>	<u>-</u>	<u>27,641</u>
<u>16,944,970</u>	<u>16,980,082</u>	<u>16,797,521</u>	<u>71,176</u>	<u>111,385</u>
890,198	890,198	878,108	-	12,090
43,165	48,265	45,688	1,375	1,202
151,785	151,785	139,926	-	11,859
<u>1,085,148</u>	<u>1,090,248</u>	<u>1,063,722</u>	<u>1,375</u>	<u>25,151</u>
67,820	67,820	67,786	-	34
2,160	2,160	2,029	-	131
-	-	-	-	-
<u>6,648</u>	<u>6,648</u>	<u>6,646</u>	<u>-</u>	<u>2</u>
<u>76,628</u>	<u>76,628</u>	<u>76,461</u>	<u>-</u>	<u>167</u>
<u>35,782,829</u>	<u>35,824,539</u>	<u>35,555,399</u>	<u>72,612</u>	<u>196,528</u>
<u>169,617,836</u>	<u>169,993,109</u>	<u>168,562,830</u>	<u>1,429,711</u>	<u>568</u>
7,313,074	7,330,650	7,033,989	-	296,661
9,472,992	9,523,656	9,259,031	83,889	180,736
172,000	357,079	55,694	301,385	-
1,491,101	1,491,101	1,418,375	-	72,726
<u>18,449,167</u>	<u>18,702,486</u>	<u>17,767,089</u>	<u>385,274</u>	<u>550,123</u>
<u>18,449,167</u>	<u>18,702,486</u>	<u>17,767,089</u>	<u>385,274</u>	<u>550,123</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, 2012

	Encumbrances/ Continued Appropriations	FY 2012 Original Budget	FY 2012 Budget Revisions
Health & Human Services Department			
Personal Services	-	2,088,765	119,817
Expenses	-	366,040	(27,000)
Capital Outlay	-	1,500	-
Fringe Benefits	-	499,410	(47,785)
Total Public Health Department	-	2,955,715	45,032
Senior Services Department			
Personal Services	-	240,312	6,015
Expenses	-	272,673	-
Fringe Benefits	-	56,841	(3,750)
Total Human Services Department	-	569,826	2,265
Veteran Services Department			
Personal Services	-	140,658	3,156
Expenses	-	116,499	75,000
Fringe Benefits	-	35,341	(1,516)
Total Veteran Services Department	-	292,498	76,640
HEALTH & HUMAN SERVICES TOTAL			
	-	3,818,039	123,937
Newton Public Library			
Personal Services	-	3,263,678	56,185
Expenses	-	1,069,468	-
Capital Outlay	-	2,300	-
Fringe Benefits	-	690,992	(105,863)
Total Newton Public Library	-	5,026,438	(49,678)
Parks & Recreation Department			
Personal Services	11,125	2,206,632	48,423
Expenses	-	1,292,616	536,965
Capital Outlay	-	-	-
Fringe Benefits	-	388,531	(22,770)
Total Parks & Recreation Department	11,125	3,887,779	562,618
Newton History Museum			
Personal Services	-	183,189	4,581
Expenses	-	20,600	-
Fringe Benefits	-	33,225	(3,000)
Total Newton History Museum	-	237,014	1,581
CULTURE & RECREATION TOTAL			
	11,125	9,151,231	514,521

FY 2012 Budget As Amended	Total Revised FY 2012 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
2,208,582	2,208,582	2,127,443	-	81,139
339,040	339,040	304,220	2,772	32,048
1,500	1,500	1,428	-	72
451,625	451,625	409,832	-	41,793
<u>3,000,747</u>	<u>3,000,747</u>	<u>2,842,923</u>	<u>2,772</u>	<u>155,052</u>
246,327	246,327	245,946	-	381
272,673	272,673	272,267	-	406
53,091	53,091	50,892	-	2,199
<u>572,091</u>	<u>572,091</u>	<u>569,105</u>	<u>-</u>	<u>2,986</u>
143,814	143,814	133,177	-	10,637
191,499	191,499	174,985	-	16,514
33,825	33,825	26,056	-	7,769
<u>369,138</u>	<u>369,138</u>	<u>334,218</u>	<u>-</u>	<u>34,920</u>
<u>3,941,976</u>	<u>3,941,976</u>	<u>3,746,246</u>	<u>2,772</u>	<u>192,958</u>
3,319,863	3,319,863	3,229,465	-	90,398
1,069,468	1,069,468	964,614	10,339	94,515
2,300	2,300	2,300	-	-
585,129	585,129	572,271	-	12,858
<u>4,976,760</u>	<u>4,976,760</u>	<u>4,768,650</u>	<u>10,339</u>	<u>197,771</u>
2,255,055	2,266,180	2,233,714	-	32,466
1,829,581	1,829,581	1,786,062	-	43,519
-	-	-	-	-
365,761	365,761	326,992	-	38,769
<u>4,450,397</u>	<u>4,461,522</u>	<u>4,346,768</u>	<u>-</u>	<u>114,754</u>
187,770	187,770	186,815	-	955
20,600	20,600	19,437	-	1,163
30,225	30,225	27,196	-	3,029
<u>238,595</u>	<u>238,595</u>	<u>233,448</u>	<u>-</u>	<u>5,147</u>
<u>9,665,752</u>	<u>9,676,877</u>	<u>9,348,866</u>	<u>10,339</u>	<u>317,672</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, 2012

	Encumbrances/ Continued Appropriations	FY 2012 Original Budget	FY 2012 Budget Revisions
OTHER			
Interest on property tax refunds	-	-	-
DEBT SERVICE (PRINCIPAL & INTEREST)			
Debt Service	-	16,056,700	-
RETIREMENT			
Personal Services	-	179,103	3,275
Expenses	-	72,225	-
Fringe Benefits	-	25,027,821	130,245
Total Retirement	-	25,279,149	133,520
APPROPRIATED RESERVES			
Reserve Fund (Snow & Ice)	-	500,000	(500,000)
Reserve Fund (Budget Reserve)	-	1,361,225	(1,000,000)
Total Budgetary Reserves	-	1,861,225	(1,500,000)
STATE & COUNTY ASSESSMENTS	-	5,550,761	38,830
SPECIAL APPROPRIATIONS	3,096,013	-	1,922,304
TOTAL EXPENDITURES	<u>3,856,078</u>	<u>299,731,408</u>	<u>995,364</u>
TRANSFERS TO OTHER FUNDS:			
Workers Comp Self Insurance Fund - Municipal	-	700,000	199,375
Workers Comp Self Insurance Fund - School	-	250,000	-
School Athletic Revolving Fund - School	-	786,414	100,000
School Lunch Fund - School	-	258,076	(68,076)
Angier Elementary Improvement Fund	-	-	750,000
Municipal Building Improvement Fund	-	-	65,000
Capital Stabilization Fund - Municipal	-	-	57,512
Rainy Day Stabilization Fund	-	-	3,500,000
OPEB Fund	-	-	175,000
Federal Grant Special Revenue Fund	-	125,750	-
Total Transfers to Other Funds	-	2,120,240	4,778,811
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 3,856,078</u>	<u>\$ 301,851,648</u>	<u>\$ 5,774,175</u>

<u>FY 2012 Budget As Amended</u>	<u>Total Revised FY 2012 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
-	-	493,719	-	(493,719)
16,056,700	16,056,700	16,055,273	-	1,427
182,378	182,378	182,376	-	2
72,225	72,225	72,225	-	-
25,158,066	25,158,066	25,098,031	-	60,035
25,412,669	25,412,669	25,352,632	-	60,037
-	-	-	-	-
361,225	361,225	-	-	361,225
361,225	361,225	-	-	361,225
5,589,591	5,589,591	5,503,956	-	85,635
1,922,304	5,018,317	2,483,005	2,535,312	-
300,726,772	304,582,850	298,001,855	4,636,701	1,944,294
899,375	899,375	899,375	-	-
250,000	250,000	250,000	-	-
886,414	886,414	886,414	-	-
190,000	190,000	190,000	-	-
750,000	750,000	750,000	-	-
65,000	65,000	65,000	-	-
57,512	57,512	57,512	-	-
3,500,000	3,500,000	3,500,000	-	-
175,000	175,000	175,000	-	-
125,750	125,750	125,750	-	-
6,899,051	6,899,051	6,899,051	-	-
<u>307,625,823</u> \$	<u>311,481,901</u> \$	<u>304,900,906</u> \$	<u>4,636,701</u> \$	<u>1,944,294</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, 2012

	Encumbrances/ Continued Appropriations	Current Year Appropriations	Original Budget
Administration & operations	\$ 12,810	144,249	\$ 157,059
2012 CPA appropriation reserve	-	1,340,688	1,340,688
Open space:			
Open space reserve	-	-	-
Kessler Woods land acquisition	-	540,750	540,750
Flowed Meadow improvements Phase III - Planning	30,700	-	30,700
Recreation Open Space Plan	-	-	-
Kessler Woods debt service	-	-	-
Total - Open space projects	30,700	540,750	571,450
Historic resources:			
Historic preservation reserve	-	293,008	293,008
Archival survey	46,640	-	46,640
Historic building assessment (1830-1840)	37,500	-	37,500
Municipal building historic assessment	98,780	-	98,780
Civil war monument repairs	-	-	-
Historical burial grounds restoration	13,076	-	13,076
Historical burial grounds restoration Phase II	178,170	-	178,170
Durant Kenrick Homestead	104	-	104
Durant Kenrick Homestead preservation restriction	2,717,300	-	2,717,300
Heritage landscape inventory	-	-	-
Newton History Museum Archives Project	49,420	-	49,420
Farlow Park Pond Improvements	10,000	-	10,000
Jackson Homestead Museum Restoration	29,744	-	29,744
Archives Preservation	12,168	-	12,168
Angino farm barn rehabilitation	79,396	-	79,396
Angino farm farmhouse deleading	-	-	-
Archaeological Resources Survey	9,884	-	9,884
Total - Historic preservation	3,282,182	293,008	3,575,190

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ -	\$ 157,059	\$ 116,556	\$ 6,000	\$ 34,503
11,426	1,352,114	-	-	1,352,114
30,700	30,700	-	-	30,700
-	540,750	540,750	-	-
(30,700)	-	-	-	-
4,000	4,000	3,655	345	-
-	-	-	-	-
4,000	575,450	544,405	345	30,700
27,862	320,870	-	-	320,870
(2,640)	44,000	44,000	-	-
-	37,500	-	37,500	-
-	98,780	98,780	-	-
134,000	134,000	-	134,000	-
-	13,076	-	13,076	-
-	178,170	122,382	55,788	-
-	104	-	104	-
-	2,717,300	1,693,011	1,024,289	-
-	-	-	-	-
-	49,420	18,572	30,848	-
-	10,000	10,000	-	-
(16,228)	13,516	13,516	-	-
(7,860)	4,308	3,086	1,222	-
-	79,396	7,422	71,974	-
-	-	-	-	-
(1,134)	8,750	8,750	-	-
134,000	3,709,190	2,019,519	1,368,801	320,870

(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, 2012

	Encumbrances/ Continued Appropriations	Current Year Appropriations	Original Budget
Community housing:			
Community housing reserve	-	293,008	293,008
192 Lexington Street housing	59,999	-	59,999
2148-2150 Commonwealth Avenue housing	-	-	-
61 Pearl Street housing	665,500	-	665,500
Newton Homebuyer Assistance Program II	629,323	-	629,323
248 Eliot Street Housing Assistance	-	-	-
Total - community housing	<u>1,354,822</u>	<u>293,008</u>	<u>1,647,830</u>
Community recreation:			
20 Rogers Street debt service - Treasury	-	317,157	317,157
Albemarle community classroom - Parks	12,929	-	12,929
Angino farm barn rehabilitation	465,001	-	465,001
Houghton garden fence	-	-	-
Total - community recreation	<u>477,930</u>	<u>317,157</u>	<u>795,087</u>
TOTAL CPA FUND	<u>\$ 5,158,444</u>	<u>\$ 2,928,860</u>	<u>\$ 8,087,304</u>

<u>Budget Revisions</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
46,446	339,454	-	-	339,454
(46,446)	13,553	13,553	-	-
-	-	-	-	-
-	665,500	509,395	156,105	-
-	629,323	308,292	321,031	-
-	-	-	-	-
<u>-</u>	<u>1,647,830</u>	<u>831,240</u>	<u>477,136</u>	<u>339,454</u>
-	317,157	317,157	-	-
(11,426)	1,503	1,503	-	-
-	465,001	20,790	444,211	-
-	-	-	-	-
<u>(11,426)</u>	<u>783,661</u>	<u>339,450</u>	<u>444,211</u>	<u>-</u>
<u>\$ 138,000</u>	<u>\$ 8,225,304</u>	<u>\$ 3,851,170</u>	<u>\$ 2,296,493</u>	<u>\$ 2,077,641</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, 2012

	Continued Appropriations	FY 2012 Appropriations	Transfers
School Building Improvement Fund:			
Peirce Elementary School Repairs - 2005	\$ 2,787	\$ -	\$ -
Newton South High Athletic Field Improvements - 2009	651,688	-	-
F.A Day HVAC Improvements - 2009 & 2010	5,150	-	(5,150)
Angier School Boiler Replacement - 2009	47,249	-	(47,249)
F.A Day Renovations - 2010	144,896	-	-
Burr Elementary Window Replacement - 2010	367,760	-	(264,008)
Education Center Emergency Generator Replacement - 2010	199,828	-	-
Williams Boiler Replacement - 2010	31,518	-	(13,984)
Countryside Elevator Lift - 2010	40,867	-	(40,867)
Burr/H. Mann/Zervas Modular Classrooms - 2012	-	1,111,500	51,420
School Boiler Replacement - 2011	350,000	-	63,316
Various Elementary School Modulars - 2011	51,420	-	(51,420)
School Roof Repairs - 2011	792,571	-	-
School Masonry Repairs - 2011	450,000	-	-
Elementary School Roof Top Exhaust Units - 2011	100,000	-	-
Horace Mann School Window/Door Replacement - 2011	494,500	-	-
F.A Day Renovations/Addition - 2012	-	6,750,000	-
F.A Day Renovations - 2012	-	643,500	-
School Accessibility Improvements - 2012	-	300,000	-
Lincoln-Eliot Mechanical Upgrades - 2012	-	-	250,000
Bowen Masonry Repairs - 2012	-	-	60,000
Burr Mechanical Upgrades - 2012	-	-	250,000
Carr Elementary Evaluation/Design - 2012	-	300,000	-
Burr/H. Mann/Zervas Sprinkler Systems - 2012	-	1,474,000	-
School Electrical Upgrades - 2012	-	200,000	-
School Emergency Generators - 2012	-	315,000	(150,000)
School Boiler Replacement - 2012	-	450,000	-
School Mansory Repairs - 2012	-	485,000	-
Total School Building Improvement Fund	<u>3,730,234</u>	<u>12,029,000</u>	<u>102,058</u>
High School Renovation Fund:			
Newton South High School Renovations	3,386	-	(11)
Newton North High School Renovations	9,374,465	-	-
Total High School Renovation Fund	<u>9,377,851</u>	<u>-</u>	<u>(11)</u>
Angier School Improvement Fund			
Angier Elementary Sschool Feasibility Study	-	-	750,000
Municipal Building Improvement Fund:			
Energy Audits - Various Buildings - 2010	165,070	(148,481)	148,481
Energy Conservation - Various Buildings - 2010	6,739	-	(6,739)
Fire Station #4 Plantings & Landscaping - 2010	14,962	-	(566)
Fire Station #4 Window Repairs - 2012	-	90,000	-
Fire Station #7 Renovations - 2010	1,984,435	-	-
Fire Station #3 & #10 Architectural Study - 2011	130,000	-	-
Police Station HQ Lobby Safety Improvements - 2011	118,500	-	74,503
Manet Rd Communications Building Replacement - 2012	-	-	40,000
Crafts St DPW Yard Fuel Tank Replacement - 2010	33,266	-	(33,266)
City Hall Window Replacement/Repairs - 2011	125,000	-	-
City Hall Electrical & Boiler Improvements - 2012	-	300,000	-
Lower Falls Community Center ADA Compliance - 2012	-	-	25,000
Lower Falls Community Center Improvements - 2012	-	-	149,450
Total Municipal Building Improvement Fund	<u>2,577,972</u>	<u>241,519</u>	<u>396,863</u>
CH 90 Highway Improvement Fund:			
Contract MA 3246207	166,641	(166,641)	-
Contract MA 0035509	2,650	(2,650)	-
Contract MA 0044606	10,382	-	-
Contract MA 0048380	85,041	(27,191)	-
Contract MA 0050910	4,570,081	196,482	-
Total CH 90 Highway Improvement Fund	<u>4,834,795</u>	<u>-</u>	<u>-</u>

	Expended	Encumbered	Balance
\$	2,787	\$ -	\$ -
	196,235	314,383	141,070
	-	-	-
	-	-	-
	144,896	-	-
	103,752	-	-
	98,729	47,650	53,449
	17,534	-	-
	-	-	-
	1,117,119	-	45,801
	413,316	-	-
	-	-	-
	221,695	472,008	98,868
	131,968	46,842	271,190
	100,000	-	-
	21,311	-	473,189
	-	-	6,750,000
	329,505	292,340	21,655
	40,564	-	259,436
	-	-	250,000
	-	-	60,000
	-	-	250,000
	-	300,000	-
	4,049	1,245,000	224,951
	7,802	-	192,198
	3,969	-	161,031
	14,688	-	435,312
	1,863	-	483,137
	<u>2,971,782</u>	<u>2,718,223</u>	<u>10,171,287</u>
	3,375	-	-
	<u>3,232,720</u>	<u>2,646,468</u>	<u>3,495,277</u>
	<u>3,236,095</u>	<u>2,646,468</u>	<u>3,495,277</u>
	-	-	750,000
	148,481	-	16,589
	-	-	-
	14,396	-	-
	-	-	90,000
	1,883,713	1,000	99,722
	85,035	44,965	-
	35,027	125,900	32,076
	39,975	-	25
	-	-	-
	-	-	125,000
	107,041	8,027	184,932
	4,500	-	20,500
	-	149,450	-
	<u>2,318,168</u>	<u>329,342</u>	<u>568,844</u>
	-	-	-
	-	-	-
	7,236	3,146	-
	-	-	57,850
	<u>2,455,263</u>	<u>1,328,678</u>	<u>982,622</u>
	<u>2,462,499</u>	<u>1,331,824</u>	<u>1,040,472</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, 2012

	Continued Appropriations	FY 2012 Appropriations	Transfers
Massworks Road Improvement Fund:			
2012 Grant Award	-	1,850,000	-
Municipal Equipment Replacement Fund:			
Automated Trash & Recycling Receptacles - 2009	598	-	(598)
DPW Equipment Replacement - 2012	-	390,000	-
Trommel Screen - 2010	5,500	-	(5,500)
Fire Engine Replacement - 2012	-	600,000	-
Fire Engine Replacement - 2010	9,038	-	-
Total Municipal Equipment Replacement Fund	<u>15,136</u>	<u>990,000</u>	<u>(6,098)</u>
Park Improvement Fund			
Gath Pool Repairs - 2012	-	100,000	-
Bobby Bracelance Playground Improvements - 2012	-	150,000	-
Total Park Improvement Fund	<u>-</u>	<u>250,000</u>	<u>-</u>
Water System Improvement Fund:			
MWRA - Water System - Accumulated Interest Income	25,461	12,866	1
MWRA - Water System Improvements - Loan of 2005	17,480	-	(1)
MWRA - Water System Improvements - Loan of 2009	16,209	-	-
MWRA - Water System Improvements - III Transfer	174,650	-	(1)
MWRA - Water System Improvements - Loan of 2010	828,387	-	-
MWRA - Water System Improvements - Loan of 2011	1,933,657	-	-
MWRA - Water System Improvements - Loan of 2012	-	1,360,200	-
Water Meter Replacement - 2009	4,285,382	-	-
Waban Hill Reservoir Improvements - 2001/2003	252,245	-	1
Total Water System Improvement Fund	<u>7,533,471</u>	<u>1,373,066</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	26,083	-	-
Farina Rd Sewer Improvements - 2010	50,500	-	-
Irving St Sewer Improvements - 2010	60,518	-	-
Old Farm Rd Sewer Improvements - 2010	44,888	-	-
Woodland/Studio Rd Sewer Improvements - 2010	24,417	-	-
Old Farm Rd Sewer Improvements - 2011	787,000	26,625	-
Aspen Ave /Hawthorne Ave/Studio Ed Ext - 2011	800,000	-	-
Quinobequin Rd Sewer Repairs - 2011	200,000	-	-
Grodon Rd Sewer Repairs - 2011	170,000	(26,625)	-
Newtonville Ave Sewer Repairs - 2011	160,000	-	-
Wood End Rd Sewer Repairs - 2011	160,000	-	-
Phase I Underground Infrastructure Impv Plan - 2012	-	4,239,878	-
MWRA - Sewer I&I - Accumulated Interest Income	16,798	5,767	-
MWRA - Infiltration/Inflow - 2007	63,577	-	-
MWRA - Infiltration/Inflow - 2008	51,632	-	-
MWRA - Infiltration/Inflow - 2009	4,009	-	-
MWRA - Infiltration/Inflow - 2010	328,948	-	-
MWRA - Infiltration/Inflow - 2011	-	1,046,000	-
Total Sanitary Sewer Improvement Fund	<u>3,093,848</u>	<u>5,291,645</u>	<u>-</u>
Capital Stabilization Fund:			
Reserved for Debt Funded Projects	3,107	-	4,622
Reserved for Water/Sewer Appropriations	105,000	-	-
Designated for North High School Debt Service	9,601,557	-	(4,800,000)
Designated for Fire Station Renovations	1,698	6,961	-
Designated for Energy Conservation Projects	116,627	428,857	(297,931)
Designated for Ordinary Capital Appropriations	111,500	-	(76,991)
Total Capital Stabilization Fund	<u>9,939,489</u>	<u>435,818</u>	<u>(5,170,300)</u>
Total Capital Projects Funds	<u>\$ 41,102,796</u>	<u>\$ 22,461,048</u>	<u>\$ (3,927,488)</u>

<u>Expended</u>	<u>Encumbered</u>	<u>Balance</u>
49,897	105,103	1,695,000
-	-	-
-	368,014	21,986
-	-	-
520,346	2,652	77,002
9,038	-	-
<u>529,384</u>	<u>370,666</u>	<u>98,988</u>
19,025	9,450	71,525
102,021	42,848	5,131
<u>121,046</u>	<u>52,298</u>	<u>76,656</u>
-	-	38,328
-	17,479	-
-	16,209	-
114,888	9,670	50,091
784,837	32,882	10,668
531,221	970,481	431,955
-	-	1,360,200
1,645,415	321,180	2,318,787
1,779	2,180	248,287
<u>3,078,140</u>	<u>1,370,081</u>	<u>4,458,316</u>
-	-	10,000
-	-	135,478
-	-	26,083
-	-	50,500
-	-	60,518
18,377	26,511	-
12,400	12,017	-
774,594	12,405	26,626
69,000	-	731,000
-	-	200,000
103,716	-	39,659
-	-	160,000
-	-	160,000
-	-	4,239,878
-	-	22,565
(19,485)	43,124	39,938
51,625	-	7
-	-	4,009
96,180	-	232,768
249,598	437,651	358,751
<u>1,356,005</u>	<u>531,708</u>	<u>6,497,780</u>
-	-	7,729
-	105,000	-
-	2,700,000	2,101,557
-	-	8,659
-	100,000	147,553
-	-	34,509
<u>-</u>	<u>2,905,000</u>	<u>2,300,007</u>
\$ <u>16,123,016</u>	\$ <u>12,360,713</u>	\$ <u>31,152,627</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, 2012

	Continued <u>Appropriations</u>	FY 2012 <u>Original Budget</u>	FY 2012 <u>Budget Revisions</u>
Sewer Maintenance & Operation			
Personal Services	\$ 4,100	\$ 1,961,534	\$ (24,368)
Expenses	264,585	1,263,303	-
Capital Outlay	636,364	906,500	-
Fringe Benefits	-	448,415	(23,001)
Total	<u>905,049</u>	<u>4,579,752</u>	<u>(47,369)</u>
MWRA Sewer Assessment			
Intergovernmental	<u>-</u>	<u>19,722,652</u>	<u>-</u>
Debt Maturities & Interest	<u>-</u>	<u>1,421,918</u>	<u>-</u>
Retirement	<u>-</u>	<u>365,737</u>	<u>2,485</u>
Employee Benefits	<u>-</u>	<u>71,069</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>150,000</u>	<u>44,884</u>
Transfer - General Fund	<u>-</u>	<u>850,000</u>	<u>-</u>
Total Sewer Enterprise Fund	<u>\$ 905,049</u>	<u>\$ 27,161,128</u>	<u>\$ -</u>

<u>FY 2012 Budget As Amended</u>	<u>Total Revised FY 2012 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,941,266	\$ 1,941,266	\$ 1,771,873	\$ -	\$ 169,393
1,527,888	1,527,888	812,103	451,683	264,102
1,542,864	1,542,864	211,322	1,322,081	9,461
425,414	425,414	398,830	-	26,584
<u>5,437,432</u>	<u>5,437,432</u>	<u>3,194,128</u>	<u>1,773,764</u>	<u>469,540</u>
<u>19,722,652</u>	<u>19,722,652</u>	<u>19,546,086</u>	<u>-</u>	<u>176,566</u>
<u>1,421,918</u>	<u>1,421,918</u>	<u>1,309,699</u>	<u>-</u>	<u>112,219</u>
<u>368,222</u>	<u>368,222</u>	<u>366,979</u>	<u>-</u>	<u>1,243</u>
<u>71,069</u>	<u>71,069</u>	<u>-</u>	<u>-</u>	<u>71,069</u>
<u>194,884</u>	<u>194,884</u>	<u>194,884</u>	<u>-</u>	<u>-</u>
<u>850,000</u>	<u>850,000</u>	<u>679,518</u>	<u>-</u>	<u>170,482</u>
<u>\$ 28,066,177</u>	<u>\$ 28,066,177</u>	<u>\$ 25,291,294</u>	<u>\$ 1,773,764</u>	<u>\$ 1,001,119</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Continued <u>Appropriations</u>	FY 2012 <u>Original Budget</u>	FY 2012 <u>Budget Revisions</u>
Water Maintenance & Operation			
Personal Services	\$ 4,800	\$ 2,153,620	\$ (88,439)
Expenses	176,044	1,074,134	(20,000)
Capital Outlay	412,086	256,000	-
Fringe Benefits	-	486,951	(34,577)
Total	<u>592,930</u>	<u>3,970,705</u>	<u>(143,016)</u>
Debt Maturities & Interest	<u>-</u>	<u>3,466,410</u>	<u>-</u>
Retirement	<u>-</u>	<u>497,536</u>	<u>-</u>
MWRA/DEP Assessments & Charges	<u>-</u>	<u>8,907,649</u>	<u>67,136</u>
Budget Reserve	<u>-</u>	<u>7,790</u>	<u>(7,136)</u>
Transfer - Sewer Fund	<u>-</u>	<u>808,330</u>	<u>-</u>
Transfer - General Fund	<u>-</u>	<u>750,000</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>150,000</u>	<u>83,016</u>
Total Water Enterprise Fund	<u>\$ 592,930</u>	<u>\$ 18,558,420</u>	<u>\$ -</u>

FY 2012 Budget As Amended	Total Revised FY 2012 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 2,069,981	\$ 2,069,981	\$ 1,832,672	\$ -	\$ 237,309
1,230,178	1,230,178	735,039	286,719	208,420
668,086	668,086	115,458	531,256	21,372
452,374	452,374	410,614	-	41,760
<u>4,420,619</u>	<u>4,420,619</u>	<u>3,093,783</u>	<u>817,975</u>	<u>508,861</u>
<u>3,466,410</u>	<u>3,466,410</u>	<u>3,466,409</u>	<u>-</u>	<u>1</u>
<u>497,536</u>	<u>497,536</u>	<u>489,685</u>	<u>-</u>	<u>7,851</u>
<u>8,974,785</u>	<u>8,974,785</u>	<u>8,966,357</u>	<u>-</u>	<u>8,428</u>
<u>654</u>	<u>654</u>	<u>-</u>	<u>-</u>	<u>654</u>
<u>808,330</u>	<u>808,330</u>	<u>808,330</u>	<u>-</u>	<u>-</u>
<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>-</u>
<u>233,016</u>	<u>233,016</u>	<u>233,016</u>	<u>-</u>	<u>-</u>
<u>\$ 19,151,350</u>	<u>\$ 19,151,350</u>	<u>\$ 17,807,580</u>	<u>\$ 817,975</u>	<u>\$ 525,795</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 123 - 128)

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 129 - 132)

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

Debt Capacity (pages 133 - 136)

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 137)

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 138 - 139)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 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	\$ 220,231,642
Restricted	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	34,560,724
Unrestricted	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)	(93,548,399)
Total governmental activities net assets	\$ 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	\$ 161,243,967
Business-Type Activities										
Invested in capital assets, net of related debt	\$ 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	\$ 49,055,462
Restricted	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	6,834,944
Unrestricted	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	21,130,465
Total business-type activities net assets	\$ 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	\$ 77,020,871
Primary Government										
Invested in capital assets, net of related debt	\$ 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	\$ 269,287,104
Restricted	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	41,395,668
Unrestricted	33,036,664	46,211,521	47,801,880	62,545,689	80,967,133	-9,140,980	10,605,816	(17,103,272)	(50,253,891)	(72,417,934)
Total primary government net assets	\$ 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	\$ 238,264,838

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

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
General government	\$ 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	\$ 21,992,988
Public safety	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	56,061,495
Education	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	252,922,994
Public works	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	24,221,365
Health and human services	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	10,684,932
Culture and recreation	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	16,216,945
Debt service - interest	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	7,559,469
Total expenses	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	389,660,188
Program Revenues										
Charges for services	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	25,732,684
Operating grants and contributions	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	65,780,261
Capital grants and contributions	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	2,519,356
Total program revenues	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	94,032,301
Net (expense)/revenue	(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)	(295,627,887)
General Revenues and Other Changes in Net Assets										
Real estate and personal property taxes	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	249,340,011
Motor vehicle and other excise taxes	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	10,514,832
Hotel/motel taxes	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	1,814,792
Meal taxes	-	-	-	-	-	-	-	382,934	1,308,191	1,403,261
Penalties and interest on taxes	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	1,146,496
Payments in lieu of taxes	449,556	340,010	529,600	553,920	2,851,122	767,439	273,359	3,270,902	515,471	529,294
Community preservation surcharges	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	2,431,863
Grants and contributions not restricted to specific programs	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	5,263,525
Unrestricted investment income	1,485,848	949,028	1,687,125	3,290,981	4,757,698	4,306,424	2,610,098	934,313	454,365	278,106
Gain (Loss) on sale of capital assets	-	(48,600)	36,000	10,702	-	-	-	24,347	32,280	-
Other	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	2,169,238
Transfers, net	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	1,429,518
Total general revenues and other changes in net assets	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	276,320,936
Change in net assets	\$ 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)	\$ (19,306,951)

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

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Sewer	\$ 17,749,399	\$ 18,167,283	\$ 17,891,749	\$ 18,404,780	\$ 20,633,778	\$ 21,208,637	\$ 21,879,634	\$ 23,347,392	\$ 23,468,371	\$ 24,953,457
Water	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	15,183,784
Total expenses	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	40,139,241
Program Revenues										
Charges for services	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	48,273,768
Operating grants and contributions	900,806	758,501	1,289,586	838,241	835,397	814,428	857,561	732,948	847,004	646,975
Capital grants and contributions	609,076	51,994	159,450	329,005	1,544,708	726,855	1,260,151	245,331	24,182	489,333
Total program revenues	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	49,410,076
Net (expense)/revenue	3,015,316	210,010	3,275,166	4,805,254	3,962,662	7,154,555	376,116	2,255,378	8,313,663	9,270,835
General Revenues and Transfers										
Gain on sale of capital asset	-	-	-	-	-	-	-	2,776	-	-
Transfers, net	(1,131,230)	(1,255,717)	(1,219,955)	(1,278,128)	(1,223,658)	(1,264,968)	(1,457,225)	(1,376,187)	(1,240,538)	(1,429,518)
Change in net assets	\$ 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	\$ 7,841,317

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

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total expenses.....	\$ 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	\$ 429,799,429
Total program revenues.....	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	143,442,377
Net (expense)/revenue.....	(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)	(286,357,052)
Total general revenues, transfers and other changes in net assets....	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	274,891,418
Change in net assets.....	\$ 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)	\$ (11,465,634)

GOVERNMENTAL FUNDS
FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012
General Fund										
Reserved.....	\$ 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.....	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	938,274
Committed.....	-	-	-	-	-	-	-	-	14,877,088	9,816,666
Assigned.....	-	-	-	-	-	-	-	-	844,441	2,583,061
Unassigned.....	-	-	-	-	-	-	-	-	14,123,323	14,886,340
Total general fund.....	\$ 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	\$ 28,224,341
All Other Governmental Funds										
Reserved.....	\$ 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.....	7,369,358	8,108,905	7,651,781	6,828,092	7,213,248	10,478,029	13,253,604	10,704,933	-	-
Capital projects funds.....	(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.....	923,315	868,171	1,012,798	874,461	925,527	817,614	736,678	740,024	-	-
Nonspendable.....	-	-	-	-	-	-	-	-	445,570	446,818
Restricted.....	-	-	-	-	-	-	-	-	28,989,163	28,617,216
Committed.....	-	-	-	-	-	-	-	-	886,894	1,745,209
Unassigned.....	-	-	-	-	-	-	-	-	(354,498)	-
Total all other governmental funds.....	\$ (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	\$ 30,809,243

(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 TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Real estate and personal property taxes	\$ 179,025,142	\$ 187,956,486	\$ 192,554,388	\$ 200,165,525	\$ 207,245,638	\$ 211,435,422	\$ 224,437,442	\$ 233,726,177	\$ 240,732,647	\$ 248,503,570
Motor vehicle and other excise taxes	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	10,567,479
Hotel/motel tax	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	1,814,792
Meals tax	-	-	-	-	-	-	-	382,934	1,308,191	1,403,261
Payments in lieu of taxes	377,867	340,010	394,563	418,202	411,841	358,957	489,108	3,095,059	439,721	479,617
Community preservation surcharges	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	2,427,905
Charges for services	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	17,340,467
Intergovernmental	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	73,036,706
Special assessments	-	-	-	-	215,216	157,281	218,438	158,481	254,638	350,639
Penalties and interest on taxes	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	1,146,496
Licenses and permits	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	6,081,388
Fines and forfeitures	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	2,017,085
Contributions	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	1,299,748
Investment income	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	271,250
Miscellaneous/other	1,278,662	678,394	588,220	1,326,054	947,985	1,813,990	1,686,507	1,667,540	1,676,863	1,222,231
TOTAL REVENUES	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	367,962,634
EXPENDITURES										
Current:										
General government	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	21,216,365
Public safety	31,910,736	33,442,336	33,467,775	33,207,890	36,540,065	36,960,093	37,438,138	37,999,263	37,725,281	39,687,309
Education	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	196,486,485
Public works	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	21,918,256
Health and human services	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	4,123,498
Culture and recreation	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	13,839,046
Retirement benefits	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	56,055,483
Property and liability insurance	1,464,628	1,638,348	1,596,923	1,621,121	1,666,576	1,600,977	1,891,488	1,676,169	1,445,803	1,559,274
Claims and judgments	118,032	290,227	176,472	214,058	143,335	97,254	250,509	100,453	160,733	58,504
Health insurance subsidy	-	-	-	-	173,495	-	-	-	-	-
Other	-	-	-	-	-	24,080	-	-	-	-
State and county charges	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	5,503,956
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	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	9,408,367
Interest	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	7,574,440
TOTAL EXPENDITURES	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	377,430,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
	(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)	(9,468,349)
OTHER FINANCING SOURCES (USES)										
Transfers in	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	8,413,437
Proceeds of bonds and notes	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	5,734,000
Premium from issuance of bonds and notes	-	375,267	406,462	293,090	92,732	262,441	1,557,255	815,357	168,147	131,379
Sale of capital assets	-	-	36,000	26,446	40,752	49,909	-	42,491	36,262	67,610
Transfers out	(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)	(6,585,196)
TOTAL OTHER FINANCING SOURCES (USES)	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	7,761,230
EXTRAORDINARY ITEM										
Proceeds of structured settlement contract	-	-	-	-	2,850,000	-	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ (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)	\$ (1,707,119)
DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES										
	2.4%	2.4%	2.5%	2.6%	3.3%	2.3%	2.7%	3.6%	4.3%	4.5%

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				
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%
2012	18,276,909,150	1,851,072,350	336,017,900	20,463,999,400	12.10	21,744,090,700	94.11%

Source: City of Newton Annual Tax Recap Sheet

(1) Does not include valuation affected by residential exemption

(2) As of January 1st

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

DIRECT PROPERTY TAX RATES (1) (2)

LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
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
2012	11.17	21.32	21.32	12.10

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	2012			2003		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
NSTAR Electric - Electric Utility	\$ 2,188,905	1	0.88%	\$ -	-	-
Riverside Project, LLC - Office	1,855,548	2	0.75%	1,693,393	1	0.95%
CHSP Newton, LLC - Hotel	1,277,300	3	0.52%	928,350	3	0.52%
Mayflower Atrium, LLC - Retail	1,275,414	4	0.52%	1,340,950	2	0.75%
Julian Cohen & Daniel Rothenberg Trust - Retail	1,241,383	5	0.50%	860,504	5	0.48%
Verizon, New England Inc. - Telecommunications	1,086,250	6	0.44%	-	-	-
National Grid - Natural Gas Utility	1,002,582	7	0.41%	-	-	-
Thomas White Trust - Office	897,958	8	0.36%	713,222	7	0.40%
Daniel Rothenberg - Retail	887,540	9	0.36%	863,407	4	0.49%
NS Wells Acquisitions LLC - Office	834,263	10	0.34%	-	-	-
Schroder Newton Limited Partnership - Office	-	-	-	730,067	6	0.41%
Wells Avenue Senior Holding LLC - Office	-	-	-	629,716	8	0.35%
Two Newton Place Acquisitions LLC - Office	-	-	-	431,167	9	0.24%
Lasell College - Senior Independent Living	-	-	-	415,381	10	0.23%
Total	\$ 12,547,143		5.07%	\$ 8,606,157		4.82%

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)	
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%	1,899,940	239,247,424	100.21%	
2012	247,532,017	246,717,069	99.67%	-	246,717,069	99.67%	

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		
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
2012	188,320,433	-	9,627,000	19,699,017	217,646,450	2,556

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		Total Net General Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Percentage of Estimated Personal Income (2)
	General Obligation Bonds	Less: Resources Restricted for Debt Principal			
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%
2012	188,320,433	(2,946,430)	185,374,003	0.85%	3.90%

(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, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resources Authority.....	\$ 6,127,190,000	4.9%/4.5%	\$ <u>285,263,561</u>
City direct debt.....			<u>217,646,450</u>
Total direct and overlapping debt.....			<u>\$ 502,910,011</u>

Sources: MWRA, City of Newton Treasurer's Office

LEGAL DEBT MARGIN INFORMATION

LAST FIVE FISCAL YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Equalized valuation.....	\$ 21,744,090,700	\$ 22,506,213,100	\$ 22,506,213,100	\$ 22,207,139,600	\$ 22,207,139,600
Normal debt limit (5% of equalized valuation).....	1,087,204,535	1,125,310,655	1,125,310,655	1,110,356,980	1,110,356,980
Debt applicable to limit:					
Total bonded debt.....	217,646,450	221,718,814	216,847,050	200,945,634	114,485,841
Less: General obligation bonds exempted by authority of state legislature.....	<u>(19,699,017)</u>	<u>(29,724,014)</u>	<u>(29,161,750)</u>	<u>(30,259,834)</u>	<u>(22,157,941)</u>
Total net debt applicable to limit.....	<u>197,947,433</u>	<u>191,994,800</u>	<u>187,685,300</u>	<u>170,685,800</u>	<u>92,327,900</u>
Legal debt margin.....	<u>\$ 889,257,102</u>	<u>\$ 933,315,855</u>	<u>\$ 937,625,355</u>	<u>\$ 939,671,180</u>	<u>\$ 1,018,029,080</u>
Total net debt applicable to the limit as a percentage of normal debt limit.....	<u>18.2%</u>	<u>17.1%</u>	<u>16.7%</u>	<u>15.4%</u>	<u>8.3%</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 (%)
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%
2011	85,146	38.7	55,891	4,758,895,086	124,893	12,172	4.1%

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government.....	131	133	125	129	135
Public safety.....	371	373	379	362	383
Education.....	1,285	1,195	1,268	1,283	1,217
Public works.....	126	131	139	143	143
Health and human services.....	45	48	48	48	50
Culture and recreation.....	79	82	93	100	102
Water.....	29	31	27	27	28
Sewer.....	27	32	36	36	36
Total.....	<u>2,093</u>	<u>2,025</u>	<u>2,115</u>	<u>2,128</u>	<u>2,094</u>

Source: City of Newton payroll

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST FIVE FISCAL YEARS

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
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
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