

OFFICIAL STATEMENT DATED FEBRUARY 26, 2014

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: Aaa

New Issue

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

CITY OF NEWTON, MASSACHUSETTS

\$20,936,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS

DATED
Date of Delivery

DUE
March 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of one \$1,000 denomination maturing in 2015. See "THE BONDS - Book-Entry Transfer System" herein.

Principal of the Bonds will be paid on March 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2014, until maturity or redemption prior to maturity. Principal and semiannual interest on the Bonds will be paid by U. S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

The Bonds will be valid general obligations of the City of Newton, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the City without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the Bonds that the City has voted to exempt from the tax limitations imposed by Chapter 59, Section 21C of the General Laws ("Proposition 2½"), and subject to the tax limitations of Proposition 2½ with respect to the portion that the City has not voted to exempt from such limitations.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due March 1	Principal Amount	Interest Rate	Yield	CUSIP # 653063	Due March 1	Principal Amount	Interest Rate	Yield	CUSIP # 653063
2015	\$596,000	5.00 %	0.15 %	2G1	2025	\$ 700,000	2.75 %	2.75 %	2S5
2016	600,000	5.00	0.30	2H9	2026	715,000	3.00	2.90	2T3
2017	615,000	3.00	0.55	2J5	2027	730,000	3.00	3.08	2U0
2018	630,000	5.00	0.80	2K2	2028	740,000	3.00	3.17	2V8
2019	645,000	5.00	1.08	2L0	2029	755,000	3.125	3.30	2W6
2020	660,000	5.00	1.46	2M8	2030	565,000	3.25	3.42	2X4
2021	670,000	5.00	1.81	2N6	2031	585,000	3.375	3.52	2Y2
2022	690,000	5.00	2.13	2P1	2032	605,000	3.50	3.62	2Z9
2023	710,000	5.00	2.37	2Q9	2033	625,000	3.50	3.70	3A3
2024	735,000	5.00	2.50	2R7	2034	645,000	3.625	3.78	3B1

\$2,010,000 Interest Rate 4.00% Term Bonds Maturing March 1, 2037 Yield @ 3.90% Cusip # 653063 3E5
\$2,255,000 Interest Rate 4.00% Term Bonds Maturing March 1, 2040 Yield @ 4.00% Cusip # 653063 3H8
\$3,455,000 Interest Rate 4.00% Term Bonds Maturing March 1, 2044 Yield @ 4.10% Cusip # 653063 3M7

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the City with respect to the Bonds. The Bonds in definitive form will be delivered to the successful bidder at DTC, or its custodial agent, on or about March 6, 2014 for settlement in Federal Funds.

FIDELITY CAPITAL MARKETS

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The information set forth herein has been obtained from the City and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Wednesday, February 26, 2014, 11:00 A.M. (E.T).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: City of Newton, Massachusetts.

Issue: \$20,936,000 General Obligation Municipal Purpose Loan of 2014 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: February 26, 2014.

Dated Date of the Bonds: Date of delivery.

Principal Due: Serially March 1, 2015 through March 1, 2034, and Term Bonds maturing March 1, 2037, March 1, 2040, and March 1, 2044, as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as described herein.

Purpose and Authority: Bond proceeds will be used to fund certain capital projects of the City, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Security of the Bonds: The Bonds are valid general obligations of the City of Newton, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the City without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the Bonds that the City has voted to exempt from the tax limitations imposed by Chapter 59, Section 21C of the General Laws ("Proposition 2½"), and subject to the tax limitations of Proposition 2½ with respect to the portion that the City has not voted to exempt from such limitations.

Credit Rating: Moody's Investors Service, Inc. has assigned a rating of Aaa to the Bonds.

Bond Insurance: The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date.

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".

Bank Qualification: The Bonds will not be designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts.

Bond Counsel: Edwards Wildman Palmer LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about March 6, 2014 against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Mr. James Reardon, Treasurer, City of Newton, Massachusetts Telephone (617) 796-1338 or Cinder McNerney, Managing Director, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4408.

NOTICE OF SALE
CITY OF NEWTON, MASSACHUSETTS
\$20,936,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS

The City of Newton, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, February 26, 2014, for the purchase of the following described \$20,936,000* General Obligation Municipal Purpose Loan of 2014 Bonds of the City (the "Bonds"):

\$20,936,000* General Obligation Municipal Purpose Loan of 2014 Bonds payable March 1 of the years and in the amounts as follows:

Due March 1	Principal Amount*	Due March 1	Principal Amount*
2015	\$ 636,000	2030	\$ 560,000
2016	630,000	2031	580,000
2017	635,000	2032	605,000
2018	645,000	2033	625,000
2019	650,000	2034	650,000
2020	665,000	2035	650,000
2021	665,000	2036	675,000
2022	675,000	2037	700,000
2023	690,000	2038	730,000
2024	705,000	2039	765,000
2025	** 665,000	2040	790,000
2026	** 685,000	2041	820,000
2027	** 700,000	2042	855,000
2028	** 725,000	2043	890,000
2029	** 745,000	2044	925,000

*Preliminary, subject to change.

**Callable maturities. May be combined into one, two or three Term Bonds as described herein.

The Bonds will be dated as of the delivery date. Principal of the Bonds will be payable March 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, commencing September 1, 2014.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with the exception of one \$1,000 denomination maturing in 2015, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal of and semi-annual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. The disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

Redemption Provisions

The Bonds maturing on or prior to March 1, 2024 shall not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after March 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after March 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

For the Bonds maturing on and after March 1, 2025, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one Term Bond, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the

principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than three Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on March 1 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. **Bids must include a premium of at least \$110,000.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot among all such proposals.

The City reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary (a) after taking into account the pro-rata premium received by the City on that portion of the Bonds that is exempt from the limits of Proposition 2 ½ and (b) to structure the debt service on the school portions of the Bonds to be as close to equal on an annual basis as practicable through the final maturity. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by not more than fifteen percent (15%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. James Reardon, Treasurer, City of Newton, Massachusetts c/o First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the City nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the City or Ideal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Mayor of the City.

The right is reserved to reject any or all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of February 26, 2014 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons

acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated February 19, 2014; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds referred to below do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form presented in Appendix C to the Preliminary Official Statement.

The City has not contracted for the issuance of any bond insurance policy for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service, Inc. for a rating on the Bonds. Any such fee paid to Moody's Investors Service, Inc. would be borne by the City.

Additional information concerning the City and the Bonds is contained in the Preliminary Official Statement dated February 19, 2014, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the City except for the omission of the reoffering price(s), interest rate(s), and the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 50 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the City assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about March 6, 2014 for settlement in Federal Funds.

CITY OF NEWTON, MASSACHUSETTS
/s/ James Reardon, City Treasurer/Collector

February 19, 2014

**PRELIMINARY OFFICIAL STATEMENT
CITY OF NEWTON, MASSACHUSETTS
\$20,936,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the City of Newton, Massachusetts (the "City"), in connection with the sale of \$20,936,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2014 Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the delivery date and will bear interest payable semiannually on March 1 and September 1, commencing September 1, 2014. The Bonds shall mature on March 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of one \$1,000 denomination maturing in 2015. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated dates of maturity as described herein.

Optional Redemption

The Bonds maturing on or prior to March 1, 2024 shall not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after March 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after March 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

The Bonds maturing March 1, 2037, March 1, 2040 and March 1, 2044 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts set forth below (the particular portion of such Term Bonds to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

\$2,010,000 Term Bond Maturing March 1, 2037

<u>March 1</u>	<u>Principal Amount</u>
2035	\$640,000
2036	670,000
2037*	700,000

*Final maturity

\$2,255,000 Term Bond Maturing March 1, 2040

<u>March 1</u>	<u>Principal Amount</u>
2038	\$720,000
2039	750,000
2040*	785,000

\$3,455,000 Term Bond Maturing March 1, 2044

<u>March 1</u>	<u>Principal Amount</u>
2041	\$815,000
2042	845,000
2043	880,000
2044*	915,000

*Final maturity.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of the Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following table sets forth the purpose, issue amount, statutory reference and date of Mayoral approval for the current offering of Bonds.

Purpose	This Issue	Total Authorization	Statutory Reference	Dates of Mayoral Approval
Elementary School Modularity	\$ 2,400,000	\$ 2,400,000	Ch. 44 s. 7(9)	5/10/2013
Mason Rice Elementary School Sprinklers	480,000	480,000	Ch. 44 s. 7(3A)	5/10/2013
Carr School Renovations	11,749,000	11,749,118	Ch. 44 s. 7(3A)	6/23/2013
Angier School Demolition & Construction (1)	5,000,000	36,750,000	Ch. 70B	10/17/2013
Community Center Accessibility Improvements	275,000	275,000	Ch. 44 s. 7(3A)	6/23/2013
DPW Equipment (Street Sweeper & Backhoe)	282,000	282,000	Ch. 44 s. 7(9)	6/23/2013
DPW Snow Melting Equipment	250,000	250,000	Ch. 44 s. 7(9)	6/23/2013
DPW Salt Sheds & Garage	500,000	500,000	Ch. 44 s. 7(3)	7/23/2013
Total	<u>\$ 20,936,000</u>			

(1) Exempt from the limits of Proposition 2 ½. The City anticipates 33% reimbursement on eligible project costs from the Massachusetts School Building Authority ('MSBA').

Principal Payments by Purpose (1)

Year	School (Non-Exempt)	School (Exempt)	General	Total
2015	\$ 404,000	\$ 90,000	\$ 102,000	\$ 596,000
2016	410,000	90,000	100,000	600,000
2017	420,000	95,000	100,000	615,000
2018	430,000	100,000	100,000	630,000
2019	440,000	105,000	100,000	645,000
2020	450,000	110,000	100,000	660,000
2021	460,000	115,000	95,000	670,000
2022	475,000	120,000	95,000	690,000
2023	490,000	125,000	95,000	710,000
2024	505,000	135,000	95,000	735,000
2025	520,000	140,000	40,000	700,000
2026	530,000	145,000	40,000	715,000
2027	540,000	150,000	40,000	730,000
2028	550,000	150,000	40,000	740,000
2029	560,000	155,000	40,000	755,000
2030	380,000	160,000	25,000	565,000
2031	395,000	165,000	25,000	585,000
2032	405,000	175,000	25,000	605,000
2033	420,000	180,000	25,000	625,000
2034	435,000	185,000	25,000	645,000
2035	450,000	190,000	-	640,000
2036	470,000	200,000	-	670,000
2037	490,000	210,000	-	700,000
2038	505,000	215,000	-	720,000
2039	525,000	225,000	-	750,000
2040	550,000	235,000	-	785,000
2041	570,000	245,000	-	815,000
2042	595,000	250,000	-	845,000
2043	615,000	265,000	-	880,000
2044	640,000	275,000	-	915,000
Total	<u>\$ 14,629,000</u>	<u>\$ 5,000,000</u>	<u>\$ 1,307,000</u>	<u>\$ 20,936,000</u>

(1) Reflects mandatory redemption schedule.

Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted by law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including

amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Rating

Moody's Investors Service, Inc. has assigned a rating of Aaa to the Bonds. The rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "TYPES OF OBLIGATIONS - Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the Massachusetts legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the City of Newton, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds and incorporated by reference in the Bonds.

The City has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

CITY OF NEWTON, MASSACHUSETTS

General

The City is located in eastern Massachusetts in Middlesex County approximately 7 miles from downtown Boston, bordered by the West Roxbury section of Boston on the southeast, Needham on the southwest, Wellesley and Weston on the west, Waltham and Watertown on the north, and by Brookline and the Allston-Brighton section 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. Settled in 1639, Newton was incorporated as a city in 1873. Government is by an elected mayor and a twenty-four member board of aldermen. The principal executive officers of the City are as follows:

PRINCIPAL EXECUTIVE OFFICERS

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Current Term Expires</u>
Mayor	Setti D. Warren	Elected	2017
Treasurer/Collector	James Reardon	Appointed by Mayor and confirmed by Board of Aldermen	2014
Comptroller	David C. Wilkinson	Appointed by Board of Aldermen	2016
Clerk	David A. Olson	Appointed by Board of Aldermen	2016
Chief Operating Officer	Robert Rooney	Appointed by Mayor	Indefinite
Chief Financial Officer	Maureen Lemieux	Appointed by Mayor	Indefinite
City Solicitor	Donnalyn Kahn	Appointed by Mayor	Indefinite

Municipal Services

The City provides general governmental services for the territory within its boundaries, including police and fire protection, collection, disposal, and recycling of solid waste, public education, street maintenance, parks and recreational facilities and public library facilities. Complete sewer and water services are provided by the City via connections to the Massachusetts Water Resources Authority. These services are funded completely from user revenues.

Transportation services include commuter bus, commuter rail, and trolley service to Boston which is provided by the Massachusetts Bay Transportation Authority. Riverside Station, which is the terminus for the MBTA rapid transit Green Line as well as a stop for the MBTA, Greyhound, and Peter Pan bus lines, are located in Newton.

Education

The City's public school facilities presently include 15 elementary schools, 4 middle schools and 2 senior high schools. The following table sets forth the trend in public school enrollments for the current and past five school years and a projection for the next year. The total capacity of the City's school system is approximately 12,949 students.

PUBLIC SCHOOL ENROLLMENTS AS OF – OCTOBER 1,

	<u>Actual</u>					<u>Projected</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Grades K-5	5,527	5,646	5,687	5,790	5,799	5,860
Grades 6-8	2,556	2,550	2,667	2,719	2,849	2,838
Grades 9-12	3,524	3,579	3,568	3,661	3,793	3,891
Totals	<u>11,607</u>	<u>11,775</u>	<u>11,922</u>	<u>12,170</u>	<u>12,441</u>	<u>12,589</u>

SOURCE: Newton Public Schools Enrollment Analysis Report, November, 2013.

The City is also the site of Boston College, a private (Roman Catholic) educational institution which is situated on a 200 acre campus in the City's Chestnut Hill section. With an enrollment of approximately 9,000 undergraduate and 4,600 graduate students, Boston College consists of 10 schools, colleges and institutes, including Boston College Law School. In addition, the City is home to Lasell College, Mt. Ida College, and 17 private/parochial schools serving students in grades K-12.

History

Newton was permanently settled in 1639 and incorporated as a city in 1873. As soon as farming became established and roads were laid out, mills to grind corn and saw lumber were constructed. Newton's industrial development had its start at Newton Upper and Lower Falls. Iron works were established in 1703 and one of the first paper mills in the country was erected in 1791 at the Lower Falls. In Newton's early days, farming was a principal occupation and friendly Native Americans helped introduce settlers to such new crops as potatoes, corn, squash, pumpkins, and beans. Some of the settlers built looms or forges or engaged in fishing. Newton Upper Falls and Newton Lower Falls became busy industrial centers in the 19th century, with two year-round hotels, many stores, and on the Needham side of the river, a cotton mill with three thousand spindles. At present, there are very few of these old industries extant. Newton has always been a center of prosperity and though it is one of the largest cities in Massachusetts, it has maintained its suburban character. Its seven hills and many villages provide many of the finest residential neighborhoods in the Boston area.

Industry and Commerce

Newton has a diversified economic base with 52,344 people employed in 3,742 establishments in the City as of June 2013 with an estimated annual payroll of approximately \$3.2 billion. Businesses are generally small and service-oriented, with professional, business, education and health services accounting for over 60 percent of all jobs.

Newton has numerous industrial, research and development and office areas: the Wells Avenue Industrial Park (108 acres), the Needham Street Corridor (118 acres) and, in addition, 86 acres of manufacturing land in other areas throughout the City. In addition, there are approximately 2,000 commercial establishments located within the City's village commercial centers.

The following table lists the major categories of employment with payrolls in the City.

Industry	Calendar Year Average					First & Second Quarter 2013
	2008	2009	2010	2011	2012	
Construction	1,789	1,569	1,710	1,764	1,653	1,587
Manufacturing	1,173	1,012	792	841	852	850
Trade, Transportation and Utilities	7,275	6,829	6,629	6,436	6,121	5,901
Information	1,100	1,232	1,884	2,249	2,377	2,294
Financial Activities	2,865	2,987	2,984	2,895	3,156	3,083
Professional and Business Services	9,404	8,986	13,840	13,428	12,903	12,385
Education and Health Services	17,528	17,993	18,268	18,273	18,882	19,797
Leisure and Hospitality	5,124	4,663	4,664	4,757	4,336	4,107
Other Services	2,177	2,208	2,253	2,337	2,422	2,340
Total Employment	48,435	47,479	53,024	52,980	52,702	52,344
Number of Establishments	3,594	3,604	3,742	3,833	3,768	3,742
Average Weekly Wages	\$ 1,114	\$ 1,133	\$ 1,129	\$ 1,179	\$ 1,238	\$ 1,181
Total Wages	\$ 2,854,896,754	\$ 2,845,012,299	\$ 3,161,176,841	\$ 3,161,176,841	\$ 3,445,263,993	\$ 1,631,730,260

SOURCE: Massachusetts Department of Employment and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

The following table sets forth the City's largest employers, excluding the City itself.

Newton's Largest Employers* 2013

Employers with 1000+ Employees

Boston College
Newton Wellesley Hospital

Employers with 500-999 Employees

Jewish Community Center

Employers with 250-499 Employees

Bloomington's
Clark's Companies of North America
EMC Corporation
Lasell College
Marriott-Boston Newton
Questex Media Group LLC
Tech Target, Inc.
TripAdvisor
UPromise, Inc.

*Source: InfoUSA for the Massachusetts Division of Local Services – Labor and Workforce Development.

The following table compares retail trade data of the City with that of the Commonwealth as a whole.

RETAIL SALES

	<u>Newton</u>	<u>Massachusetts</u>
Establishments:		
2007	378	25,469
2002	382	25,761
1997	390	26,209
1992	607	38,490
1987	609	38,905
Sales(000):		
2007	\$1,153,570	\$88,082,966
2002	1,150,231	73,903,837
1997	978,074	58,578,048
1992	970,792	47,663,248
1987	808,653	44,818,481
Per Capita Sales:		
2007	\$11,521	\$13,657
2002	13,721	11,640
1997	11,843	5,663
1992	11,755	7,922
1987	9,670	7,731

SOURCE: 2007, 2002, 1997, 1992, 1987 U.S. Census of Retail Trade, and the applicable Federal Census.

The Mall at Chestnut Hill, The Street, and Chestnut Hill Square are three significant retail centers on Route 9/Boylston Street in Chestnut Hill.

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training data in December 2013, the City had a total labor force of 48,283 of which 46,116 were employed and 2,167 or 4.5% were unemployed as compared to 6.7% for the Commonwealth.

The table below sets forth recent trend in the City's average labor force, employment and unemployment rates for the following calendar years and also the unemployment rates for the Commonwealth and the United States.

UNEMPLOYMENT RATES

Year	City of Newton				Massachusetts Unemployment Rate		United States Unemployment Rate	
	Labor Force	Employment	Unemployment Rate					
2013	48,109	45,905	4.6	%	6.9	%	7.4	%
2012	47,617	45,594	4.2		6.7		8.1	
2011	46,908	44,718	4.7		6.8		8.9	
2010	46,435	43,774	5.7		8.5		9.6	
2009	45,604	42,972	5.8		8.1		9.3	

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data are unadjusted.

Building Permits

The table below sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the following calendar years. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction and City projects.

BUILDING PERMITS

Fiscal Year	New Construction				Additions/Alterations		Total No.
	Residential		Non-Residential		No.	Value	
	No.	Value	No.	Value			
2013	97	\$ 63,591,005 (1)	2	\$ 10,602,600	2,456	\$ 252,707,901	2,555
2012	61	27,035,745	5	40,724,629 (2)	2,087	150,498,806	2,153
2011	73	34,475,631	2	8,772,000	2,107	118,897,334	2,182
2010	62	34,125,255	4	5,993,828	1,972	113,172,077	2,038
2009	45	20,476,404	1	9,000,000	1,786	91,078,537	1,832

(1) Construction of St. Mary's Hall at Boston College accounts for approximately \$54 million of the residential new construction permit value.

(2) Construction of the Chestnut Hill Square shopping center accounts for approximately \$29.4 million of the non-residential new construction permit value.

SOURCE: City of Newton Building Department.

Transportation and Utilities

Newton's proximity to Boston makes the resources of this regional center and seaport readily available. The City is less than 10 miles from Boston's Logan International Airport, with its intercity and international air carrier service. Commuter bus and train service to Boston is provided by the Massachusetts Bay Transportation Authority. The principal highways serving Newton are State Route 30 (Commonwealth Avenue — a portion of which is a part of the course for the Boston Marathon), cross-state Route 9, and Interstate Route 90—the Massachusetts Turnpike—with 3 interchanges available to the City. Water is supplied to the City by the Massachusetts Water Resources Authority. Gas and electric service is provided by private utilities.

Development

The continued development and redevelopment of commercial and industrial parcels within the City has been fostered by the City's commitment to enhancing the quality of life for its residents and businesses. The City has played an active role by investing approximately \$8 million annually in road and infrastructure improvements. Furthermore, the City's Community Development Block Grant Program has spent nearly \$3 million in the past decade on street, sidewalk and other infrastructure improvements in the City's commercial centers.

The following tables list the major construction projects which are either completed, under construction, or pending as of the date indicated.

Major Office/Commercial/Residential Construction (Approved, permitted or under construction – January 2014)

Location	Type	Description
200-230 Boylston Street (Chestnut Hill Square)	Mixed Use	245,000 square foot retail/office/grocery/health club plus up to 100 residential units
1-55 Boylston Street (Chestnut Hill Shopping Center)	Mixed Use	Multi-stage redevelopment project including new 3-story 65,000 sq. ft. building with a deluxe movie theatre, health club, restaurants, office and retail space.
33-41 Boylston Street (Chestnut Hill Shopping Center)	Commercial	Demolish portion of existing building to construct new 3-story 65,000 square foot building
624 Washington Street	Commercial	New 3,000 square foot bank with drive-thru
8 Border/111 Elm Street	Mixed Use	5 residential units above 3,000 square foot ground floor retail
624 Washington Street	Commercial	New 3,000 square foot bank with drive-thru
1081 Washington Street	Commercial	New 2-story, 4,470 square foot retail building
429 Cherry Street	Residential	New 3-story building with 13 units, including 3 affordable units
49-71 Needham Street	Mixed Use	Two new buildings totaling 19,200 square feet with mix of retail, service and restaurant uses.
300 Needham Street	Commercial	120-seat restaurant
199 Boylston Street (Chestnut Hill Mall)	Commercial	3 new restaurants with a total of up to 795 seats.

INSTITUTIONAL DEVELOPMENT

(Approved, permitted or under construction – January 2014)

Location	Description
Boston College	Construction of 183,000 square foot Stokes Hall
Boston College	Interior renovations of St. Mary's Hall

PENDING MAJOR DEVELOPMENT

(Under review – January 2014)

Location	Type	Description
327 Grove Street	Mixed Use	Special permit in review for transit-oriented development with office, retail and housing on 12-acre parcel at Riverside MBTA station
152 Adams Street	Residential	9 units, 225,000 square feet of office space, 20,000 square feet of retail space and 920 housing units.

Income Levels and Population

The following table compares federal census data for the City, the Commonwealth and the United States.

	<u>Newton</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2012	40.2	39.3	37.3
2011	39.9	39.1	37.2
2010	40.5	39.1	36.8
2000	38.7	36.5	35.3
1990	35.7	33.6	32.9
Median Family Income:			
2012	\$151,101	\$82,684	\$63,105
2011	144,017	82,009	62,735
2010	136,843	81,165	63,331
2000	105,289	61,664	50,046
1990	70,071	44,367	35,225
Per Capita Income:			
2012	\$61,241	\$34,860	\$27,385
2011	60,083	34,420	27,158
2010	56,163	33,966	27,270
2000	45,708	25,952	21,587
1990	28,840	17,224	14,420

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal Census, the City has a population density of 4,645 persons per square mile.

POPULATION TRENDS

<u>Year</u>	<u>Newton(1)</u>	<u>% Change</u>	<u>Middlesex County</u>	<u>% Change</u>	<u>Commonwealth</u>	<u>% Change</u>
2011	85,334	0.2 %	1,506,218	0.2 %	6,553,538	0.1 %
2010	85,146	1.6	1,503,085	2.6	6,547,629	3.1
2000	83,829	1.5	1,465,396	4.8	6,349,097	5.5
1990	82,585	(1.2)	1,398,468	2.3	6,016,426	4.9
1980	83,622	(8.4)	1,367,034	(2.2)	5,737,037	0.8

SOURCE: Federal Census 2010, 2000, 1990, and 1980. American Community Survey Demographic and Housing Estimates, 2009-2011 3-Year estimates.

- (1) The decrease in City population through 1990 was attributable to a decrease in the size of the average household, not to a decline in the number of housing units.

PROPERTY TAXATION

Tax Levy Computation

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “*Tax Limitations*” below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see “*Abatements and Overlay*” below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see “*Taxation to Meet Deficits*” below).

The table below illustrates the manner in which the tax levy was determined for each of the following fiscal years.

TAX LEVY COMPUTATION

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Total Appropriations(1)	\$ 341,818,029	\$ 340,288,840	\$ 352,636,164	\$ 366,189,212	\$ 393,233,899
Additions:					
State and County Assessments	5,664,218	5,589,086	5,589,591	5,810,999	5,776,954
Overlay for Current Year	2,828,818	2,955,334	3,249,822	3,615,573	4,058,035
Other Amounts to be Raised	134,591	122,622	128,220	119,906	122,145
Total Additions	<u>8,627,627</u>	<u>8,667,042</u>	<u>8,967,633</u>	<u>9,546,478</u>	<u>9,957,134</u>
Gross Amount to be Raised	<u>350,445,657</u>	<u>348,955,882</u>	<u>361,603,797</u>	<u>375,735,689</u>	<u>403,191,033</u>
Deductions:					
Local Estimated Receipts	67,302,401	67,652,268	73,473,142	74,344,869	75,544,224
Community Preservation revenues(2)	6,841,524	4,018,864	2,932,860	3,173,516	4,646,686
State Aid(3):					
Current Year	24,106,766	18,871,372	18,600,319	21,642,546	22,975,383
Available Funds(4):					
Free Cash	11,770,246	6,461,611	5,924,413	7,562,065	4,727,876
Other Available Funds	7,124,436	10,243,913	9,891,224	8,837,358	16,072,589
Total Other Revenue	<u>117,145,373</u>	<u>107,248,028</u>	<u>110,821,958</u>	<u>115,560,354</u>	<u>123,966,758</u>
Net Amount to be Raised (Tax Levy)	<u><u>\$233,300,284</u></u>	<u><u>\$241,707,854</u></u>	<u><u>\$250,781,839</u></u>	<u><u>\$260,175,336</u></u>	<u><u>\$279,224,275</u></u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Includes appropriations of fund balance to fund continuing appropriations of prior years. See “Community Preservation Fund Major Revenues” herein.
- (3) Estimated by various state agencies and required by law to use in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. See “CITY FINANCES—Revenues—State Aid”. Transfers from other available funds, including “Free Cash” (see “CITY FINANCES”) generally made as an offset to a particular appropriation item.
- (4) Includes overlay surplus reserve fund for each year and transfers from the water and sewer accounts to cover indirect costs incurred in the general fund.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" above.

Professional revaluations of all property in the City to full and fair value in compliance with Massachusetts law was most recently completed for use in fiscal year 2012. (See "Property Tax Limitation").

The following table sets forth the trend in the City's assessed valuations, tax rates, tax levies by property types.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		
				Residential Property	Commercial, Industrial, Personal Property	Gross Levy
2014	\$ 20,593,882,300	\$ 368,307,500	\$ 20,962,189,800	\$ 12.12	\$ 23.16	\$ 279,224,275
2013	20,293,688,500	351,617,700	20,645,306,200	11.49	21.93	260,175,336
2012(1)	20,127,981,500	336,017,900	20,463,999,400	11.17	21.32	250,781,839
2011	19,943,714,300	289,095,700	20,232,810,000	10.90	20.89	241,707,854
2010	20,204,657,700	283,174,000	20,487,831,700	10.41	19.93	233,300,284

(1) Revaluation year.

Classification by Property

The following is a breakdown of the City's fiscal 2014, 2013 and 2012 real estate valuation by type of property.

Property Type	2014		2013		2012 (1)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$18,687,096,235	89.1 %	\$18,445,998,977	89.3 %	\$18,276,909,150	89.3 %
Commercial	1,756,659,465	8.4	1,696,718,623	8.2	1,699,625,550	8.3
Industrial	150,126,600	0.7	150,970,900	0.7	151,446,800	0.7
Personal	368,307,500	1.8	351,617,700	1.7	336,017,900	1.6
Total Real Estate	<u>\$20,962,189,800</u>	<u>100.0 %</u>	<u>\$20,645,306,200</u>	<u>100.0 %</u>	<u>\$20,463,999,400</u>	<u>100.0 %</u>

(1) Revaluation year.

Largest Taxpayers

The following is a list of the ten largest taxpayers in the City based upon assessed valuations for fiscal 2014. All of the taxpayers listed below are current in their tax payments.

LARGEST TAXPAYERS

Name	Nature of Business	FY 2014 Assessed Valuation	% of Total Levy
NStar Electric	Utility Company	\$2,798,348	1.00 %
Riverside Project LLC	Office Building	2,264,538	0.81
Rothenburg, Daniel E.	Chestnut Hill Mall	1,717,289	0.62
Cohen, Julian & Rothenberg D TRS	Chestnut Hill Mall	1,522,327	0.55
Chesapeake Hotel Lmt Partnership	Marriott Hotel	1,481,770	0.53
Boston Gas/National Grid	Utility Company	1,479,983	0.53
Atrium Wellness Center LLC	Office Building	1,055,518	0.38
CHS Commercial Owner LLC	Retail and Office	1,052,245	0.38
Verizon New England Inc.	Utility Company	1,032,210	0.37
Thomas J. White TRS	Hotel and Office Building	982,698	0.35
		<u>\$15,386,924</u>	<u>5.51 %</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value".

The following table sets forth the trend in State equalized valuations of the City. The City of Newton has the third highest equalized valuation in Massachusetts, after the cities of Boston and Cambridge.

Year	State Equalized Valuation	% Increase/ (Decrease)
2012	\$21,757,017,900	(3.39) %
2010	22,520,035,100	1.34
2008	22,221,420,100	2.86
2006	21,604,607,900	12.93
2004	19,131,654,600	20.66

SOURCE: State Department of Revenue.

Abatements and Overlay

A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The table below sets forth the amount of the overlay reserve for the following fiscal years and actual abatements granted through December 31, 2013 against each levy.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through December 31, 2013
		Dollar Amount	As a % of Net Levy	
2014 (2)	\$ 275,166,240	\$ 4,058,035	1.47 %	\$ 35,122
2013	256,559,763	3,615,573	1.41	845,275
2012	247,532,017	3,249,822	1.31	1,062,051
2011	238,752,520	2,955,334	1.24	1,619,750
2010	230,471,466	2,828,818	1.23	1,377,093
2009	222,124,896	2,771,614	1.25	1,729,680

(1) Tax levy prior to addition of overlay reserve.

(2) Through December 31, 2013.

Tax Collections

The taxes for each fiscal year are due in quarterly installments on August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum retroactive to the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has not been transferred, an unenforced lien expires on the third November 15 after the first year. If the property has not been transferred by the third November 15, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The table below compares the City's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the following fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable(1)(2)		Collections as of December 31, 2013	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2014 (3)	\$279,224,275	\$4,058,035	\$275,166,240	\$137,279,869	49.89 %	137,279,869	49.89 %
2013	260,175,336	3,615,573	256,559,763	255,584,775	99.62	257,493,016	100.36
2012	250,781,839	3,249,822	247,532,017	246,717,069	99.67	248,440,056	100.37
2011	241,707,854	2,955,334	238,752,520	237,347,484	99.41	239,249,299	100.21
2010	233,300,284	2,828,818	230,471,466	228,861,998	99.30	230,631,658	100.07
2009	224,896,509	2,771,614	222,124,895	221,179,256	99.57	222,937,029	100.37

(1) Net after deduction of overlay reserve for abatements.

(2) Actual dollar collections, net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

(3) Through December 31, 2013.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest (at a rate of 16%) and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the land court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a “tax possession” and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The table below sets forth the balances of tax titles and possessions at the end of the following fiscal years.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>
2014 (1)	\$5,622,844
2013	6,173,905
2012	5,429,714
2011	4,396,479
2010	3,363,990
2009	1,769,451

(1) Fiscal 2014 represents tax titles and possessions as of December 31, 2013.

Taxation to Meet Deficits

As noted elsewhere (see “*Abatements and Overlay*” above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2 ½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The City has been in full compliance with Proposition 2½ since fiscal 1982 following the completion of a professional revaluation of all real and personal property in the City to full value. The following table sets forth the City's tax levy for the current and each of the last four fiscal years, the primary levy limits based upon 2.5% of estimated full value and the maximum levy limits as determined by the State Department of Revenue.

Tax Levies and Levy Limits (1)

	For Fiscal Year				
	2014	2013	2012	2011	2010
Primary Levy Limit (2)	\$ 524,054,745	\$ 516,132,655	\$ 511,599,985	\$ 505,820,250	\$ 512,195,793
Prior Fiscal Year Levy Limit	260,189,736	250,798,454	241,724,752	233,388,825	224,936,604
2.5% Levy Growth	6,504,743	6,269,961	6,043,119	5,834,721	5,623,415
New Growth (3)	4,147,309	3,121,321	3,030,583	2,501,206	2,828,806
Overrides	8,400,000	-	-	-	-
Growth Levy Limit	279,241,788	260,189,736	250,798,454	241,724,752	233,388,825
Debt Exclusions	-	-	-	-	-
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	279,241,788	260,189,736	250,798,454	241,724,752	233,388,825
Tax Levy	279,224,275	260,175,336	250,781,839	241,707,854	233,300,284
Unused Levy Capacity (4)	17,513	14,400	16,615	16,898	88,541
Unused Primary Levy Capacity (5)	\$ 244,812,957	\$ 255,942,919	\$ 260,801,531	\$ 264,095,498	\$ 278,806,968

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

In March 2013 the voters approved two debt exclusions and a general override of Proposition 2½ to cover five capital projects at an estimated cost of \$132 million. The override will fund three elementary school renovations (one of which will be financed, in part, with a portion of the proceeds of the Bonds), two new fire stations, street repairs, and funding for additional teachers and aides, and police officers.

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City has accepted the Act and set the rate at 1%. The City implemented the program in fiscal 2002 and will utilize revenues to pay for a variety of qualifying projects.

Community Preservation Fund Major Revenues

Year	Property Tax	State Contribution	All Other	Total
2014 (1)	\$ 1,330,181	\$ 1,311,139	\$ 13,020	\$ 2,654,340
2013	2,501,985	652,294	24,977	3,179,256
2012	2,437,128	625,763	30,971	3,093,862
2011	2,336,649	616,589	39,671	2,992,909
2010	2,288,624	763,914	54,643	3,107,181
2009	2,200,287	1,429,080	496,757	4,126,124

(1) As of December 31, 2013.

As of June 30, 2013 the CPA Fund had a balance available for appropriations of \$8,140,573.

CITY FINANCES

Budget and Appropriation Process

In a city, within 170 days after the annual organization of the city government (which is ordinarily in early January), the mayor or city manager is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The city council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the mayor or manager, the council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of a failure of the mayor or manager to recommend an appropriation for such a purpose within 7 days after a request from the council. The council may not increase any item without the recommendation of the mayor (except as provided by legislation, subject to local acceptance, under which the school budget or regional school district assessment can be increased upon recommendation of the school committee or regional district school committee and by two-thirds vote of the council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the mayor or city manager between November 1 and December 1. This does not apply to the school department, which must submit its requests in time for the mayor or manager to include them in his submission to the council.

If the mayor or manager does not make a timely budget submission, provision is made for preparation of a budget by the council. Provision is also made for supplementary appropriations upon recommendation of the mayor or manager.

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See footnotes to "Tax Levy Computation" above and "State Aid" below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

The following table lists the City's budgets for fiscal 2010 through 2014. The budgets include General Fund, Water and Sewer Utility Funds, and Community Preservation.

BUDGET COMPARISON (1)

	<u>FY 2010 Budget</u>	<u>FY 2011 Budget</u>	<u>FY 2012 Budget</u>	<u>FY 2013 Budget</u>	<u>FY 2014 Budget (2)</u>
General Government	\$ 13,878,284	\$ 13,365,656	\$ 14,005,361	\$ 14,323,135	\$ 15,922,842
Public Safety	34,213,477	35,892,062	35,824,539	35,926,763	37,791,963
Education	163,673,652	166,357,021	169,993,109	178,365,423	189,212,913
Public Works	22,169,763	22,431,017	19,895,169	22,871,157	23,086,924
Water & Sewer	35,557,379	36,292,220	36,136,272	40,241,147	40,485,392
Health & Human Services	3,809,161	3,816,352	3,941,976	4,046,683	4,071,861
Culture & Recreation	10,383,975	9,221,441	9,676,877	9,643,449	9,407,569
Debt Service-General	14,332,596	16,010,731	16,056,700	16,264,618	17,057,491
Debt Service-Water & Sewer	4,382,457	4,668,628	4,776,109	4,635,339	5,037,655
Debt Service - CPA	1,217,988	882,788	857,907	831,125	801,750
Interest on Tax Refunds	-	-	-	672,858	-
Pension & Employee Ben.	22,840,978	24,565,898	26,277,184	26,759,627	28,796,454
State & County Asses.	5,664,218	5,589,086	5,589,591	5,810,999	5,776,954
Capital Outlay from CPA	9,689,169	8,830,205	7,367,397	4,356,568 (3)	4,544,766 (3)
Capital Outlay & Other	5,895,533	4,656,571	5,379,542	5,181,419 (4)	5,086,137 (4)
Capital Outlay & Other - Water & Sewer	-	-	-	- (5)	7,461,300 (5)
Subtotal	\$ 347,708,630	\$ 352,579,676	\$ 355,777,733	\$ 369,930,310	\$ 394,541,971
Transfer to Other Funds	3,146,879	5,461,830	7,326,951	8,127,647 (6)	8,015,653 (6)
Total	<u>\$ 350,855,509</u>	<u>\$ 358,041,506</u>	<u>\$ 363,104,684</u>	<u>\$ 378,057,957</u>	<u>\$ 402,557,624</u>

(1) Includes annual appropriations for General Fund, Storm Water Management Fund, Water Fund, Sewer Fund and Community Preservation Fund.

(2) Fiscal year 2013 Budget as amended, as of January 31, 2014.

(3) CPA Fund Capital Outlay & Other:

	<u>2013</u>	<u>2014</u>
Appropriated reserves	\$ 2,066,075	\$ 2,158,431
Capital outlay & improvements	2,290,493	2,386,335
Total	<u>\$ 4,356,568</u>	<u>\$ 4,544,766</u>

(4) General Fund Capital Outlay and Other:

	<u>2013</u>	<u>2014</u>
Municipal wage reserve	\$ 227	\$ -
Budget reserve	-	377,995
Snow & ice reserve	-	250,000
Capital outlay & improvements	5,181,192	4,458,142
Total	<u>\$ 5,181,419</u>	<u>\$ 5,086,137</u>

(5) Water & Sewer Capital Outlay & Other:

	<u>2013</u>	<u>2014</u>
Operating reserve	\$ -	\$ 5,896,333
Capital reserve	-	1,564,967
Total	<u>\$ -</u>	<u>\$ 7,461,300</u>

(6) Transfer to Other Funds:

	<u>2013</u>	<u>2014</u>
Workers compensation self insurance	\$ 1,674,873	\$ 1,596,960
School athletic revolving subsidy	900,533	880,533
School food services fund subsidy	95,000	-
"Rainy day" stabilization fund	4,850,000	2,000,000
Capital stabilization fund contribution	-	2,400,000
School building improvement fund	350,000	-
Water & sewer capital improvement funds	-	1,138,160
All other	257,241	-
Total	<u>\$ 8,127,647</u>	<u>\$ 8,015,653</u>

Revenues

All of the amounts below were extracted from the audited financial statements of the City, except for the MWRA assessments.

Property Taxes: Property taxes are the major source of revenue for the City. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION--Property Tax Limitation" above. In fiscal 2013 the property tax levy totaled \$256,559,763. In fiscal 2014 the property tax levy totaled \$275,166,240.

State Aid: The City's state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate.

The table below shows the trend in the City's General Fund state aid, inclusive of school building assistance reimbursements.

<u>Fiscal Year</u>		<u>State Aid</u>
2014	(1)	\$ 22,853,238
2013		21,481,789
2012		18,865,910
2011		18,755,877
2010	(2)	24,779,678
2009		25,405,732

(1) Estimated. \$12,760,495 received as of December 31, 2013.

(2) The City received its final school building assistance reimbursement in fiscal 2010.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 per cent per annum. Provision is also made for non-renewal of registration and operating license by the registrar of motor vehicles. The amount of excise taxes levied by the City in fiscal year 2011 was \$9,506,478. The amount of excise taxes levied by the City in fiscal year 2012 was \$9,815,594, 92% of which was collected on the first two billings of the year. The amount collected in the two billings of fiscal 2013 is \$9,683,779, 6.8% greater than the amount collected during the same period in fiscal 2012. During the fiscal year ended June 30, 2013 the City collected \$10,909,790 in motor vehicle excise tax revenue. The fiscal year 2014 estimate is \$10,832,200, of which \$1,725,456 has been realized through December 31, 2013. Fiscal year 2014 motor excise taxes have not been billed as of January 31, 2014.

Water and Sewer: Since fiscal 1989, the City's water and sewer operations have been accounted in special revenue funds. The City's policy is to set water and sewer rates to recover fully all costs of operations, including overhead and debt service.

The latest adjustment in water and sewer rates became effective for water consumed on July 1, 2012. Water rates are currently \$5.62 per hundred cubic feet (hcf) for the first 20 hcf, \$6.74 per hcf for the next 50 hcf; and \$8.90 per hcf for all consumption in excess of 70 hcf. Sewer rates are based on water consumption. Sewer rates are currently \$8.28 for the first 20 hcf of water consumption; \$9.94 per hcf for the next 50 hcf; and \$11.93 for all water consumed in excess of 70 hcf.

Massachusetts Water Resources Authority (MWRA) charges for water supply and collection and treatment of sewage amount to \$29.9 million for the current fiscal year – 61.3% of the combined total operating budget of the City's water and sewer utilities.

For the fiscal year ended June 30, 2013, sewer fund revenues and transfers from other funds were \$30,028,375; expenditures and transfers to other funds were \$26,019,079, and the fund ended the year with a fund balance of \$10,811,787, \$4,008,322 of which was available for appropriation. Sewer rates were increased by 4% effective July 1, 2013. As of December 31, 2013, the City had collected \$16,887,552 or 63.25% of the amount of revenue anticipated from sewer use charges for fiscal year 2014.

For the fiscal year ended June 30, 2013, water fund revenues were \$20,468,722, expenditures and transfers to other funds were \$18,583,444, and the fund ended the year with a fund balance of \$6,281,500, \$1,947,173 of which was available for appropriation. Water rates were increased by 4% effective July 1, 2013. As of December 31, 2013 the City collected \$11,821,940 or 60.11% of the amount of revenue anticipated from water use charges for fiscal year 2014.

Room Occupancy Tax: In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s.3A), effective July 1, 1986. Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed four percent (4%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. Effective October 1, 2009, the City levies the full 6% room occupancy tax as permitted under the law. The trend in room occupancy tax receipts is shown below.

<u>Fiscal Year</u>		<u>Room Occupancy Tax Receipts</u>
2014	(1)	\$ 2,080,800
2013		2,051,414
2012		1,800,000
2011		1,600,000

(1) Estimate. \$1,317,269 collected as of December 31, 2013.

Local Meals Excise Tax: Effective January 1, 2010, the City enacted a local meals excise tax on sales of restaurant meals. The tax is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The vendor pays the tax to the State Commissioner of Revenue, which in turn, pays the tax to the municipality in which the meal was sold. The trend in local meals excise tax receipts is shown below.

<u>Fiscal Year</u>		<u>Local Meals Excise Tax Receipts</u>
2014	(1)	\$ 1,375,000
2013		1,407,803
2012		1,400,000
2011		1,300,000

(1) Estimate. \$789,476 collected as of December 31, 2013.

Capital Planning and Budget Forecasts

As part of its budget planning process, the City prepares a capital budget and six-year capital plan. Copies of these documents are available in the City's website and/or from the City's Chief Financial Officer.

Investment of City Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and 55 do not apply to city and town retirement systems.

Breakdown of such investments may be obtained from the City Treasurer.

Pension funds are under the jurisdiction of the Newton Contributory Retirement System. Investments and the retirement system are discussed in Appendix A.

Annual Audits

Audits are performed annually by Sullivan, Rogers, & Company, LLC and incorporated into the City CAFR's. See Appendix A for fiscal 2013 CAFR and audited financials. Copies of previous fiscal year's audits are available upon request from the City.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Basis of Accounting

See Appendix A.

Financial Statements

Set forth on the following pages are Governmental Fund Balance Sheets for fiscal 2013, 2012 and 2011, and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2013 through 2009. All the financial statements are extracted from audited financial statements.

Comprehensive Annual Financial Report (CAFR)

The City has prepared a CAFR for the fiscal year ending June 30, 2013. This report is attached hereto as Appendix A and is also available on the City's website, www.Newtonma.gov.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2013 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 50,892,228	\$ -	\$ -	\$ 1,718,332	\$ 52,610,560
Interest and Dividends	-	-	-	1,847	1,847
Receivables, net of Allowance for Uncollectibles					
Real Estate and Personal Property Taxes	3,496,954	-	-	-	3,496,954
Real Estate Tax Deferrals	3,213,602	-	-	-	3,213,602
Tax Liens	8,881,747	-	-	3,683	8,885,430
Motor Vehicle Excise	1,138,233	-	-	-	1,138,233
Community Preservation Surcharges	-	25,248	-	-	25,248
Charges for Services	35,385	-	-	680,299	715,684
Departmental and Other	4,827,722	-	-	7,009	4,834,731
Intergovernmental	990,217	1,305,486	-	4,724,939	7,020,642
Special Assessments	579,341	-	-	-	579,341
Due from Other Funds	2,631,492	-	-	-	2,631,492
Due from Other Fiduciary Funds	14,997	-	-	-	14,997
Other Assets	8,417	-	-	30,000	38,417
Restricted Assets:					
Cash and cash Equivalents	3,164,616	9,432,315	8,565	20,229,479	32,834,975
Investments	-	-	-	595,247	595,247
TOTAL ASSETS	\$ 79,874,951	\$ 10,763,049	\$ 8,565	\$ 27,990,835	\$ 118,637,400
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	\$ 3,707,237	\$ 9,368	\$ -	\$ 2,461,429	\$ 6,178,034
Accrued Liabilities	3,297,685	-	-	1,083,694	4,381,379
Accrued Payroll	12,858,905	970	-	593,269	13,453,144
Revenue Refunds Payable	5,313,269	-	-	-	5,313,269
Other Liabilities	-	136	-	1,256,391	1,256,527
Abandoned Property	880,514	-	-	-	880,514
Liabilities and Depositors	320,447	-	-	-	320,447
Deferred Revenues	20,781,510	1,325,730	-	364,767	22,472,007
Due to Other Funds	-	-	-	2,631,492	2,631,492
TOTAL LIABILITIES	\$ 47,159,567	\$ 1,336,204	\$ -	\$ 8,391,042	\$ 56,886,813
FUND BALANCES					
Nonspendable	-	-	-	447,206	447,206
Restricted	3,164,616	9,426,845	8,565	17,434,255	30,034,281
Committed	5,348,800	-	-	1,718,332	7,067,132
Assigned	3,110,521	-	-	-	3,110,521
Unassigned	21,091,447	-	-	-	21,091,447
TOTAL FUND BALANCES	32,715,384	9,426,845	8,565	19,599,793	61,750,587
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,874,951	\$ 10,763,049	\$ 8,565	\$ 27,990,835	\$ 118,637,400

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2012 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
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 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	-	1,055,781	4,859,011
Special Assessments	595,768	-	-	-	595,768
Due from Other Funds	240,400	-	-	-	240,400
Due from Other 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 and Depositors	247,349	-	-	-	247,349
Deferred Revenues	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

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2011 (1)**

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

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2013 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 257,225,856	\$ -	\$ -	\$ -	\$ 257,225,856
Motor Vehicle Excise Taxes	11,351,368	-	-	-	11,351,368
Hotel Room Occupancy Taxes	2,051,414	-	-	-	2,051,414
Meals Taxes	1,407,803	-	-	-	1,407,803
Community Preservation Surcharges	-	2,508,969	-	-	2,508,969
Penalties and Interest on Taxes	984,301	-	-	27,290	1,011,591
Licenses and Permits	8,200,172	-	-	1,091,091	9,291,263
Intergovernmental	57,693,939	652,294	-	23,624,824	81,971,057
Charges for Services	1,822,894	-	-	15,879,530	17,702,424
Fines and Forfeitures	1,939,122	-	-	90,738	2,029,860
Investment Income	188,892	19,091	-	49,745	257,728
Contributions and Donations	-	-	-	833,888	833,888
Payments in Lieu of Taxes	521,643	-	-	-	521,643
Miscellaneous	375,371	-	-	218,341	593,712
Special Assessments	66,752	-	-	157,751	224,503
TOTAL REVENUES	\$ 343,829,526	\$3,180,354	\$ -	\$ 41,973,198	\$ 388,983,077
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,847,953	\$ -	\$ -	\$ -	\$ 1,847,953
Elections	632,393	-	-	28,924	661,317
Financial Administration	3,216,349	-	-	-	3,216,349
Administrative Support	3,313,313	-	-	-	3,313,313
Planning & Development	1,081,684	556,803	-	2,878,218	4,516,705
Public Building Maintenance & Operations	3,729,368	28,318	-	1,469,504	5,227,190
Interest on property tax refunds	179,139	-	-	-	179,139
Public Safety:					
Police	17,794,088	-	-	3,637,093	21,431,181
Fire	16,549,507	-	-	1,167,861	17,717,368
Inspectional Services	1,076,988	-	-	6,918	1,083,906
Education	176,950,192	-	127,980	33,294,820	210,372,992
Public Works:					
Streets and Sidewalks	4,843,312	-	-	7,659,065	12,502,377
Control of Snow & Ice	3,694,007	-	-	-	3,694,007
Sanitation	7,892,394	-	-	3,058	7,895,452
Vehicle Maintenance	2,301,905	-	-	7,656	2,309,561
Engineering	1,041,433	-	-	55,551	1,096,984
Administrative & Support	1,441,446	-	-	-	1,441,446
Health and Human Services:					
Health & Human Services	2,955,788	-	-	240,081	3,195,869
Senior Services	559,325	-	-	242,914	802,239
Veteran Services	360,887	-	-	-	360,887
Culture and Recreation:					
Libraries	5,054,270	-	-	337,805	5,392,075
Parks & Recreation	4,560,626	-	-	2,480,033	7,040,659
Newton History Museum	228,139	970,531	-	3,278	1,201,948
Retirement Benefits	57,813,067	-	-	-	57,813,067
Workers' Compensation Insurance	1,300,643	-	-	-	1,300,643
Property and Liability Insurance	421,363	-	-	-	421,363
Claims and Judgements	128,950	-	-	-	128,950
State assessments & Charges	5,722,550	-	-	-	5,722,550
Debt Service					
Principal	8,841,167	755,000	-	-	9,596,167
Interest	7,492,201	76,125	-	-	7,568,326
TOTAL EXPENDITURES	\$ 343,024,447	\$ 2,386,777	\$ 127,980	\$ 53,512,779	\$ 399,051,983
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES					
	805,080	793,577	(127,980)	(11,539,581)	(10,068,906)
Other Financing Sources (Uses)					
Transfers In	5,401,781	-	53,446	2,276,951	7,732,178
Issuance of General Obligation Bonds	-	-	-	10,812,558	10,812,558
Premium from Issuance of Bonds and Notes	590,740	-	-	-	590,740
Proceeds of Refunding Bonds	-	-	4,761,000	-	4,761,000
Sale of Assets	22,725	-	597,034	32,600	652,359
Transfers Out	(2,016,310)	(2,802)	(5,171)	(4,067,636)	(6,091,919)
Payments to Refunding Bond Escrow Agent	-	-	(5,358,034)	-	(5,358,034)
TOTAL OTHER FINANCING SOURCES (USES)	3,998,936	(2,802)	48,275	9,054,473	13,098,882
Net Change in Fund Balances	4,804,016	790,775	(79,705)	(2,485,109)	3,029,977
Fund Balances at Beginning of Year	27,911,368	8,636,070	88,270	22,084,903	58,720,611
Fund Balances at End of Year	\$ 32,715,384	\$ 9,426,845	\$ 8,565	\$ 19,599,794	\$ 61,750,588

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2012 (1)**

	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, Permits and Fees	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	\$0	\$ 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 and Sidewalks	6,391,291	-	-	3,667,140	10,058,431
Control of Snow & Ice	920,327	-	-	-	920,327
Collections & 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
Administrative & 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 Judgements	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 AND TRANSFERS 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
Transfer 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

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2011 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 240,732,647	\$ -	\$ -	\$ -	\$ 240,732,647
Motor Vehicle Excise Taxes	10,463,796	-	-	-	10,463,796
Hotel Room Occupancy Taxes	1,588,882	-	-	-	1,588,882
Meals Taxes	1,308,191	-	-	-	1,308,191
Community Preservation Surcharges	-	2,365,422	-	-	2,365,422
Penalties and Interest on Taxes	1,011,005	-	-	27,219	1,038,224
Licenses, Permits and Fees	5,130,138	-	-	393,475	5,523,613
Intergovernmental	50,534,834	616,589	-	22,705,255	73,856,678
Charges for Services	1,623,604	-	-	13,050,474	14,674,078
Fines and Forfeitures	1,897,413	-	-	10,058	1,907,471
Investment Income	431,344	31,230	-	91,899	554,473
Contributions and Donations	-	-	-	1,382,243	1,382,243
Payments in Lieu of Taxes	439,721	-	-	-	439,721
Miscellaneous	1,061,254	-	276,217	339,392	1,676,863
Special Assessments	131,050	-	-	123,588	254,638
TOTAL REVENUES	\$ 316,353,879	\$3,013,241	\$276,217	\$ 38,123,603	\$ 357,766,940
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,838,797	\$ 4,700	\$ -	\$ 10,075	\$ 1,853,572
Elections	471,122	-	-	11,979	483,101
Financial Administration	2,889,152	-	-	-	2,889,152
Administrative Support	3,182,934	-	-	-	3,182,934
Planning & Development	1,092,377	2,488,386	-	5,482,145	9,062,908
Public Building Maintenance & Operations	2,942,786	55,725	-	7,024,964	10,023,475
Public Safety:					
Police	17,332,892	-	-	2,730,578	20,063,470
Fire	16,287,302	-	-	228,504	16,515,806
Inspectional Services	1,067,453	-	-	4,100	1,071,553
Other Public Safety	74,452	-	-	-	74,452
Education					
	165,810,597	-	24,062,467	24,929,180	214,802,244
Public Works:					
Streets and Sidewalks	6,381,074	-	-	3,115,479	9,496,553
Control of Snow & Ice	3,915,717	-	-	-	3,915,717
Collections & Disposal of Solid Waste	6,215,904	-	-	97,636	6,313,540
Vehicle Maintenance	2,117,111	-	-	1,110	2,118,221
Engineering	1,375,773	-	-	61,254	1,437,027
Administrative & Support	1,449,739	-	-	-	1,449,739
Health and Human Services:					
Health & Human Services	2,933,638	-	-	182,615	3,116,253
Senior Services	568,427	-	-	203,983	772,410
Veteran Services	288,852	-	-	-	288,852
Culture and Recreation:					
Libraries	4,730,458	24,377	-	449,727	5,204,562
Parks & Recreation	3,983,303	14,360	-	1,729,905	5,727,568
Newton History Museum	248,977	47,105	-	4,596	300,678
Retirement Benefits	53,157,157	-	-	-	53,157,157
Workers' Compensation Insurance	1,048,014	-	-	-	1,048,014
Property and Liability Insurance	397,789	-	-	-	397,789
Claims and Judgements	160,733	-	-	-	160,733
State assessments & Charges	5,472,487	-	-	-	5,472,487
Debt Service					
Principal	8,705,500	755,000	-	-	9,460,500
Interest	7,381,915	127,788	-	-	7,509,703
TOTAL EXPENDITURES	\$ 323,522,432	\$ 3,517,441	\$ 24,062,467	\$ 46,267,830	\$ 397,370,170
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES					
	(7,168,553)	(504,200)	(23,786,250)	(8,144,227)	(39,603,230)
Other Financing Sources (Uses)					
Transfers In	4,516,715	-	-	1,869,928	6,386,643
Issuance of General Obligation Bonds	-	-	11,000,000	2,770,000	13,770,000
Premium from Issuance of Bonds and Notes	168,147	-	-	-	168,147
Sale of Capital Assets	16,438	-	-	19,824	36,262
Transfer Out	(1,854,928)	(1,729)	-	(3,011,866)	(4,868,523)
TOTAL OTHER FINANCING SOURCES (USES)	2,846,372	(1,729)	11,000,000	1,647,886	15,492,529
Net Change in Fund Balances	(4,322,181)	(505,929)	(12,786,250)	(6,496,341)	(24,110,701)
Fund Balances at Beginning of Year	35,095,755	9,915,733	16,083,861	23,756,055	84,851,404
Fund Balances at End of Year	\$ 30,773,574	\$ 9,409,804	\$ 3,297,611	\$ 17,259,714	\$ 60,740,703

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2010 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 233,726,177	\$ -	\$ -	\$ -	\$ 233,726,177
Motor Vehicle Excise Taxes	10,222,534	-	-	-	10,222,534
Hotel Room Occupancy Taxes	1,168,095	-	-	-	1,168,095
Meals Taxes	382,934	-	-	-	382,934
Community Preservation Surcharges	-	2,296,523	-	-	2,296,523
Penalties and Interest on Taxes	1,002,806	-	-	23,701	1,026,507
Licenses, Permits and Fees	4,133,582	-	-	430,926	4,564,508
Intergovernmental	53,332,404	763,914	-	21,347,151	75,443,469
Charges for Services	1,647,343	-	-	13,174,351	14,821,694
Fines and Forfeitures	2,084,951	-	-	16,567	2,101,518
Investment Income	887,569	46,744	-	82,505	1,016,818
Contributions and Donations	-	-	-	1,185,340	1,185,340
Payments in Lieu of Taxes	3,095,059	-	-	-	3,095,059
Miscellaneous	235,495	-	-	432,045	667,540
Special Assessments	74,274	-	-	84,207	158,481
TOTAL REVENUES	\$ 311,993,223	\$ 3,107,181	\$ 0	\$ 36,776,793	\$ 351,877,197
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,878,689	\$ -	\$ -	\$ -	\$ 1,878,689
Elections	742,612	-	-	32,099	774,711
Financial Administration	3,016,728	-	-	-	3,016,728
Administrative Support	4,014,936	-	-	1,304	4,016,240
Planning & Development	977,929	1,867,013	-	4,452,853	7,297,795
Public Building Maintenance & Operations	2,816,431	92,722	-	2,114,421	5,023,574
Public Safety:					
Police	17,107,061	-	-	2,994,138	20,101,199
Fire	15,953,711	-	-	827,131	16,780,842
Inspectional Services	1,035,615	-	-	1,548	1,037,163
Other Public Safety	80,059	-	-	-	80,059
Education					
	163,733,338	-	63,949,213	26,747,843	254,430,394
Public Works:					
Streets and Sidewalks	6,693,623	2,400	-	5,364,153	12,060,176
Control of Snow & Ice	2,410,271	-	-	-	2,410,271
Collections & Disposal of Solid Waste	6,413,988	-	-	121,587	6,535,575
Vehicle Maintenance	2,105,293	-	-	4,464	2,109,757
Engineering	1,399,076	-	-	20,183	1,419,259
Administrative & Support	1,822,402	-	-	-	1,822,402
Health and Human Services:					
Health & Human Services	2,984,129	-	-	293,119	3,277,248
Senior Services	582,315	-	-	226,695	809,010
Veteran Services	219,527	-	-	-	219,527
Culture and Recreation:					
Libraries	5,175,444	-	-	455,473	5,630,917
Parks & Recreation	4,784,631	15,640	-	1,906,633	6,706,904
Newton History Museum	238,168	48,191	-	13,234	299,593
Retirement Benefits	49,940,948	-	-	-	49,940,948
Workers' Compensation Insurance	1,350,000	-	-	-	1,350,000
Property and Liability Insurance	326,169	-	-	-	326,169
Claims and Judgements	100,453	-	-	-	100,453
State assessments & Charges	5,619,317	-	-	-	5,619,317
Debt Service					
Principal	7,493,500	1,055,000	-	-	8,548,500
Interest	6,916,268	162,988	-	-	7,079,256
TOTAL EXPENDITURES	\$ 317,932,631	\$ 3,243,954	\$ 63,949,213	\$ 45,576,878	\$ 430,702,676
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	(5,939,408)	(136,773)	(63,949,213)	(8,800,085)	(78,825,479)
Other Financing Sources (Uses)					
Transfers In	6,045,656	-	-	2,814,494	8,860,150
Issuance of General Obligation Bonds	-	-	11,650,000	13,898,000	25,548,000
Premium from Issuance of Bonds and Notes	815,357	-	-	-	815,357
Sale of Capital Assets	18,541	-	-	23,950	42,491
Transfer Out	(1,796,879)	(1,521)	-	(5,407,981)	(7,206,381)
TOTAL OTHER FINANCING SOURCES (USES)	5,082,675	(1,521)	11,650,000	11,328,463	28,059,617
Net Change in Fund Balances	(856,733)	(138,294)	(52,299,213)	2,528,378	(50,765,862)
Fund Balances at Beginning of Year	20,169,278	10,054,027	68,383,074	37,010,887	135,617,266
Fund Balances at End of Year	\$ 19,312,545	\$ 9,915,733	\$ 16,083,861	\$ 39,539,265	\$ 84,851,404

(1) Extracted from the audited financial statements of the City.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2009 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 224,437,442	\$ -	\$ -	\$ -	\$ 224,437,442
Motor Vehicle Excise Taxes	10,098,579	-	-	-	10,098,579
Hotel Room Occupancy Taxes	1,108,199	-	-	-	1,108,199
Community Preservation Surcharges	-	2,207,442	-	-	2,207,442
Penalties and Interest on Taxes	1,204,641	-	-	18,659	1,223,300
Licenses, Permits and Fees	4,190,692	-	-	384,804	4,575,496
Intergovernmental	54,294,887	1,429,080	44,248,308	22,907,145	122,879,420
Charges for Services	1,566,819	-	-	12,642,859	14,209,678
Fines and Forfeitures	1,974,463	-	-	47,712	2,022,175
Investment Income	2,427,017	183,081	-	32,091	2,642,189
Contributions and Donations	-	-	-	1,320,527	1,320,527
Payments in Lieu of Taxes	489,108	-	-	-	489,108
Miscellaneous	728,319	306,521	-	651,667	1,686,507
Special Assessments	102,883	-	-	115,555	218,438
TOTAL REVENUES	\$ 302,623,049	\$ 4,126,124	\$ 44,248,308	\$ 38,121,019	\$ 389,118,500
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,746,072	\$ 42,553	\$ -	\$ -	\$ 1,788,625
Elections	624,687	-	-	21,526	646,213
Financial Administration	3,021,319	-	-	-	3,021,319
Administrative Support	3,562,966	-	-	-	3,562,966
Planning & Development	963,813	1,112,136	-	4,492,694	6,568,643
Public Building Maintenance & Operations	3,314,055	501,545	-	2,352,684	6,168,284
Public Safety:					
Police	16,225,580	-	-	2,872,822	19,098,402
Fire	15,949,363	-	-	1,321,423	17,270,786
Inspectional Services	983,280	-	-	338	983,618
Other Public Safety	85,332	-	-	-	85,332
Education					
	156,010,190	-	69,238,754	27,668,462	252,917,406
Public Works:					
Streets and Sidewalks	5,662,840	3,600	-	3,568,865	9,235,305
Control of Snow & Ice	4,025,604	-	-	-	4,025,604
Collections & Disposal of Solid Waste	6,512,130	-	-	39,618	6,551,748
Vehicle Maintenance	2,142,909	-	-	5,011	2,147,920
Engineering	1,274,086	-	-	44,386	1,318,472
Administrative & Support	1,665,000	-	-	-	1,665,000
Health and Human Services:					
Health & Human Services	2,890,822	-	-	213,067	3,103,889
Senior Services	553,202	-	-	201,241	754,443
Veteran Services	221,981	-	-	-	221,981
Culture and Recreation:					
Libraries	5,120,540	-	-	468,795	5,589,335
Parks & Recreation	4,731,260	(9,843)	-	1,802,994	6,524,411
Newton History Museum	229,888	62,654	-	32,318	324,860
Retirement Benefits					
	47,480,693	-	-	-	47,480,693
Workers' Compensation Insurance	1,582,119	-	-	-	1,582,119
Property and Liability Insurance	309,369	-	-	-	309,369
Claims and Judgements	250,509	-	-	-	250,509
State assessments & Charges	5,453,169	-	-	-	5,453,169
Debt Service					
Principal	6,592,100	1,060,000	-	-	7,652,100
Interest	3,499,486	195,088	-	-	3,694,574
TOTAL EXPENDITURES	\$ 302,684,364	\$ 2,967,733	\$ 69,238,754	\$ 45,106,244	\$ 419,997,095
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES					
	(61,315)	1,158,391	(24,990,446)	(6,985,225)	(30,878,595)
Other Financing Sources (Uses)					
Transfers In	6,381,739	-	26,750	9,130,888	15,539,377
Issuance of General Obligation Bonds	-	-	75,000,000	11,010,000	86,010,000
Premium from Issuance of Bonds and Notes	1,557,255	-	-	-	1,557,255
Transfer Out	(7,141,617)	(23,444)	(14,460)	(6,625,049)	(13,804,570)
TOTAL OTHER FINANCING SOURCES (USES)	797,377	(23,444)	75,012,290	13,515,839	89,302,062
Net Change in Fund Balances	736,062	1,134,947	50,021,844	6,530,614	58,423,467
Fund Balances at Beginning of Year	19,433,216	8,919,080	18,361,230	30,480,273	77,193,799
Fund Balances at End of Year	\$ 20,169,278	\$ 10,054,027	\$ 68,383,074	\$ 37,010,887	\$ 135,617,266

(1) Extracted from the audited financial statements of the City.

Free Cash (Uniform System of Accounting)

Under the Massachusetts Uniform System of Accounting an amount known as "free cash" is certified as of the beginning of each fiscal year by the Massachusetts Department of Revenue, Bureau of Accounts. This unrestricted fund balance (known as "free cash") is generated when actual revenue collections exceed budget estimates and/or unexpended appropriation balances lapse at year end to the general treasury.

A redetermination of free cash by the city comptroller for the purpose of determining available funds for appropriations is allowed (but not required) on the last day of the month preceding the month in which the tax rate is determined but no later than July 31. This is done by adding collections of prior years' taxes and receipts from tax title redemptions and sale of tax possessions to the amount certified and deducting appropriations made from free cash between the date of certification and July 31.

<u>Year</u>	<u>Free Cash (July 1)</u>
2013	\$6,777,959 (1)
2012	4,939,145
2011	6,793,864
2010	8,018,399
2009	6,697,571

(1) As of January 31, 2014 a total of \$2,536,749 of the July 1, 2013 Free Cash has been appropriated, of which \$2,000,000 was transferred to the City's Rainy Day Stabilization Fund, and the remaining \$536,746 was appropriated for support for the Newton Public Schools.

Capital Stabilization Funds

In 1993 the City established a special capital projects fund. The table below shows the trend in balances in the fund.

<u>Fiscal Year</u>	<u>Balance</u>
2013	\$2,550,508 (1)
2012	5,205,007
2011	9,939,489
2010	15,783,210
2009	16,688,591

(1) Of the \$2,550,508 June 30, 2013 Capital Stabilization Fund balance, \$2,140,111 was designated to support the fiscal year 2014 General Fund budget. Subsequent to July 1, 2013, a total of \$3,087,543 has been added to the fund and \$2,415,111 has been transferred out, leaving the fund with a balance of \$3,222,940 available for future capital project funding.

Rainy Day Stabilization Fund

The City also maintains a "Rainy Day" Stabilization Fund. The table below shows the trend in balances in the fund.

<u>Fiscal Year</u>	<u>Balance</u>
2013	\$ 11,024,489
2012	6,158,308
2011	5,152,000
2010	3,175,000

Since July 1, 2014 a total of \$2,011,582 has been added to the fund, bringing the total balance at December 31, 2013 to \$13,036,071. The target funding level for the fund is 5% of General Fund appropriations, or \$17 million.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the city council (subject to the mayor's veto where the mayor has a veto power) or a two-thirds vote of the town meeting. Provision is made in some cities and towns for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the city council or the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen, mayor or city manager as the case may be.

Bonds and notes including refunding bonds are generally authorized on behalf of the City by vote of two-thirds of all the members of the City Council with the approval of the Mayor. Provision is made for a referendum on the filing of a petition bearing the requisite number of signatures. Borrowings for certain purposes require state administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Mayor and the Controller of Accounts.

The general debt limit of the City consists of normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Municipal Finance Oversight Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The City has not issued any revenue anticipation notes during the last five fiscal years and does not anticipate issuing any during the current fiscal year.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

CITY OF NEWTON
DIRECT DEBT SUMMARY (1)

General Obligation Bonds as of June 30, 2013 (including subsequent issue):

Outstanding:			
School (2)		\$ 168,073,224	
Land Acquisition (3)		500,000	
General (3)		19,919,000	
Water (4)		8,700,000	
Sewer (5)		6,824,442	
MWRA (6)		12,620,364	
MWPAT (7)		<u>7,335,600</u>	
Total Outstanding Debt			\$ 223,972,630
This Issue			20,936,000
Total Direct Debt			<u><u>\$ 244,908,630</u></u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
(2) \$10,266,666 is outside the City's debt limit.
(3) Subject to the City's debt limit.
(4) Outside the City's debt limit. Debt service for this purpose is fully supported from water rates.
(5) Subject to City's debt limit.
(6) \$11,794,604 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.
(7) Does not reflect subsidy from Massachusetts Water Pollution Abatement Trust; \$3,652,600 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.

Debt Ratios

The following table sets forth the percentage of debt to assessed valuation and per capita debt at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the City only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary".)

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation
2013	\$ 222,612,430	85,145	\$ 20,645,306,200	\$ 2,615	1.08 %
2012	217,646,451	85,145	20,463,999,400	2,556	1.06
2011	211,718,814	85,146	20,232,810,000	2,487	1.05
2010	216,847,049	85,146	20,487,831,700	2,547	1.06
2009	200,945,636	85,146	20,714,549,200	2,360	0.97

Principal Payments by Purpose

The following table sets forth the principal payments as of June 30, 2013, including subsequent issue, by purpose on outstanding general obligation bonds of the City. As indicated in the table, of the total \$223,972,629 bonds outstanding, \$67,135,421 or approximately 29.9% of the total outstanding are to be retired by the end of fiscal 2018 and \$118,531,613 or approximately 52.9% of the total outstanding are to be retired by the end of fiscal 2023.

**CITY OF NEWTON
GENERAL OBLIGATION BONDS
Principal Payments by Purpose (1)
As of June 30, 2013, Including Subsequent Issue**

Fiscal Year	School (2)	Land Acquisition (3)	General (3)	Water (4)	Sewer (5)	MWRA (6)	MWPAT (7)	Total
2014	\$ 7,518,225	\$ 500,000	\$ 2,214,000	\$ 1,035,000	\$ 359,442	\$ 2,515,532	\$ 908,200	\$ 15,050,399
2015	6,946,667	-	2,140,000	1,035,000	355,000	2,122,031	932,700	13,531,398
2016	6,966,667	-	2,125,000	1,035,000	355,000	1,816,130	962,300	13,260,097
2017	7,051,667	-	1,990,000	1,035,000	355,000	1,557,528	992,000	12,981,195
2018	6,991,667	-	1,715,000	1,035,000	355,000	1,183,866	1,031,800	12,312,333
2019	6,871,667	-	1,625,000	1,035,000	355,000	1,183,866	1,066,600	12,137,133
2020	6,971,667	-	1,600,000	435,000	355,000	823,866	916,000	11,101,533
2021	6,991,667	-	1,310,000	435,000	350,000	601,426	506,000	10,194,093
2022	7,006,667	-	1,170,000	135,000	350,000	408,060	10,000	9,079,727
2023	7,121,667	-	995,000	135,000	350,000	272,040	10,000	8,883,707
2024	7,291,667	-	855,000	135,000	350,000	136,020	-	8,767,687
2025	7,216,667	-	595,000	135,000	350,000	-	-	8,296,667
2026	6,581,667	-	355,000	135,000	350,000	-	-	7,421,667
2027	6,146,667	-	355,000	135,000	350,000	-	-	6,986,667
2028	5,806,667	-	340,000	135,000	345,000	-	-	6,626,667
2029	5,051,667	-	250,000	135,000	345,000	-	-	5,781,667
2030	5,101,667	-	240,000	135,000	345,000	-	-	5,821,667
2031	5,266,667	-	15,000	135,000	320,000	-	-	5,736,667
2032	5,376,666	-	15,000	135,000	320,000	-	-	5,846,666
2033	5,596,666	-	15,000	135,000	210,000	-	-	5,956,666
2034	5,816,666	-	-	-	-	-	-	5,816,666
2035	6,071,666	-	-	-	-	-	-	6,071,666
2036	6,336,666	-	-	-	-	-	-	6,336,666
2037	6,611,666	-	-	-	-	-	-	6,611,666
2038	6,906,666	-	-	-	-	-	-	6,906,666
2039	5,336,666	-	-	-	-	-	-	5,336,666
2040	751,666	-	-	-	-	-	-	751,666
2041	366,666	-	-	-	-	-	-	366,666
Total	<u>\$ 168,073,224</u>	<u>\$ 500,000</u>	<u>\$ 19,919,000</u>	<u>\$ 8,700,000</u>	<u>\$ 6,824,442</u>	<u>\$ 12,620,364</u>	<u>\$ 7,335,600</u>	<u>\$ 223,972,630</u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) \$10,266,666 is outside the City's debt limit.
- (3) Subject to the City's debt limit.
- (4) Outside the City's debt limit. Debt service for this purpose is fully supported from water rates.
- (5) Subject to City's debt limit.
- (6) \$11,794,604 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.
- (7) Does not reflect subsidy from Massachusetts Water Pollution Abatement Trust; \$3,652,600 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.

Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the City as of June 30, 2013, including subsequent issue.

CITY OF NEWTON – GENERAL OBLIGATION BONDS Debt Service Requirements As of June 30, 2013, Including Subsequent Issue

Fiscal Year	Outstanding		This Issue		MWPAT Subsidy	Net Debt Service
	Principal	Interest	Principal (1)	Interest		
2014	\$ 15,050,399	\$ 8,185,773	\$ -	\$ -	\$ (512,488)	\$ 22,723,684
2015	13,531,398	7,920,354	596,000	825,357	(487,299)	22,385,810
2016	13,260,097	7,526,885	600,000	807,181	(462,660)	21,731,503
2017	12,981,195	7,141,710	615,000	777,181	(438,533)	21,076,553
2018	12,312,333	6,733,950	630,000	758,731	(411,340)	20,023,674
2019	12,137,133	6,293,648	645,000	727,231	(387,687)	19,415,325
2020	11,101,533	5,857,596	660,000	694,981	(312,957)	18,001,153
2021	10,194,093	5,441,577	670,000	661,981	(160,394)	16,807,257
2022	9,079,727	5,058,060	690,000	628,481	(2,610)	15,453,659
2023	8,883,707	4,725,415	710,000	593,981	(2,323)	14,910,780
2024	8,767,687	4,395,619	735,000	558,481	-	14,456,787
2025	8,296,667	4,062,398	700,000	521,731	-	13,580,796
2026	7,421,667	3,757,871	715,000	502,481	-	12,397,019
2027	6,986,667	3,476,200	730,000	481,031	-	11,673,898
2028	6,626,667	3,206,792	740,000	459,131	-	11,032,590
2029	5,781,667	2,963,758	755,000	436,931	-	9,937,357
2030	5,821,667	2,733,287	565,000	413,338	-	9,533,292
2031	5,736,667	2,495,767	585,000	394,975	-	9,212,409
2032	5,846,666	2,260,727	605,000	375,231	-	9,087,624
2033	5,956,666	2,004,137	625,000	354,056	-	8,939,860
2034	5,816,666	1,739,417	645,000	332,181	-	8,533,264
2035	6,071,666	1,474,196	640,000	308,800	-	8,494,662
2036	6,336,666	1,196,769	670,000	283,200	-	8,486,635
2037	6,611,666	906,073	700,000	256,400	-	8,474,139
2038	6,906,666	602,115	720,000	228,400	-	8,457,181
2039	5,336,666	283,975	750,000	199,600	-	6,570,241
2040	751,666	31,029	785,000	169,600	-	1,737,295
2041	366,666	7,333	815,000	138,200	-	1,327,199
2042	-	-	845,000	105,600	-	950,600
2043	-	-	880,000	71,800	-	951,800
2044	-	-	915,000	36,600	-	951,600
	<u>\$ 223,972,630</u>	<u>\$ 102,482,428</u>	<u>\$20,936,000</u>	<u>\$13,102,875</u>	<u>\$ (3,178,289)</u>	<u>\$ 357,315,644</u>

(1) Reflects mandatory redemption schedule.

Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the City will have approximately \$47 million outstanding in authorized but unissued debt for various municipal capital purposes. The City's prospective financing includes fire station renovations and replacements, and school projects for which the City expects state grant assistance of approximately 40%, the local share of which will be funded in part by an override of the tax levy.

Overlapping Debt

The City is a member of the Massachusetts Water Resources Authority and the Massachusetts Bay Transportation Authority. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the Massachusetts Water Resources Authority and the Massachusetts Bay Transportation Authority and the City's gross share of such debt as the fiscal 2014 dollar assessment for each.

<u>Overlapping Entity</u>	<u>Outstanding Debt as of 6/30/13</u>	<u>Newton's Estimated Share(1)</u>	<u>Fiscal 2014 Dollar Assessment(2)</u>
Massachusetts Water Resources Authority (3)			
Water	\$ 2,116,827,000	5.085 %	\$ 10,333,024
Sewer	4,033,856,000	4.736	20,152,363
Massachusetts Bay Transportation Authority (4)	5,561,383,476	3.472	5,456,187

- (1) Estimated share based on debt service only.
- (2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
- (3) SOURCE: The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (4) Source: The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAX" above.)

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The City has a limited number of contractual obligations (all of which are subject to annual appropriation by the Board of Aldermen). The City's main contractual obligation is with Wheelabrator Millbury for disposal of solid waste. This is a 20 year contract which expires June 30, 2028. The fiscal 2011 and 2012 appropriations for collection and disposal of solid waste (including recycling) were \$5,731,725 and \$6,098,651, respectively. The City appropriated \$6,063,803 for this cost in fiscal 2013. The City has appropriated \$6,342,344 in fiscal year 2014 for solid waste collection and disposal contract costs.

Subsequent to June 30, 2012 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 annual expense appropriation of the City's Public Building Department, and all energy credits earned as a result of the agreement shall be applied to the municipal building electricity account, also under the control of the Public Building Department.

RETIREMENT PLAN

Teachers, certain administrative personnel and other professional employees of the City's school department participate individually in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. The City does not contribute to this plan. Substantially all of the other City employees participate in the City of Newton Retirement system (the System). The City began funding the System in 1984 on an actuarial basis, as required by generally accepted accounting principles. This funding includes the amortization of prior service cost over a 40-year period. The active City employees contribute at rates ranging from 5% to 10% (depending on their date of employment) of their regular compensation, as defined. The City also contributes the amount necessary to fund the System's administrative expenses.

Certain retired employees of the City were exempted from membership in the System. The City pays retirement benefits to these employees from the general appropriation funds of the City. These employees are not included in the actuarial valuation provided by the actuary, and there is no available estimate of their related actuarial liability.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon 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. (For certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest that they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The total unfunded pension benefit obligation applicable to the City's employees was \$244,289,236 at January 1, 2013, computed as follows:

Pension benefit obligation -	\$512,376,691
Actuarial value of assets available for pension benefits (1)	<u>268,087,455</u>
Unfunded pension benefit	<u>\$244,289,236</u>

(1) Fair value of assets available for pension benefits is \$254,182,316. There is a difference between the actuarial value of assets and the fair value of assets because for funding purposes the Newton Contributory Retirement System amortizes investment gains and losses over a period that cannot exceed five years in order to avoid excess volatility in funding requirements. For actuarial purposes, the assets are valued using a method which reflects the market value of assets through gradual recognition of any unrealized appreciation or depreciation in assets beyond the 7.75% return.

A January 1, 2014 valuation of plan assets and liabilities is expected to be available in late April or early May of 2014.

Effective July 1, 2007, the City transferred all system assets, except those in real estate limited partnerships, to the Commonwealth of Massachusetts Pension Reserve Investment Trust Core Fund.

The City has a policy of updating the actuarial valuation of plan assets and liabilities annually.

The Newton Retirement Board has voted to extend the deadline for actuarial funding of the system's liabilities from the fiscal year ending 2028 to the fiscal year ending 2037. The statutory deadline for actuarial funding is currently 2040.

The schedule below shows the amortizations of the City's unfunded pension liability.

Fiscal Year Ending	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2014	\$ 82,970,316	\$ 7,099,229	\$ 3,376,089	\$ 14,987,427	\$ 18,363,516	22.1 %	52.3 %
2015	86,703,980	7,502,955	3,440,002	16,532,857	19,972,859	23.0	53.0
2016	90,605,659	7,928,641	3,502,831	17,152,839	20,655,670	22.8	53.8
2017	94,682,914	8,377,446	3,564,348	17,796,070	21,360,418	22.6	54.6
2018	98,943,645	8,850,587	3,624,308	18,463,423	22,087,731	22.3	55.4
2019	103,396,109	9,349,346	3,682,447	19,155,801	22,838,248	22.1	56.3
2020	108,048,934	9,875,071	3,738,479	19,874,144	23,612,623	21.9	57.3
2021	112,911,136	10,429,180	3,792,098	20,619,424	24,411,522	21.6	58.4
2022	117,992,137	11,013,161	3,842,971	21,392,653	25,235,624	21.4	59.7
2023	123,301,783	11,628,581	3,890,744	22,194,877	26,085,621	21.2	61.0
2024	128,850,364	12,277,087	3,935,035	23,027,185	26,962,220	20.9	62.5
2025	134,648,630	12,960,411	3,975,432	23,890,705	27,866,137	20.7	64.2
2026	140,707,818	13,680,373	4,011,498	24,786,606	28,798,104	20.5	66.1
2027	147,039,670	14,438,887	4,042,759	25,716,104	29,758,863	20.2	68.1
2028	153,656,455	15,237,964	4,068,710	26,680,458	30,749,168	20.0	70.3
2029	160,570,996	16,079,719	4,088,810	27,680,975	31,769,785	19.8	72.6
2030	167,796,691	16,966,376	4,102,480	28,719,011	32,821,491	19.6	75.2
2031	175,347,542	17,900,270	4,109,101	29,795,974	33,905,075	19.3	77.9
2032	183,238,181	18,883,858	4,108,009	30,913,323	35,021,332	19.1	80.7
2033	191,483,899	19,919,720	4,098,499	32,072,573	36,171,072	18.9	83.7
2034	200,100,675	21,010,571	4,079,814	33,275,294	37,355,108	18.7	86.8
2035	209,105,205	21,956,047	4,263,406	34,523,118	38,786,524	18.5	90.0
2036	218,514,939	22,944,069	4,455,259	35,817,735	40,272,994	18.4	93.3
2037	228,348,112	23,976,552	4,655,746	37,160,900	41,816,646	18.3	96.7
2038	238,623,777	25,055,497	4,865,254	-	4,865,254	2.0	100.0
2039	249,361,847	26,182,994	5,084,191	-	5,084,191	2.0	100.0
2040	260,583,130	27,361,229	5,312,979	-	5,312,979	2.0	100.0
2041	272,309,371	28,592,484	5,552,063	-	5,552,063	2.0	100.0
2042	284,563,292	29,879,146	5,801,906	-	5,801,906	2.0	100.0
2043	297,368,640	31,223,707	6,062,992	-	6,062,992	2.0	100.0
2044	310,750,229	32,628,774	6,335,827	-	6,335,827	2.0	100.0
2045	324,733,989	34,097,069	6,620,939	-	6,620,939	2.0	100.0

*Calendar basis.

**Beginning of Fiscal Year.

Source: January 1, 2013 Actuarial Valuation of the Newton Contributory Retirement System prepared by Buck Consultants.

The comparative statement of revenues, expenses and change in fund balance for the Newton Contributory Retirement System is shown below,

**CITY OF NEWTON, MASSACHUSETTS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (1)
CONTRIBUTORY RETIREMENT SYSTEM AS OF DECEMBER 31,**

	Year				
	2009	2010	2011	2012	2013 (2)
REVENUES:					
Retirement Contributions:					
Employer	\$ 13,903,775	\$ 15,405,575	\$ 16,611,209	\$ 17,082,782	\$ 18,573,611
Employee	7,704,725	7,661,211	7,730,262	7,776,175	8,035,716
Commonwealth	840,710	792,152	752,371	658,335	649,195
Interest/Dividends	6,308,072	6,739,203	7,471,170	8,808,319	7,465,801
Unrealized Gain	24,170,380	21,295,787	(5,982,798)	23,081,157	28,959,542
Less Investment Expense	(1,141,650)	(1,011,407)	(1,219,337)	(1,213,488)	(1,421,647)
Transfers	999,570	993,065	783,642	1,004,999	1,080,758
TOTAL REVENUES	<u>52,785,582</u>	<u>51,875,586</u>	<u>26,146,519</u>	<u>57,198,279</u>	<u>63,342,976</u>
EXPENSES:					
Retirement Benefits	29,126,639	30,247,733	31,870,521	33,423,530	34,486,791
Refunds, Transfers, Disbursements	1,743,310	2,321,187	2,306,155	2,659,004	2,407,652
Administrative	265,624	264,776	254,761	276,643	285,039
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>31,135,573</u>	<u>32,833,696</u>	<u>34,431,437</u>	<u>36,359,177</u>	<u>37,179,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,650,009	19,041,890	(8,284,918)	20,839,102	26,163,494
BEGINNING FUND BALANCE	<u>200,936,233</u>	<u>222,586,242</u>	<u>241,628,132</u>	<u>233,343,214</u>	<u>254,182,316</u>
ENDING FUND BALANCE	<u>\$ 222,586,242</u>	<u>\$ 241,628,132</u>	<u>\$ 233,343,214</u>	<u>\$ 254,182,316</u>	<u>\$ 280,345,810</u>

(1) From the Comptroller, City of Newton. Represents statutory filing with the Commonwealth of Massachusetts Public Employee Retirement Administration Commission. Does not include adjustment in fair market valuation of certain real estate limited partnership investments for which year-end fair market value adjustments are not reported until March 31st for the years prior to 2012.

(2) Preliminary. Not yet filed with the Commonwealth of Massachusetts Public Employees Retirement Administration Commission.

See Appendix A for additional information on the retirement system.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities and towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The pay-as-you-go cost to the City for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2013	\$16,220,796
2012	16,428,080
2011	15,170,809
2010	14,779,419
2009	14,141,956

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The City implemented Governmental Accounting Board statement 45 in the fiscal year ended on June 30, 2008. For that year, the City recorded a \$22 million liability in the government wide financial statements, representing the difference between the annual required contribution (ARC) and the pay-as-you-go appropriation for other post-employment benefits. For the year ended June 30, 2010 the net other post-employment benefit obligation had increased to \$83.5 million and the full actuarial accrued liability for such benefits stood at \$531.7 million, assuming a 2.0% discount rate. For the year ended June 30, 2013, the net other-post employment benefit obligation increased by \$29.7 million to a total of \$177.5 million and the full actuarial liability for such benefits stood at \$601.8 million, assuming a 2.0% discount rate.

The City established a formal OPEB trust pursuant to Massachusetts municipal finance law. The trend in contributions to the OPEB Trust is set forth in the table below:

<u>Fiscal Year</u>	<u>Contribution to OPEB Trust</u>
2014 (1)	\$ 259,825
2013	225,564
2012	175,678
2011	137,295

(1) Total contributions and investment income through December 31, 2014.

A complete copy of all annual actuarial valuations of plan liabilities is posted on the Comptroller’s page of the City web site, www.newtonma.gov.

EMPLOYEE RELATIONS

For the fiscal year ending June 30, 2013, the City employed approximately 2,731 full time employees of whom 1,904 were employed by the Newton Public Schools, 198 by the police department, 190 by the fire department, 142 by the public works department (including water and sewer utilities) and the balance in various other departments of the City. City employees, other than those with managerial and confidential responsibilities, are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 2,219 full time employees are represented by seventeen unions, ten of which are municipal and seven of which are school.

All of the collective bargaining contracts are under agreement and expire on either June 30, 2014 or August 31, 2014.

LITIGATION

At present there are numerous cases pending in various courts and administrative agencies throughout the Commonwealth where the City is a defendant. In the opinion of the City, there is no litigation either pending or theoretical, which is likely to result either individually or in the aggregate in a final judgment against the City which would materially affect its financial position.

February 26, 2014

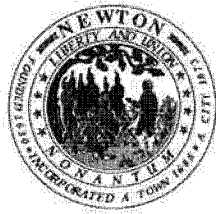
CITY OF NEWTON, MASSACHUSETTS
/s/ James Reardon, City Treasurer/Collector

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City of Newton, Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013



Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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FINANCIAL SECTION



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Certified Public Accountants

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the year ended June 30, 2013 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City of Newton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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., which represents 35.0%, 34.6%, and 35.0%, respectively, of the assets, net position, and operating revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Newton Commonwealth Foundation, Inc., is based solely 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 from material misstatement. The financial statements of the Newton Commonwealth Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of June 30, 2013 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 17 to the financial statements, the City has restated the beginning net position of the governmental activities, discretely presented component units and OPEB trust fund, and the beginning fund balance of the general fund. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 17) and certain pension and other postemployment benefits information (located on pages 77 through 78) be presented to supplement the basic financial statements. Such information, although not a 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.

Other Information

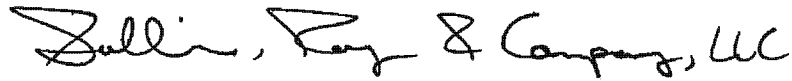
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, additional information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and additional information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and additional information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

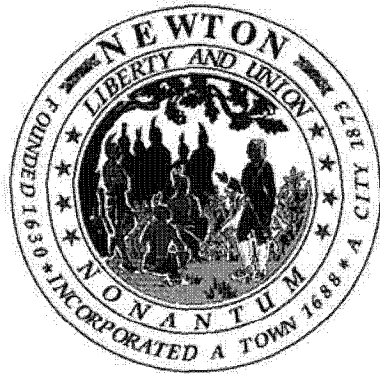
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the City of Newton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Sullivan, Ray & Company, LLC". The signature is written in a cursive, flowing style.

November 25, 2013



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Management's Discussion and Analysis



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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, 2013.

Financial Highlights:

- Total assets of the City exceeded total liabilities at the close of the most recent fiscal year by \$226.4 million (*net position*). The City has a negative unrestricted net position totaling (\$122.4 million) in the City's governmental activities and \$26.0 million positive unrestricted net position in its business type activities (water & sewer utilities).
- The City's total net position decreased by \$11.6 million or 4.9% in fiscal year 2013. Net position of governmental activities decreased by \$16.9 million, a 10.5% decline from fiscal year 2012, while net position of business-type activities increased by \$5.3 million, or 6.9%, from the prior fiscal year.
- Unrestricted governmental net position decreased by \$28.8 million to (\$122.4) million at June 30, 2013. The decline in unrestricted governmental activities net position 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, \$29.0 million 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 \$173.3 million.
- The total cost of all City services for fiscal year 2013 was \$449.6 million, \$408.3 million (90.8%) of which was for governmental services, and \$41.3 million (9.2%) of which was for business type services. The total cost of City services increased by \$19.8 million or 4.6% from the total cost of services in the previous fiscal year, principally as a result of growth in education, public works, and public buildings (general government) spending.
- A total of \$104.3 million or 25.5% of governmental services were financed from program revenue, leaving 74.5% 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, 2013, the City's governmental funds reported a combined fund balance of \$61.7 million. The combined governmental funds fund balance increased by \$3 million (5.2%) from the prior year's ending fund balance.
- The City's general fund reported total fund balance of \$32.7 million at the end of fiscal year 2013, a \$4.8 million (17.2%) increase from the re-stated total fund balance at June 30 of the prior fiscal year. The \$312,973 re-statement reflects the reclassification of an equal amount of General Fund OPEB resources that have been moved to a fiduciary fund as the result of the City's establishment of an irrevocable OPEB trust during fiscal year 2013. The unassigned portion of the fund balance increased by \$6.2 million to \$21.1 million or 6% of total general fund revenues and other financing sources. The unassigned fund balance includes \$11.0 million that the City set aside over the course of the three most recent fiscal years as a "Rainy Day" Stabilization fund and \$6.8 million in "Free Cash" that has been certified as being available for appropriation by the Massachusetts Department of Revenue.
- The City's total bonded debt (bonds and notes) increased by \$4.9 million or 2.3% to \$222.6 million during the year. Newton North project debt accounted for \$130.1 million or 58.4% 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 position* (pages 18 and 19) presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (pages 20 and 21) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 126-133 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 23 and 25.

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 79 of this report. The governmental funds financial statements can be found on pages 22-27 of this report. Trend information may be found on pages 134 through 137 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 90 of this report. The basic proprietary fund financial statements can be found on 28-30 of this report.

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

The fiduciary funds financial statements provide separate information for the pension and other post-employment trust funds 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 99 of this report. The fiduciary funds financial statements can be found on pages 31 and 32 of this report.

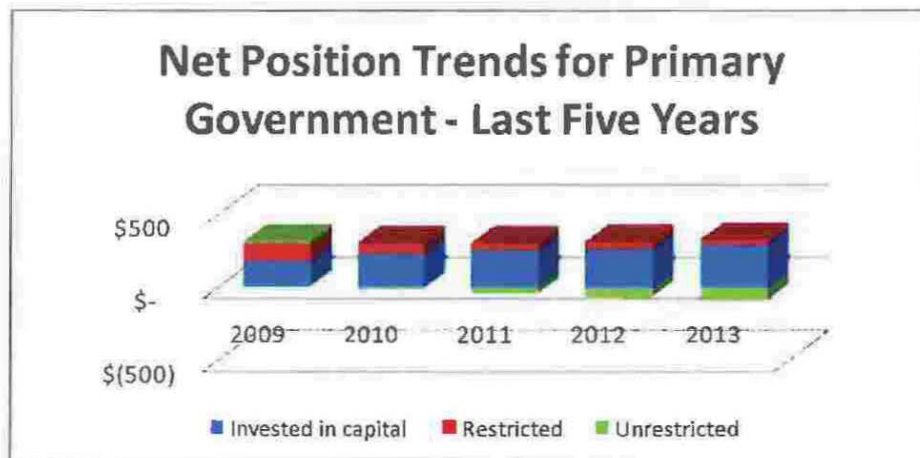
Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-76 of this report. A brief description of new fund balance terminology required by Governmental Accounting Standards Board Statement 54 for governmental funds is presented on page 41 along with a detailed analysis of the major components of each fund balance account on page 71.

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-employment benefits to its employees. Such information is located on pages 77 and 78 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 Position: The City’s total assets exceeded total liabilities by \$226.4 million at June 30, 2013. This represents a \$11.6 million or 4.9% decline from total net position at June 30 of the prior year, and a decline of \$85.6 million or 27.4% 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 position 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 position:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets.....	\$ 138,337,209	\$ 126,635,436	\$ 41,468,864	\$ 33,584,864	\$ 179,806,073	\$ 160,220,300
Noncurrent assets (excluding capital assets).....	8,183,644	10,389,494	1,655,994	1,886,096	9,839,638	12,275,590
Capital assets (net).....	<u>419,836,768</u>	<u>407,523,975</u>	<u>78,727,945</u>	<u>76,316,320</u>	<u>498,564,713</u>	<u>483,840,295</u>
Total assets.....	<u>566,357,621</u>	<u>544,548,905</u>	<u>121,852,803</u>	<u>111,787,280</u>	<u>688,210,424</u>	<u>656,336,185</u>
Liabilities						
Current liabilities (excluding debt).....	44,977,938	39,489,312	1,668,664	1,646,618	46,646,602	41,135,930
Noncurrent liabilities (excluding debt).....	188,081,336	155,495,193	4,499,822	3,793,774	192,581,158	159,288,967
Current debt.....	9,664,867	9,596,167	4,682,975	4,458,055	14,347,842	14,054,222
Noncurrent debt.....	<u>179,632,957</u>	<u>178,724,266</u>	<u>28,631,629</u>	<u>24,867,962</u>	<u>208,264,586</u>	<u>203,592,228</u>
Total liabilities.....	<u>422,357,098</u>	<u>383,304,938</u>	<u>39,483,090</u>	<u>34,766,409</u>	<u>461,840,188</u>	<u>418,071,347</u>
Net Position						
Net investment in capital assets.....	238,374,247	227,091,798	56,271,350	55,890,406	294,645,597	282,982,204
Restricted.....	27,981,384	27,700,568	-	-	27,981,384	27,700,568
Unrestricted.....	<u>(122,355,108)</u>	<u>(93,548,399)</u>	<u>26,098,363</u>	<u>21,130,465</u>	<u>(96,256,745)</u>	<u>(72,417,934)</u>
Total net position.....	<u>\$ 144,000,523</u>	<u>\$ 161,243,967</u>	<u>\$ 82,369,713</u>	<u>\$ 77,020,871</u>	<u>\$ 226,370,236</u>	<u>\$ 238,264,838</u>

The largest portion of the City's total net position, \$294.6 million, represents the investment in capital assets (e.g., land and land improvements, intangible assets, 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 56) for a detailed calculation of the City's net investment in capital assets.

An additional portion of the City's net position, \$28.0 million, represents resources that are subject to restrictions placed on how they may be used by parties external to the City, of which \$10.8 million (38.6%) represents resources restricted to community preservation purposes. A summary of all major components of the restricted net position may be found on the face of the Statement of Net Position, which can be found on page 19 of this report.

During the fiscal year ended June 30, 2013, total unrestricted net position declined by \$23.8 million as a direct result of the recognition of \$29.7 million new post-retirement health benefit liabilities (\$29.0 million in governmental activities and \$0.7 million in business type activities). All governmental activities unrestricted net position have been consumed since 2008 with the recognition of liabilities required by Governmental Accounting Standards Board Statement 45. Pages 65 through 69 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 position:

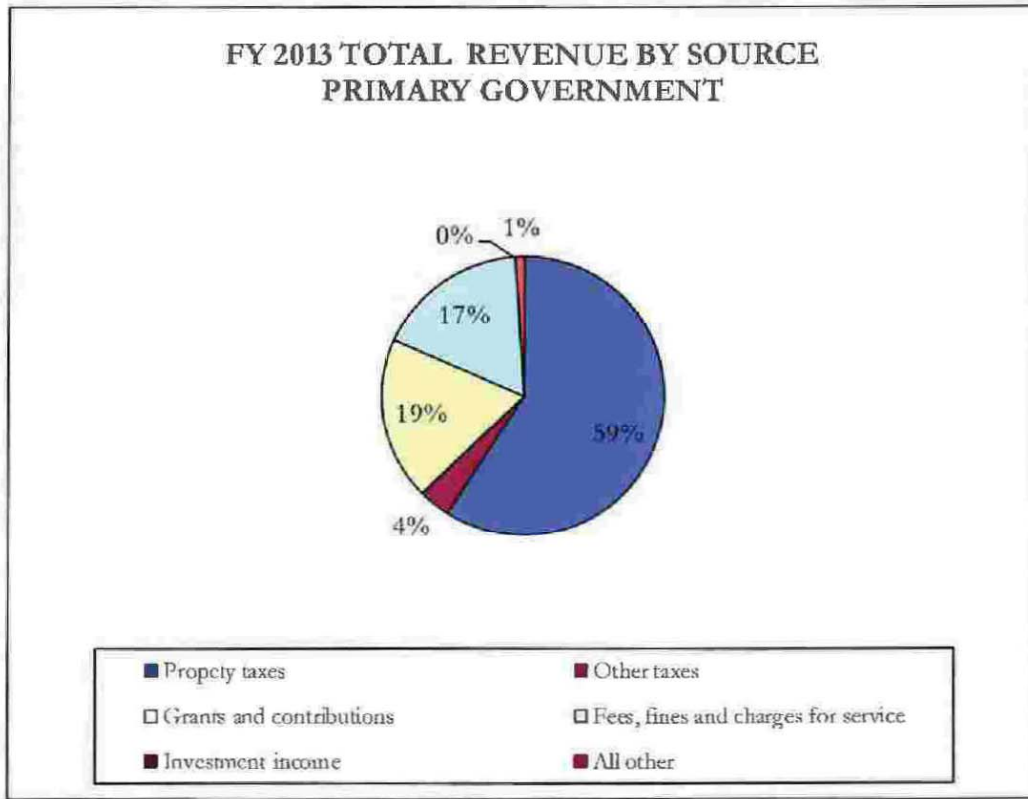
The following table presents current and prior year data regarding the City's changes in net position:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013*	2012	2013	2012	2013*	2012
Revenues						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 28,970,340	\$ 25,732,684	\$ 47,175,932	\$ 48,273,768	\$ 76,146,272	\$ 74,006,452
Operating grants and contributions.....	69,319,711	65,780,261	1,059,085	646,975	70,378,796	66,427,236
Capital grants and contributions.....	5,975,327	2,519,356	9,808	489,333	5,985,135	3,008,689
<i>General Revenues:</i>						
Real estate and personal property taxes.....	258,590,398	249,340,011	-	-	258,590,398	249,340,011
Motor vehicle and other excise taxes.....	11,404,708	10,514,832	-	-	11,404,708	10,514,832
Hotel room occupancy taxes.....	2,051,414	1,814,792	-	-	2,051,414	1,814,792
Meals taxes.....	1,407,803	1,403,261	-	-	1,407,803	1,403,261
Penalties and interest on taxes.....	1,011,590	1,146,496	-	-	1,011,590	1,146,496
Payments in lieu of taxes.....	524,906	529,294	-	-	524,906	529,294
Community preservation surcharges.....	2,501,875	2,431,863	-	-	2,501,875	2,431,863
Grants and contributions not restricted to specific programs.....	6,276,114	5,263,525	-	-	6,276,114	5,263,525
Unrestricted investment income.....	202,473	278,106	-	-	202,473	278,106
Other.....	1,492,956	2,169,238	-	-	1,492,956	2,169,238
Total revenues.....	389,729,615	368,923,719	48,244,825	49,410,076	437,974,440	418,333,795
Expenses						
General government.....	22,997,802	21,992,988	-	-	22,997,802	21,992,988
Public safety.....	56,962,698	56,061,495	-	-	56,962,698	56,061,495
Education.....	264,655,220	252,922,994	-	-	264,655,220	252,922,994
Public works.....	28,194,390	24,221,365	-	-	28,194,390	24,221,365
Health and human services.....	11,323,484	10,684,932	-	-	11,323,484	10,684,932
Culture and recreation.....	16,177,118	16,216,945	-	-	16,177,118	16,216,945
Debt service - interest.....	7,989,634	7,559,469	-	-	7,989,634	7,559,469
Water.....	-	-	15,896,034	15,185,784	15,896,034	15,185,784
Sewer.....	-	-	25,359,689	24,953,457	25,359,689	24,953,457
Total expenses.....	408,300,346	389,660,188	41,255,723	40,139,241	449,556,069	429,799,429
Change in net position before transfers.....	(18,570,731)	(20,736,469)	6,989,102	9,270,835	(11,581,629)	(11,465,634)
Transfers, net.....	1,640,260	1,429,518	(1,640,260)	(1,429,518)	-	-
Change in net position.....	(16,930,471)	(19,306,951)	5,348,842	7,841,317	(11,581,629)	(11,465,634)
Net position - beginning of year (as restated).....	160,930,994	180,550,918	77,020,871	69,179,554	237,951,865	249,730,472
Net position - end of year.....	\$ 144,000,523	\$ 161,243,967	\$ 82,369,713	\$ 77,020,871	\$ 226,370,236	\$ 238,264,838

* The 2013 governmental activities beginning net position has been restated to reflect the reclassification of the City's OPEB trust fund from an employer asset to a fiduciary fund. This change is not retroactive as the irrevocability of the OPEB trust was established during fiscal year 2013. See note 17, page 72.

The City's total revenues for the year ended June 30, 2013 increased by \$19.6 million (4.7%) from the prior year. Property taxes, inspectional services permits, and grants/contributions were responsible for the majority of the increase. The 3.7% increase in property taxes represents a combination of a 2 1/2% increase allowed in the tax levy plus new growth. The 5.9% increase in operating grants and contributions is primarily a function of increased Chapter 70 and special education circuit-breaker funding for the City's schools, and the 98.9% increase in capital grants is related to Mass Works Roadway construction grant financed improvements in the Route 9 area of the City.

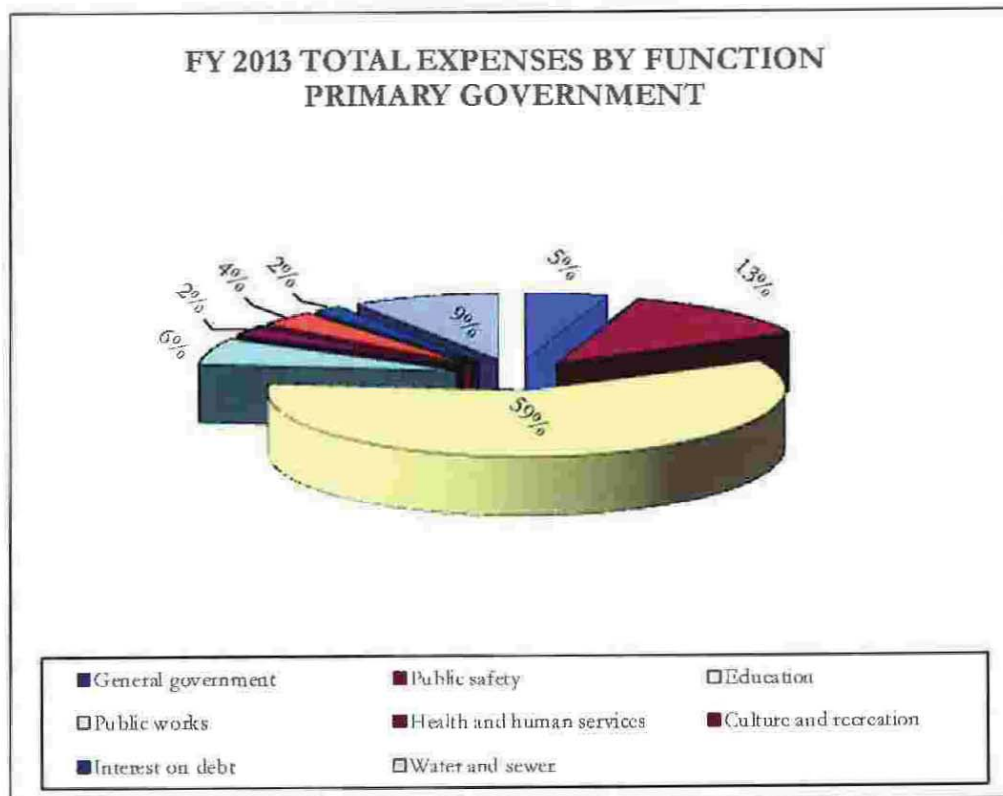
The following chart illustrates the distribution of total current year revenues for the primary government, by major source.



Total expenses increased by \$19.6 million or 4.6% during the year. Education and public works spending accounted for \$15.7 million or 80.1% of the total year over year growth in total spending. Snow and ice control spending accounted for \$3.2 million of the \$4 million increase in public works spending. During fiscal year 2013 the City spent a total of \$4.1 million on snow and ice control. The median annual expenditure for this purpose over the trailing five year period is \$3.9 million.

Public education continues to be the function receiving the largest commitment of City resources. For the year ended June 30, 2013, total spending for education purposes was \$264.7 million or 58.9% of total spending, and 64.8% 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, 2013.



Governmental activities – Governmental activities decreased the City’s net position by \$16.9 million or 10.5% during fiscal 2013, 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 20 and 21 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 2013. Inspectional service department program revenues exceeded total program expenses by \$5.3 million for the year. In the fiscal year ending June 30, 2012, Inspectional services department program revenue exceeded program expenses by \$2.9 million.

Business-type activities – Business-type activities increased the City’s net position by \$5.3 million or 6.9% during fiscal year 2013. This is primarily the result of increased user charge revenue resulting from a rate increase that was put in place effective July 1, 2012 along with 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, 2013, the City's governmental funds reported a combined fund balance totaling \$61.7 million, a \$3 million or 5.2% increase from the prior year reported financial position.

Both the Community Preservation and General Funds reported improved financial positions, while the High School Improvement Fund and the grand total of all Non-Major Governmental Funds reported reduced fund balances.

The general fund is the primary operating fund of the City and at June 30, 2013 reported a total fund balance of \$32.7 million, \$4.8 million or 17.2% greater than the total fund balance for the previous fiscal year. The unassigned portion of fund balance continued to improve, increasing from \$14.9 million or approximately 4.5% of total fund revenues and other financing sources at June 30, 2012 to \$21.1 million or 6.0% of fund revenues and other financing sources at June 30, 2013. During the past fiscal year, the City added a total of \$4.8 million to the Rainy Day Stabilization Fund, which at June 30, 2013 accounted for \$11 million of the \$21.1 million in unassigned fund balance. The City's funding target for the Rainy Day Stabilization Fund is 5% of the General Fund budget, or approximately \$17.5 million. Note 14, on page 71 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**

	2013	2012	2011 (1)	2010	2009	2008
Total fund balance	\$ 32,715,384	\$ 28,224,341	30,773,574	\$ 19,312,545	\$ 20,169,278	\$ 19,433,216
Less: Fund balance restrictions for:						
Debt service.....	2,896,430	617,572	683,320	749,640	881,707	-
Capital.....	268,186	7,729	108,107	-	-	-
Other postemployment benefits (2).....	-	312,973	137,295	-	-	-
Less: Fund balance committed for:						
Subsequent year's expenditures.....	300,000	2,565,748	2,066,320	2,675,133	5,051,017	2,900,000
Capital.....	2,149,216	5,049,725	9,714,755	-	-	-
Continued appropriations.....	2,899,584	2,201,193	3,096,013	3,192,017	2,335,964	2,223,358
Less: Fund balance assigned for:						
Encumbrances.....	2,977,415	2,435,508	727,814	1,804,606	1,377,372	867,806
Capital.....	133,106	147,553	116,627	-	-	-
Unassigned fund balance.....	21,091,447	14,886,340	14,123,323	10,891,149	10,523,218	13,442,052
Total revenues & other financing sources.....	\$ 349,844,773	\$ 329,962,477	321,055,179	\$ 318,872,777	\$ 310,562,043	\$ 296,667,211
Total fund balance as % total revenues and ofs.....	9.4%	8.6%	9.6%	6.1%	6.5%	6.6%
Unassigned fund balance as % total revenues and ofs.....	6.0%	4.5%	4.4%	3.4%	3.4%	4.5%

(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*

(2) Starting in fiscal year 2013 other postemployment benefits are being reported as an other postemployment benefits trust fund in the fiduciary funds financial statements

Total fiscal year 2013 general fund revenues and other financing sources increased by \$19.9 million or 6.1%, to \$349.8 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 257,225,856	73.5%	\$ 8,722,286	3.5%
Motor vehicle excise taxes.....	11,351,368	3.2%	783,889	7.4%
Hotel room occupancy taxes.....	2,051,414	0.6%	236,622	13.0%
Meals taxes.....	1,407,803	0.4%	4,542	0.3%
Penalties and interest on taxes.....	984,301	0.3%	(132,700)	-11.9%
Licenses and permits.....	8,200,172	2.3%	2,783,190	51.4%
Intergovernmental.....	57,693,939	16.5%	6,768,525	13.3%
Charges for services.....	1,822,894	0.5%	83,256	4.8%
Fines and forfeitures.....	1,939,122	0.6%	(61,264)	-3.1%
Investment income.....	188,892	0.1%	(72,406)	-27.7%
Payments in lieu of taxes.....	521,643	0.1%	42,026	8.8%
Special assessments.....	66,752	0.0%	(6,785)	-9.2%
Miscellaneous.....	375,371	0.1%	(305,707)	-44.9%
Total revenues.....	343,829,527	98.3%	18,845,474	5.8%
Premium from issuance of bonds/notes.....	590,740	0.2%	459,361	349.6%
Sale of capital assets.....	22,725	0.0%	(12,323)	-35.2%
Transfers from other funds.....	5,401,781	1.5%	589,784	12.3%
Total revenues and other financing sources.....	\$ 349,844,773	100.0%	\$ 19,882,296	6.1%

Property tax growth of \$8.7 million accounted for 43.7% of all revenue growth for the year.

Intergovernmental revenue including \$32.0 million in Commonwealth of Massachusetts on-behalf payments for Newton participants in the Massachusetts Teachers Retirement System, increased by \$6.8 million or 13.3% during the year. The 5% grant hold back on the new Newton North High School project accounted for \$2.3 million of this sum and the balance represents increased Chapter 70 assistance to the Newton Public Schools. The \$2.3 million North High School grant reimbursement has been reserved for funding of future project debt service pursuant to Massachusetts Department of Revenue regulations.

The \$2.8 million increase in license and permit revenue represents inspectional services permit revenue. Total fiscal year 2013 inspectional service permit revenue amounted to \$6.9 million. The median annual revenue realized from this source over the trailing five year period is \$4.1 million.

A detailed schedule of inter-fund transfer activity is presented in note 7, on page 57 of this report.

Total general fund expenditures and transfers to other funds totaled \$345.0 million, an increase of \$12.5 million or 3.6% over the previous fiscal year.

	Amount	%	Increase/ (Decrease)	%
		of Total		Change
General government.....	\$ 14,000,199	4.1%	130,955	0.9%
Public safety.....	35,420,583	10.3%	72,496	0.2%
Education.....	176,950,192	51.1%	7,276,464	4.3%
Public works.....	21,214,497	6.1%	3,017,485	16.6%
Health and human services.....	3,876,000	1.1%	143,254	3.8%
Culture and recreation.....	9,843,035	2.9%	403,858	4.3%
Retirement benefits.....	57,813,067	16.8%	1,757,584	3.1%
Workers' compensation insurance.....	1,300,643	0.4%	151,268	13.2%
Property and liability insurance.....	421,363	0.1%	11,464	2.8%
Claims and judgements.....	128,950	0.0%	70,446	120.4%
State assessments and charges.....	5,722,550	1.7%	218,594	4.0%
Debt service				
Principal.....	8,841,167	2.6%	187,800	2.2%
Interest.....	7,492,201	2.2%	20,667	0.3%
Total expenditures.....	343,024,447	99.4%	13,462,335	4.1%
Transfers to other funds.....	2,016,310	0.6%	(933,288)	-31.6%
Total expenditures and transfers.....	\$ 345,040,757	100.0%	\$ 12,529,047	3.8%

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

The increase in public works spending is related to more normal snow and ice control requirements experienced during fiscal year 2013. The increase in education spending is related to the budget priorities of the community.

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 \$1.8 million or 3.1% for the year. The \$1.8 million increase in retirement spending consisted of \$1.3 million in additional contributions to the Massachusetts Teachers Retirement System; \$0.4 million in additional funding for the Newton Retirement System, and a \$0.1 million increase in pay-as-you-go retiree health benefit costs.

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, 2013, the City realized \$3.2 million in CPA fund revenue, \$2.5 million (78.1%) of which came from the local property tax surcharge. State matching funds amounted to \$0.7 million. Fund expenditures totaled \$2.4 million for the year, \$1.0 million (41.9%) of which was for historic preservation project purposes and \$0.8 million (34.8%) 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 \$8,565.

The overall financial position of all non-major governmental funds declined by \$2.5 million (11.3%) during the year. A total of \$1.8 million or 72% of this decline occurred in capital project funds as the result of capital project spending that was financed with bond proceeds that were realized in prior fiscal years

Proprietary funds - The City's proprietary funds provide the same information found in the government-wide statements, but in slightly more detail. Proprietary fund net position's net investment in capital assets 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 \$2.9 million to \$43.9 million at June 30, 2013. This resulted from the fact that fund revenues continue to exceed fund expenses, which is principally a result of the more accurate and timely billings from the City's newly installed water meter system. A total of \$26.1 million or 59.5% of the fund's net position represent its net investment in capital assets. Unrestricted fund net position amounted to \$17.8 million at June 30, 2013, the equivalent of 8.7 months of operating expenditures.

The financial position of the City's water fund also improved during the last fiscal year from \$36.0 million at June 30, 2012 to \$38.4 million at June 30, 2013. The \$2.4 million improvement in the financial position of this fund was also a function of the improved billings and collections resulting from the installation of new water meters.

A total of \$30.1 million or 78.4% of the total fund net position represents the City's net investment in capital assets. Unrestricted fund net position were \$8.6 million, also approximately 6.7 months of operating expenditures.

The financial position of the City's Internal Service Funds decreased by \$1.7 million, or 11.3%, to 13.4 million during the year ended June 30, 2013. 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 90-93.

The financial position of the City's workers compensation self-insurance fund declined by \$3.1 million during the year and accounted for all of the deterioration in the financial position of the internal service funds. A \$3.9 million increase in the City's estimate of incurred but unreported workers compensation benefit claims was the source of the decline. The change in the liability estimate resulted from an independent evaluation of open workers compensation cases by the City's new workers compensation administrator.

In spite of a three week payroll deduction holiday that took place late in fiscal year 2013, the City's group health self-insurance fund's financial position improved by \$1.3 million to \$14.1 million. The \$14.1 million year-end net position represents 3.8 months of average paid claims. The City's target financial position for the fund is 1.5 – 2.0 months of average paid claims.

The City's Building Insurance Fund ended the fiscal year with a net position of \$484,026. A total of \$448,000 of this sum has been designated to fund fiscal year 2014 property insurance premiums.

Fiduciary funds – The net position of the City's contributory retirement system increased by \$20.8 million (8.9%) to \$254.2 million during the system's fiscal year that ended December 31, 2012, entirely as a result of positive investment performance. According to the Commonwealth of Massachusetts Public Employee Retirement Administration Commission's 2012 Annual Report, the Newton Contributory Retirement System's investment portfolio returned 14.15% for the year (compared to a long term return assumption of 7.75%). The plan's ten year average annual return is 6.95%. The funded status of the defined benefit retirement plan at January 1, 2013 was 52.3%.

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 72-75 of this report.

General Fund Budgetary Highlights:

The difference between the original General Fund budget of \$317.6 million (including prior year encumbrances and continuing appropriations) and the final amended budget of \$325.0 million amounts to 2.3% and can be summarized as follows:

Description	Amount
Rainy Day Stabilization fund.....	\$ 2,850,000
Snow and ice control.....	1,300,000
Interest on tax refunds.....	1,108,368
Capital outlay and improvements.....	844,926
School SPED tuitions.....	620,000
Emergency tree maintenance.....	262,000
Veteran benefits.....	125,000
School technology.....	119,426
Police overtime.....	100,000
Bond sale costs.....	74,876
Environmental insurance.....	40,410
Special election - Ward 1 Alderman.....	35,000
Veteran services salaries.....	1,000
State assessments.....	<u>(34,131)</u>
 Total supplemental appropriations.....	 <u>\$ 7,446,875</u>

There were no deficits incurred in the appropriations of the various departments of the City. All but \$1.9 million (0.6%) of total appropriations were expended, encumbered, or continued into fiscal year 2014 for completion of the appropriated purposes at June 30, 2013. Please refer to pages 102–111 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 \$228.1 million, as of June 30, 2013, amounts to \$498.6 million. The investment in capital assets includes land and land improvements, intangible assets, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Land and improvements.....	\$ 22,226,126	\$ 22,226,126	\$ 284,785	\$ 284,785	\$ 22,510,911	\$ 22,510,911
Intangible assets.....	2,238,261	1,270,000	-	-	2,238,261	1,270,000
Buildings and improvements.....	312,637,033	318,092,734	2,214,526	2,286,814	314,851,559	320,379,548
Machinery and equipment.....	21,911,216	18,577,977	10,066,842	10,472,627	31,978,058	29,050,604
Infrastructure.....	45,672,372	44,064,082	66,129,347	63,267,749	111,801,719	107,331,831
Construction in progress.....	<u>15,151,760</u>	<u>3,293,056</u>	<u>32,445</u>	<u>4,345</u>	<u>15,184,205</u>	<u>3,297,401</u>
Total capital assets.....	<u>\$ 419,836,768</u>	<u>\$ 407,523,975</u>	<u>\$ 78,727,945</u>	<u>\$ 76,316,320</u>	<u>\$ 498,564,713</u>	<u>\$ 483,840,295</u>

Total capital assets, net of accumulated depreciation, increased by \$14.7 million or 3.0%. Major capital asset events during 2013 included the following:

- Business-type activity net capital assets increased by \$2.4 million, due to water and sewer system improvements funded with Massachusetts Water Resources Authority grants and interest free loans, and the beginning of a locally funded sewer infiltration and inflow reduction program.

- Governmental activity capital assets (net) increased by \$12.3 million, principally as a result of a variety of school improvement projects and Route 9 area roadway intersection improvements that are being funded with state Mass Works grant funds.

Additional information on the City's capital assets may be found on pages 53-55 of this report.

Debt outstanding – At June 30, 2013, the City had total long term debt outstanding of \$222.6 million, \$189.3 million for governmental activities and \$33.3 million for business-type activities. There were no bond anticipation notes outstanding at June 30, 2013. 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>	
	2013	2012	2013	2012	2013	2012
Education buildings.....	\$ 168,213,224	\$ 167,402,333	\$ -	\$ -	\$ 168,213,224	\$ 167,402,333
Municipal buildings.....	10,945,000	10,250,000	-	-	10,945,000	10,250,000
Departmental equipment.....	7,412,000	7,040,000	-	-	7,412,000	7,040,000
Landfill closure.....	952,600	1,028,100	-	-	952,600	1,028,100
Street reconstruction.....	255,000	325,000	-	-	255,000	325,000
Land acquisition.....	1,520,000	2,275,000	-	-	1,520,000	2,275,000
Water system.....	-	-	19,207,903	18,179,039	19,207,903	18,179,039
Sanitary sewer system.....	-	-	14,106,701	11,146,978	14,106,701	11,146,978
Total bonds and notes.....	\$ 189,297,824	\$ 188,320,433	\$ 33,314,604	\$ 29,326,017	\$ 222,612,428	\$ 217,646,450

During the year just ended, the City added \$24.0 million in new bonds and retired \$19.0 million in existing bonds. General fund interest and principal payments amounted to \$16.3 million or 4.6% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$831,125, or 26.1%, 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, 2013 the City's authorized and unissued long term debt amounted to \$29.9 million, a decrease of \$6.8 million (18.7%) from June 30, 2012. Subsequent to year end, the Mayor and Board of Aldermen have authorized \$38.7 million in new bonded debt, \$36.8 million of which is for the construction of a new Angier elementary school. The debt service on the Angier project is to be funded with a Proposition 2 ½ debt exclusion that was approved by Newton voters in the spring of 2014.

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 58-65 of this report. In addition, debt trend information is available on pages 144-145 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 for June of 2013 was 5.5%, which compared favorably with the statewide unemployment rate of 7% and the national unemployment rate of 7.6%.

- According to the City's Board of Assessors, the 2013 median value of a single family home in Newton was \$685,900; the median value of a commercial property was \$754,200; and the median value of industrial property was \$874,200.

The City of Newton's fiscal year 2014 general fund operating budget, as amended through the date of this report, amounts to \$339 million, \$5.9 million of which represents encumbrances and continuing appropriations from fiscal year 2013. This represents an increase of \$13.9 million, or 4.3%, from the final fiscal year 2013 budget total. The fiscal year 2014 budget includes \$8.4 million in new spending authorized by Newton voters in the spring of 2013 as a Proposition 2 ½ operating override.

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



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

JUNE 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 52,610,560	\$ 17,912,165	\$ 70,522,725	\$ 512,543
Restricted cash and cash equivalents.....	54,047,246	10,858,009	64,905,255	81,702
Restricted investments.....	9,348,880	-	9,348,880	-
Interest and dividends.....	31,973	-	31,973	438,923
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	3,496,954	-	3,496,954	-
Tax and utility liens.....	8,885,430	250,411	9,135,841	-
Motor vehicle excise.....	1,138,233	-	1,138,233	-
Community preservation surcharges.....	25,248	-	25,248	-
Charges for service.....	715,684	12,218,296	12,933,980	-
Departmental and other.....	719,993	-	719,993	18,669
Intergovernmental.....	6,813,156	229,837	7,042,993	-
Special assessments.....	2,365	146	2,511	-
Loans.....	-	-	-	80,970
Other assets.....	38,417	-	38,417	-
Due from fiduciary funds.....	14,997	-	14,997	-
Prepaid expenses.....	-	-	-	660
Working capital deposit.....	448,073	-	448,073	-
Total current assets.....	138,337,209	41,468,864	179,806,073	1,133,467
Noncurrent assets:				
Restricted investments.....	35,651	-	35,651	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	3,213,602	-	3,213,602	-
Departmental and other.....	4,149,929	-	4,149,929	-
Intergovernmental.....	207,486	1,608,359	1,815,845	-
Special assessments.....	576,976	47,635	624,611	-
Loans.....	-	-	-	4,027,482
Capital assets:				
Nondepreciable.....	39,616,147	317,230	39,933,377	-
Depreciable, net of accumulated depreciation.....	380,220,621	78,410,715	458,631,336	1,965,159
Total noncurrent assets.....	428,020,412	80,383,939	508,404,351	5,992,641
Total assets.....	566,357,621	121,852,803	688,210,424	7,126,108
LIABILITIES				
Current liabilities:				
Warrants payable.....	6,408,670	434,673	6,843,343	50,280
Accrued liabilities.....	5,619,060	530,760	6,149,820	3
Accrued payroll.....	13,464,842	46,066	13,510,908	-
Revenue refunds payable.....	5,313,269	-	5,313,269	-
Health claims payable.....	3,996,304	-	3,996,304	-
Other liabilities.....	2,463,098	1,921	2,465,019	-
Accrued interest.....	1,847,694	173,064	2,020,758	-
Abandoned property.....	880,514	-	880,514	-
Liabilities payable from restricted assets.....	320,447	453,679	774,126	-
Bonds payable.....	9,664,867	4,682,975	14,347,842	-
Landfill closure and other environmental liabilities.....	110,887	-	110,887	-
Compensated absences.....	3,011,447	28,501	3,039,948	-
Workers' compensation benefits.....	1,541,706	-	1,541,706	-
Total current liabilities.....	54,642,805	6,351,639	60,994,444	50,283

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF NET POSITION (Continued)

JUNE 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent liabilities:				
Bonds payable.....	179,632,957	28,631,629	208,264,586	-
Landfill closure and other environmental liabilities.....	557,226	-	557,226	-
Compensated absences.....	5,337,491	256,508	5,593,999	-
Net OPEB obligation.....	173,296,572	4,243,314	177,539,886	-
Workers' compensation benefits.....	8,890,047	-	8,890,047	-
Total noncurrent liabilities.....	367,714,293	33,131,451	400,845,744	-
Total liabilities.....	422,357,098	39,483,090	461,840,188	50,283
NET POSITION				
Net investment in capital assets.....	238,374,247	56,271,350	294,645,597	1,965,159
Restricted for:				
Community preservation activities.....	10,752,575	-	10,752,575	-
Education activities.....	2,763,108	-	2,763,108	-
Debt service.....	2,896,430	-	2,896,430	-
Perpetual funds:				
Expendable.....	796,061	-	796,061	-
Nonexpendable.....	447,206	-	447,206	-
Other specific purposes.....	10,326,004	-	10,326,004	-
Unrestricted.....	(122,355,108)	26,098,363	(96,256,745)	5,110,666
Total net position.....	\$ 144,000,523	\$ 82,369,713	\$ 226,370,236	\$ 7,075,825

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.....	\$ 2,674,332	\$ 259,264	\$ 12,361	\$ 5,510	\$ (2,397,197)	
Elections.....	953,065	1,504	45,392	-	(906,169)	
Financial administration.....	4,533,218	225,556	1,586	-	(4,306,076)	
Administrative support.....	4,461,111	420,220	6	-	(4,040,885)	
Planning & development.....	5,115,813	1,148,014	2,493,676	-	(1,474,123)	
Public building maintenance & operation.....	5,081,124	36,877	89,925	-	(4,954,322)	
Interest on property tax refunds.....	179,139	-	-	-	(179,139)	
Public safety						
Police.....	29,583,207	5,218,312	389,060	-	(23,975,835)	
Fire.....	25,749,084	933,186	67,444	-	(24,748,454)	
Inspectional services.....	1,630,407	6,971,811	-	-	5,341,404	
Education.....	264,655,220	7,959,269	63,025,173	-	(193,670,778)	
Public works						
Streets & sidewalks.....	12,569,978	3,089,166	75,202	5,969,817	(3,435,793)	
Control of snow & ice.....	4,108,144	-	254,385	-	(3,853,759)	
Sanitation.....	9,671,604	6,450	87,979	-	(9,577,175)	
Engineering.....	1,844,664	55,551	-	-	(1,789,113)	
Health & human services						
Public health & human services.....	9,920,714	133,390	286,399	-	(9,500,925)	
Senior services.....	893,449	3,774	255,072	-	(634,603)	
Veteran services.....	509,321	-	391,382	-	(117,939)	
Culture and recreation						
Libraries.....	7,285,180	118,660	426,719	-	(6,739,801)	
Parks & recreation.....	8,597,562	2,389,336	217,130	-	(5,991,096)	
Newton History museum.....	294,376	-	2,454	-	(291,922)	
Debt service - interest.....	7,989,634	-	1,198,366	-	(6,791,268)	
Total governmental activities.....	408,300,346	28,970,340	69,319,711	5,975,327	(304,034,968)	
Business-type activities:						
Water.....	15,896,034	19,372,911	498,979	7,620	3,983,476	
Sewer.....	25,359,689	27,803,021	560,106	2,188	3,005,626	
Total business-type activities.....	41,255,723	47,175,932	1,059,085	9,808	6,989,102	
Total Primary Government.....	\$ 449,556,069	\$ 76,146,272	\$ 70,378,796	\$ 5,985,135	\$ (297,045,866)	
Component units:						
Newton Commonwealth Foundation, Inc.....	\$ 244,505	\$ 312,583	\$ 2,474	\$ -	\$ 70,552	
Newton Community Development Authority.....	660,871	592	622,518	-	(37,761)	
Total Component Units.....	\$ 905,376	\$ 313,175	\$ 624,992	\$ -	\$ 32,791	

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net (expense)/revenue (from previous page).....	\$ (304,034,968)	\$ 6,989,102	\$ (297,045,866)	\$ 32,791
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	258,590,398	-	258,590,398	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,501,875	-	2,501,875	-
Motor vehicle and other excise taxes.....	11,404,708	-	11,404,708	-
Hotel room occupancy taxes.....	2,051,414	-	2,051,414	-
Meals taxes.....	1,407,803	-	1,407,803	-
Penalties and interest on taxes.....	1,011,590	-	1,011,590	-
Payments in lieu of taxes.....	524,906	-	524,906	-
Grants and contributions not restricted to specific programs.....	6,276,114	-	6,276,114	-
Unrestricted investment income.....	202,473	-	202,473	-
Other.....	1,492,956	-	1,492,956	-
<i>Transfers, net</i>	1,640,260	(1,640,260)	-	-
Total general revenues and transfers.....	287,104,497	(1,640,260)	285,464,237	-
Change in net position.....	(16,930,471)	5,348,842	(11,581,629)	32,791
Net position - beginning of year (as restated).....	160,930,994	77,020,871	237,951,865	7,043,034
Net position - end of year.....	\$ 144,000,523	\$ 82,369,713	\$ 226,370,236	\$ 7,075,825

See notes to basic financial statements.

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

JUNE 30, 2013

ASSETS	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 50,892,228	\$ -	\$ -	\$ 1,718,332	\$ 52,610,560
Interest and dividends.....	-	-	-	1,847	1,847
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	3,496,954	-	-	-	3,496,954
Real estate tax deferrals.....	3,213,602	-	-	-	3,213,602
Tax liens.....	8,881,747	-	-	3,683	8,885,430
Motor vehicle excise.....	1,138,233	-	-	-	1,138,233
Community preservation surcharges.....	-	25,248	-	-	25,248
Charges for services.....	35,385	-	-	680,299	715,684
Departmental and other.....	4,827,722	-	-	7,009	4,834,731
Intergovernmental.....	990,217	1,305,486	-	4,724,939	7,020,642
Special assessments.....	579,341	-	-	-	579,341
Due from other funds.....	2,631,492	-	-	-	2,631,492
Due from fiduciary funds.....	14,997	-	-	-	14,997
Other assets.....	8,417	-	-	30,000	38,417
Restricted assets:					
Cash and cash equivalents.....	3,164,616	9,432,315	8,565	20,229,479	32,834,975
Investments.....	-	-	-	595,247	595,247
TOTAL ASSETS.....	\$ 79,874,951	\$ 10,763,049	\$ 8,565	\$ 27,990,835	\$ 118,637,400
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 3,707,237	\$ 9,368	\$ -	\$ 2,461,429	\$ 6,178,034
Accrued liabilities.....	3,297,685	-	-	1,083,694	4,381,379
Accrued payroll.....	12,858,905	970	-	593,269	13,453,144
Revenue refunds payable.....	5,313,269	-	-	-	5,313,269
Other liabilities.....	-	136	-	1,256,391	1,256,527
Abandoned property.....	880,514	-	-	-	880,514
Liabilities due depositors.....	320,447	-	-	-	320,447
Deferred revenue.....	20,781,510	1,325,730	-	364,767	22,472,007
Due to other funds.....	-	-	-	2,631,492	2,631,492
TOTAL LIABILITIES.....	47,159,567	1,336,204	-	8,391,042	56,886,813
FUND BALANCES:					
Nonspendable.....	-	-	-	447,206	447,206
Restricted.....	3,164,616	9,426,845	8,565	17,434,255	30,034,281
Committed.....	5,348,800	-	-	1,718,332	7,067,132
Assigned.....	3,110,521	-	-	-	3,110,521
Unassigned.....	21,091,447	-	-	-	21,091,447
TOTAL FUND BALANCES.....	32,715,384	9,426,845	8,565	19,599,793	61,750,587
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 79,874,951	\$ 10,763,049	\$ 8,565	\$ 27,990,835	\$ 118,637,400

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 POSITION**

JUNE 30, 2013

Total governmental fund balances (page 22).....	\$	61,750,587
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		419,836,768
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		22,472,007
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(1,847,694)
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.....		(189,297,824)
Landfill closure and other environmental liabilities.....		(668,113)
Compensated absences.....		(8,348,938)
Net OPEB obligation.....		(173,296,572)
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 position.....		<u>13,400,302</u>
Net position of governmental activities (page 19).....	\$	<u><u>144,000,523</u></u>

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, 2013

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes	\$ 257,225,856	\$ -	\$ -	\$ -	\$ 257,225,856
Motor vehicle excise taxes	11,351,368				11,351,368
Hotel room occupancy taxes	2,051,414				2,051,414
Meals taxes	1,407,803				1,407,803
Community preservation surcharges		2,508,969			2,508,969
Penalties and interest on taxes	984,301			27,290	1,011,591
Licenses and permits	8,200,172			1,091,091	9,291,263
Intergovernmental	57,693,939	652,294		23,624,824	81,971,057
Charges for services	1,822,894			15,879,530	17,702,424
Fines and forfeitures	1,939,122			90,738	2,029,860
Investment income		19,091		49,743	257,726
Contributions and donations				833,888	833,888
Payments in lieu of taxes	521,643				521,643
Miscellaneous	375,371			218,341	593,712
Special assessments	66,752			157,751	224,503
TOTAL REVENUES	343,829,527	3,180,354		41,973,196	388,983,077
EXPENDITURES					
Current:					
General government:					
Legislative & executive	1,847,953				1,847,953
Elections	632,393			28,924	661,317
Financial administration	3,216,349				3,216,349
Administrative support	3,313,313				3,313,313
Planning & development	1,081,684	556,803		2,878,218	4,516,705
Public building maintenance & operations	3,729,368	28,318		1,469,504	5,227,190
Interest on property tax refunds	179,139				179,139
Public safety:					
Police	17,794,088			3,637,093	21,431,181
Fire	16,549,507			1,167,861	17,717,368
Inspectional services	1,076,988			6,918	1,083,906
Education	176,950,192		127,980	33,294,820	210,372,992
Public works:					
Streets & sidewalks	4,843,312			7,659,065	12,502,377
Control of snow & ice	3,694,007				3,694,007
Sanitation	7,892,394			3,058	7,895,452
Vehicle maintenance	2,301,905			7,656	2,309,561
Engineering	1,041,433			55,551	1,096,984
Administration & support	1,441,446				1,441,446
Health and human services:					
Health & human services	2,955,788			240,081	3,195,869
Senior services	559,325			242,914	802,239
Veteran services	360,887				360,887
Culture and recreation:					
Libraries	5,054,270			337,805	5,392,075
Parks & recreation	4,560,626			2,480,033	7,040,659
Newton History museum	228,139	970,531		3,278	1,201,948
Retirement benefits	57,813,067				57,813,067
Workers' compensation insurance	1,300,643				1,300,643
Property and liability insurance	421,363				421,363
Claims and judgments	128,950				128,950
State assessments & charges	5,722,550				5,722,550
Debt service:					
Principal	8,841,167	755,000			9,596,167
Interest	7,492,201	76,125			7,568,326
TOTAL EXPENDITURES	343,024,447	2,386,777	127,980	53,512,779	399,051,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	805,080	793,577	(127,980)	(11,539,583)	(10,068,906)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,401,781		53,446	2,276,951	7,732,178
Issuance of general obligation bonds				10,812,558	10,812,558
Premium from issuance of bonds and notes	590,740				590,740
Proceeds of refunding bonds			4,761,000		4,761,000
Premium from issuance of refunding bonds			597,034		597,034
Sale of assets	22,725			32,600	55,325
Transfers out	(2,016,310)	(2,802)	(5,171)	(4,067,636)	(6,091,919)
Payments to refunding bond escrow agent			(5,358,034)		(5,358,034)
TOTAL OTHER FINANCING SOURCES (USES)	3,998,936	(2,802)	48,275	9,054,473	13,098,882
NET CHANGE IN FUND BALANCES	4,804,016	790,775	(79,705)	(2,485,110)	3,029,976
FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED)	27,911,368	8,636,070	88,270	22,084,903	58,720,611
FUND BALANCES AT END OF YEAR	\$ 32,715,384	\$ 9,426,845	\$ 8,565	\$ 19,599,793	\$ 61,750,587

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, 2013

Net change in fund balances - total governmental funds (page 24).....	\$	3,029,976
<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.....		27,106,625
Depreciation.....		(14,727,189)
<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 position differs from the change in fund balance by the net book value of the disposed capital assets.....</p>		
		(66,643)
<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>		
		(411,738)
<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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond proceeds.....		(10,812,558)
Proceeds of refunding bonds.....		(4,761,000)
Retirement of refunded bonds.....		5,000,000
Bond maturities.....		9,596,167
<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>		
		(63,273)
<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.....		75,887
Compensated absences.....		(185,894)
Net OPEB obligation.....		(28,963,538)
<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>(1,747,293)</u>
Changes in net position of governmental activities (page 21).....	\$	<u>(16,930,471)</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, 2013

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes	\$ 256,997,730	256,559,763	\$ 257,032,377	\$ 472,614
Motor vehicle excise taxes	10,300,000	10,350,000	10,914,807	564,807
Hotel room occupancy taxes	1,682,000	1,682,000	2,051,414	369,414
Meals tax	1,388,000	1,388,000	1,407,803	19,803
Penalties and interest on taxes	1,000,000	1,000,000	984,301	(15,699)
Licenses and permits	5,122,520	5,122,520	8,200,172	3,077,652
Intergovernmental	22,875,804	23,229,640	25,645,692	2,416,052
Charges for services	1,603,217	1,603,217	1,822,894	219,677
Fines and forfeitures	1,926,000	1,927,500	1,939,122	11,622
Investment income	240,000	240,000	167,201	(72,799)
Payments in lieu of taxes	410,000	410,000	521,643	111,643
Miscellaneous	138,564	138,564	358,290	219,726
Special assessments	75,000	73,500	66,752	(6,748)
TOTAL REVENUES	303,758,835	303,724,704	311,112,468	7,387,764
EXPENDITURES				
Current:				
General government:				
Legislative & executive	1,941,516	1,933,005	1,847,953	85,052
Elections	447,694	678,093	632,393	45,700
Financial administration	3,612,353	4,064,662	3,216,349	848,313
Administrative support	3,799,182	3,690,747	3,313,313	377,434
Planning & development	1,167,293	1,229,701	1,081,684	148,017
Public building maintenance & operations	3,969,476	3,904,946	3,729,368	175,578
Interest on property tax refunds	-	672,858	179,139	493,719
Public safety:				
Police	17,920,351	18,148,180	17,815,397	332,783
Fire	17,530,143	17,513,236	16,549,507	963,729
Inspectional services	1,149,813	1,165,639	1,076,988	88,651
Education	180,430,102	179,323,995	176,950,192	2,373,803
Public works:				
Streets & sidewalks	5,656,471	5,373,731	4,843,312	530,419
Control of snow & ice	1,000,000	3,696,684	3,694,007	2,677
Sanitation	7,731,448	7,976,844	7,892,394	84,450
Vehicle maintenance	2,639,067	2,432,891	2,301,905	130,986
Engineering	1,059,355	1,066,998	1,041,433	25,565
Administration & support	1,446,031	1,448,995	1,441,446	7,549
Health and human services:				
Health & human services	3,210,788	3,073,750	2,955,788	117,962
Senior services	591,434	588,021	559,325	28,696
Veteran services	268,533	393,581	360,897	32,694
Culture and recreation:				
Libraries	5,131,427	5,109,961	5,054,270	55,691
Parks & recreation	4,591,224	5,212,902	4,560,626	652,276
Newton History museum	246,571	245,794	228,139	17,655
Retirement benefits	26,393,402	25,836,202	25,835,951	251
Workers' compensation insurance	945,000	1,300,643	1,300,643	-
Property and liability insurance	450,520	450,520	421,363	29,157
Claims and judgments	141,496	130,352	128,950	1,402
Reserve fund	2,036,227	227	-	2,272
State assessments & charges	5,845,130	5,810,999	5,722,550	88,449
Debt service:				
Principal	8,841,167	8,841,167	8,841,167	-
Interest	7,423,451	7,423,451	7,421,070	2,381
TOTAL EXPENDITURES	317,616,665	318,738,775	310,997,509	7,741,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,857,830)	(15,014,071)	114,959	15,129,030
OTHER FINANCING SOURCES (USES)				
Transfers in	6,655,381	7,695,243	7,537,325	(157,918)
Premium from issuance of bonds and notes	-	-	590,740	590,740
Sale of assets	-	-	22,725	22,725
Transfers out	-	(6,324,765)	(6,324,765)	-
TOTAL OTHER FINANCING SOURCES (USES)	6,655,381	1,370,478	1,826,025	455,547
NET CHANGE IN FUND BALANCE	(7,202,449)	(13,643,593)	1,940,984	15,584,577
FUND BALANCE AT BEGINNING OF YEAR	21,735,824	21,735,824	21,735,824	-
FUND BALANCE AT END OF YEAR	\$ 14,533,375	\$ 8,092,231	\$ 23,676,808	\$ 15,584,577

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, 2013

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 2,472,621	2,472,621	\$ 2,507,871	35,250
Intergovernmental	566,895	566,895	652,294	85,399
Investment income.....	-	-	19,091	19,091
TOTAL REVENUES.....	3,039,516	3,039,516	3,179,256	139,740
EXPENDITURES				
Current:				
General government:				
Planning & development.....	790,547	1,045,047	556,803	488,244
Public building maintenance & operations.....	516,185	696,185	28,318	667,867
Culture and recreation:				
Libraries.....	1,222	-	-	-
Newton History museum.....	1,124,105	1,124,105	970,530	153,575
Reserve fund.....	2,066,075	2,067,797	-	2,067,797
Debt service:				
Principal.....	755,000	755,000	755,000	-
Interest.....	76,125	76,125	76,125	-
TOTAL EXPENDITURES.....	5,329,259	5,764,259	2,386,776	3,377,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,289,743)	(2,724,743)	792,480	3,517,223
OTHER FINANCING SOURCES (USES)				
Transfers out.....	(6,750)	(6,750)	(2,802)	3,948
NET CHANGE IN FUND BALANCE.....	(2,296,493)	(2,731,493)	789,678	3,521,171
FUND BALANCE AT BEGINNING OF YEAR.....	8,632,164	8,632,164	8,632,164	-
FUND BALANCE AT END OF YEAR.....	\$ 6,335,671	\$ 5,900,671	\$ 9,421,842	\$ 3,521,171

See notes to basic financial statements.

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

JUNE 30, 2013

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 11,085,891	\$ 6,826,274	\$ 17,912,165	\$ -
Restricted cash and cash equivalents.....	5,726,366	5,131,643	10,858,009	21,212,271
Restricted investments.....	-	-	-	8,789,284
Interest and dividends.....	-	-	-	30,126
Receivables, net of allowance for uncollectibles:				
Charges for service.....	7,273,699	4,944,597	12,218,296	-
Utility liens.....	143,824	106,587	250,411	-
Special assessments.....	146	-	146	-
Departmental and other.....	-	-	-	35,190
Intergovernmental.....	229,837	-	229,837	-
Working capital deposit.....	-	-	-	448,073
Total current assets.....	24,459,763	17,009,101	41,468,864	30,514,944
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	47,635	-	47,635	-
Intergovernmental.....	1,608,359	-	1,608,359	-
Capital assets:				
Nondepreciable.....	26,245	290,985	317,230	-
Depreciable, net of accumulated depreciation.....	34,476,343	43,934,372	78,410,715	-
Total noncurrent assets.....	36,158,582	44,225,357	80,383,939	-
Total assets.....	60,618,345	61,234,458	121,852,803	30,514,944
LIABILITIES				
Current liabilities:				
Warrants payable.....	54,845	379,828	434,673	230,636
Accrued liabilities.....	117,352	413,408	530,760	1,237,777
Accrued payroll.....	20,829	25,237	46,066	11,698
Other liabilities.....	833	1,088	1,921	1,206,474
Liabilities payable from restricted assets.....	165,875	287,804	453,679	-
Accrued interest.....	123,502	49,562	173,064	-
Accrued health claims payable.....	-	-	-	3,996,304
Workers' compensation claims.....	-	-	-	1,541,706
Compensated absences.....	14,778	13,723	28,501	-
Long-term bonds and notes payable.....	1,559,721	3,123,254	4,682,975	-
Total current liabilities.....	2,057,735	4,293,904	6,351,639	8,224,595
Noncurrent liabilities:				
Workers' compensation claims.....	-	-	-	8,890,047
Compensated absences.....	132,997	123,511	256,508	-
Net OPEB obligation.....	1,961,886	2,281,428	4,243,314	-
Long-term bonds and notes payable.....	12,546,980	16,084,649	28,631,629	-
Total noncurrent liabilities.....	14,641,863	18,489,588	33,131,451	8,890,047
Total liabilities.....	16,699,598	22,783,492	39,483,090	17,114,642
FUND NET POSITION				
Net investment in capital assets.....	26,122,253	30,149,097	56,271,350	-
Unrestricted.....	17,796,494	8,301,869	26,098,363	13,400,302
Total net position.....	\$ 43,918,747	\$ 38,450,966	\$ 82,369,713	\$ 13,400,302

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services.....	\$ 27,794,041	\$ 19,372,911	\$ 47,166,952	\$ -
Special assessments.....	8,980	-	8,980	-
Employer contributions.....	-	-	-	40,060,456
Plan member contributions.....	-	-	-	9,990,921
TOTAL OPERATING REVENUES.....	27,803,021	19,372,911	47,175,932	50,051,377
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	2,892,619	3,036,343	5,928,962	-
Other operating expenses.....	778,919	783,155	1,562,074	3,289,644
MWRA assessment.....	19,917,866	9,731,160	29,649,026	-
Workers' compensation.....	200,652	173,579	374,231	-
Self insurance claims.....	-	-	-	49,419,226
Depreciation.....	1,115,338	1,604,739	2,720,077	-
TOTAL OPERATING EXPENSES.....	24,905,394	15,328,976	40,234,370	52,708,870
OPERATING INCOME (LOSS).....	2,897,627	4,043,935	6,941,562	(2,657,493)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	275,149	315,437	590,586	-
Investment income.....	2,188	7,620	9,808	910,200
Premium from issuance of bonds.....	284,957	183,542	468,499	-
Interest expense.....	(454,295)	(532,258)	(986,553)	-
(Loss) on disposal of capital assets.....	-	(34,800)	(34,800)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	107,999	(60,459)	47,540	910,200
INCOME (LOSS) BEFORE TRANSFERS.....	3,005,626	3,983,476	6,989,102	(1,747,293)
TRANSFERS				
Transfers in.....	689,753	-	689,753	-
Transfers out.....	(784,349)	(1,545,664)	(2,330,013)	-
TOTAL TRANSFERS.....	(94,596)	(1,545,664)	(1,640,260)	-
CHANGE IN FUND NET POSITION.....	2,911,030	2,437,812	5,348,842	(1,747,293)
FUND NET POSITION AT BEGINNING OF YEAR.....	41,007,717	36,013,154	77,020,871	15,147,595
FUND NET POSITION AT END OF YEAR.....	\$ 43,918,747	\$ 38,450,966	\$ 82,369,713	\$ 13,400,302

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 29,053,665	\$ 20,285,179	\$ 49,338,844	\$ 9,990,921
Receipts from interfund services provided.....	-	-	-	40,082,231
Payments to vendors/providers.....	(21,747,567)	(11,654,805)	(33,402,372)	(48,608,213)
Payments to employees.....	(1,692,246)	(1,683,305)	(3,375,551)	-
NET CASH FROM OPERATING ACTIVITIES.....	5,613,852	6,947,069	12,560,921	1,464,939
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	689,753	-	689,753	-
Transfers out.....	(784,349)	(1,545,664)	(2,330,013)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(94,596)	(1,545,664)	(1,640,260)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	4,312,942	4,133,700	8,446,642	-
Premium from the issuance of bonds and notes.....	284,957	183,542	468,499	-
Acquisition and construction of capital assets.....	(1,910,785)	(3,255,717)	(5,166,502)	-
Principal payments on bonds and notes.....	(1,126,256)	(3,104,836)	(4,231,092)	-
Interest expense.....	(182,244)	(221,999)	(404,243)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	1,378,614	(2,265,310)	(886,696)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase and sales of investments, net.....	-	-	-	(288,087)
Investment income.....	2,188	7,620	9,808	910,200
NET CASH FROM INVESTING ACTIVITIES.....	2,188	7,620	9,808	622,113
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	6,900,058	3,143,715	10,043,773	2,087,052
CASH AND CASH EQUIVALENTS AT BEGINNING 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).....	9,912,199	8,814,202	18,726,401	19,125,219
CASH AND CASH EQUIVALENTS AT END OF YEAR				
(Includes \$5,726,366, \$5,131,643 and \$21,212,271 reported as restricted in the sewer, water enterprise funds and internal service funds respectively).....	\$ 16,812,257	\$ 11,957,917	\$ 28,770,174	\$ 21,212,271
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ 2,897,627	\$ 4,043,935	\$ 6,941,562	\$ (2,657,493)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities not requiring current cash flows:				
Depreciation.....	1,115,338	1,604,739	2,720,077	-
Net OPEB obligation.....	315,494	382,426	697,920	-
Changes in assets and liabilities requiring current cash flows:				
Utility liens.....	48,401	18,673	67,074	-
Water fees.....	-	893,595	893,595	-
Sewer fees.....	1,202,124	-	1,202,124	-
Special assessments.....	119	-	119	-
Interest and dividends.....	-	-	-	(1,501)
Departmental and other.....	-	-	-	5,037
Intergovernmental.....	-	-	-	18,239
Working capital deposits.....	-	-	-	(70,641)
Warrants payable.....	(53,951)	11,411	(42,540)	(56,398)
Accrued liabilities.....	90,705	26,424	117,129	205,887
Accrued payroll.....	(288)	1,430	1,142	478
Other liabilities.....	(3,801)	(43,477)	(47,278)	(243,144)
Liabilities payable from restricted assets.....	6,971	(6,005)	966	-
Accrued health claims payable.....	-	-	-	321,917
Workers' compensation.....	-	-	-	3,942,558
Accrued compensated absences.....	(4,887)	13,918	9,031	-
Total adjustments.....	2,716,225	2,903,134	5,619,359	4,122,432
NET CASH FROM OPERATING ACTIVITIES.....	\$ 5,613,852	\$ 6,947,069	\$ 12,560,921	\$ 1,464,939
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT and MWRA).....	\$ 502,112	\$ 315,437	\$ 817,549	\$ -

See notes to basic financial statements.

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

JUNE 30, 2013

ASSETS	Pension Trust Fund (As of 12/31/12)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 16,702,414	\$ 538,537	\$ 2,121,344	\$ 2,064,936
Investments.....	-	-	-	-
Fixed Income.....	-	-	900,926	-
Equities.....	133,095,910	-	5,191,128	-
Mutual bond funds.....	49,748,870	-	914,987	-
Real estate.....	23,367,413	-	493,368	-
Alternative.....	30,721,696	-	-	-
Interest and dividends.....	-	-	16,186	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	335,453	-	-	-
Plan members.....	213,979	-	-	-
Loans.....	-	-	19,663	-
Prepaid expenses.....	4,233	-	-	-
Total assets.....	<u>254,189,968</u>	<u>538,537</u>	<u>9,657,602</u>	<u>2,064,936</u>
LIABILITIES				
Warrants payable.....	7,652	-	1,500	-
Payroll withholdings.....	-	-	-	971,009
Other liabilities.....	-	-	-	1,093,927
Due to the general fund.....	-	-	14,997	-
Total liabilities.....	<u>7,652</u>	<u>-</u>	<u>16,497</u>	<u>2,064,936</u>
NET POSITION				
Assets held in trust for pension/other post employment benefits and other purposes.....	<u>\$ 254,182,316</u>	<u>\$ 538,537</u>	<u>\$ 9,641,105</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (As of 12/31/12)	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer.....	\$ 16,769,593	\$ 224,720	\$ -
Plan members.....	7,776,175	-	-
Private donations.....	-	-	87,520
Other.....	3,426	-	-
Total contributions.....	<u>24,549,194</u>	<u>224,720</u>	<u>87,520</u>
Net investment income:			
Net appreciation/(depreciation) in fair value of investments.....	23,081,158	-	-
Interest.....	8,808,318	844	821,237
Total investment income (loss).....	<u>31,889,476</u>	<u>844</u>	<u>821,237</u>
Less investment expense.....	<u>(1,213,488)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>30,675,988</u>	<u>844</u>	<u>821,237</u>
Intergovernmental.....	<u>971,524</u>	<u>-</u>	<u>-</u>
Transfers from other systems.....	<u>1,001,573</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>57,198,279</u>	<u>225,564</u>	<u>908,757</u>
DEDUCTIONS			
Retirement benefits.....	33,423,530	-	-
Refunds of contributions and transfers to other systems.....	2,659,004	-	-
Administration expense.....	276,643	-	31,157
Educational scholarships and awards.....	-	-	338,159
TOTAL DEDUCTIONS.....	<u>36,359,177</u>	<u>-</u>	<u>369,316</u>
CHANGE IN NET POSITION.....	<u>20,839,102</u>	<u>225,564</u>	<u>539,441</u>
NET POSITION AT BEGINNING OF YEAR (AS RESTATED).....	<u>233,343,214</u>	<u>312,973</u>	<u>9,101,664</u>
NET POSITION AT END OF YEAR.....	<u>\$ 254,182,316</u>	<u>\$ 538,537</u>	<u>\$ 9,641,105</u>

See notes to basic financial statements.

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

JUNE 30, 2013

	Component Units		
	Newton Commonwealth Foundation, Inc. (As of 12/31/12)	Newton Community Development Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 512,543	\$ -	\$ 512,543
Restricted cash and cash equivalents.....	-	81,702	81,702
Interest and dividends.....	-	438,923	438,923
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	18,669	-	18,669
Loans.....	-	80,970	80,970
Prepaid expenses.....	660	-	660
Total current assets.....	531,872	601,595	1,133,467
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Loans.....	-	4,027,482	4,027,482
Capital assets:			
Depreciable, net of accumulated depreciation.....	1,965,159	-	1,965,159
Total noncurrent assets.....	1,965,159	4,027,482	5,992,641
Total assets.....	2,497,031	4,629,077	7,126,108
LIABILITIES			
Current liabilities:			
Warrants payable.....	50,280	-	50,280
Accrued liabilities.....	-	3	3
Total liabilities.....	50,280	3	50,283
FUND NET POSITION			
Net investment in capital assets.....	1,965,159	-	1,965,159
Unrestricted.....	481,592	4,629,074	5,110,666
Total fund net position.....	\$ 2,446,751	\$ 4,629,074	\$ 7,075,825

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Component Units		
	Newton Commonwealth Foundation, Inc. (As of 12/31/12)	Newton Community Development Authority	Total
OPERATING REVENUES			
Charges for services.....	\$ 312,583	\$ -	\$ 312,583
Intergovernmental.....	-	581,194	581,194
Other.....	-	592	592
TOTAL OPERATING REVENUES.....	312,583	581,786	894,369
OPERATING EXPENSES			
Salaries, wages and employee benefits.....	41,596	-	41,596
Grant expense.....	-	580,394	580,394
Other operating expenses.....	50,000	80,477	130,477
Depreciation.....	152,909	-	152,909
TOTAL OPERATING EXPENSES.....	244,505	660,871	905,376
OPERATING INCOME (LOSS).....	68,078	(79,085)	(11,007)
NONOPERATING REVENUES (EXPENSES)			
Investment/interest income.....	2,474	41,324	43,798
CHANGE IN FUND NET POSITION.....	70,552	(37,761)	32,791
FUND NET POSITION AT BEGINNING OF YEAR (AS RESTATED).....	2,376,199	4,666,835	7,043,034
FUND NET POSITION AT END OF YEAR.....	\$ 2,446,751	\$ 4,629,074	\$ 7,075,825

See notes to basic financial statements.



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CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position 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 funds and proprietary funds 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.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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.

Other Postemployment Benefits (OPEB) Trust Fund: This fund is an irrevocable trust fund established for other postemployment benefits, which accumulates resources to reduce the unfunded actuarial liability of health care and other postemployment benefits.

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Funds 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.

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. Implementation of New Accounting Principles

For the year ending June 30, 2013, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the City.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

D. Assets, Liabilities and Equity

Cash and Cash Equivalents and Investments

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

Restricted Cash and Cash Equivalents and Investments

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

Receivables

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

Based upon an analysis of water and sewer receivable activity over the past three years, 1.5% and 1.4% 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.

Community preservation surcharges: Community preservation surcharges are levied annually and at a rate of 1% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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.

Special assessments: Special assessments consist of street and sidewalk betterments and are recorded as receivables in the fiscal year accrued.

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

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Net Position and Fund Balances

Government – wide financial statements and Proprietary Funds Financial Statements (Net Position) – Net position is reported as restricted when constraints placed on net position 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 position has been reported as restricted for the following purposes:

- 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.
- 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 26 fiscal years.
- Perpetual funds – expendable represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- Perpetual funds – non-expendable represents amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by other outside parties.

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Long term debt

Government-wide and Proprietary Funds Financial Statements – Long term debt is reported as a liability in the government wide and proprietary funds statements of net position. 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 enterprise operating funds is voluntarily assigned to the general fund. Investment income from internal service funds is retained in the funds.

Compensated Absences

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

Post Retirement Benefits

In addition to providing pension benefits and as more fully described in Note 12, the City provides health and life insurance coverage for current and future retirees and their spouses.

Use of Estimates

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

Total Column

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

Fund financial statements – The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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.

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2013 General Fund and Community Preservation Fund budgets authorized \$317,616,665 and \$5,336,009 (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 \$7,446,875, and \$435,000, for total budgets of \$325,063,540 and \$5,771,009, respectively.

Total General Fund expenditures and transfers to other funds totaled \$317,322,274, and \$5,876,999 in appropriation balances were carried forward into fiscal year 2014 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures and transfers to other funds were \$2,389,578, and \$1,281,268 in appropriation balances were carried forward into fiscal year 2014 to support encumbrances and continuing appropriations.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013 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.....	\$ 311,112,468	\$ 310,997,509	\$ 1,826,025
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	38,772	-	2,172,911
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	874,102	-	-
Net change in recording tax refunds payable.....	(244,062)	-	-
To record activity for landfill closure subsidy.....	71,131	71,131	-
To record activity of MTRS on-behalf payments.....	31,977,116	31,977,116	-
Net change in recording other expenditures.....	-	(21,309)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 343,829,527	\$ 343,024,447	\$ 3,998,936

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

	Community Preservation Fund
	<u>Revenues</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 3,179,256
<u>Adjustment</u>	
Net change in recording 60-day receipts.....	<u>1,098</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>3,180,354</u>

C. Fund Deficits

At June 30, 2013, a fund deficit of \$1,372,908 exists in the workers' compensation insurance internal service fund. The deficit will be funded in future fiscal years through employer contributions.

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013, \$98,041,664 of the City's bank balance of \$118,486,559 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2013 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.....	\$ 2,332,367	\$ 826,722	\$ 725,731	\$ -	\$ 779,915
U.S. Agencies.....	714,202	454,779	259,424	-	-
Corporate bonds.....	94,630	25,946	43,454	25,230	-
Money market mutual funds.....	699,967	699,967	-	-	-
Mutual bond funds.....	2,832,084	2,832,084	-	-	-
Certificates of Deposit.....	82,949	82,949	-	-	-
External investment pools.....	28,716,882	28,716,882	-	-	-
Total debt securities.....	35,473,081	\$ 33,639,328	\$ 1,028,608	\$ 25,230	\$ 779,915
<u>Other Investments:</u>					
Equity securities.....	11,154,106				
Equity mutual funds.....	165,196				
Real estate investments.....	493,368				
Total other investments.....	11,812,670				
Total investments.....	\$ 47,285,751				

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, 2013

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, 2013, \$7,915,067 of the City's investments of \$47,285,751 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.....	\$ 189,272	\$ -	\$ 189,272
U.S. Agencies.....	202,781	-	202,781
Corporate bonds.....	94,630	-	94,630
Money market mutual funds.....	512,639	512,639	-
Mutual bond funds.....	1,604,729	-	1,604,729
Equity securities.....	4,569,502	-	4,569,502
Equity mutual funds.....	165,196	-	165,196
Certificates of deposit.....	82,949	82,949	-
Real estate investments.....	493,368	-	493,368
Total.....	\$ 7,915,067	\$ 595,588	\$ 7,319,479

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, 2013, 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>A1</u>	<u>A2</u>	<u>BAA1</u>	<u>Unrated</u>
Corporate bonds.....	\$ 94,630	\$ 16,359	\$ 51,176	\$ 27,095	\$ -
Money market mutual funds....	699,967	-	-	-	699,967
Mutual bond funds.....	2,832,084	-	-	-	2,832,084
Certificates of deposit.....	82,949	-	-	-	82,949
External investment pools.....	28,716,882	-	-	-	28,716,882
Total.....	\$ 32,426,512	\$ 16,359	\$ 51,176	\$ 27,095	\$ 32,331,881

* 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, 2013

Pension Trust Fund (The System)

Pension trust fund investments (more fully described in note 18), include a combination of public and private real estate limited partnership investments, which represents 9.2% 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 (PRII) 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, 2012, the System is not exposed to custodial credit risk.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Investments Summary

The System's investments at December 31, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds (PRIT).....	\$ 200,028	\$ 200,028
Debt security mutual funds (PRIT).....	49,748,870	49,748,870
External investment pool (MMDT).....	<u>16,502,386</u>	<u>16,502,386</u>
Total debt securities.....	<u>66,451,284</u>	<u>\$ 66,451,284</u>
<u>Other Investments:</u>		
Equity mutual funds (PRIT).....	133,095,910	
Real estate investments (PRIT).....	22,210,159	
Real estate investments (non PRIT).....	1,157,254	
Alternative investments (PRIT).....	<u>30,721,696</u>	
Total other investments.....	<u>187,185,019</u>	
Total investments.....	<u>\$ 253,636,303</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 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, 2012, the System's investments were not exposed to custodial credit risk.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2012, 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).....	\$ 200,028	\$ 200,028
Debt security mutual funds (PRIT).....	49,748,870	49,748,870
External investment pool (MMD'1).....	16,502,386	16,502,386
Total.....	\$ 66,451,284	\$ 66,451,284

* 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, 2013

Note 4 - Receivables

At June 30, 2013, 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.....	\$ 3,854,263	\$ (357,309)	\$ 3,496,954
Real estate tax deferrals.....	3,213,602	-	3,213,602
Tax liens.....	8,885,430	-	8,885,430
Motor vehicle excise taxes.....	2,394,737	(1,256,504)	1,138,233
Community preservation surcharges.....	25,248	-	25,248
Charges for services.....	715,684	-	715,684
Special assessments.....	579,341	-	579,341
Departmental and other.....	8,048,061	(3,178,139)	4,869,922
Intergovernmental.....	7,356,095	-	7,356,095
Pension Trust Fund plan members.....	213,979	-	213,979
Loans.....	19,663	-	19,663
	<u>\$ 35,306,103</u>	<u>\$ (4,791,952)</u>	<u>\$ 30,514,151</u>

At June 30, 2013, 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.....	\$ 12,400,853	\$ (182,557)	\$ 12,218,296
Utility liens.....	250,411	-	250,411
Special assessments.....	47,781	-	47,781
Intergovernmental.....	1,838,196	-	1,838,196
	<u>\$ 14,537,241</u>	<u>\$ (182,557)</u>	<u>\$ 14,354,684</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013, 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.....	\$ 2,690,309	\$ -	\$ -	\$ 2,690,309
Real estate tax deferrals.....	3,213,602	-	-	3,213,602
Tax liens.....	8,881,747	-	3,683	8,885,430
Motor vehicle excise taxes.....	97,550	-	-	97,550
Community preservation surcharges.....	-	20,244	-	20,244
Charges for services.....	35,384	-	257,784	293,168
Special assessments.....	579,341	-	-	579,341
Departmental and other.....	4,765,466	-	6,970	4,772,436
Intergovernmental (state school construction)....	-	-	4,926	4,926
Intergovernmental (other state and federal).....	518,111	1,305,486	91,404	1,915,001
Total.....	\$ 20,781,510	\$ 1,325,730	\$ 364,767	\$ 22,472,007

Subsequent to year-end, the MSBA approved a grant not to exceed \$10,839,093 for the Angier Elementary School project. The grant amount represents 40.10% of total eligible project costs, not to exceed the approved amount. At June 30, 2013, a \$4,926 intergovernmental receivable and corresponding deferred revenue have been reported in the public building improvements nonmajor governmental fund's financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2013 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.....	3,293,056	13,081,371	(1,222,667)	15,151,760
Intangible assets.....	1,270,000	968,261	-	2,238,261
Sub-total	<u>26,789,182</u>	<u>14,049,632</u>	<u>(1,222,667)</u>	<u>39,616,147</u>
Capital assets being depreciated:				
Buildings and improvements.....	428,985,979	4,048,771	-	433,034,750
Equipment and machinery.....	61,421,673	7,176,936	(1,240,778)	67,357,831
Road network.....	68,000,817	3,053,953	-	71,054,770
Sub-total	<u>558,408,469</u>	<u>14,279,660</u>	<u>(1,240,778)</u>	<u>571,447,351</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(110,893,245)	(9,504,472)	-	(120,397,717)
Equipment and machinery.....	(42,843,696)	(3,777,054)	1,174,135	(45,446,615)
Road network.....	(23,936,735)	(1,445,663)	-	(25,382,398)
Sub-total	<u>(177,673,676)</u>	<u>(14,727,189)</u>	<u>1,174,135</u>	<u>(191,226,730)</u>
Total capital assets being depreciated, net.....	<u>380,734,793</u>	<u>(447,529)</u>	<u>(66,643)</u>	<u>380,220,621</u>
Governmental capital assets, net.....	<u>\$ 407,523,975</u>	<u>\$ 13,602,103</u>	<u>\$ (1,289,310)</u>	<u>\$ 419,836,768</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Legislative & executive.....	\$ 3,585
Elections.....	25,861
Administrative support.....	50,307
Public building maintenance and operations.....	195,798
Police.....	543,037
Fire.....	734,767
Inspectional services.....	8,085
Education.....	9,830,308
Streets and sidewalks.....	2,038,353
Control of snow and ice.....	13,250
Solid waste.....	998
Public health.....	28,717
Senior services.....	24,109
Libraries.....	983,580
Parks and recreation.....	233,889
Newton history museum.....	12,545
Total depreciation expense - governmental activities.....	<u>\$ 14,727,189</u>

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Water system:				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Construction in progress.....	4,345	28,100	-	32,445
Sub-total.....	<u>262,885</u>	<u>28,100</u>	<u>-</u>	<u>290,985</u>
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	13,313,104	257,690	(190,096)	13,380,698
Water system.....	42,069,587	2,969,927	-	45,039,514
Sub-total.....	<u>57,586,183</u>	<u>3,227,617</u>	<u>(190,096)</u>	<u>60,623,704</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(1,081,195)	(33,162)	-	(1,114,357)
Equipment and machinery.....	(4,032,395)	(706,494)	155,296	(4,583,593)
Water system.....	(10,126,299)	(865,083)	-	(10,991,382)
Sub-total.....	<u>(15,239,889)</u>	<u>(1,604,739)</u>	<u>155,296</u>	<u>(16,689,332)</u>
Total capital assets being depreciated, net.....	<u>42,346,294</u>	<u>1,622,878</u>	<u>(34,800)</u>	<u>43,934,372</u>
Water system capital assets, net.....	\$ <u>42,609,179</u>	\$ <u>1,650,978</u>	\$ <u>(34,800)</u>	\$ <u>44,225,357</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Sewer system:				
Capital assets not being depreciated:				
Land.....	\$ 26,245	\$ -	\$ -	\$ 26,245
Capital assets being depreciated:				
Buildings and improvements.....	1,867,659	-	-	1,867,659
Equipment and machinery.....	2,544,405	224,918	-	2,769,323
Sanitary sewer system.....	48,386,910	1,685,867	-	50,072,777
Sub-total.....	<u>52,798,974</u>	<u>1,910,785</u>	<u>-</u>	<u>54,709,759</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(703,142)	(39,126)	-	(742,268)
Equipment and machinery.....	(1,352,487)	(147,099)	-	(1,499,586)
Sanitary sewer system.....	(17,062,449)	(929,113)	-	(17,991,562)
Sub-total.....	<u>(19,118,078)</u>	<u>(1,115,338)</u>	<u>-</u>	<u>(20,233,416)</u>
Total capital assets being depreciated, net.....	<u>33,680,896</u>	<u>795,447</u>	<u>-</u>	<u>34,476,343</u>
Sewer system capital assets, net.....	\$ <u>33,707,141</u>	\$ <u>795,447</u>	\$ <u>-</u>	\$ <u>34,502,588</u>

Capital asset activity for individual component units for the fiscal year ended June 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Newton Commonwealth Foundation (Golf course):				
Capital assets being depreciated:				
Land improvements.....	\$ 2,909,895	\$ 170,976	\$ -	\$ 3,080,871
Buildings and improvements.....	69,481	13,874	5,265	88,620
Equipment and machinery.....	62,840	5,112	(5,265)	62,687
Sub-total.....	<u>3,042,216</u>	<u>189,962</u>	<u>-</u>	<u>3,232,178</u>
Less: accumulated depreciation:				
Land improvements.....	(1,016,021)	(146,833)	-	(1,162,854)
Buildings and improvements.....	(51,087)	(2,648)	(2,126)	(55,861)
Equipment and machinery.....	(47,002)	(3,428)	2,126	(48,304)
Sub-total.....	<u>(1,114,110)</u>	<u>(152,909)</u>	<u>-</u>	<u>(1,267,019)</u>
Golf course, net.....	\$ <u>1,928,106</u>	\$ <u>37,053</u>	\$ <u>-</u>	\$ <u>1,965,159</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Note 6 – Net Investment in Capital Assets

Net investment in capital assets at June 30, 2013 is summarized as follows:

Governmental Activities

Capital assets, net of accumulated depreciation.....	\$	419,836,768
Less: total long-term debt outstanding.....		(189,297,824)
Add: long-term debt outstanding not related to asset acquisition.....		952,600
Add: unspent BAN/bond proceeds.....		<u>6,882,703</u>
Net investment in capital assets.....	\$	<u><u>238,374,247</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.....	\$ 44,225,357	\$ 34,502,588	\$ 78,727,945
Less: total long-term debt outstanding.....	(19,207,903)	(14,106,701)	(33,314,604)
Add: unspent BAN/bond proceeds.....	<u>5,131,643</u>	<u>5,726,366</u>	<u>10,858,009</u>
Net investment in capital assets.....	<u>\$ 30,149,097</u>	<u>\$ 26,122,253</u>	<u>\$ 56,271,350</u>

Note 7 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2013, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Mass Works Roadway Grant Fund - non major governmental fund	\$ 2,200,444 {1}
General Fund	School State Grant Fund - non major governmental fund	391,759 {1}
General Fund	CH 90 Highway Improvement Fund - non major governmental fund	39,289 {1}
General Fund	Chaffin Education - private purpose trust fund	13,530 {2}
General Fund	Scovell Education Fund - private purpose trust fund	<u>1,467 {2}</u>
	Total	<u><u>\$ 2,646,489</u></u>

{1} Advance funding pending receipt of grant reimbursement.

{2} Advance funding pending receipt of reimbursement.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Inter-fund transfer activity for the fiscal year ended June 30, 2013 consisted of the following:

	General Fund	Community Preservation Fund	High School Improvement Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Total All Funds
Parking meter receipt financing for 2013 operating budget.....	\$ 1,681,650	\$ -	\$ -	\$ (1,681,650)	\$ -	\$ -	\$ -
Water fund financing for 2013 operating budget.....	855,911	-	-	-	(855,911)	-	-
Water fund financing for 2013 sewer fund operating budget.....	-	-	-	-	(689,753)	689,753	-
Sewer fund financing for 2013 operating budget.....	784,349	-	-	-	-	(784,349)	-
Stormwater fund financing for 2013 operating budget.....	16,401	-	-	(16,401)	-	-	-
Sale of Recyclable materials fund financing for 2013 operating budget.....	95,000	-	-	(95,000)	-	-	-
Automated trash collection fund financing for 2013 operating budget.....	108,350	-	-	(108,350)	-	-	-
CATV franchise fee fund financing for 2013 operating budget.....	198,000	-	-	(198,000)	-	-	-
BAA marathon fund financing for 2013 operating budget.....	55,000	-	-	(55,000)	-	-	-
BAA marathon fund financing for Memorial school play area improvements.....	12,500	-	-	(12,500)	-	-	-
BAA marathon fund financing for playground improvements.....	55,000	-	-	(55,000)	-	-	-
CH Square development mitigation funding for fire equipment.....	196,000	-	-	(196,000)	-	-	-
Mariott Hotel development mitigation funding for Normbega Park improvements.....	20,000	-	-	(20,000)	-	-	-
Hammond Pond Parkway signal improvements.....	250,000	-	-	(250,000)	-	-	-
Bicycle rack improvements - B Street Restaurant development mitigation.....	510	-	-	(510)	-	-	-
Bicycle rack improvements - MAPC federal transpiration grant.....	1,043	-	-	(1,043)	-	-	-
CH Shopping Center drainage improvements.....	80,383	-	-	(80,383)	-	-	-
Police asset forfeiture funding for police cruiser replacement.....	5,000	-	-	(5,000)	-	-	-
Snow & ice control funding from inclement weather reserve (FEMA/MEMA).....	300,000	-	-	(300,000)	-	-	-
E-rate technology funding.....	119,426	-	-	(119,426)	-	-	-
CPA fund engineering services reimbursement.....	2,802	(2,802)	-	-	-	-	-
School athletic revolving fund subsidy.....	(900,533)	-	-	900,533	-	-	-
School food services fund subsidy.....	(95,000)	-	-	95,000	-	-	-
Federal Assistance to Firefighters grant local match.....	(24,000)	-	-	24,000	-	-	-
School modular design - School budget to school improvement fund.....	(350,000)	-	-	350,000	-	-	-
Fire station #10 & wires division building renovation study.....	(82,988)	-	-	82,988	-	-	-
Fire station #10 & wires division building renovation study.....	(67,012)	-	-	67,012	-	-	-
Lincoln-Eliot elementary mechanical upgrade project supplemental funding - CSF.....	(104,000)	-	-	104,000	-	-	-
Cabot elementary energy conservation project - CPF funding.....	(100,000)	-	-	100,000	-	-	-
NNHS project supplemental funding - substitution for bond sale - CSF.....	(53,446)	-	53,446	-	-	-	-
Energy audit project budget - rescinded bond authorization - CSF.....	(2,331)	-	-	2,331	-	-	-
Eliot St Water building improvements - capital stabilization fund funding.....	(105,000)	-	-	105,000	-	-	-
Main Library energy conservation improvements - CSF.....	(132,000)	-	-	132,000	-	-	-
Close out Deer Park maintenance revolving fund to conservation permanent fund.....	-	-	-	(918)	-	-	(918)
Close out Deer Park maintenance revolving fund to conservation permanent fund.....	-	-	-	918	-	-	918
Federal FEMA storm reimbursements closed to Inclement weather reserve.....	-	-	-	(254,385)	-	-	(254,385)
Federal FEMA storm reimbursements closed to Inclement weather reserve.....	-	-	-	254,385	-	-	254,385
State MEMA storm reimbursements closed to Inclement weather reserve.....	-	-	-	(58,784)	-	-	(58,784)
State MEMA storm reimbursements closed to Inclement weather reserve.....	-	-	-	58,784	-	-	58,784
Close Education Center generator replacement project balance to CSF.....	47,986	-	-	(47,986)	-	-	-
Close Elementary school modular project balance to CSF.....	40,463	-	-	(40,463)	-	-	-
Close School roof project balances to CSF.....	77,980	-	-	(77,980)	-	-	-
Close H. Mana school improvement project balance to CSF.....	2,875	-	-	(2,875)	-	-	-
Close Lincoln-Eliot & Mason-Rice elementary boiler project balances to CSF.....	15,637	-	-	(15,637)	-	-	-
Close Burr, H. Mann, and Zervas elementary sprinkler project balances to CSF.....	284,025	-	-	(284,025)	-	-	-
Close Cabot energy conservation project balance to CSF.....	42,899	-	-	(42,899)	-	-	-
Close NNHS project balance to CSF.....	5,171	-	(5,171)	-	-	-	-
Close Fire station #7 improvement project balance to CSF.....	27,491	-	-	(27,491)	-	-	-
Close Manet Rd communications building project balance to CSF.....	25	-	-	(25)	-	-	-
Close energy conservation project balance to CSF.....	19,905	-	-	(19,905)	-	-	-
Transfers from other funds.....	\$ 5,401,781	\$ -	\$ 53,446	\$ 2,276,951	\$ -	\$ 689,753	\$ 8,421,932
Transfers to other funds.....	\$ (2,016,310)	\$ (2,802)	\$ (5,171)	\$ (4,067,636)	\$ (1,545,664)	\$ (784,349)	\$ (8,421,932)

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013, and did not issue or retire any short term debt during the fiscal year.

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, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 188,320,433	\$ 15,573,558	\$ (14,596,167)	\$ 189,297,824	\$ 9,664,867
Landfill closure and other environmental....	744,000	-	(75,887)	668,113	110,887
Workers' compensation.....	6,489,195	5,551,582	(1,609,024)	10,431,753	1,541,706
Compensated absences.....	8,163,044	185,894	-	8,348,938	3,011,447
Net OPEB obligation.....	<u>144,333,034</u>	<u>45,022,096</u>	<u>(16,058,558)</u>	<u>173,296,572</u>	<u>-</u>
Total.....	\$ <u>348,049,706</u>	\$ <u>66,333,130</u>	\$ <u>(32,339,636)</u>	\$ <u>382,043,200</u>	\$ <u>14,328,907</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 29,326,017	\$ 8,446,642	\$ (4,458,055)	\$ 33,314,604	\$ 4,682,975
Compensated absences.....	275,978	-	9,031	285,009	28,501
Net OPEB obligation.....	<u>3,545,394</u>	<u>1,084,876</u>	<u>(386,956)</u>	<u>4,243,314</u>	<u>-</u>
Total.....	\$ <u>33,147,389</u>	\$ <u>9,531,518</u>	\$ <u>(4,835,980)</u>	\$ <u>37,842,927</u>	\$ <u>4,711,476</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, \$10,431,753 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, 2013, 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, 2013

Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013
MWPAT landfill closure.....	02/15/1998	4.60	\$ 1,028,100	\$ -	\$ (75,500)	\$ 952,600
School renovations.....	08/15/2003	3.06	1,140,000	-	(570,000)	570,000
Land acquisition (CPA).....	12/15/2003	2.0-3.4	1,000,000	-	(500,000)	500,000
School renovations.....	02/15/2005	3.0-4.0	6,500,000	-	(5,500,000)	1,000,000
School renovations.....	02/15/2006	3.0-4.3	7,875,000	-	(610,000)	7,265,000
Road improvements.....	02/15/2006	3.0-4.3	200,000	-	(50,000)	150,000
Public works equipment.....	02/15/2006	3.0-4.3	490,000	-	(60,000)	430,000
Fire equipment.....	02/15/2006	3.0-4.3	495,000	-	(55,000)	440,000
School renovations.....	02/01/2007	4.0-5.0	6,310,000	-	(500,000)	5,810,000
Fire station improvements.....	02/01/2007	4.0-5.0	215,000	-	(25,000)	190,000
Public works equipment.....	02/01/2007	4.0-5.0	450,000	-	(50,000)	400,000
Land acquisition (CPA).....	11/01/2007	3.98	1,275,000	-	(255,000)	1,020,000
Fire station improvements.....	11/01/2007	3.98	380,000	-	(30,000)	350,000
School renovations.....	11/01/2007	3.98	160,000	-	(10,000)	150,000
School new construction.....	11/01/2007	3.98	15,150,000	-	(955,000)	14,195,000
School new construction.....	06/15/2008	4.37	21,735,000	-	(475,000)	21,260,000
School renovations.....	06/15/2008	3.80	1,760,000	-	(110,000)	1,650,000
Fire equipment.....	06/15/2008	3.80	330,000	-	(30,000)	300,000
Public works equipment.....	06/15/2008	3.80	440,000	-	(40,000)	400,000
School new construction.....	04/01/2009	2.0-5.0	70,835,000	-	(1,445,000)	69,390,000
School renovations.....	04/01/2009	2.0-5.0	1,715,000	-	(105,000)	1,610,000
School renovations.....	04/01/2009	2.0-5.0	180,000	-	(15,000)	165,000
School renovations.....	04/01/2009	2.0-5.0	655,000	-	(40,000)	615,000
South high school athletic fields.....	04/01/2009	2.0-5.0	2,570,000	-	(215,000)	2,355,000
Fire station renovations.....	04/01/2009	2.0-5.0	1,975,000	-	(170,000)	1,805,000
Fire station design.....	04/01/2009	2.0-5.0	135,000	-	(70,000)	65,000
City hall boiler replacement.....	04/01/2009	2.0-5.0	180,000	-	(15,000)	165,000
Bencliffe circle construction.....	04/01/2009	2.0-5.0	125,000	-	(20,000)	105,000
Fire equipment.....	04/01/2009	2.0-5.0	635,000	-	(55,000)	580,000
Parks equipment.....	04/01/2009	2.0-5.0	80,000	-	(10,000)	70,000
DPW equipment.....	04/01/2009	2.0-5.0	480,000	-	(40,000)	440,000
School new construction.....	05/01/2010	3.0-4.0	10,870,000	-	(390,000)	10,480,000
Fire station renovations.....	05/01/2010	2.0-4.0	4,065,000	-	(230,000)	3,835,000
Underground fuel tanks.....	05/01/2010	2.0-4.0	360,000	-	(45,000)	315,000
Modular classrooms.....	05/01/2010	2.0-4.0	1,210,000	-	(95,000)	1,115,000
School renovations.....	05/01/2010	2.0-4.0	1,195,000	-	(115,000)	1,080,000
Energy conservation.....	05/01/2010	2.0-4.0	3,180,000	-	(245,000)	2,935,000
Fire equipment.....	05/01/2010	2.0-4.0	400,000	-	(50,000)	350,000
Public works equipment.....	05/01/2010	2.0-4.0	1,520,000	-	(190,000)	1,330,000
School new construction.....	03/30/2011	2.0	10,633,333	-	(366,667)	10,266,666
School renovations.....	04/14/2011	3.0-4.5	2,165,000	-	(135,000)	2,030,000
City hall windows.....	04/14/2011	3.0-4.5	120,000	-	(20,000)	100,000
Public works equipment.....	04/14/2011	3.0-4.5	370,000	-	(75,000)	295,000
School renovations/upgrades.....	04/03/2012	2.0-3.0	4,494,000	-	(419,000)	4,075,000
Fire engine replacement.....	04/03/2012	2.0-3.0	600,000	-	(60,000)	540,000
Gath pool repairs.....	04/03/2012	2.0-3.0	100,000	-	(10,000)	90,000
Playground improvements.....	04/03/2012	2.0-3.0	150,000	-	(10,000)	140,000
Public works equipment.....	04/03/2012	2.0-3.0	390,000	-	(40,000)	350,000
School advance refunding.....	04/12/2013	2.0-4.0	-	4,761,000	-	4,761,000
School renovations.....	04/12/2013	2.0-4.0	-	8,230,558	-	8,230,558
Public works equipment.....	04/12/2013	2.0-4.0	-	172,000	-	172,000
Gath Pool improvements.....	04/12/2013	2.0-4.0	-	150,000	-	150,000
City Hall improvements.....	04/12/2013	2.0-4.0	-	600,000	-	600,000
Crafts St DPW garage improvements.....	04/12/2013	2.0-4.0	-	260,000	-	260,000
Energy conservation.....	04/12/2013	2.0-4.0	-	400,000	-	400,000
Fire equipment.....	04/12/2013	2.0-4.0	-	1,000,000	-	1,000,000
Total.....			\$ 188,320,433	\$ 15,573,558	\$ (14,596,167)	\$ 189,297,824

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

During fiscal year 2013, the City issued \$10,812,558 in new general obligation bonds; \$8,230,558 for school renovations; \$1,000,000 for fire equipment; \$600,000 for City Hall improvements; \$400,000 for energy conservation projects; \$260,000 for Crafts Street DPW garage improvements; \$172,000 for public works equipment; and \$150,000 for Gath pool improvements.

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, 2013, a balance of \$952,600 was outstanding on this loan. An interest subsidy of \$71,131 has been recorded in the general fund.

Advanced Refunding – April 2013

The City issued \$4,761,000 of general obligation refunding bonds (with a premium of \$597,034) to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,000,000 of previously issued general obligation bonds related to school construction. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$597,034. This amount was expensed in the current fiscal year. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by approximately \$417,000 and resulted in an economic gain of approximately \$359,000.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 9,664,867	\$ 7,410,782	\$ 17,075,649
2015	9,270,925	7,183,702	16,454,627
2016	9,232,967	6,873,104	16,106,071
2017	9,192,667	6,575,676	15,768,343
2018	8,872,467	6,259,516	15,131,983
2019	8,932,267	5,910,815	14,843,082
2020	8,551,667	5,567,960	14,119,627
2021	8,286,667	5,219,778	13,506,445
2022	8,156,667	4,881,116	13,037,783
2023	8,096,667	4,567,045	12,663,712
2024	8,176,667	4,254,999	12,431,666
2025	7,791,667	3,939,854	11,731,521
2026	6,921,667	3,647,188	10,568,855
2027	6,481,667	3,380,044	9,861,711
2028	6,136,667	3,125,161	9,261,828
2029	5,376,667	2,896,652	8,273,319
2030	5,331,667	2,680,556	8,012,223
2031	5,276,667	2,457,685	7,734,352
2032	5,386,667	2,236,296	7,622,963
2033	5,601,667	1,993,358	7,595,025
2034	5,841,667	1,739,417	7,581,084
2035	6,056,667	1,474,196	7,530,863
2036	6,326,667	1,196,770	7,523,437
2037	6,601,667	906,074	7,507,741
2038	6,891,667	602,115	7,493,782
2039	5,721,667	283,975	6,005,642
2040	751,667	31,030	782,697
2041	366,657	7,333	373,990
Total	\$ 189,297,824	\$ 97,302,197	\$ 286,600,021

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013
MWRA Water	08/15/2002	0.00	\$ 258,602	\$ -	\$ (258,602)	\$ -
MWRA Water	02/26/2004	0.00	517,204	-	(258,602)	258,602
MWRA Water	11/18/2004	0.00	775,806	-	(258,602)	517,204
MWRA Water	05/18/2006	0.00	1,034,407	-	(258,602)	775,805
MWRA Water	05/31/2007	0.00	1,293,009	-	(258,602)	1,034,407
Water meter replacement.....	04/01/2009	2.0-5.0	4,200,000	-	(600,000)	3,600,000
MWRA Water	05/21/2009	0.00	2,520,000	-	(360,000)	2,160,000
MWRA Water	05/20/2010	0.00	1,779,520	-	(222,440)	1,557,080
MWRA Water	02/15/2011	0.00	1,740,291	-	(193,366)	1,546,925
Water meter replacement.....	04/14/2011	3.0-4.5	2,700,000	-	(300,000)	2,400,000
MWRA Water	05/14/2012	0.00	1,360,200	-	(136,020)	1,224,180
MWRA Water	08/20/2012	0.00	-	1,360,200	-	1,360,200
Water Mains.....	04/12/2013	2.0-4.0	-	2,700,000	-	2,700,000
Water/Sewer Garage.....	04/12/2013	2.0-4.0	-	73,500	-	73,500
Total.....			\$ 18,179,039	\$ 4,133,700	\$ (3,104,836)	\$ 19,207,903

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, 2013, the City was the recipient of a \$1,360,200 ten-year interest free water system rehabilitation loan.

At June 30, 2013, the City had \$10,434,403 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2013 totaled \$315,437.

During fiscal year 2013, the City issued \$2,773,500 in new water general obligation bonds; \$2,700,000 for water mains and \$73,500 for water garage repairs.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 3,123,254	\$ 274,328	\$ 3,397,582
2015	2,863,652	264,894	3,128,546
2016	2,605,049	235,193	2,840,242
2017	2,346,447	200,993	2,547,440
2018	2,087,846	166,794	2,254,640
2019	2,087,845	129,693	2,217,538
2020	1,127,845	91,094	1,218,939
2021	905,405	71,993	977,398
2022	412,040	52,894	464,934
2023	276,020	47,293	323,313
2024	140,000	41,694	181,694
2025	140,000	36,093	176,093
2026	140,000	32,944	172,944
2027	140,000	28,744	168,744
2028	137,500	24,544	162,044
2029	135,000	20,419	155,419
2030	135,000	16,369	151,369
2031	135,000	12,319	147,319
2032	135,000	8,269	143,269
2033	135,000	4,219	139,219
Total	\$ 19,207,903	\$ 1,760,783	\$ 20,968,686

Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013
MWPAT Sewer.....	10/06/1999	5.16	\$ 3,040,000	\$ -	\$ (340,000)	\$ 2,700,000
MWPAT Sewer.....	11/10/2000	5.20	4,004,000	-	(391,000)	3,613,000
MWPAT Sewer.....	07/03/2002	0.00	75,657	-	(5,657)	70,000
MWRA Sewer.....	08/23/2007	0.00	10,560	-	(10,560)	-
MWRA Sewer.....	11/29/2007	0.00	30,723	-	(30,723)	-
MWRA Sewer.....	09/09/2008	0.00	224,048	-	(112,024)	112,024
MWRA Sewer.....	02/19/2009	0.00	317,790	-	(158,895)	158,895
MWRA Sewer.....	03/01/2010	0.00	141,900	-	(47,300)	94,600
Sewer system improvements.....	05/01/2010	2.0-4.0	450,000	-	(25,000)	425,000
MWRA Sewer.....	08/25/2010	0.00	575,300	-	(115,060)	460,240
Sewer system improvements.....	04/03/2012	2.0-3.0	2,277,000	-	(117,000)	2,160,000
Sewer I& I removal.....	04/12/2013	2.0-4.0	-	4,239,442	-	4,239,442
Water/Sewer Garage.....	04/12/2013	2.0-4.0	-	73,500	-	73,500
Total			\$ 11,146,978	\$ 4,312,942	\$ (1,353,219)	\$ 14,106,701

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, 2013, the City had \$825,759 in MWRA sewer infiltration/inflow reduction loans outstanding.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAIT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2013 the City had \$6,383,000 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2013 were \$275,149 and \$226,963, respectively.

During fiscal year 2013, the City issued \$4,312,942 in new sewer general obligation bonds; \$4,239,442 for sewer improvements and \$73,500 for water garage repairs.

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

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 1,559,721	\$ 500,667	\$ 2,060,388
2015	1,303,360	471,762	1,775,122
2016	1,281,060	418,587	1,699,647
2017	1,306,060	365,043	1,671,103
2018	1,226,000	307,642	1,533,642
2019	1,256,000	253,123	1,509,123
2020	1,276,000	198,544	1,474,544
2021	861,000	149,808	1,010,808
2022	365,000	124,051	489,051
2023	365,000	111,075	476,075
2024	355,000	98,926	453,926
2025	355,000	86,448	441,448
2026	355,000	77,737	432,737
2027	355,000	67,412	422,412
2028	347,500	57,087	404,587
2029	345,000	46,687	391,687
2030	345,000	36,362	381,362
2031	320,000	25,762	345,762
2032	320,000	16,162	336,162
2033	210,000	6,562	216,562
Total	\$ <u>14,106,701</u>	\$ <u>3,419,447</u>	\$ <u>17,526,148</u>

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

Subsequent Events

On August 12, 2013, the City received non-interest bearing notes from MWRA totaling \$1,360,200. The proceeds of the notes will be used for water system improvements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

At June 30, 2013 the City had a total of \$29,939,446 in authorized and unissued debt, which is summarized as follows:

	Authorized and Unissued Debt			End of Year
	Beginning of Year	Increases	Decreases	
High school improvements.....	\$ 6,329,692	\$ -	\$ (6,329,692)	\$ -
School improvements.....	7,535,000	15,324,676	(8,230,558)	14,629,118
Energy conservation audits.....	18,919	400,000	(418,919)	-
Public works equipment.....	-	704,000	(172,000)	532,000
Sewer system improvements.....	536,655	-	-	536,655
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.....	12,241,800	-	(1,360,200)	10,881,600
Water meter replacement.....	2,528,000	-	(2,528,000)	-
Water main cleaning.....	-	2,700,000	(2,700,000)	-
Newton city hall improvements.....	300,000	300,000	(600,000)	-
Fire engine and station repairs.....	90,000	1,000,000	(1,000,000)	90,000
Lower Falls community center.....	-	275,000	-	275,000
Gath pool repairs.....	-	150,000	(150,000)	-
Water and Sewer building masonry repairs.....	-	147,000	(147,000)	-
Garage masonry repairs and roof design services.....	-	260,000	(260,000)	-
Total.....	\$ 36,815,017	\$ 21,260,676	\$ (28,136,247)	\$ 29,939,446

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 \$533,000 at June 30, 2013 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

The number of participants as of June 30, 2013, the latest actuarial valuation, is as follows:

Active employees.....	2,317
Retired employees and beneficiaries.....	<u>3,397</u>
 Total.....	 <u><u>5,714</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.

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 <u>(in thousands)</u>
Annual required contribution.....	\$ 49,079
Interest on net OPEB obligation.....	2,958
Adjustment to annual required contribution.....	<u>(5,930)</u>
 Annual OPEB cost.....	 46,107
Contributions made.....	<u>(16,446)</u>
 Increase in net OPEB obligation.....	 29,661
Net OPEB obligation at beginning of year.....	<u>147,879</u>
 Net OPEB obligation at end of year.....	 <u><u>\$ 177,540</u></u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2013

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, 2011.....	\$ 49,898	32.6%	\$ 118,063
June 30, 2012.....	46,419	35.3%	147,879
June 30, 2013.....	46,107	35.0%	177,540

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2013, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Dollar Amounts in Thousands					
	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/13	\$ 538	\$ 602,309	\$ 601,771	0.1%	\$ 182,513	330%

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Valuation date:	June 30, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	25 years (closed)
Interest discount rate:	2.00%
Healthcare/Medical cost trend rate:	1.57% for 2013; 2.67% for 2014; 3.76% for 2015; 4.86% for 2016; 5.96% for 2017; 5.93% for 2018; 5.91% for 2019; 5.89% for 2020; 5.78% for 2025; 5.81% for 2030; 5.19% for 2040; 5.00% for 2050; 4.83% for 2060; 4.35% starting in 2070 to an ultimate level of 4.35% per year

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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

Governmental Activities:

Legislative & Executive.....	\$ 451,767
Elections.....	96,579
Financial administration.....	584,289
Administrative support.....	553,240
Planning & development.....	274,139
Public building maintenance & operation.....	597,330
Police.....	4,146,348
Fire.....	4,355,414
Inspectional services.....	255,541
Education.....	28,685,266
Streets & sidewalks.....	1,163,323
Collection & disposal of solid waste.....	426,438
Equipment maintenance.....	410,736
Engineering.....	234,675
Administration & support.....	309,913
Public health.....	637,357
Senior services.....	104,304
Veteran services.....	51,639
Libraries.....	945,953
Parks & recreation.....	702,270
Newton history museum.....	<u>35,575</u>
 Total AOPEBC - governmental activities.....	 <u>45,022,096</u>
 Business-Type Activities:	
Water.....	594,459
Sewer.....	<u>490,417</u>
 Total AOPEBC - business-type activities.....	 <u>1,084,876</u>
 Total AOPEBC.....	 <u>\$ 46,106,972</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, 2013

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.

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.

At June 30, 2013, the City's health claims liability totaled \$3,996,304 and is based on approximately one month claims paid average. Changes in the reported liability since July 1, 2011 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
Fiscal year 2012.....	\$ 4,022,849	45,184,335	(45,532,797)	3,674,387
Fiscal year 2013.....	3,674,387	43,804,672	(43,482,755)	3,996,304

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 \$10,431,753 at June 30, 2013, of which \$1,541,706 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, 2014. The liability includes an estimate of the IBNR claims.

The June 30, 2013 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, 2011 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
Fiscal year 2012.....	\$ 7,016,910	\$ 1,334,587	\$ (1,862,302)	\$ 6,489,195
Fiscal year 2013.....	6,489,195	5,551,582	(1,609,024)	10,431,753

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Note 14 – Fund Balances

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

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 447,206	\$ 447,206
Restricted:					
Debt service.....	2,896,430	-	-	-	2,896,430
General government.....	-	-	-	1,632,433	1,632,433
Public safety.....	-	-	-	331,414	331,414
Education.....	-	-	-	2,043,750	2,043,750
School construction.....	-	-	8,565	4,205,799	4,214,364
Freeman Foundation exchange program.....	-	-	-	362,918	362,918
Pre-school program.....	-	-	-	214,866	214,866
Summer school.....	-	-	-	199,999	199,999
Continuing education.....	-	-	-	189,408	189,408
Public works.....	-	-	-	1,365,841	1,365,841
Health and human services.....	-	-	-	396,437	396,437
Culture and recreation.....	-	-	-	1,504,575	1,504,575
Recreation activities/classes.....	-	-	-	811,128	811,128
Camp programs.....	-	-	-	743,051	743,051
Community preservation.....	-	6,195,410	-	-	6,195,410
CPA- community housing.....	-	1,009,515	-	-	1,009,515
CPA- historic resources.....	-	1,299,997	-	-	1,299,997
CPA- open space.....	-	349,235	-	-	349,235
CPA- community recreation.....	-	572,688	-	-	572,688
Capital.....	268,186	-	-	-	268,186
School lunch.....	-	-	-	14,610	14,610
Insurance proceeds.....	-	-	-	11,453	11,453
Receipts reserved.....	-	-	-	3,406,573	3,406,573
Sub-total - Restricted.....	<u>3,164,616</u>	<u>9,426,845</u>	<u>8,565</u>	<u>17,434,255</u>	<u>30,034,281</u>
Committed:					
Subsequent year's expenditures.....	300,000	-	-	-	300,000
Capital.....	2,149,216	-	-	-	2,149,216
Continuing appropriations.....	2,899,584	-	-	-	2,899,584
Receipts reserved.....	-	-	-	1,718,332	1,718,332
Sub-total - Committed.....	<u>5,348,800</u>	<u>-</u>	<u>-</u>	<u>1,718,332</u>	<u>7,067,132</u>
Assigned:					
Encumbrances.....	2,977,415	-	-	-	2,977,415
Capital.....	133,106	-	-	-	133,106
Sub-total - Assigned.....	<u>3,110,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,110,521</u>
Unassigned.....	<u>21,091,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,091,447</u>
	<u>\$ 32,715,384</u>	<u>\$ 9,426,845</u>	<u>\$ 8,565</u>	<u>\$ 19,599,793</u>	<u>\$ 61,750,587</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013 total \$2,550,508 and \$11,024,489, respectively, and are reported in the general fund as restricted (\$268,186), committed (\$2,149,216), assigned (\$133,106) and unassigned (\$11,024,489).

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 position 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 Position.

Note 17 – Prior Period Reclassifications and Adjustments

The beginning net position/fund balance of the governmental activities, general fund and OPEB Trust Fund have been restated from \$161,243,967, \$28,224,341 and \$0 to \$160,930,994, \$27,911,368 and \$312,973 to reflect the reclassification of the other postemployment benefits (OPEB) fund from an employer asset reported in the general fund to a fiduciary fund reported as an OPEB trust. This reclassification is the result of the City establishing an irrevocable trust during fiscal year 2013.

The beginning net position of the discretely component units has been restated from \$7,421,547 to \$7,043,034, to reflect the exclusion of the Newton Community Farm, Inc. (NCF) being presented as a discretely presented component unit in the City's basic financial statements. This restatement is the result of the City considering the NCF's activities to be immaterial to the basic financial statements.

Note 18 – Pension Plan

A – Plan Description and Membership

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Newton Contributory Retirement Board (NCRB). Substantially all employees of the City are members of the System, except for public school teachers and certain school administrative personnel who are members of the MTRS.

The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member's three highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55, with 10 years of service. Normal retirement for

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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.

At December 31, 2012, the System's membership consisted of the following:

Active members.....	1,616
Inactive members.....	547
Disabled members.....	172
Retirees and beneficiaries currently receiving benefits.....	<u>1,163</u>
Total.....	<u><u>3,498</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).

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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.

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,165,564; \$16,077,924; and \$14,829,525; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2013 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included a 7.75% rate of return on investments (net of administrative expenses); an inflationary rate of 3% and projected salary increases of 2% for 2012, 2.5% for 2013, 3.0% for 2014 and starting in 2015 the increase will be 3.5% 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, 2013, the most recent actuarial valuation date, is as follows:

Dollar Amounts In Thousands						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
January 1, 2013	\$ 268,087	\$ 512,377	\$ 244,289	52.3%	\$ 82,970	294.4%

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, 2013
- Actuarial cost method: Entry age normal
- Amortization method: Increasing payments 3.75% per year
- Remaining amortization period: 24 years (closed)
- Asset valuation method: Actuarial assets equal preliminary asset value plus 25% of the difference between market value and preliminary asset value. Preliminary asset value is the previous years' actuarial asset amount increased by net cash flow and expected investment income. The result must be within 20% of market value.
- Investment rate of return: 7.75%

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

Projected salary increases: 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

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2012 are as follows:

Description	Amount	Purpose
Annuity Savings Fund..... \$	79,778,188	Active members' contribution balance
Annuity Reserve Fund....	30,387,494	Retired members' contribution account
Military Service Fund.....	56,941	Military leave of absence contribution balance
Pension Fund.....	<u>143,959,693</u>	Remaining net assets
Total..... \$	<u><u>254,182,316</u></u>	

F - Non Contributory Retirement Allowances

City employees with World War II military veteran status, at least 30 years of service to the City, and who began work prior to July 1, 1939, are entitled to a non-contributory pension benefit equal to 72% of their highest annual rate of regular compensation. Retirement benefits for these individuals are funded on a pay-as-you-go basis by the City, and there is no estimate of the actuarial liability for these benefits because the City deems the amount to be immaterial to the financial statements. Expenditures for non-contributory retirement benefits for the fiscal years ended June 30, 2013, 2012, and 2011 were \$283,143, \$298,065 and \$347,374, respectively. Non contributory retirees are eligible for an annual cost of living adjustment of not more than 3% on the first \$12,000 of their annual retirement benefit.

Note 19 – Massachusetts Teachers Retirement System

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$31,977,116 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

Note 20 – Commitments and Contingencies

Significant commitments include the continuing appropriations and encumbrances outstanding for the general fund and CPA fund, for which outstanding balances at June 30, 2013, totaled \$5,876,999 and \$1,281,268, 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, 2013, 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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2013

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, 2013 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2013.

Note 21 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- 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.
- 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 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.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, 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.

These pronouncements will be implemented by their respective implementation dates.



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(Date of Delivery)

James Reardon, Treasurer
City of Newton
Newton, Massachusetts

\$20,936,000
City of Newton, Massachusetts
General Obligation Municipal Purpose Loan of 2014 Bonds
Dated March 6, 2014

We have acted as bond counsel to the City of Newton, Massachusetts (the “City”) in connection with the issuance by the City of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the City has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the City has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain

of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS WILDMAN PALMER LLP

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**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Newton, Massachusetts (the “Issuer”) in connection with the issuance of its \$20,936,000 General Obligation Municipal Purpose Loan of 2014 Bonds dated March 6, 2014 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 26, 2014 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 6, 2014

CITY OF NEWTON, MASSACHUSETTS

By _____
Treasurer

Mayor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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