

OFFICIAL STATEMENT DATED APRIL 5, 2011

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

New Issue

In the opinion of Edwards Angell Palmer & Dodge 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. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. 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. See "Tax Exemption" herein.

CITY OF NEWTON, MASSACHUSETTS
\$5,770,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS

DATED
Date of Delivery

DUE
April 1
(as shown on the inside cover page hereof)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder 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 denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry-Transfer System" herein.)

Principal of the Bonds will be paid on April 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on April 1 and October 1, commencing October 1, 2011, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, 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 set forth herein.

The Bonds will be valid general obligations of the City of Newton, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

Due April 1	Principal Amount	Interest Rate	Yield	Cusip 653063	Due April 1	Principal Amount	Interest Rate	Yield	Cusip 653063
2012	\$ 415,000	3.00 %	0.45 %	S73	2017	\$ 455,000	4.00 %	2.19 %	T49
2013	530,000	3.00	0.73	S81	2018	450,000	4.00	2.52	T56
2014	520,000	3.00	1.05	S99	2019	450,000	4.00	2.84	T64
2015	520,000	3.00	1.52	T23	2020	445,000	4.50	3.09	T72
2016	510,000	4.00	1.85	T31	2021	445,000	4.50	3.26	T80

\$530,000 Coupon Rate 3.625% Term Bond Maturing April 1, 2026 Yield @ 3.70% Cusip #653063 U54
\$500,000 Coupon Rate 4.000% Term Bond Maturing April 1, 2031 Yield @ 4.05% Cusip #653063 V20

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge 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 DTC, or its custodial agent, on or about April 14, 2011, against payment to the City in federal reserve funds.

PIPER JAFFRAY

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT.....	3	Taxation to Meet Deficits	24
NOTICE OF SALE	4	Tax Limitation	24
PRELIMINARY OFFICIAL STATEMENT:		Tax Levies and Levy Limits	26
INTRODUCTION:		Community Preservation Act	26
THE BONDS:		CITY FINANCES:	
Description of the Bonds.....	7	Budget and Appropriation Process	28
Redemption Provisions.....	7	Budget Comparison	29
Record Date.....	8	Revenues.....	30
Book-Entry Transfer System.....	8	Capital Planning and Budget Forecasts	31
Rating	10	Investment Of City Funds	31
Authorization of the Bonds and Use of Proceeds	10	Annual Audits.....	31
Principal Payments by Purpose.....	10	Basis of Accounting	31
Opinion of Bond Counsel.....	11	Financial Statements	31
Tax Exemption.....	11	Comprehensive Annual Financial Report	32
Security and Remedies.....	12	Governmental Funds Balance Sheet as of	
Financial Advisory Services of First Southwest		June 30, 2010.....	32
Company	13	Governmental Funds Balance Sheet as of	
Continuing Disclosure.....	13	June 30, 2009.....	33
CITY OF NEWTON:		Governmental Funds Balance Sheet as of	
General	14	June 30, 2008.....	34
Principal Executive Officers	14	Governmental Funds Statement of Revenues,	
Municipal Services	14	Expenditures and Changes in Fund Balance as of	
Education.....	14	June 30, 2010 to June 30, 2005	35
Public School Enrollments	14	Free Cash (Uniform System of Accounting)	40
History.....	15	Capital Stabilization Fund.....	40
Industry and Commerce	15	INDEBTEDNESS:	
Employment and Payrolls.....	15	Authorization Procedure and Limitations	41
Largest Employers.....	16	Types of Obligations.....	41
Retail Sales.....	16	Direct Debt Summary	43
Unemployment.....	16	Debt Ratios.....	43
Building Permits.....	17	Principal Payments by Purpose.....	44
Transportation and Utilities.....	17	Debt Service Requirements.....	45
Development.....	17	Authorized Unissued Debt and Prospective	
Income Levels and Population.....	19	Financing	45
Population Trends.....	19	Overlapping Debt.....	46
PROPERTY TAXATION:		Contractual Obligations	46
Tax Levy Computation.....	20	RETIREMENT PLAN	47
Assessed Valuations and Tax Levies	21	Comparative Statement of Revenues	
Classification by Property	21	Expenses and Changes in Fund	
Largest Taxpayers	22	Balances- Contributory Retirement System.....	48
State Equalized Valuation.....	22	Other Post-Employment Benefits	49
Abatements and Overlay	22	EMPLOYEE RELATIONS.....	50
Tax Collections	23	LITIGATION.....	50
Tax Titles and Possessions	23	APPENDIX A: City of Newton - Fiscal 2010	
		Audited Financial Statements	
		APPENDIX B: Proposed Form of Legal Opinion	
		APPENDIX C: Proposed Form of Continuing	
		Disclosure Certificate	

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 and Time of Sale:** Tuesday, April 5, 2011, at 11:00 A.M. (Eastern Time).
- Location of Sale:** First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts.
- Issuer:** City of Newton, Massachusetts.
- Issues:** \$5,770,000 General Obligation Municipal Purpose Loan of 2011 Bonds.
- Official Statement Dated:** April 5, 2011.
- Dated Date of Bonds:** Date of Delivery.
- Principal Due:** Serially on April 1, 2012 through April 1, 2021; Term Bond April 1, 2026 and April 1, 2031, as detailed herein.
- Interest Payable:** Semiannually on April 1 and October 1, commencing October 1, 2011.
- Redemption:** The Bonds are subject to redemption prior to their stated maturity dates as set forth herein.
- Security for the Bonds:** The Bonds will be valid general obligations of the City of Newton, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 1/2).
- Credit Rating:** Moody's Investors Service, Inc. has assigned a rating of Aaa on the Bonds.
- 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 Forms of Legal Opinions."
- Continuing Disclosure:** Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
- Bank Qualification:** The Bonds WILL BE designated 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 Angell Palmer & Dodge 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 April 14, 2011 against payment in Federal Funds.
- Additional Information:** Questions concerning the Official Statement should be addressed to: Mr. James Reardon, Treasurer, City of Newton, MA. Tel: (617) 796-1338 or Cynthia McNerney, Managing Director, First Southwest Company, Boston, MA. Tel: (617) 619-4408.
- Final Official Statement:** Within seven (7) business days following the award of the Bonds in accordance herewith, at least 100 copies of the Final Official Statement will be available from First Southwest Company to the successful bidder for each series for use in reoffering such series of the Bonds. Upon request, additional copies will be provided to the successful bidders to a maximum of one per \$100,000 of par amount purchased.

NOTICE OF SALE

CITY OF NEWTON, MASSACHUSETTS

The City of Newton, Massachusetts, will receive sealed or electronic (as described herein) proposals until 11:00 A.M. (Eastern Time) on Tuesday, April 5, 2011, for the purchase of the following described Bonds of the City:

\$5,770,000 **General Obligation Municipal Purpose Loan of 2011 Bonds, payable on April 1 in the years and amounts as follows:**

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Due April 1</u>	<u>Principal Amount</u>
2012	\$ 415,000	2022 *	\$ 110,000
2013	530,000	2023 *	110,000
2014	520,000	2024 *	110,000
2015	520,000	2025 *	100,000
2016	510,000	2026 *	100,000
2017	455,000	2027 *	100,000
2018	450,000	2028 *	100,000
2019	450,000	2029 *	100,000
2020	445,000	2030 *	100,000
2021	445,000	2031 *	100,000

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

The Bonds will be dated as of their delivery date. Principal of the Bonds will be payable on the dates shown above of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on April 1 and October 1, commencing October 1, 2011.

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, 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 Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

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 DTC. 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 maturity dates, as described herein.

Redemption Provisions

Bonds maturing on or prior to April 1, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after April 1, 2022 shall be subject to redemption prior to maturity, at the option of the City, on or after April 1, 2021, 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 Bonds maturing on and after April 1, 2022, 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 or two Term Bonds, 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 two Term Bonds. Term Bonds, if any, shall be subject to mandatory redemption on April 1, of the year or years immediately prior to the stated maturity of such Term Bonds (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.

Bidding Parameters

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. No bid of less than par and accrued interest to date of delivery will be considered.

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 of the Bonds, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. 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.

Bids for a series of the Bonds 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. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than 12:00 p.m. on the date of sale. 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; or
- (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 Dalcomp at 395 Hudson Street, New York, New York 10014, telephone (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.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for a series of the Bonds that, contemporaneously with or before accepting such series of the Bonds and paying therefore, it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated March 29, 2011 with respect to such series of the Bonds, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of such series of the Bonds and receipt of payment therefore, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of such series 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 such series 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 substantially in the form presented in the Preliminary Official Statement.

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 April 5, 2011 (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.

The City of Newton has not contracted for the issuance of any policy of municipal bond insurance 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 of his contractual obligations arising from the acceptance of his 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 for the rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the City.

Additional information concerning the City of Newton and the Bonds is contained in the Preliminary Official Statement dated March 29, 2011, 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. The Preliminary Official Statement is deemed final by the City as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement.

Copies of the Preliminary Official Statement and a suggested form of proposal for each series of the Bonds may be obtained from First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (telephone: 617-619-4400). Within seven business days following award of the Bonds and receipt of the necessary information from the successful bidder, 100 copies of the Final Official Statement will be available to the successful bidder of each series for use in reoffering the Bonds. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The City assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

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 material 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 on or about April 14, 2011 against payment to the City in federal reserve funds.

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

March 29, 2011

OFFICIAL STATEMENT

CITY OF NEWTON, MASSACHUSETTS

\$5,770,000 General Obligation Municipal Purpose Loan of 2011 Bonds

INTRODUCTION

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 its \$5,770,000 General Obligation Municipal Purpose Loan of 2011 Bonds, referred to herein collectively as 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 are being offered for sale at public bidding on Tuesday, April 5, 2011, and a Notice of Sale dated March 29, 2011 has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

The Bonds will be general obligations of the City of Newton, Massachusetts for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "THE BONDS - Security and Remedies," below.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on April 1 and October 1 of each year until maturity, commencing October 1, 2011, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the City dated March 29, 2011. The Bonds shall mature on April 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. 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 interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, 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 maturity dates, as described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to April 1, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after April 1, 2022 shall be subject to redemption prior to maturity, at the option of the City, on or after April 1, 2021, 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 April 1, 2026 and April 1, 2031 respectively (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 each Term Bond 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.

\$530,000 Term Bonds Maturing April 1, 2026

<u>Year</u>	<u>Principal Amount</u>
2022	\$110,000
2023	110,000
2024	110,000
2025	100,000
2026 *	100,000

*Final maturity.

\$500,000 Term Bonds Maturing April 1, 2031

<u>Year</u>	<u>Principal Amount</u>
2027	\$100,000
2028	100,000
2029	100,000
2030	100,000
2031 *	100,000

*Final maturity.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of 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, provided that with respect to overdue interest or interest on any overdue amount, 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 bondholders at least ten (10) days before the special record date.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well

as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of securities under the DTC system 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 held 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 securities held 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 securities held by 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities held by it, 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 held by it unless authorized by a Direct Participant in accordance with DTC's 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 held by 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 securities held by it 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.

Rating

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

Authorization of the Bonds and Use of Proceeds

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

Purpose	This Issue	Total Authorization	Statutory Reference	Dates of Mayoral Approval
Water Meter Replacement	\$ 3,000,000	\$ 11,528,000	Ch. 44 s. 8(7A)	5/8/2008
School Roof Repairs	810,000	810,000	Ch. 44 s. 7(3A)	1/18/2011
School Masonry Repairs	450,000	450,000	Ch. 44 s. 7(3A)	1/18/2011
School Boiler Replacement	350,000	350,000	Ch. 44 s. 7(3A)	1/18/2011
School Roof Top Exhaust Units	100,000	100,000	Ch. 44 s. 7(3A)	1/18/2011
Horace Mann School Window/ Doors	500,000	500,000	Ch. 44 s. 7(3A)	1/18/2011
Trommel Screen Purchase	170,000	170,000	Ch. 44 s. 7(9)	6/21/2010
City Hall Window Repairs	125,000	125,000	Ch. 44 s. 7(3A)	1/18/2011
DPW Equipment Replacement	265,000	265,000	Ch. 44 s. 7(9)	1/18/2011
Total	<u>\$ 5,770,000</u>			

Principal Payments by Purpose

Year	Water	School	General	Total
2012	\$ 300,000	\$ 45,000	\$ 70,000	\$ 415,000
2013	300,000	135,000	95,000	530,000
2014	300,000	130,000	90,000	520,000
2015	300,000	130,000	90,000	520,000
2016	300,000	125,000	85,000	510,000
2017	300,000	125,000	30,000	455,000
2018	300,000	125,000	25,000	450,000
2019	300,000	125,000	25,000	450,000
2020	300,000	120,000	25,000	445,000
2021	300,000	120,000	25,000	445,000
2022	-	110,000	-	110,000
2023	-	110,000	-	110,000
2024	-	110,000	-	110,000
2025	-	100,000	-	100,000
2026	-	100,000	-	100,000
2027	-	100,000	-	100,000
2028	-	100,000	-	100,000
2029	-	100,000	-	100,000
2030	-	100,000	-	100,000
2031	-	100,000	-	100,000
Total	<u>\$ 3,000,000</u>	<u>\$ 2,210,000</u>	<u>\$ 560,000</u>	<u>\$ 5,770,000</u>

Opinion of Bond Counsel

The purchaser of the Bonds will be furnished, without cost, the applicable legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, of 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 proposed form of legal opinion is included herein as Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel are not passing upon and do 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.

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge 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 Internal Revenue Code of 1986 (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. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. 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 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 regarding any other Massachusetts tax consequences nor as to the taxability of the Bonds or the income therefrom 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. Further, no assurance can be given that 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 value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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 or deduction. Except as indicated in the following paragraph, 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.

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 "Serial Bonds and Notes" under "INDEBTEDNESS - Types of Obligations") 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" 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 "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 or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority 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, 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.

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 State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently 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.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the City. The City has consented to participation by First Southwest Company in the public bidding on the Bonds if it so desires.

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, if material. 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 is 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 material 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	2014
Treasurer/Collector	James Reardon	Appointed by Mayor and confirmed by Board of Aldermen	2014
Comptroller	David C. Wilkinson	Appointed by Board of Aldermen	2012
Clerk	David A. Olson	Appointed by Board of Aldermen	2012
Chief Operating Officer	Robert Rooney	Appointed by Mayor	Indefinite
Chief Financial Officer	Maureen Lemieux	Appointed by Mayor	Indefinite
Director of Community Relations	Sarah Ecker	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 four school years and projections for the next two years. The total capacity of the City's school system is approximately 12,949 students.

PUBLIC SCHOOL ENROLLMENTS AS OF – OCTOBER 1,

	Actual					Projected	
	2006	2007	2008	2009	2010	2011	2012
Grades K-5	5,318	5,408	5,498	5,527	5,646	5,670	5,701
Grades 6-8	2,474	2,453	2,480	2,556	2,550	2,671	2,725
Grades 9-12	3,709	3,695	3,592	3,524	3,579	3,557	3,621
Totals	11,501	11,556	11,570	11,607	11,775	11,898	12,047

SOURCE: Office of the Superintendent of Schools.

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 LaSalle 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 Indians helped introduce settlers to such new crops as potatoes, maize, 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 47,479 people employed in 3,604 establishments in the City as of 2009 with an estimated annual payroll of approximately \$2,854,012,299. Businesses are generally small and service-oriented, with professional, business, education and health services accounting for over 50 percent of all jobs.

Newton has numerous industrial, research and development and office areas: the Wells Avenue Industrial Park (123.1 acres), Newton Executive Office Park (5.9 acres), the Needham Street Corridor (108 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			
	2006	2007	2008	2009
Construction	1,895	1,907	1,789	1,569
Manufacturing	1,535	1,314	1,173	1,012
Trade, Transportation and Utilities	6,899	7,085	7,275	6,829
Information	1,049	1,038	1,100	1,232
Financial Activities	2,547	2,624	2,865	2,987
Professional and Business Services	8,217	8,842	9,404	8,986
Education and Health Services	16,301	16,831	17,528	17,993
Leisure and Hospitality	4,491	4,870	5,124	4,663
Other Services	2,170	2,177	2,177	2,208
Total Employment	45,104	46,688	48,435	47,479
Number of Establishments	3,571	3,588	3,594	3,604
Average Weekly Wages	\$ 1,042	\$ 1,083	\$ 1,114	\$ 1,133
Total Wages	\$ 2,488,447,561	\$ 2,672,888,450	\$ 2,854,896,754	\$ 2,845,012,299

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* 2011

Employers with 1000+ Employees

Boston College
Newton Wellesley Hospital

Employers with 500-999 Employees

Education Development Center, Inc.
Northeast Securities

Employers with 250-499 Employees

ACI Worldwide Inc.
Adobe Systems
Bloomingdale's
Cheesecake Factory
Clark's Companies of North America
D'Agostino Associates
EMC Corp.
Harvard Vanguard Medical Associates
Marriott (Newton CP/TPG Hotels)
Tech Target Inc.
UPromise, Inc.
Whole Foods

*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:		
1997	390	26,209
1992	607	38,490
1987	609	38,905
Sales(000):		
1997	\$978,074	\$58,578,048
1992	970,792	47,663,248
1987	808,653	44,818,481
Per Capita Sales:		
1997	\$11,843	\$5,663
1992	11,755	7,922
1987	9,670	7,731

SOURCE: 1997, 1992, 1987 U.S. Census of Retail Trade, and the 1980 and 1990 Federal Census.

The Mall at Chestnut Hill and The Atrium are two retail centers in the City and house approximately 65 stores (including Bloomingdale's) and 66 stores, respectively.

Unemployment

According to the Massachusetts Department of Employment and Training preliminary data in December 2010, the City had a total labor force of 46,281 of which 43,804 were employed and 2,477 or 5.4% were unemployed as compared to 8.0% 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 of Massachusetts and the United States.

UNEMPLOYMENT RATES

Year	City of Newton				Massachusetts Unemployment Rate		United States Unemployment Rate	
	Labor Force	Employment	Unemployment Rate					
2009	45,604	42,972	5.8	%	8.1	%	9.3	%
2008	46,528	44,935	3.4		5.3		5.8	
2007	46,343	44,979	2.9		4.5		4.6	
2006	46,781	45,185	3.4		4.9		4.6	
2005	46,329	44,704	3.3		4.8		4.6	

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	
	Residential		Non-Residential		No.	Value	No.	Value
	No.	Value	No.	Value				
2010	62	\$34,125,255	4	\$5,993,828	1,972	\$113,172,077	2,038	\$ 153,291,160
2009	45	20,476,404	1	9,000,000	1,786	91,078,537	1,832	120,554,941
2008	53	25,741,430	3	3,356,684	2,296	147,703,229	2,352	176,801,343
2007	46	27,092,422	5	21,803,906	2,242	163,507,437	2,293	212,403,765
2006	53	47,498,576	3	15,100,661	2,316	152,280,106	2,372	214,879,343

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.

Major Office/Commercial/Residential Construction
(Approved, permitted or under construction – February 2011)

Location	Type	Description
70 Union Street	Commercial	90-seat restaurant
1239-1243 Centre Street	Commercial	105-seat restaurant
225 Boylston Street (Chestnut Hill Mall)	Commercial	Convert 2,500 square feet of existing retail space to 50-seat restaurant
33-41 Boylston Street (Chestnut Hill Shopping Center)	Commercial	Convert 5,400 square feet of existing retail to 175-seat restaurant
244 Adams Street	Commercial	Six (6) 2.5 story attached-dwelling residential units
192 Lexington Street	Commercial	40B development of ten (10) residential units
152 Adams Street	Commercial	5 units residential, 3,000 square feet of retail on ground floor
1479 Washington Street	Commercial	4,400 square foot addition to existing funeral home
187 North Street	Commercial	Expansion of existing 64 seat restaurant to 114 seats
1349 Washington Street	Commercial	Expansion of existing 48 seat restaurant to 76 seats

INSTITUTIONAL DEVELOPMENT

Location	Description
Beth Menachem Chabad	Special permit approved for demolition of existing residence and construction of 12,000 square foot new temple at 349 Dedham Street
Boston College	Construction of 183,000 square foot Stokes Hall
35 Morseland Road	Special permit approved for expansion of Temple Shaarei Tefillah
481 Hammond Street	8,350 square foot addition to existing religious educational and residential use
1897 Washington Street	Replacement of existing 1,972 square foot pool house at Country Club
117 Woodland Avenue	Construction of 22,000 square foot dorm Lasell College

PENDING MAJOR DEVELOPMENT

Location	Type	Description
355 Grove Street	Mixed use	Anticipated special permit filing for transportation-oriented development with office, retail and housing on 23-acre site at Riverside MBTA station
116 Dedham Street	Residential	Anticipated 40B development of 16 affordable housing units
200-230 Boylston Street	Mixed Use	Recently approved special permit for approximately 245,000 square feet of retail/office/grocery/health club plus up to 100 residential 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:			
2000	38.7	36.5	35.3
1990	35.7	33.6	32.9
1980	33.4	31.2	30.0
1970	36.2	29.0	28.1
Median Family Income:			
2000	\$105,289	\$61,664	\$50,046
1990	70,071	44,367	35,225
1980	30,436	21,166	19,908
1970	15,381	10,835	9,867
Per Capita Income:			
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>
2010 (Preliminary)	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
1970	91,263	(1.2)	1,398,397	12.9	5,689,170	10.5

SOURCE: Federal Census 2010, 2000, 1990, 1980 and 1970.

- (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 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Total Appropriations(1)	\$ 295,747,982	\$ 317,549,631	\$ 325,917,013	\$ 341,818,029	\$ 340,288,840
Additions:					
State and County Assessments	5,478,619	5,615,196	5,603,855	5,664,218	5,589,086
Overlay for Current Year	2,900,130	2,101,831	2,771,614	2,828,818	2,955,334
Other Amounts to be Raised	178,295	182,205	173,631	134,591	122,622
Total Additions	<u>8,557,044</u>	<u>7,899,232</u>	<u>8,549,100</u>	<u>8,627,627</u>	<u>8,667,042</u>
Gross Amount to be Raised	<u>304,305,026</u>	<u>325,448,863</u>	<u>334,466,113</u>	<u>350,445,657</u>	<u>348,955,882</u>
Deductions:					
Local Estimated Receipts	63,047,211	68,223,637	66,233,228	67,302,401	67,652,268
Community Preservation revenues(2)	4,993,044	4,872,432	3,749,970	6,841,524	4,018,864
State Aid(3):					
Current Year	21,801,107	23,773,433	27,987,266	24,106,766	18,871,372
Available Funds(4):					
Free Cash	3,894,596	8,539,800	6,700,252	11,770,246	6,461,611
Other Available Funds	2,064,940	4,267,135	4,898,889	7,124,436	10,243,913
Total Other Revenue	<u>95,800,898</u>	<u>109,676,437</u>	<u>109,569,604</u>	<u>117,145,373</u>	<u>107,248,028</u>
Net Amount to be Raised (Tax Levy)	<u>\$208,504,128</u>	<u>\$215,772,425</u>	<u>\$224,896,509</u>	<u>\$233,300,284</u>	<u>\$241,707,854</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. For purposes of preliminary fiscal year 2012 General Fund budget planning, the City is assuming a 5% reduction in “Cherry Sheet” state aid.
- (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 2008. (See "Property Tax Limitation").

The following table sets forth the trend in the City's assessed valuations, tax rates, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		Gross Levy	Tax Levy Per Capita (1)
				Residential Property	Commercial, Industrial, Personal Property		
2011	\$ 19,943,714,300	\$ 289,095,700	\$ 20,232,810,000	\$ 10.90	\$ 20.89	\$ 241,707,854	\$ 2,883
2010	20,204,657,700	283,174,000	20,487,831,700	10.41	19.93	233,300,284	2,783
2009	20,447,924,600	266,624,600	20,714,549,200	9.96	19.00	224,896,509	2,683
2008(2)	20,246,168,400	211,461,100	20,457,629,500	9.70	18.46	215,772,425	2,574
2007	20,471,496,400	195,725,500	20,667,221,900	9.33	17.64	208,504,128	2,487

(1) 2000 federal census (83,829).

(2) Revaluation year.

Classification by Property

The following is a breakdown of the City's fiscal 2011, 2010 and 2009 real estate valuation by type of property.

Property Type	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential (1)	\$18,402,764,063	91.0 %	\$18,667,859,100	91.1 %	\$18,925,908,407	91.4 %
Commercial	1,683,339,437	8.3	1,670,748,000	8.2	1,642,708,593	7.9
Industrial	146,706,500	0.7	149,224,600	0.7	145,932,200	0.7
Total Real Estate	<u>\$20,232,810,000</u>	<u>100.0</u>	<u>\$20,487,831,700</u>	<u>100.0</u>	<u>\$20,714,549,200</u>	<u>100.0</u>

(1) Includes personal property.

Largest Taxpayers

The following is a list of the ten largest taxpayers in the City based upon assessed valuations for fiscal 2011. All of the taxpayers listed below are current in their tax payments.

LARGEST TAXPAYERS			
Name	Nature of Business	FY 2011 Amount of Tax	% of Total Levy
Riverside Project LLC	Office Building	\$ 2,221,213	0.92 %
Nstar Electric	Utility Company	1,518,619	0.63
Rothenburg, Daniel E.	Chestnut Hill Mall	1,454,856	0.60
Mayflower Atrium LLC	Atrium Mall	1,440,967	0.60
Verizon New England Inc.	Utility Company	1,150,893	0.48
Cohen, Julian & Rothenberg D TRS	Chestnut Hill Mall	1,142,551	0.47
NS Wells Acquisition LLC	Office Building	905,377	0.37
Chesapeake Hotel Lmt Partnership	Marriott Hotel	841,880	0.35
Thomas J. White TRS	Hotel and Office Building	799,101	0.33
Lasell College	Independent Living	675,832	0.28
		\$ 12,151,288	5.03 %

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
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
2002	15,856,203,000	31.82
2000	12,028,714,200	21.17

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 during the fiscal year against each levy.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through June 30, 2010
		Dollar Amount	As a % of Net Levy	
2010	\$230,471,466	\$2,828,818	1.23 %	\$694,241
2009	222,124,896	2,771,614	1.25	812,612
2008	213,670,595	2,101,831	0.98	997,554
2007	205,603,998	2,900,130	1.41	923,456
2006	198,431,418	2,806,623	1.41	622,568

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

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates.

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 January 31, 2011 (1)(2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2010	\$233,300,284	\$2,828,818	\$230,471,466	\$228,861,998	99.30 %	\$230,532,115	100.03 %
2009	224,896,509	2,771,614	222,124,895	221,179,256	99.57	221,579,199	99.75
2008	215,772,425	2,101,831	213,670,594	211,782,357	99.12	211,887,115	99.17
2007	208,504,128	2,900,130	205,603,998	204,425,747	99.43	204,475,645	99.45
2006	201,238,041	2,806,623	198,431,418	197,604,301	99.58	197,604,318	99.58

(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. Fiscal 2010 collections are comparable with prior years.

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>
2011 (1)	\$3,698,419
2010	3,363,990
2009	1,769,451
2008	2,188,223
2007	1,834,707
2006	1,564,006

(1) As of January 31, 2011.

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 1/2, 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 2 ½ 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)

	2011	2010	2009	2008	2007
Primary Levy Limit (2)	\$ 505,820,250	\$ 512,195,793	\$ 517,863,730	\$ 511,440,738	\$ 516,680,548
Prior Fiscal Year Levy Limit	233,388,825	224,936,604	215,828,884	208,515,690	201,242,504
2.5% Levy Growth	5,834,721	5,623,415	5,395,722	5,212,892	5,031,063
New Growth (3)	2,501,206	2,828,806	3,711,998	2,100,302	2,242,123
Overrides	-	-	-	-	-
Growth Levy Limit	241,724,752	233,388,825	224,936,604	215,828,884	208,515,690
Debt Exclusions	-	-	-	-	-
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	241,724,752	233,388,825	224,936,604	215,828,884	208,515,690
Tax Levy	241,707,854	233,300,284	224,896,509	215,772,425	208,504,128
Unused Levy Capacity (4)	16,898	88,541	40,095	56,459	4,463
Unused Primary Levy Capacity (5)	\$ 264,095,498	\$ 278,806,968	\$ 292,927,126	\$ 295,611,854	\$ 308,164,858

(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.

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 and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. 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% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including 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, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. 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, 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 on the real property tax levy. 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 which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes 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 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 (1)

	<u>Property Tax</u>	<u>State Contribution</u>	<u>All Other</u>	<u>Total</u>
2010	\$ 2,288,624	\$ 763,914	\$ 54,643	\$ 3,107,181
2009	2,200,287	1,429,080	496,757	4,126,124
2008	2,107,392	2,045,105	334,879	4,487,376
2007	2,034,895	1,993,228	327,642	4,355,765
2006	1,984,081	2,017,149	235,180	4,236,410

(1) Excludes investment income, state and federal grants for CPA purposes, gifts and donations. At June 30, 2010, \$3,522,113 in CPA fund balance was available for appropriation. As of January 31, 2011, a total of \$5,022,488, including \$1,999,015 in fiscal 2011 funds were available for appropriation.

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 2007 through 2011. The budgets include General Fund; Water and Sewer Utility Funds; and Community Preservation.

BUDGET COMPARISON (1)

	Fiscal 2007	Fiscal 2008	FY 2009 Budget	FY 2010 Budget	FY 2011 Budget (2)
General Government	\$ 12,691,856	\$ 13,736,052	\$ 13,166,210	\$ 13,878,284	\$ 13,646,873
Public Safety	30,972,705	31,783,453	37,753,287	34,213,477	35,601,049
Education	142,272,140	154,415,605	158,019,758	163,673,652	166,191,767
Public Works	19,406,927	20,774,804	21,954,508	22,169,763	21,801,796
Water & Sewer	34,689,836	33,498,137	33,428,452	35,557,379	35,992,220
Health & Human Services	3,328,403	3,713,117	3,765,640	3,809,161	3,853,731
Culture & Recreation	9,694,167	10,677,115	10,461,444	10,383,975	9,194,762
Debt Service-General	9,631,318	7,426,549	10,011,346	14,332,596	16,010,731
Debt Service-Water & Sewer	2,488,740	2,902,976	2,820,282	4,382,457	4,668,628
Debt Service - CPA	944,870	1,013,041	1,255,088	1,217,988	882,788
Pension & Employee Ben.	19,269,220	20,900,165	21,729,372	22,840,978	24,103,327
State & County Asses.	5,478,619	5,615,196	5,603,855	5,664,218	5,589,086
Capital Outlay from CPA	9,960,227	8,641,901 (3)	9,257,721 (3)	9,689,169 (3)	8,830,205 (3)
Capital Outlay & Other	7,148,821	8,499,407 (4)	6,639,779 (4)	5,895,533 (4)	3,891,855 (4)
Subtotal	\$ 307,977,849	\$ 323,597,518	\$ 335,866,742	\$ 347,708,630	\$ 350,258,818
Transfer to Other Funds	7,167,220	9,764,685 (5)	9,053,736 (5)	3,146,879 (5)	\$ 5,495,900 (5)
Total	\$ 315,145,069	\$ 333,362,203	\$ 344,920,478	\$ 350,855,509	\$ 355,754,718

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

(2) Fiscal year 2011 Budget as amended through February 15, 2011.

(3) CPA Fund Capital Outlay & Other:

	2009	2010	2011
Appropriated reserves	\$ 2,273,502	\$ 1,379,612	\$ 1,500,395
Capital outlay & improvements	6,984,219	8,309,557	7,329,810
Total	\$ 9,257,721	\$ 9,689,169	\$ 8,830,205

(4) General Fund Capital Outlay and Other:

	2009	2010	2011
Municipal wage reserve	\$ 593,129	\$ 881,022	\$ -
Budget reserve	1,337,499	2,104	287,325
Capital outlay & improvements	4,709,151	5,012,407	3,754,530
Total	\$ 6,639,779	\$ 5,895,533	\$ 4,041,855

(5) Transfers To Other Funds Include:

	2009	2010	2011
Workers compensation self-insurance	\$ 1,912,119	\$ 1,035,000	\$ 1,000,000
School athletic revolving subsidy	900,827	877,781	903,678
School food service fund subsidy	1,439,944	691,847	502,648
"Rany Day" Stabilization Fund		-	2,643,271
OPEB Fund		-	137,000
Capital stabilization fund contribution	4,685,261	133,937	143,553
All other	115,585	408,332	165,750
Total transfers to other funds	\$ 9,053,736	\$ 3,146,897	\$ 5,495,900

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 2011 the property tax levy totaled \$241,707,853.

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. In fiscal years 2009, 2010 and 2011 the City's General Fund state aid, inclusive of school building assistance reimbursements, totaled \$25,405,732 (actual); \$24,779,678 (actual); and \$18,748,750 (projected). During fiscal year 2010 Newton received its final school building assistance reimbursement. For preliminary fiscal year 2012 budget planning purposes, the City is assuming a 5% additional reduction in state aid.

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 2009 was \$10,863,897. The amount of excise taxes levied by the City in fiscal year 2010 was \$8,980,522.

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, 2010. Water rates are currently \$5.14 per hundred cubic feet (hcf) for the first 20 hcf, \$6.17 per hcf for the next 50 hcf; and \$7.40 per hcf for all additional water consumption. Sewer rates are based on water consumption. Sewer rates are currently \$7.25 for the first 20 hcf of water consumption; \$8.74 per hcf for the next 50 hcf; and \$10.49 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 \$26.8 million for the current fiscal year – 61.8% of the combined total operating budget of the City's water and sewer utilities.

The fiscal 2010 Sewer utility revenues and inter-fund transfers were \$24 million while expenditures and transfers to other funds were \$23.9 million.

The fiscal 2010 Water utility revenues were \$14.7 million and expenditures and transfers to other funds were \$16.4 million. Fund balances were used to fund the \$1.7 million difference.

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. In fiscal 2009, the City's room occupancy tax generated \$1.1 million in revenue to the General fund. In fiscal 2010, the City's room occupancy tax generated \$1.2 million in revenue to the General Fund and for fiscal year 2011 the tax is expected to generate \$1.5 million.

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. During the final five months of fiscal year 2010 the local meals tax generated \$382,934 in revenue to the City. For fiscal year 2011 the tax is expected to generate \$1.2 million.

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 upon request from the City's Chief Budget 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

The City's accounts were independently audited for each of the fiscal years ending June 30, 1982 through 1997 by Arthur Andersen LLP, independent public accountants, for the fiscal years ending June 30, 1998 through June 30, 2002 by Powers & Sullivan, independent public accountants and for the fiscal year ending June 30, 2003 by KPMG LLP. Subsequent audits have been performed annually by Sullivan, Rogers, & Company, LLC and incorporated into the City CAFR's. See Appendix A for fiscal 2010 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 2010, 2009, and 2008 and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2010 through 2007, and a Comparative Statement of Revenues, Expenditures and Changes in General Fund Balance for fiscal years 2005 and 2006. 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, 2010. This report is available on the City's website, at www.Newtonma.gov.

CITY OF NEWTON, MASSACHUSETTS GOVERNMENTAL FUND BALANCE SHEET JUNE 30, 2010 (1)

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 43,890,957	\$ -	\$ -	\$ 23,453,528	\$ 67,344,485
Interest and Dividends	-	-	-	3,884	3,884
Receivables, net of Allowance for Uncollectibles					
Real Estate Personal Property Taxes	4,402,009	-	-	-	4,402,009
Real Estate Tax Deferrals	2,896,319	-	-	-	2,896,319
Tax and Utility Liens	4,627,580	-	-	4,887	4,632,467
Motor Vehicle Excise	647,248	-	-	-	647,248
Community Preservation Surcharges	-	45,493	-	-	45,493
Charges for Services	74,010	-	-	772,038	846,048
Departmental and Other	7,513,602	-	-	27,987	7,541,589
Intergovernmental	995,719	616,589	2,328,858	1,882,717	5,823,883
Special Assessments	566,653	-	-	-	566,653
Due from Other Funds	314,275	-	-	-	314,275
Due from Other Fiduciary Funds	33,861	-	-	-	33,861
Other Assets	23,895	-	-	30,000	53,895
Restricted Assets:					
Cash and cash Equivalents	-	10,367,962	24,371,679	16,440,496	51,180,137
Investments	-	-	-	611,955	611,955
TOTAL ASSETS	\$ 65,986,128	\$ 11,030,044	\$ 26,700,537	\$ 43,227,492	\$ 146,944,201
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	\$ 2,038,501	\$ 573	\$ 3,071,752	\$ 912,495	\$ 6,023,321
Accrued Liabilities	4,314,955	455,856	5,216,066	410,334	10,397,211
Accrued Payroll	13,026,715	2,459	-	1,318,204	14,347,378
Revenue Refunds Payable	6,744,487	-	-	-	6,744,487
Other Liabilities	-	2,421	-	483,525	485,946
Abandoned Property	581,517	-	-	-	581,517
Liabilities and Depositors	302,062	-	-	-	302,062
Deferred Revenues	19,665,346	653,002	2,328,858	464,287	23,111,493
Due to Other Funds	-	-	-	99,382	99,382
TOTAL LIABILITIES	\$ 46,673,583	\$ 1,114,311	\$ 10,616,676	\$ 3,688,227	\$ 62,092,797
FUND BALANCES					
Reserved For:					
Encumbrances and Continuing Appropriations	\$ 4,996,623	\$ 6,836,539	\$ -	\$ -	\$ 11,833,162
Debt Service	749,640	-	-	-	749,640
Capital Stabilization	-	-	-	15,783,210	15,783,210
Perpetual Permanent Funds	-	-	-	441,993	441,993
Other Specific Purposes	-	-	-	2,864,947	2,864,947
Unreserved:					
Designated for Subsequent Year's Expenditures	2,675,133	-	-	-	2,675,133
Undesignated, Reported In:					
General Fund	10,891,149	-	-	-	10,891,149
Special Revenue Funds	-	3,079,194	-	7,625,739	10,704,933
Capital Project Funds	-	-	16,083,861	12,083,352	28,167,213
Permanent Funds	-	-	-	740,024	740,024
TOTAL FUND BALANCES	19,312,545	9,915,733	16,083,861	39,539,265	84,851,404
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,986,128	\$ 11,030,044	\$ 26,700,537	\$ 43,227,492	\$ 146,944,201

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

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2009 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 42,476,214	\$ -	\$ -	\$ 26,886,606	\$ 69,362,820
Interest and Dividends	-	-	-	4,233	4,233
Receivables, net of Allowance for Uncollectibles					
Real Estate Personal Property Taxes	7,151,454	-	-	-	7,151,454
Real Estate Tax Deferrals	2,622,127	-	-	-	2,622,127
Tax and Utility Liens	2,784,962	-	-	8,139	2,793,101
Motor Vehicle Excise	916,303	-	-	-	916,303
Community Preservation Surcharges	-	55,043	-	-	55,043
Charges for Services	64,204	-	-	714,153	778,357
Departmental and Other	7,190,191	-	-	23,860	7,214,051
Intergovernmental	4,764,364	763,914	2,328,858	2,285,935	10,143,071
Special Assessments	670,189	-	-	-	670,189
Notes	-	300,000	-	-	300,000
Loans	-	-	-	360,000	360,000
Due from Other Funds	718,493	-	-	-	718,493
Due from Other Fiduciary Funds	35,097	-	-	-	35,097
Other Assets	27,708	-	-	-	27,708
Restricted Assets:					
Cash and cash Equivalents	-	9,772,966	79,887,592	10,790,731	100,451,289
Investments	-	-	-	580,330	580,330
TOTAL ASSETS	\$ 69,421,306	\$ 10,891,923	\$ 82,216,450	\$ 41,653,987	\$ 204,183,666
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	\$ 2,506,368	\$ -	\$ 7,433,059	\$ 1,768,175	\$ 11,707,602
Accrued Liabilities	3,221,425	27,133	4,071,459	438,832	7,758,849
Accrued Payroll	12,098,295	2,120	-	1,089,199	13,189,614
Revenue Refunds Payable	6,338,401	-	-	338	6,338,739
Other Liabilities	8,059	107	-	384,967	393,133
Abandoned Property	581,517	-	-	-	581,517
Liabilities and Depositors	373,062	-	-	-	373,062
Deferred Revenues	23,974,901	808,536	2,328,858	659,564	27,771,859
Due to Other Funds	-	-	-	302,025	302,025
Court Judgements	150,000	-	-	-	150,000
TOTAL LIABILITIES	\$ 49,252,028	\$ 837,896	\$ 13,833,376	\$ 4,643,100	\$ 68,566,400
FUND BALANCES					
Reserved For:					
Encumbrances and Continuing Appropriations	\$ 3,713,336	\$ 5,200,429	\$ -	\$ -	\$ 8,913,765
Debt Service	881,707	-	-	-	881,707
Perpetual Permanent Funds	-	-	-	433,156	433,156
Other Specific Purposes	-	-	-	2,520,384	2,520,384
Unreserved:					
Designated for Subsequent Year's Expenditures	5,051,017	-	-	-	5,051,017
Undesignated, Reported In:					
General Fund	10,523,218	-	-	-	10,523,218
Special Revenue Funds	-	4,853,598	-	8,400,006	13,253,604
Capital Project Funds	-	-	68,383,074	24,920,663	93,303,737
Permanent Funds	-	-	-	736,678	736,678
TOTAL FUND BALANCES	20,169,278	10,054,027	68,383,074	37,010,887	135,617,266
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,421,306	\$ 10,891,923	\$ 82,216,450	\$ 41,653,987	\$ 204,183,666

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

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2008 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 44,559,669	\$ -	\$ -	\$ 25,416,531	\$ 69,976,200
Interest and Dividends	-	-	-	5,866	
Receivables, net of Allowance for Uncollectibles					
Real Estate Personal Property Taxes	4,672,544	-	-	-	4,672,544
Real Estate Tax Deferrals	2,652,708	-	-	-	2,652,708
Tax and Utility Liens	3,265,056	-	-	9,668	3,274,724
Motor Vehicle Excise	747,180	-	-	-	747,180
Community Preservation Surcharges	-	77,138	-	-	77,138
Charges for Services	57,040	-	-	741,028	798,068
Departmental and Other	7,945,549	-	-	31,578	7,977,127
Intergovernmental	8,406,983	1,373,703	18,612,205	2,046,707	30,439,598
Special Assessments	637,754	-	-	-	637,754
Loans	-	-	-	360,000	360,000
Due from Other Funds	1,090,903	-	-	-	1,090,903
Other Assets	23,807	-	-	2,890	26,697
Restricted Assets:					
Cash and cash Equivalents	506,382	8,979,235	22,118,069	5,104,639	36,708,325
Investments	-	-	-	766,401	766,401
TOTAL ASSETS	\$ 74,565,575	\$ 10,430,076	\$ 40,730,274	\$ 34,485,308	\$ 160,211,233
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	\$ 2,910,558	\$ 67,711	\$ 2,855,592	\$ 1,126,510	\$ 6,960,371
Accrued Liabilities	3,421,495	9,409	901,247	86,576	4,418,727
Accrued Payroll	14,690,641	290	-	895,807	15,586,738
Revenue Refunds Payable	6,746,157	-	-	1,125	6,747,282
Other Liabilities	133,891	1,520	-	-	135,411
Abandoned Property	934,837	-	-	-	934,837
Liabilities and Depositors	506,382	-	-	64,736	571,118
Deferred Revenues	25,788,398	1,432,066	18,612,205	739,378	46,572,047
Due to Other Funds	-	-	-	1,090,903	1,090,903
TOTAL LIABILITIES	\$ 55,132,359	\$ 1,510,996	\$ 22,369,044	\$ 4,005,035	\$ 83,017,434
FUND BALANCES					
Reserved For:					
Encumbrances and Continuing Appropriations	\$ 3,091,164	\$ 5,731,667	\$ -	\$ -	\$ 8,822,831
Perpetual Permanent Funds	-	-	-	414,856	414,856
Other Specific Purposes	-	-	-	1,758,255	1,758,255
Unreserved:					
Designated for Subsequent Year's Expenditures	2,900,000	-	-	-	2,900,000
Undesignated, Reported In:					
General Fund	13,442,052	-	-	-	13,442,052
Special Revenue Funds	-	3,187,413	-	7,290,616	10,478,029
Capital Project Funds	-	-	18,361,230	20,198,932	38,560,162
Permanent Funds	-	-	-	817,614	817,614
TOTAL FUND BALANCES	19,433,216	8,919,080	18,361,230	30,480,273	77,193,799
TOTAL LIABILITIES AND FUND BALANCES	\$ 74,565,575	\$ 10,430,076	\$ 40,730,274	\$ 34,485,308	\$ 160,211,233

(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.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2008 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 211,435,422	\$ -	\$ -	\$ -	\$ 211,435,422
Motor Vehicle Excise Taxes	11,131,712	-	-	-	11,131,712
Hotel Room Occupancy Taxes	1,103,549	-	-	-	1,103,549
Community Preservation Surcharges	-	2,107,392	-	-	2,107,392
Penalties and Interest on Taxes	1,055,344	-	-	-	1,055,344
Licenses, Permits and Fees	4,897,248	-	-	30,931	4,928,179
Intergovernmental	54,187,602	2,045,105	447,753	22,080,032	78,760,492
Charges for Services	1,684,061	-	-	12,404,681	14,088,742
Fines and Forfeitures	1,878,183	-	-	21,478	1,899,661
Investment Income	3,976,344	330,080	-	128,999	4,435,423
Contributions and Donations	-	4,799	-	1,390,224	1,395,023
Payments in Lieu of Taxes	358,957	-	-	-	358,957
Miscellaneous	989,425	-	-	824,565	1,813,990
Special Assessments	92,265	-	-	65,016	157,281
TOTAL REVENUES	\$ 292,790,112	\$ 4,487,376	\$ 447,753	\$ 36,945,926	\$ 334,671,167
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,811,022	\$ 69,657	\$ -	\$ -	\$ 1,880,679
Elections	715,260	-	-	37,952	753,212
Financial Administration	3,016,513	-	-	-	3,016,513
Administrative Support	3,806,988	-	-	5	3,806,993
Planning & Development	967,735	723,110	-	7,334,014	9,024,859
Public Building Maintenance & Operations	2,893,478	40,735	-	774,039	3,708,252
Public Safety:					
Police	16,758,593	-	-	2,720,093	19,478,686
Fire	15,577,228	-	-	730,602	16,307,830
Inspectional Services	1,088,826	-	-	2,207	1,091,033
Other Public Safety	82,544	-	-	-	82,544
Education	152,616,308	-	26,221,553	23,739,615	202,577,476
Public Works:					
Streets and Sidewalks	5,809,703	18,000	-	4,578,739	10,406,442
Control of Snow & Ice	3,422,120	-	-	-	3,422,120
Collections & Disposal of Solid Waste	6,007,903	-	-	57,723	6,065,626
Vehicle Maintenance	2,180,139	-	-	7,519	2,187,658
Engineering	1,116,480	-	-	35,055	1,151,535
Administrative & Support	1,610,850	-	-	-	1,610,850
Health and Human Services:					
Health & Human Services	2,683,110	-	-	265,646	2,948,756
Senior Services	604,960	16,550	-	220,435	841,945
Veteran Services	199,148	-	-	-	199,148
Culture and Recreation:					
Libraries	5,376,346	-	-	512,757	5,889,103
Parks & Recreation	5,215,406	103,612	-	1,374,121	6,693,139
Newton History Museum	244,091	6,500	-	4,990	255,581
Retirement Benefits	44,134,609	-	-	-	44,134,609
Workers' Compensation Insurance	1,397,143	-	-	-	1,397,143
Property and Liability Insurance	293,834	-	-	-	293,834
Claims and Judgements	97,254	-	-	-	97,254
Other	24,080	-	-	-	24,080
State assessments & Charges	5,512,027	-	-	-	5,512,027
Debt Service					
Principal	5,346,900	800,000	-	-	6,146,900
Interest	2,165,261	213,041	-	-	2,378,302
TOTAL EXPENDITURES	\$ 292,775,859	\$ 1,991,205	\$ 26,221,553	\$ 42,395,512	\$ 363,384,129
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	14,253	2,496,171	(25,773,800)	(5,449,586)	(28,712,962)
Other Financing Sources (Uses)					
Transfers In	3,614,126	-	300,000	8,670,161	12,584,287
Issuance of General Obligation Bonds	-	2,300,000	42,500,000	3,992,000	48,792,000
Premium from Issuance of Bonds and Notes	235,056	27,385	-	-	262,441
Sale of Capital Assets	27,917	-	-	21,992	49,909
Transfer Out	(8,067,543)	(2,646)	-	(2,961,548)	(11,031,737)
TOTAL OTHER FINANCING SOURCES (USES)	(4,190,444)	2,324,739	42,800,000	9,722,605	50,656,900
Net Change in Fund Balances	(4,176,191)	4,820,910	17,026,200	4,273,019	21,943,938
Fund Balances at Beginning of Year	23,609,407	4,098,170	1,335,030	26,207,254	55,249,861
Fund Balances at End of Year	\$ 19,433,216	\$ 8,919,080	\$ 18,361,230	\$ 30,480,273	\$ 77,193,799

(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, 2007 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate and Personal Property Taxes	\$ 207,245,638	\$ -	\$ -	\$ -	\$ 207,245,638
Motor Vehicle Excise Taxes	10,197,596	-	-	-	10,197,596
Hotel Room Occupancy Taxes	1,138,921	-	-	-	1,138,921
Community Preservation Surcharges	-	2,027,379	-	-	2,027,379
Penalties and Interest on Taxes	1,042,248	7,464	-	-	1,049,712
Licenses, Permits and Fees	5,371,145	-	-	393,437	5,764,582
Intergovernmental	46,362,237	1,993,228	8,260,000	18,948,546	75,564,011
Charges for Services	1,507,826	-	-	12,602,195	14,110,021
Fines and Forfeitures	1,825,696	-	-	24,807	1,850,503
Investment Income	4,440,056	317,642	-	203,161	4,960,859
Contributions and Donations	-	10,000	-	786,807	796,807
Payments in Lieu of Taxes	411,789	52	-	-	411,841
Miscellaneous	363,509	-	-	584,476	947,985
Special Assessments	191,433	-	-	23,783	215,216
TOTAL REVENUES	\$ 280,098,094	\$ 4,355,765	\$ 8,260,000	\$ 33,567,212	\$ 326,281,071
EXPENDITURES:					
Current:					
General Government:					
Legislative & Executive	\$ 1,631,737	\$ -	\$ -	\$ -	\$ 1,631,737
Elections	655,570	-	-	19,719	675,289
Financial Administration	2,848,174	-	-	-	2,848,174
Administrative Support	3,327,555	-	-	5,054	3,332,609
Planning & Development	990,691	1,710,156	-	4,295,103	6,995,950
Public Building Maintenance & Operations	2,628,694	102,259	-	241,729	2,972,682
Public Safety:					
Police	16,286,081	-	-	2,707,669	18,993,750
Fire	15,272,656	-	-	1,235,523	16,508,179
Inspectional Services	950,809	-	-	5,409	956,218
Other Public Safety	81,919	-	-	-	81,919
Education	141,727,330	49,050	3,381,659	21,205,256	166,363,295
Public Works:					
Streets and Sidewalks	6,359,317	670	-	4,443,984	10,803,971
Control of Snow & Ice	1,270,134	-	-	-	1,270,134
Collections & Disposal of Solid Waste	6,144,064	-	-	40,746	6,184,810
Vehicle Maintenance	2,156,162	-	-	-	2,156,162
Engineering	1,048,319	-	-	13,367	1,061,686
Administrative & Support	1,525,029	-	-	-	1,525,029
Health and Human Services:					
Health & Human Services	2,536,046	-	-	225,681	2,761,727
Senior Services	503,037	253,564	-	332,516	1,089,117
Veteran Services	203,367	-	-	-	203,367
Culture and Recreation:					
Libraries	5,058,462	-	-	525,649	5,584,111
Parks & Recreation	4,483,368	2,543,633	-	1,477,935	8,504,936
Newton History Museum	229,208	120,430	-	3,215	352,853
Retirement Benefits	42,079,659	-	-	-	42,079,659
Workers' Compensation Insurance	1,384,342	-	-	-	1,384,342
Property and Liability Insurance	282,234	-	-	-	282,234
Health Insurance Subsidy	173,495	-	-	-	173,495
Claims and Judgements	143,335	-	-	-	143,335
State Assessments & charges	5,375,365	-	-	-	5,375,365
Debt Service:					
Principal	7,672,050	800,000	-	-	8,472,050
Interest	1,984,265	145,050	-	-	2,129,315
TOTAL EXPENDITURES	\$ 277,012,474	\$ 5,724,812	\$ 3,381,659	\$ 36,778,555	\$ 322,897,500
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	3,085,620	(1,369,047)	4,878,341	(3,211,343)	3,383,571
Other Financing Sources (Uses)					
Transfers In	3,063,500	-	-	6,730,250	9,793,750
Issuance of General Obligation Bonds	-	-	6,996,000	3,604,000	10,600,000
Premium from Issuance of Bonds and Notes	90,087	2,645	-	-	92,732
Sale of Capital Assets	8,205	-	-	32,547	40,752
Transfer Out	(5,782,878)	(30,000)	-	(2,479,632)	(8,292,510)
TOTAL OTHER FINANCING SOURCES (USES)	(2,621,086)	(27,355)	6,996,000	7,887,165	12,234,724
Net Change in Fund Balances Before Extraordinary Item	464,535	(1,396,402)	11,874,341	4,675,822	15,618,296
Extraordinary Item					
Proceeds of Structured Settlement Contract	2,850,000	-	-	-	2,850,000
Net Change in Fund Balances	3,314,535	(1,396,402)	11,874,341	4,675,822	18,468,296
Fund Balances at Beginning of Year	20,294,872	5,494,572	(10,539,311)	21,531,432	36,781,565
Fund Balances at End of Year	\$ 23,609,407	\$ 4,098,170	\$ 1,335,030	\$ 26,207,254	\$ 55,249,861

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

CITY OF NEWTON, MASSACHUSETTS
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (1)
GENERAL FUND

	June 30	
	2005	2006
REVENUES:		
Property Taxes, Net of Overlay	\$ 192,554,388	\$ 200,165,525
Motor Vehicle Excise	11,467,867	11,298,282
Other Taxes	979,194	1,060,052
Charges for services	1,379,194	1,639,979
Intergovernmental Receipts	39,223,195	41,193,950
Interest and Dividends	1,529,059	3,055,801
Departmental and Other	8,646,922	10,504,386
TOTAL REVENUES	\$ 255,779,819	\$ 268,917,975
EXPENDITURES:		
Current:		
Education	\$ 130,585,252	\$ 134,156,149
Public Safety	31,259,345	30,661,527
Health and Social Services	3,140,427	3,133,401
Public Works	20,726,832	18,845,176
Culture and Recreation	10,048,652	9,823,174
Debt Service	6,975,666	6,845,870
Employee & Pension Benefits	38,416,941	41,201,741
General Government	12,529,775	12,142,202
State and County Assessments	5,045,783	5,209,013
Other(2)	-	-
TOTAL EXPENDITURES	258,728,673	262,018,253
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	(2,948,854)	6,899,722
Other Financing Sources (Uses)	(515,127)	(427,317)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(3,463,981)	6,472,405
BEGINNING FUND BALANCE	17,286,448	13,822,467
ENDING FUND BALANCE	\$ 13,822,467	\$ 20,294,872

(1) From the City's Audited Financial Statements.

(2) Includes Capital Outlay.

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>
2010	\$8,018,399 (1)
2009	6,697,571
2008	10,923,805
2007	8,483,609
2006	7,690,495

(1) As of February 15, 2011, a total of \$4,733,922 in July 1, 2010 certified free cash has been appropriated and \$1,500,000 has been designated for appropriation to support the fiscal year 2012 General Fund budget. Two appropriations account for 99.5% of appropriated free cash. They are \$2,643,271 for funding of a "Rainy Day" Stabilization Fund and \$2,065,000 for supplemental snow and ice funding for the current fiscal year.

Capital Stabilization Fund

The City established in 1993 a special capital projects fund. In 2001 this account was utilized to fund improvements to the City's two high schools. The table below shows the trend in balances in the fund.

<u>Fiscal Year</u>	<u>Balance</u>
2010	\$15,783,210 (1)
2009	16,688,591
2008	16,356,651
2007	11,018,231
2006	9,822,842

(1) Of the \$15,783,210 June 30, 2010 fund balance, \$5,731,710 was designated to support the fiscal year 2011 General Fund budget (funding of debt service related to the new North High School project). As of February 14, 2011, the available balance in the Capital Stabilization Fund was \$10,083,537, of which \$4,800,000 has been designated to support the fiscal 2012 budget.

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. This article is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this article.

**CITY OF NEWTON
DIRECT DEBT SUMMARY (1)**

General Obligation Bonds as of June 30, 2010:

Outstanding:		
School (2)	\$ 163,432,000	
Land Acquisition (3)	2,000,000	
General (3)	20,946,000	
Water (4)	5,400,000	
Sewer (5)	500,000	
MWRA (6)	14,733,983	
MWPAT (7)	9,835,066	
Total Outstanding		\$ 216,847,049
This Issue		5,770,000
Total Direct Debt		\$ 222,617,049

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
(2) Subject to 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) \$12,705,253 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; \$4,997,300 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 June 30, 2010 and at the end of the four 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 (2000 Federal Census)	Local Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation
2010	\$ 216,847,049	83,829	\$ 20,487,831,700	\$ 2,587	1.06 %
2009	200,945,636	83,829	20,714,549,200	2,397	0.97
2008	114,485,843	83,829	20,457,629,500	1,366	0.56
2007	74,552,865	83,829	20,667,221,900	889	0.36
2006	68,289,975	83,829	19,866,823,700	815	0.34

Principal Payments by Purpose

The following table sets forth the principal payments as of June 30, 2010 by purpose on outstanding general obligation bonds of the City. As indicated in the table, of the total \$216,847,049 bonds outstanding, \$61,069,343 or approximately 28% of the total outstanding are to be retired by the end of fiscal 2015 and \$108,336,049 or approximately 50% of the total outstanding are to be retired by the end of fiscal 2020.

CITY OF NEWTON GENERAL OBLIGATION BONDS Principal Payments by Purpose (1) As of June 30, 2010

Fiscal Year	School (2)	Land Acquisition (3)	General (3)	Water (4)	Sewer (5)	MWRA (6)	MWPAT (7)	Total
2011	\$ 7,042,000	\$ 500,000	\$ 1,781,000	\$ 600,000	\$ 25,000	\$ 3,049,760	\$ 834,132	\$ 13,831,892
2012	6,530,000	500,000	1,755,000	600,000	25,000	2,780,653	853,177	13,043,830
2013	6,150,000	500,000	1,735,000	600,000	25,000	2,234,951	812,157	12,057,109
2014	6,160,000	500,000	1,735,000	600,000	25,000	1,935,067	908,200	11,863,267
2015	5,645,000	-	1,665,000	600,000	25,000	1,405,546	932,700	10,273,246
2016	5,700,000	-	1,655,000	600,000	25,000	1,099,644	962,300	10,041,944
2017	5,785,000	-	1,580,000	600,000	25,000	841,042	992,000	9,823,042
2018	5,855,000	-	1,320,000	600,000	25,000	582,440	1,031,800	9,414,240
2019	5,920,000	-	1,320,000	600,000	25,000	582,440	1,066,600	9,514,040
2020	6,015,000	-	1,295,000	-	25,000	222,440	916,000	8,473,440
2021	6,030,000	-	1,010,000	-	25,000	-	506,000	7,571,000
2022	6,050,000	-	895,000	-	25,000	-	10,000	6,980,000
2023	6,160,000	-	825,000	-	25,000	-	10,000	7,020,000
2024	6,320,000	-	735,000	-	25,000	-	-	7,080,000
2025	6,245,000	-	475,000	-	25,000	-	-	6,745,000
2026	5,580,000	-	235,000	-	25,000	-	-	5,840,000
2027	5,135,000	-	235,000	-	25,000	-	-	5,395,000
2028	5,035,000	-	235,000	-	25,000	-	-	5,295,000
2029	4,270,000	-	235,000	-	25,000	-	-	4,530,000
2030	4,310,000	-	225,000	-	25,000	-	-	4,560,000
2031	4,470,000	-	-	-	-	-	-	4,470,000
2032	4,675,000	-	-	-	-	-	-	4,675,000
2033	4,885,000	-	-	-	-	-	-	4,885,000
2034	5,115,000	-	-	-	-	-	-	5,115,000
2035	5,355,000	-	-	-	-	-	-	5,355,000
2036	5,610,000	-	-	-	-	-	-	5,610,000
2037	5,875,000	-	-	-	-	-	-	5,875,000
2038	6,155,000	-	-	-	-	-	-	6,155,000
2039	4,970,000	-	-	-	-	-	-	4,970,000
2040	385,000	-	-	-	-	-	-	385,000
Total	\$ 163,432,000	\$ 2,000,000	\$ 20,946,000	\$ 5,400,000	\$ 500,000	\$ 14,733,983	\$ 9,835,066	\$ 216,847,049

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) Subject to 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) \$12,705,253 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; \$4,997,300 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, 2010.

CITY OF NEWTON – GENERAL OBLIGATION BONDS Debt Service Requirements As of June 30, 2010

Fiscal Year	Principal	Interest	This Issue		MWPAT Subsidy	Net Debt Service
			Principal	Interest		
2011	\$ 13,831,892	\$ 8,080,919	\$ -	\$ -	\$ (571,503)	\$ 21,341,309
2012	13,043,830	7,881,863	415,000	205,706	(550,917)	20,995,482
2013	12,057,109	7,612,623	530,000	200,963	(528,759)	19,871,936
2014	11,863,267	7,205,992	520,000	185,063	(512,488)	19,261,834
2015	10,273,246	6,853,023	520,000	169,463	(487,299)	17,328,432
2016	10,041,944	6,525,787	510,000	153,863	(462,660)	16,768,934
2017	9,823,042	6,208,345	455,000	133,463	(438,533)	16,181,317
2018	9,414,240	5,865,518	450,000	115,263	(411,340)	15,433,681
2019	9,514,040	5,501,825	450,000	97,263	(387,687)	15,175,441
2020	8,473,440	5,131,256	445,000	79,263	(312,957)	13,816,002
2021	7,571,000	4,785,346	445,000	59,238	(160,394)	12,700,190
2022	6,980,000	4,471,563	110,000	39,213	(2,610)	11,598,165
2023	7,020,000	4,192,388	110,000	35,225	(2,323)	11,355,290
2024	7,080,000	3,911,113	110,000	31,238	-	11,132,350
2025	6,745,000	3,626,663	100,000	27,250	-	10,498,913
2026	5,840,000	3,349,681	100,000	23,625	-	9,313,306
2027	5,395,000	3,110,569	100,000	20,000	-	8,625,569
2028	5,295,000	2,884,394	100,000	16,000	-	8,295,394
2029	4,530,000	2,678,369	100,000	12,000	-	7,320,369
2030	4,560,000	2,482,506	100,000	8,000	-	7,150,506
2031	4,470,000	2,280,169	100,000	4,000	-	6,854,169
2032	4,675,000	2,080,463	-	-	-	6,755,463
2033	4,885,000	1,855,356	-	-	-	6,740,356
2034	5,115,000	1,620,000	-	-	-	6,735,000
2035	5,355,000	1,373,419	-	-	-	6,728,419
2036	5,610,000	1,115,138	-	-	-	6,725,138
2037	5,875,000	843,925	-	-	-	6,718,925
2038	6,155,000	559,788	-	-	-	6,714,788
2039	4,970,000	261,975	-	-	-	5,231,975
2040	385,000	16,363	-	-	-	401,363
	<u>\$ 216,847,049</u>	<u>\$ 114,366,336</u>	<u>\$ 5,770,000</u>	<u>\$ 1,616,093</u>	<u>\$ (4,829,468)</u>	<u>\$ 333,770,011</u>

Authorized Unissued Debt and Prospective Financing

As of January 31, 2011, the City had approximately \$32.7 million outstanding in authorized but unissued debt for various municipal capital purposes.

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 2011 dollar assessment for each.

<u>Overlapping Entity</u>	<u>Outstanding Debt as of 6/30/10</u>	<u>Newton's Estimated Share(1)</u>	<u>Fiscal 2011 Dollar Assessment(2)</u>
Massachusetts Water Resources Authority (3)			
Water	\$ 1,965,302,000	4.837 %	\$ 8,170,620
Sewer	3,902,910,000	4.292	18,034,955
Massachusetts Bay Transportation Authority (4)	5,522,119,947	3.406	5,026,100

-
- (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 City is in the process of exploring options relative to a future agreement

for the disposal of solid waste. The fiscal 2009 and 2010 appropriations for collection and disposal of solid waste (including recycling) were \$6,106,835 and \$5,831,261, respectively. For fiscal year 2011 a total of \$5,853,887 has been appropriated.

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 \$208,068,353 at January 1, 2010, computed as follows:

Pension benefit obligation -	\$462,103,688
Actuarial value of assets available for pension benefits (1)	254,035,335
Unfunded pension benefit	<u>\$208,068,353</u>

(1) Fair value of assets available for pension benefits is \$222,586,242. 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.

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 January 1, 2011 valuation is expected to be issued during the month of April 2011.

Earlier this fiscal year, the Newton Retirement Board voted to extend the deadline for actuarial funding of the system's liabilities from 2028 to 2038. The statutory deadline for actuarial funding is currently 2040.

Source: January 1, 2010 Actuarial Valuation of the Newton Retirement System prepared by Buck Consultants.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES:					
Retirement Contributions:					
Employer	\$ 11,117,331	\$ 12,146,336	\$ 13,258,279	\$ 13,903,775	\$ 15,405,575
Employee	6,407,985	6,689,060	7,775,449	7,704,725	7,661,211
Commonwealth	1,033,657	993,222	892,410	840,710	792,152
Interest/Dividends	4,935,278	6,144,067	8,668,084	6,308,072	6,739,203
Unrealized Gain	25,395,706	22,779,223	(88,309,069)	24,170,380	21,295,787
Less Investment Expense	(1,012,182)	(864,876)	(1,177,833)	(1,141,650)	(1,011,407)
Transfers	934,213	851,522	1,201,867	999,570	993,065
TOTAL REVENUES	<u>48,811,988</u>	<u>48,738,554</u>	<u>(57,690,813)</u>	<u>52,785,582</u>	<u>51,875,586</u>
EXPENSES:					
Retirement Benefits	25,927,780	26,337,818	27,521,222	29,126,639	30,247,733
Refunds, Transfers, Disbursements	1,428,235	1,766,759	1,995,502	1,743,310	2,321,187
Administrative	242,832	255,380	266,996	265,624	264,776
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>27,598,847</u>	<u>28,359,957</u>	<u>29,783,720</u>	<u>31,135,573</u>	<u>32,833,696</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,213,141	20,378,597	(87,474,533)	21,650,009	19,041,890
BEGINNING FUND BALANCE	<u>246,819,028</u>	<u>268,032,169</u>	<u>288,410,766</u>	<u>200,936,233</u>	<u>222,586,242</u>
ENDING FUND BALANCE	<u>\$ 268,032,169</u>	<u>\$ 288,410,766</u>	<u>\$ 200,936,233</u>	<u>\$ 222,586,242</u>	<u>\$ 241,628,132</u>

(1) 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 that are not expected to be available until March 31, 2011.

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:

Fiscal Year	Benefit Costs
2010	\$14,779,419
2009	14,141,956
2008	13,429,363
2007	13,520,920
2006	12,560,524

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. Subsequent to June 30, 2010 the City established a formal OPEB trust pursuant to Massachusetts municipal finance law and contributed \$137,000 from the fiscal year 2011 General Fund budget.

EMPLOYEE RELATIONS

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

For the fiscal year ending June 30, 2010, the City employed approximately 2,626 full time employees of whom 1,787 were employed by the Newton Public Schools, 181 by the police department, 183 by the fire department, 195 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 2,450 full time employees are represented by sixteen unions, ten of which are municipal and six of which are school.

All collective bargaining contracts of the City expired on either June 30, 2009 or August 31, 2009, except for the police officers' contract which expired June 30, 2006. Both the police superior officers' association and the school teachers' contracts have settled one-year agreements subsequent to June 30, 2009. The expired police officer contract is currently before an arbitrator.

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.

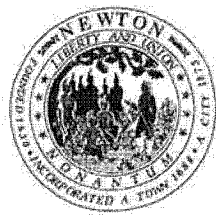
CITY OF NEWTON, MASSACHUSETTS
/s/ James Reardon, City Treasurer/Collector

April 5, 2011

City of Newton, Massachusetts

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2010



Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
II. FINANCIAL SECTION	
A. INDEPENDENT AUDITORS' REPORT	A-1
B. MANAGEMENT'S DISCUSSION AND ANALYSIS	A-3
C. BASIC FINANCIAL STATEMENTS	A-19
Government Wide Financial Statements	
Statement of Net Assets	A-21
Statement of Activities	A-23
Fund Financial Statements	
Governmental Funds	
Balance Sheet	A-25
Reconciliation of the Governmental Funds Balance Sheet Total	
Fund Balances to the Statement of Net Assets	A-26
Statement of Revenues, Expenditures, and Changes	
in Fund Balances	A-27
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds	
to the Statement of Activities	A-28
General Fund - Statement of Revenues, Expenditures, and Changes	
in Fund Balance - Budget and Actual	A-29
Community Preservation Fund - Statement of Revenues, Expenditures,	
and Changes in Fund Balance - Budget and Actual	A-30
Proprietary Funds	
Statement of Fund Net Assets	A-31
Statement of Revenues, Expenses and Changes in Fund Net Assets	A-32
Statement of Cash Flows	A-33
Fiduciary Funds	
Statement of Fiduciary Net Assets	A-34
Statement of Changes in Fiduciary Net Assets	A-35
Component Units	
Combining Statement of Fund Net Assets	A-36
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	A-37
Notes to the Basic Financial Statements	A-39

FINANCIAL SECTION



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Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts (City), as of and for the fiscal year ended June 30, 2010 (except for the Newton Contributory Retirement System, the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc., which are as of and for the fiscal year ended December 31, 2009), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc., which represent 40.3% and 6.3%; 40.5% and 6.3%; and 57.6% and 27.6% of the assets, net assets and revenues, respectively, of the discretely presented component units. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc., are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010 (except for the Newton Contributory Retirement System, the Newton Commonwealth Foundation, Inc. and the Newton Community Farm, Inc., which are as of and for the fiscal year ended December 31, 2009), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and community preservation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 17, the City has restated beginning net assets of its component units. We have audited the adjustment as described in Note 17 that was applied to restate the fiscal year 2009 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 16) and certain pension and other postemployment benefits information (located on pages 69 through 70) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



November 23, 2010

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 for the fiscal year ended June 30, 2010.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$281.7 million (*net assets*). The City has negative unrestricted net assets in the City's governmental activities and \$10.0 million in unrestricted net assets in its business type activities.
- The City's total net assets decreased by \$32.8 million or 10.4% in fiscal year 2010. Net assets of governmental activities decreased by \$33.6 million, a 13.3% decline from fiscal year 2009. Net assets of business-type activities increased by \$0.9 million or 1.4% from fiscal year 2009. The decline in governmental activities net assets is the result of the recognition of \$28.0 million in new post retirement health liabilities.
- Unrestricted governmental net assets decreased by \$24.8 million to (\$27.1) million at June 30, 2010.
- The total cost of all City services for fiscal year 2010 was \$420.1 million, \$383.0 million (91.1%) of which was for governmental services, and \$37.1 million (8.9%) of which was for business type services.
- A total of \$88.6 million or 23.1% of governmental services were financed from program revenue, leaving 76.9% to be financed from general revenues and interfund transfers of the City. Real estate and personal property tax revenue represented the single largest source of general revenue.
- At June 30, 2010, the City's governmental funds reported a combined fund balance of \$84.9 million. The combined governmental funds fund balance decreased by \$50.8 million (37.5%) from the prior year's ending fund balance, primarily due to the use of prior year revenues and other financing sources for the completion of the new Newton North High School capital project.
- The City's general fund reported total fund balance of \$19.3 million at the end of fiscal year 2010, an \$856,733 (4.2%) decrease from the total fund balance at June 30 of the prior fiscal year. The undesignated portion of the fund balance for the general fund was \$10.9 million or 3.4% of total general fund revenues and other financing sources – unchanged from the prior year. A total of \$2.7 million of the unreserved fund balance was designated for funding the fiscal year 2011 budget.
- The City's total bonded debt (bonds and notes) increased by \$15.9 million or 7.9% to \$216.8 million during the year, principally as a result of additional debt issued for the new Newton North High School construction project.

Overview of the Financial Statements:

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

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The *statement of net assets* (pages 17 and 18) presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (pages 19 and 20) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and programs of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and programs that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include the broad functions of general government; public safety; education; public works; health & human services; culture and recreation; debt service – interest and the major services provided within each functional category. The business-type activities of the City include two enterprise activities: the water system and the sanitary sewer system. Trend information for all years since the City's adoption of the current reporting model can be found on pages 118-121 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*.

The City maintains 20 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 17 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 71 of this report. The governmental funds financial statements can be found on pages 21-26 of this report. Trend information may be found on pages 122-123 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 82 of this report. The basic proprietary fund financial statements can be found on 27-29 of this report.

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

The fiduciary funds financial statements provide separate information for the pension trust fund of the City. All other fiduciary funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively. A brief description of each fund and individual fund data for the private purpose trust funds and agency funds are provided in the form of *combining statements* beginning on page 86 of this report. The fiduciary funds financial statements can be found on pages 30 and 31 of this report.

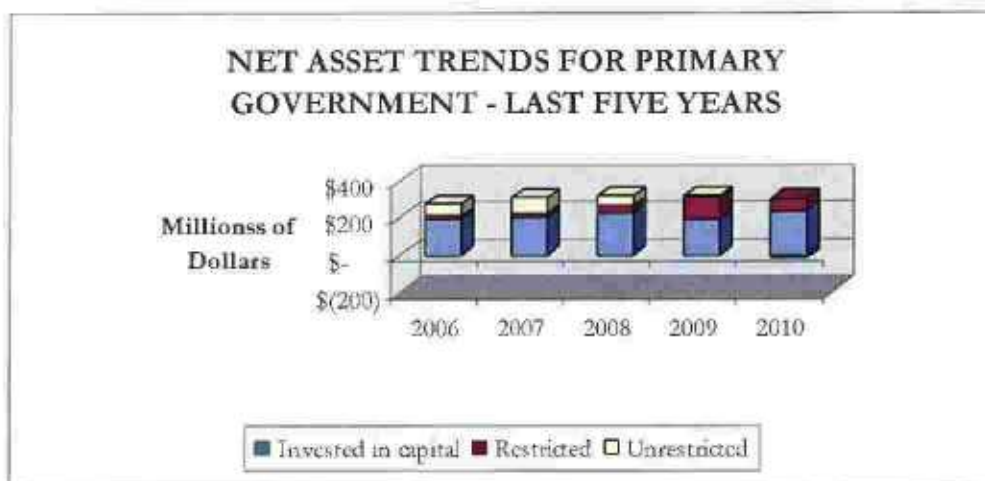
Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-68 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension and post-retirement health benefits to its employees. Such information is located on pages 69 and 70 of this report.

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

Government-wide Financial Analysis:

Net Assets: The City's total assets exceeded total liabilities by \$281.7 million at June 30, 2010. This represents a \$32.8 million or 10.4% decline from total net assets at June 30 of the prior year. Trend information for total net assets and its major components over the past five year period is summarized graphically below.



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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current assets.....	\$ 158,374,513	\$ 214,392,326	\$ 29,760,662	\$ 31,743,374	\$ 188,135,175	\$ 246,135,700
Noncurrent assets (excluding capital assets).....	12,743,459	12,574,154	2,358,439	2,592,172	15,101,898	15,166,326
Capital assets (net).....	<u>378,350,833</u>	<u>313,425,096</u>	<u>65,272,245</u>	<u>60,238,438</u>	<u>443,623,078</u>	<u>373,663,534</u>
Total assets.....	<u>549,468,805</u>	<u>540,391,576</u>	<u>97,391,346</u>	<u>94,573,984</u>	<u>646,860,151</u>	<u>634,965,560</u>
Liabilities						
Current liabilities (excluding debt).....	48,808,039	51,182,126	3,912,088	1,481,956	52,720,127	52,664,082
Noncurrent liabilities (excluding debt).....	93,394,305	65,300,633	2,211,079	1,607,932	95,605,384	66,908,565
Current debt.....	9,460,500	8,548,500	4,371,395	4,058,986	13,831,895	12,607,486
Noncurrent debt.....	<u>178,224,800</u>	<u>162,137,300</u>	<u>24,790,355</u>	<u>26,200,848</u>	<u>203,015,155</u>	<u>188,338,148</u>
Total liabilities.....	<u>329,887,644</u>	<u>287,168,559</u>	<u>35,284,917</u>	<u>33,349,722</u>	<u>365,172,561</u>	<u>320,518,281</u>
Net Assets						
Invested in capital assets (net of related debt).....	194,301,691	150,650,131	38,627,779	32,694,954	232,929,470	183,345,085
Restricted.....	52,363,403	104,838,430	13,497,989	15,657,948	65,861,392	120,496,378
Unrestricted.....	<u>(27,083,933)</u>	<u>(2,265,544)</u>	<u>9,980,661</u>	<u>12,871,360</u>	<u>(17,103,272)</u>	<u>10,605,816</u>
Total net assets.....	<u>\$ 219,581,161</u>	<u>\$ 253,223,017</u>	<u>\$ 62,106,429</u>	<u>\$ 61,224,262</u>	<u>\$ 281,687,590</u>	<u>\$ 314,447,279</u>

The largest portion of the City's total net assets, \$232.9 million, represents the investment in capital assets (e.g., land and land improvements, buildings and improvements, machinery and equipment, road network, water system, sewer system and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens therefore the assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities. Please refer to note 15 (page 67) for a detailed calculation of the City's investment in capital assets, net of related debt.

An additional portion of the City's net assets, \$65.9 million, represents resources that are subject to restrictions placed on how they may be used by parties external to the City, \$ 50.5 million (76.6%) of which of which represents resources restricted for capital project financing. A summary of the major components of the restricted net assets may be found on the face of the Statement of Net Assets, which can be found on page 18 of this report.

During the fiscal year ended June 30, 2010, total unrestricted net assets declined by \$27.7 million as a direct result of the recognition of \$28.6 million in new post retirement health liabilities. All governmental activities unrestricted net assets have been consumed over the past three years with the recognition of liabilities required by Governmental Accounting Standards Board Statement 45. Pages 62 through 65 of this report provide more detailed information on the City's post retirement health liabilities that have given rise to the change in financial positions over the past three years.

Changes in net assets:

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

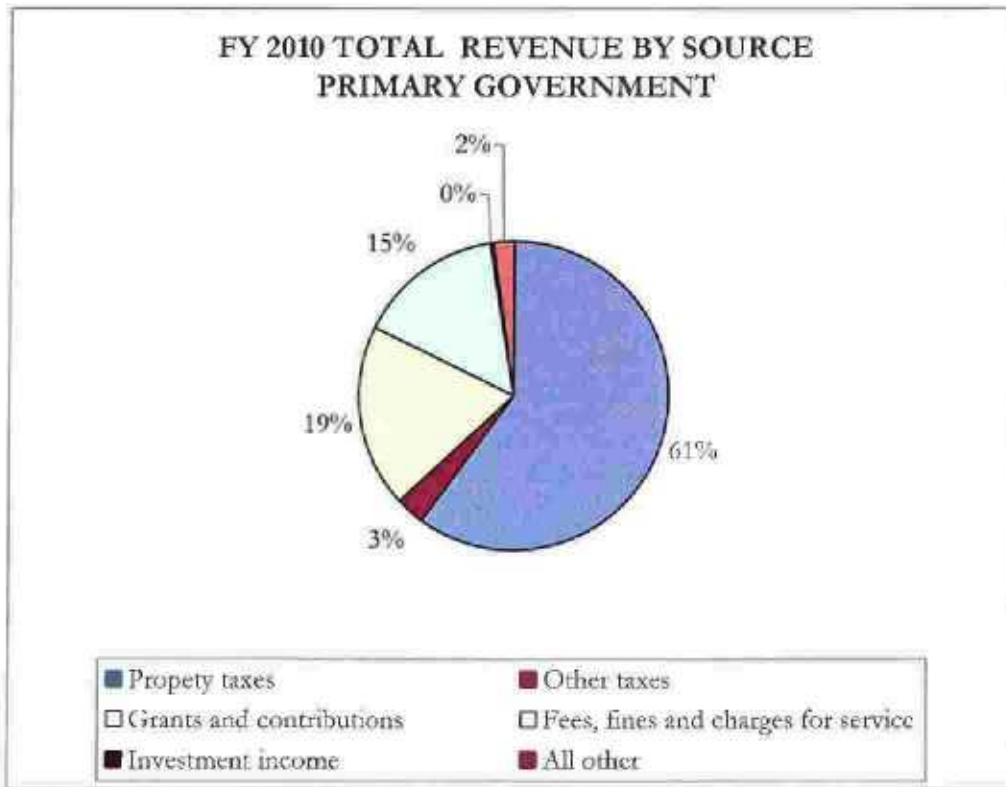
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 20,969,889	\$ 21,413,394	\$ 38,405,378	\$ 33,761,633	\$ 59,375,267	\$ 55,175,027
Operating grants and contributions.....	65,706,164	66,344,326	732,948	857,561	66,439,112	67,201,887
Capital grants and contributions.....	1,960,084	30,179,116	245,331	1,260,151	2,205,415	31,439,267
<i>General Revenues:</i>						
Real estate and personal property taxes.....	232,774,689	226,800,860	-	-	232,774,689	226,800,860
Motor vehicle and other excise taxes.....	9,860,220	10,479,922	-	-	9,860,220	10,479,922
Hotel room occupancy taxes.....	1,168,095	1,108,199	-	-	1,168,095	1,108,199
Meals taxes.....	382,934	-	-	-	382,934	-
Penalties and interest on taxes.....	1,026,507	1,223,300	-	-	1,026,507	1,223,300
Payments in lieu of taxes.....	3,270,902	273,359	-	-	3,270,902	273,359
Community preservation surcharges.....	2,288,314	2,193,701	-	-	2,288,314	2,193,701
Grants and contributions not restricted to specific programs.....	5,891,287	7,435,280	-	-	5,891,287	7,435,280
Unrestricted investment income.....	934,313	2,610,098	-	-	934,313	2,610,098
Gain on disposal of capital assets.....	24,347	-	2,776	-	27,123	-
Other.....	1,752,802	1,761,048	-	-	1,752,802	1,761,048
Total revenues.....	<u>348,010,547</u>	<u>371,822,603</u>	<u>39,386,433</u>	<u>35,879,345</u>	<u>387,396,980</u>	<u>407,701,948</u>
Expenses						
General government.....	24,623,302	22,581,716	-	-	24,623,302	22,581,716
Public safety.....	52,168,801	52,614,816	-	-	52,168,801	52,614,816
Education.....	245,946,308	236,024,500	-	-	245,946,308	236,024,500
Public works.....	26,138,843	27,229,098	-	-	26,138,843	27,229,098
Health and human services.....	10,672,057	10,463,388	-	-	10,672,057	10,463,388
Culture and recreation.....	16,245,112	16,806,140	-	-	16,245,112	16,806,140
Debt service - interest.....	7,234,167	4,375,013	-	-	7,234,167	4,375,013
Water.....	-	-	13,780,687	13,623,595	13,780,687	13,623,595
Sewer.....	-	-	23,347,392	21,879,634	23,347,392	21,879,634
Total expenses.....	<u>383,028,590</u>	<u>370,094,671</u>	<u>37,128,079</u>	<u>35,503,229</u>	<u>420,156,669</u>	<u>405,597,900</u>
Change in net assets before transfers.....	(35,018,043)	1,727,932	2,258,354	376,116	(32,759,689)	2,104,048
Transfers, net.....	<u>1,376,187</u>	<u>1,457,225</u>	<u>(1,376,187)</u>	<u>(1,457,225)</u>	<u>-</u>	<u>-</u>
Change in net assets.....	(33,641,856)	3,185,157	882,167	(1,081,109)	(32,759,689)	2,104,048
Net assets - beginning of year.....	<u>253,223,017</u>	<u>250,037,860</u>	<u>61,224,262</u>	<u>62,305,371</u>	<u>314,447,279</u>	<u>312,343,231</u>
Net assets - end of year.....	<u>\$ 219,581,161</u>	<u>\$ 253,223,017</u>	<u>\$ 62,106,429</u>	<u>\$ 61,224,262</u>	<u>\$ 281,687,590</u>	<u>\$ 314,447,279</u>

The City's total revenues for the year ended June 30, 2010 declined by \$20.3 million (5.0%) from the prior year, principally as a result of a decline in all forms of state and federal grant assistance.

Total state and federal grant revenue declined by \$31.5 million during the year, primarily as a result of the recognition of all state financial support for the new Newton North High School project during fiscal year 2009, however, unrestricted state and federal aid also declined by 20.8% over the past year, largely as a result of reduced levels of local aid from the Commonwealth of Massachusetts, as it struggled to balance its resource uses with reduced levels of state tax revenue resulting from the economic recession.

Economically sensitive local revenues such as investment income and motor vehicle excise tax revenues and inspectional services permit revenues continued their decline from prior year levels.

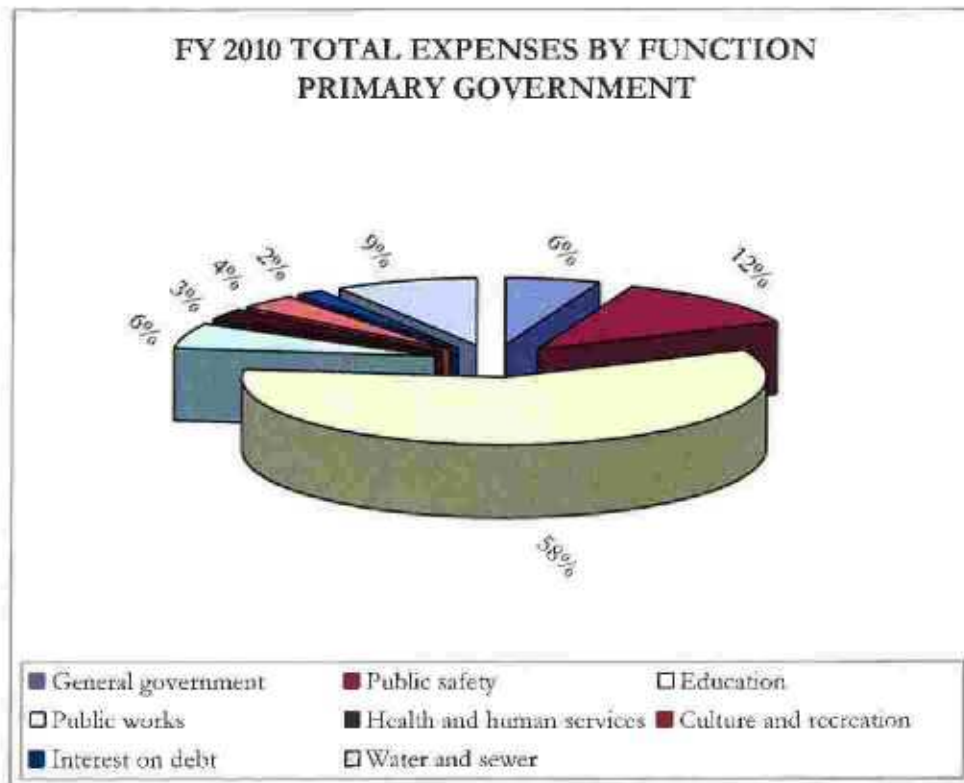
The following chart illustrates the distribution of total current year revenues for the primary government, by major source.



Total expenses increased by \$14.6 million or 3.6% during the year. The \$28.6 million expense associated with third year implementation of Governmental Accounting Standards Board Statement 45 accounted for all of the expense growth for the year. A schedule summarizing the cumulative impact of the implementation of GASB Statement 45 on all activities is presented on page 63 of this report.

The percentage of total expenditures devoted to education, the City's single largest category of spending, remained constant at 58.0%. Public safety and public works spending declined slightly and interest on debt increased, as a result of debt service payments related to the new North High School project.

The following chart illustrates the distribution of expenses by major function for the primary government for the year ended June 30, 2010.



Governmental activities – Governmental activities decreased the City’s net assets by \$33.6 million or 13.3% during fiscal 2010, for the reasons cited above. A summary of revenues and major functional expenses is included in the tables presented above. In order to assist the reader in understanding more completely the full cost of the major services provided by the City within each of the broad functional classifications identified above, the Statement of Activities, presented on pages 19 and 20 of this report, provides a detailed accounting of all major service expenses and related revenues.

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 2010. Inspectional service department program revenues exceeded total program expenses by \$1.9 million for the year.

Business-type activities – Business-type activities increased the City’s net assets by \$.9 million or 1.4% during fiscal year 2010. This is primarily the result of increased user charge revenue resulting from two increases in sewer rates that were implemented during the fiscal year.

Financial Analysis of Governmental Funds:

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

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

As of June 30, 2010, the City's governmental funds reported a combined fund balance totaling \$84.9 million, a \$50.8 million decrease from the prior year reported financial position. As may be noted on page 23, the \$52.3 million decline in the financial position of the High School Improvement Fund accounts for all of the change in financial position. This is the result of the fact that during fiscal year 2010, resources that were generated from the sale of bonds and state grant reimbursements during fiscal year 2009 were expended for purposes of completing the project.

During the fiscal year ended June 30, 2010 the Community Preservation Fund's financial position declined slightly - \$138,294. This occurred as a result of a combination of a land court judgment that the City compensate the owner of a property taken by eminent domain during fiscal year 2009 another \$452,000, and a 46.5% reduction in the amount of state matching funds for the community preservation program.

The general fund is the primary operating fund of the City. At June 30, 2010 the general fund reported a total fund balance of \$19.3 million, an \$856,733 (4.2%) deterioration from the total fund balance for the previous fiscal year. The unreserved and undesignated portion of fund balance, however, increased slightly to \$10.9 million and remained unchanged from the prior year at 3.4% percentage of fund revenues and other financing sources.

**City of Newton, Massachusetts
General Fund
Fund Trends – Fiscal year 2010 and (5) previous fiscal years**

	2010	2009	2008	2007	2006	2005
Total fund balance	\$ 19,312,545	\$ 20,169,278	\$ 19,433,216	\$ 23,609,407	\$ 20,294,872	\$ 13,822,467
Less: Fund balance reserved for:						
Encumbrances	1,804,606	1,377,372	867,806	1,446,323	2,106,351	1,122,558
Continued appropriations	3,192,017	2,335,964	2,223,358	2,438,391	2,071,369	2,573,925
Other purposes	749,640	881,707	-	-	-	-
Unreserved fund balance	13,566,282	15,574,235	16,342,052	19,724,693	16,117,152	10,125,984
Less: Fund balance designated to support following year budget	2,675,133	5,051,017	2,900,000	3,400,000	1,700,000	2,200,000
Undesignated fund balance	10,891,149	10,523,218	13,442,052	16,324,693	14,417,152	7,925,984
Total revenues & other financing sources	\$ 318,872,777	\$ 310,562,043	\$ 296,667,211	\$ 286,109,886	\$ 272,578,602	\$ 259,574,467
Total fund balance as % total revenues and ofs	6.1%	6.5%	6.6%	8.3%	7.4%	5.3%
Unreserved fund balance as % total revenues and ofs	4.3%	5.0%	5.5%	6.9%	5.9%	3.9%
Undesignated fund balance as % total revenues and ofs	3.4%	3.4%	4.5%	5.7%	5.3%	3.1%

Total fiscal year 2010 general fund revenues and other financing sources increased by \$8.3 million or 2.8%, to \$318.9 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 233,726,177	73.3%	\$ 9,288,735	4.4%
Motor vehicle excise taxes.....	10,222,534	3.2%	123,955	1.1%
Hotel room occupancy taxes.....	1,168,095	0.4%	59,896	5.4%
Meals taxes.....	382,934	0.1%	382,934	34.7%
Penalties and interest on taxes.....	1,002,806	0.3%	(201,835)	-19.1%
Licenses and permits.....	4,133,582	1.3%	(57,110)	-1.2%
Intergovernmental.....	53,332,404	16.7%	(962,483)	-1.8%
Charges for services.....	1,647,343	0.5%	80,524	4.8%
Fines and forfeitures.....	2,084,951	0.7%	110,488	5.9%
Investment income.....	887,569	0.3%	(1,539,448)	-38.7%
Payments in lieu of taxes.....	3,095,059	1.0%	2,605,951	726.0%
Special assessments.....	74,274	0.0%	(28,609)	-31.0%
Miscellaneous.....	235,495	0.1%	(492,824)	-49.8%
Total revenues.....	311,993,223	97.8%	9,370,174	3.2%
Premium from issuance of bonds/notes.....	815,357	0.3%	(741,898)	-315.6%
Sale of capital assets.....	18,541	0.0%	18,541	66.4%
Transfers from other funds.....	6,045,656	1.9%	(336,083)	-9.3%
Total revenues and other financing sources.....	\$ 318,872,777	100.0%	\$ 8,310,734	2.8%

Property tax growth continued to account for the majority of revenue growth in General Fund revenues and other financing sources, however, a non-recurring deferred in lieu of tax payment on a housing development property also contributed to the overall growth in fund revenues. Additionally, during fiscal year 2010 the City increased the local option hotel room occupancy tax rate from 4% to 6% effective October 1, 2009 and imposed a .75% local option meals tax effective January 1, 2010.

All economically sensitive local revenue sources, as well as unrestricted local aid from the Commonwealth of Massachusetts continued their decline from prior year levels.

Total general fund expenditures and transfers to other funds totaled \$319.7 million, an increase of \$9.9 million or 3.3% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	\$ 13,447,325	4.2%	214,413	1.6%
Public safety.....	34,176,446	10.7%	932,891	2.8%
Education.....	163,733,338	51.2%	7,723,148	5.1%
Public works.....	20,844,653	6.5%	(437,916)	-2.2%
Health and human services.....	3,785,971	1.2%	119,966	3.4%
Culture and recreation.....	10,198,243	3.2%	116,555	1.1%
Retirement benefits.....	49,940,948	15.6%	2,460,255	5.6%
Workers' compensation insurance.....	1,350,000	0.4%	(232,119)	-16.6%
Property and liability insurance.....	326,169	0.1%	16,800	5.7%
Claims and judgements.....	100,453	0.0%	(150,056)	-154.3%
State assessments and charges.....	5,619,317	1.8%	166,148	3.0%
Debt service				
Principal.....	7,493,500	2.3%	901,400	16.9%
Interest.....	6,916,268	2.2%	3,416,782	157.8%
Total expenditures.....	317,932,631	99.4%	15,248,267	5.2%
Transfers to other funds.....	1,796,879	0.6%	(5,344,738)	-66.2%
Total expenditures and transfers.....	\$ 319,729,510	100.0%	\$ 9,903,529	3.3%

Education spending, the single largest component of the General Fund budget, accounted for \$7.7 million or 77.8% of total expenditure growth, reflecting Newton's priority for education services.

The second largest area of expenditure growth was interest on debt, which increased by \$3.4 million or 157.8%, principally to meet new debt service requirements on the new Newton North High School project.

Expenditures for retirement benefits (including pay-as-you-go post retirement health and life benefits and the Commonwealth's on behalf contribution to the Massachusetts Teachers Retirement System for Newton educators) increased by \$2.5 million or 5.6% for the year. A \$1.4 million increase in the Commonwealth's on behalf contribution to the teachers' retirement fund accounted for 55.1% of the growth in this reporting category. Newton's contribution to the cost of the local retirement system accounted for \$0.5 million and pay-as-you-go health benefits for retirees accounted for \$0.6 million.

Public safety expenditures increased by 2.8% or \$0.9 million as a result of the settlement of a police collective bargaining agreement and public works spending declined by 2.2% or \$0.4 million due to reduced levels of snow and ice control expenditures that resulted from a milder winter.

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, 2010, the City realized \$3.1 million in CPA fund revenue - \$1.0 million or 24.0% less than total prior year fund revenue. Reduced state matching funds; a reduction in investment income on temporarily idle fund cash balances; and a non recurring fiscal year 2009 reimbursement related on a housing project accounted for the decline in fund revenues. Fund expenditures totaled \$3.2 million for the year, \$0.9 million of which was for open space activities; \$1.2 million of which was for historic resources projects; \$0.8 million for community recreation; \$0.2 million was for community housing; and \$0.1 million for administrative and support purposes. Please refer to pages 105-108 for a complete accounting of individual project budgets, at their legal level of control, for the July 1, 2009 – June 30, 2010 period.

The high school improvements fund was established to account for major renovations to the City's Newton South High School and the construction of a new Newton North High School. The fund ended fiscal year 2010 with a \$16.1 million fund balance.

On June 14, 2010 the new North High School project architect certified substantial completion of the project and the building was turned over to the City of Newton for use as a public school building for the 2010 – 2011 academic year. Certain site work and the demolition of the old North High School building remain to be completed.

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

The financial position of the City's sewer fund increased by \$1.3 million to \$33.1 million at June 30, 2010. This resulted from two sewer rate increases that were implemented by the City during fiscal year 2010 in an effort to off-set the impact of a combination of failing meter readings and refunds owed to customers for prior year overpayments against estimated utility bills. A total of \$22.9 million of the fund's net assets represent investments in capital assets (net of debt) and another \$3.7 million represents resources legally restricted for future sewer system capital improvements. Unrestricted fund net assets, or those that are available for sewer system improvements, amount to \$6.5 million at June 30, 2010.

The financial position of the City's water fund declined slightly from \$29.4 million at June 30, 2010 to \$29.0 million at June 30, 2010. This resulted from a reduction in water rates for the second half of the fiscal year and the planned use of fund equity to off-set the impact of increased sewer rates on utility customers.

A total of \$15.7 million of the total fund equity represents the City's investment in water system capital assets (net of debt) and another \$9.8 million represents resources legally restricted for future water system capital improvements. Unrestricted fund net assets were \$3.5 million – approximately 50% less than the available balance at June 30, 2009.

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

The financial position of the City's Internal Service Funds increased by \$2.0 million or 17.7% to \$13.3 million during the year ended June 30, 2010. 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 \$560.1 million in insured City buildings and contents. Detailed information on the self-insurance funds is presented on pages 82-85.

The City's group health self insurance fund accounted for \$1.7 million (85.0%) of the improvement in financial position of the Internal Service Funds. The improvement in the financial position of the fund is the result of favorable claims experience in the plan during the year. June 30, 2010 the net assets of the City's Group Health Self Insurance Fund totaled \$10.9 million – the equivalent of approximately 2.9 months of average claims experience. The reduction in the reported incurred but unreported claims liability is based upon an analysis of claims run-off trends from both health plan administrators and largely the result of increasingly timely claims payments to health care providers.

The financial position of the City's workers' compensation self insurance fund recovered from prior year losses largely as a result of positive investment earnings on fund assets under professional management. The June 30, 2010 fund equity of \$1.1 million provides a cushion against volatility in investment performance and extraordinary and unforeseen claims experience, the later of which is particularly important because the City does not purchase any commercial stop loss insurance on workers compensation program claims.

The financial condition of the City's building insurance fund continued to decline as a result of the fact that fund investment income does not match the resources withdrawn from the fund each year for commercial property insurance premiums. At the current rate of resource use, the fund will no longer be available to finance building insurance premiums within four years.

Fiduciary funds – The net assets of the City's contributory retirement system increased by \$21.7 million (10.8%) to \$222.6 million during the system's fiscal year that ended December 31, 2009, as a result of positive investment performance. Calendar year 2009 positive investment performance represents less than 25.0% of the investment losses realized in the prior year. 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 59-62 of this report.

General Fund Budgetary Highlights:

The difference between the original General Fund budget of \$291,743,885 (including prior year encumbrances and continuing appropriations) and the final amended budget of \$298,047,319 amounts to 2.2% and can be summarized as follows:

Description	Amount
Snow and ice control.....	\$ 2,002,000
Capital outlay and improvements.....	1,914,061
Public safety salaries & overtime.....	1,112,126
Public building maintenance & operation.....	452,124
Bond sale costs.....	115,243
All other.....	<u>707,880</u>
Total supplemental appropriations	<u>\$ 6,303,434</u>

There were no deficits incurred in the appropriations of the various departments of the City. All but \$1.5 million (0.5%) of total appropriations were expended, encumbered, or continued into fiscal year 2011 for completion of the appropriated purposes at June 30, 2010. Please refer to pages 94–103 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 \$179.7 million, as of June 30, 2010, amounts to \$443.6 million. The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
Land and improvements.....	\$ 22,226,126	\$ 21,774,126	\$ 284,785	\$ 284,785	\$ 22,510,911	\$ 22,058,911
Buildings and improvements.....	120,264,614	126,113,246	2,431,391	2,503,680	122,696,005	128,616,926
Machinery and equipment.....	19,746,669	17,735,002	2,405,243	2,634,295	22,151,912	20,369,297
Infrastructure.....	41,037,324	39,500,435	57,100,909	54,815,678	98,138,233	94,316,113
Construction in progress.....	<u>175,076,100</u>	<u>108,302,287</u>	<u>3,049,917</u>	<u>-</u>	<u>178,126,017</u>	<u>108,302,287</u>
Total capital assets.....	<u>\$ 378,350,833</u>	<u>\$ 313,425,096</u>	<u>\$ 65,272,245</u>	<u>\$ 60,238,438</u>	<u>\$ 443,623,078</u>	<u>\$ 373,663,534</u>

Total capital assets, net of accumulated depreciation, increased by \$69.9 million or 18.7%. Major capital asset events during 2010 included the following:

- Business-type activity net capital assets increased by \$5.0 million, principally due to the ongoing water meter replacement program, but also due to water system improvements funded with Massachusetts Water Resources Authority grants and interest free loans.
- Governmental activity capital assets (net) increased by \$65.0 million, principally as a result of construction progress at the new Newton North High School facility. The new North High School facility has been classified as construction in progress as of June 30, 2010 because the building was not put in use as a public school building until September 7, 2010, the first day of the 2010 – 2011 school year.

Additional information on the City’s capital assets may be found on pages 49-51 of this report.

Debt outstanding – At June 30, 2010, the City had total long term debt outstanding of \$216.8 million, \$187.7 million for governmental activities and \$29.1 million for business-type activities. There were no bond anticipation notes outstanding at June 30, 2010. 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>	
	2010	2009	2010	2009	2010	2009
Education buildings.....	\$ 163,432,000	\$ 155,328,000	\$ -	\$ -	\$ 163,432,000	\$ 155,328,000
Municipal buildings.....	11,723,000	3,837,000	-	-	11,723,000	3,837,000
Departmental equipment.....	6,968,000	4,465,000	-	-	6,968,000	4,465,000
Landfill closure.....	1,307,300	1,440,800	-	-	1,307,300	1,440,800
Street reconstruction.....	470,000	775,000	-	-	470,000	775,000
Land acquisition.....	3,785,000	4,840,000	-	-	3,785,000	4,840,000
Water system.....	-	-	18,105,254	18,651,065	18,105,254	18,651,065
Sanitary sewer system.....	-	-	11,056,496	11,608,769	11,056,496	11,608,769
Total bonds and notes.....	\$ 187,685,300	\$ 170,685,800	\$ 29,161,750	\$ 30,259,834	\$ 216,847,050	\$ 200,945,634

During the year just ended, the City added \$28.5 million in new bonds and retired \$12.6 million in existing bonds. General fund interest and principal payments amounted to \$14.4 million or 4.5% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$1.2 million or 38.7% of fund revenues.

All existing long term debt of the City’s existing debt will be repaid in full by the year 2040.

At June 30, 2010 the City’s authorized and unissued long term debt amounted to \$29.9 million, a decrease of \$15.0 million (33.4%) from June 30, 2009.

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 53-58 of this report. In addition, debt trend information is available on pages 128-131 of this report.

Economic Factors and Next Year's Budget and Rates

- According to the U.S Census Bureau, the median family income for the City for calendar year 2005 was \$124,893. This compares favorably with the U.S median family income of \$55,832. The City's per capita income was \$55,891 compared with \$25,035 for the nation as a whole.
- According to the Commonwealth of Massachusetts Division of Unemployment Assistance, the unemployment rate for the City as June 30, 2010 was 6.5%, which compares favorably with the statewide unemployment rate of 9.0% and a national unemployment rate of 9.5% for this same period.
- According to the City's Board of Assessors, the 2010 median value of a single family home in Newton was \$685,900, the median value of a commercial property was \$728,200; and the median value of industrial property was \$787,150.

The City of Newton's fiscal year 2011 general fund operating budget, as amended through this date amounts to \$300.1 million. This represents an increase of \$2.1 million or 0.7% from the final fiscal year 2010 budget total. A total of \$2.6 million of the increased fiscal year 2011 budget represents the City's initial contribution to a "Rainy Day" Stabilization Fund.

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 ASSETS

JUNE 30, 2010

ASSETS	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Current assets:				
Cash and cash equivalents	\$ 83,543,572	\$ 2,488,561	\$ 86,032,133	\$ 471,967
Restricted cash and cash equivalents	51,180,137	13,497,988	64,678,125	394,939
Investments	7,639,914	-	7,639,914	-
Restricted investments	541,241	-	541,241	-
Interest and dividends	39,619	-	39,619	461,801
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	4,402,009	-	4,402,009	-
Tax and utility liens	4,632,467	455,783	5,088,250	-
Motor vehicle excise	647,248	-	647,248	-
Community preservation surcharges	45,493	-	45,493	-
Charges for service	846,048	13,310,763	14,156,811	-
Departmental and other	949,200	-	949,200	2,116
Intergovernmental	3,204,292	222,362	3,426,654	-
Special assessments	2,207	98	2,305	-
Loans	-	-	-	79,750
Other assets	53,895	-	53,895	31,289
Internal balances	214,893	(214,893)	-	-
Due from fiduciary funds	33,861	-	33,861	-
Prepaid expenses	-	-	-	5,410
Inventory	-	-	-	810
Working capital deposit	398,417	-	398,417	-
Total current assets	158,374,513	29,760,662	188,135,175	1,448,082
Noncurrent assets:				
Restricted investments	70,714	-	70,714	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals	2,896,319	-	2,896,319	-
Departmental and other	6,592,389	-	6,592,389	-
Intergovernmental	2,619,591	2,294,922	4,914,513	-
Special assessments	564,446	63,517	627,963	-
Loans	-	-	-	2,086,712
Capital assets:				
Nondepreciable	197,302,226	3,334,702	200,636,928	-
Depreciable, net of accumulated depreciation	181,048,607	61,937,543	242,986,150	2,124,199
Total noncurrent assets	391,094,292	67,630,684	458,724,976	4,210,911
Total assets	549,468,805	97,391,346	646,860,151	5,658,993
LIABILITIES				
Current liabilities:				
Warrants payable	6,371,488	614,921	6,986,409	70,588
Accrued liabilities	10,438,056	1,407,061	11,845,117	-
Accrued payroll	14,376,032	106,734	14,482,766	104,083
Revenue refunds payable	6,744,487	-	6,744,487	-
Health claims payable	3,912,427	-	3,912,427	-
Other liabilities	485,946	1,210,694	1,696,640	-
Accrued interest	1,638,350	165,381	1,803,731	-
Abandoned property	581,517	-	581,517	-
Liabilities payable from restricted assets	302,062	376,908	678,970	-
Bonds payable	9,460,500	4,371,395	13,831,895	-
Landfill closure and other environmental liabilities	105,000	-	105,000	-
Compensated absences	2,801,329	30,389	2,831,718	-
Workers' compensation benefits	1,011,345	-	1,011,345	-
Claims & judgments	40,000	-	40,000	-
Total current liabilities	58,268,539	8,283,483	66,552,022	174,671

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

JUNE 30, 2010

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent liabilities:				
Bonds payable	\$ 178,224,800	\$ 24,790,355	\$ 203,015,155	\$ -
Landfill closure and other environmental liabilities	805,000	-	805,000	-
Compensated absences	5,380,519	273,496	5,654,015	-
Net OPEB obligation	81,535,270	1,937,583	83,472,853	-
Workers' compensation benefits	5,673,516	-	5,673,516	-
Total noncurrent liabilities	271,619,105	27,001,434	298,620,539	-
Total liabilities	329,887,644	35,284,917	365,172,561	174,671
NET ASSETS				
Invested in capital assets, net of related debt	194,301,691	38,627,779	232,929,470	2,124,199
Restricted for:				
Capital purposes:				
Community preservation activities	36,998,064	13,497,989	50,496,053	-
Education activities	10,568,735	-	10,568,735	-
Debt service	965,920	-	965,920	-
Perpetual funds:	749,640	-	749,640	-
Expendable	740,024	-	740,024	-
Nonexpendable	441,993	-	441,993	-
Other specific purposes	1,899,027	-	1,899,027	-
Unrestricted	(27,083,933)	9,980,661	(17,103,272)	3,360,123
Total net assets	\$ 219,581,161	\$ 62,106,429	\$ 281,687,590	\$ 5,484,322

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 2,472,548	\$ 236,351	\$ 16,399	\$ 11,738	\$ (2,208,060)
Elections	953,125	888	24,158	-	(928,079)
Financial administration	4,116,946	190,194	2,409	-	(3,924,343)
Administrative support	5,547,052	308,056	1,319	-	(5,237,677)
Planning & development	7,362,446	436,904	4,814,799	-	(2,110,743)
Public building maintenance & operation	4,171,185	5,146	129,297	-	(4,036,742)
Public safety					
Police	27,263,699	4,941,378	279,813	-	(22,042,508)
Fire	23,368,594	514,797	41,626	-	(22,812,171)
Inspectional services	1,449,950	3,315,301	-	-	1,865,351
Other public safety	86,558	22,110	-	-	(64,448)
Education	245,946,308	6,727,663	57,084,833	-	(182,133,812)
Public works					
Streets & sidewalks	13,566,976	2,305,659	-	1,948,346	(9,312,971)
Control of snow & ice	2,763,747	-	-	-	(2,763,747)
Collection & disposal of solid waste	7,685,880	157,833	481	-	(7,527,566)
Engineering	2,122,240	22,072	-	-	(2,100,168)
Health & human services					
Public health & human services	9,421,190	113,836	339,120	-	(8,968,234)
Senior services	913,873	7,447	362,613	-	(543,813)
Veteran services	336,994	-	198,439	-	(138,555)
Culture and recreation					
Libraries	7,802,664	(207,218)	522,713	-	(7,487,169)
Parks & recreation	8,077,725	1,871,472	210,381	-	(5,995,872)
Newton History museum	364,723	-	2,681	-	(362,042)
Debt service - interest	7,234,167	-	1,675,083	-	(5,559,084)
Total governmental activities	383,028,590	20,969,889	65,706,164	1,960,084	(294,392,453)
Business-type activities:					
Water	13,780,687	14,194,684	347,502	32,633	794,132
Sewer	23,347,392	24,210,694	385,446	212,698	1,461,446
Total business-type activities	37,128,079	38,405,378	732,948	245,331	2,255,578
Total Primary Government	\$ 420,156,669	\$ 59,375,267	\$ 66,439,112	\$ 2,205,415	\$ (292,136,875)
Component units:					
Newton Commonwealth Foundation, Inc.	\$ 269,728	\$ 270,867	\$ 5,421	\$ -	\$ 6,560
Newton Community Development Authority	370,855	-	71,352	-	(299,503)
Newton Community Farm, Inc.	124,789	83,933	48,410	-	7,554
Total Component Units	\$ 765,372	\$ 354,800	\$ 125,183	\$ -	\$ (285,389)

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (294,392,453)	\$ 2,255,578	\$ (292,136,875)	\$ (285,389)
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	232,774,689	-	232,774,689	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,288,314	-	2,288,314	-
Motor vehicle and other excise taxes.....	9,860,220	-	9,860,220	-
Hotel room occupancy taxes.....	1,168,095	-	1,168,095	-
Meals taxes.....	382,934	-	382,934	-
Penalties and interest on taxes.....	1,026,507	-	1,026,507	-
Payments in lieu of taxes.....	3,270,902	-	3,270,902	-
Grants and contributions not restricted to specific programs.....	5,891,287	-	5,891,287	-
Unrestricted investment income.....	934,313	-	934,313	-
Gain on sale of assets.....	24,347	2,776	27,123	-
Other.....	1,752,802	-	1,752,802	-
<i>Transfers, net</i>	1,376,187	(1,376,187)	-	-
Total general revenues and transfers.....	260,750,597	(1,373,411)	259,377,186	-
Change in net assets.....	(33,641,856)	882,167	(32,759,689)	(285,389)
Net assets - beginning of year (as restated).....	253,223,017	61,224,262	314,447,279	5,769,711
Net assets - end of year.....	\$ 219,581,161	\$ 62,106,429	\$ 281,687,590	\$ 5,484,322

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 43,890,957	\$ -	\$ -	\$ 23,453,528	\$ 67,344,485
Interest and dividends	-	-	-	3,884	3,884
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	4,402,009	-	-	-	4,402,009
Real estate tax deferrals	2,896,319	-	-	-	2,896,319
Tax and utility liens	4,627,580	-	-	4,887	4,632,467
Motor vehicle excise	647,248	-	-	-	647,248
Community preservation surcharges	-	45,493	-	-	45,493
Charges for services	74,010	-	-	772,038	846,048
Departmental and other	7,513,602	-	-	27,987	7,541,589
Intergovernmental	995,719	616,589	2,328,858	1,882,717	5,823,883
Special assessments	566,653	-	-	-	566,653
Due from other funds	314,275	-	-	-	314,275
Due from fiduciary funds	33,861	-	-	-	33,861
Other assets	23,895	-	-	30,000	53,895
Restricted assets:					
Cash and cash equivalents	-	10,367,962	24,371,679	16,440,496	51,180,137
Investments	-	-	-	611,955	611,955
TOTAL ASSETS	\$ 65,986,128	\$ 11,030,044	\$ 26,700,537	\$ 43,227,492	\$ 146,944,201
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable	\$ 2,038,501	\$ 573	\$ 3,071,752	\$ 912,495	\$ 6,023,321
Accrued liabilities	4,314,955	455,856	5,216,066	410,334	10,397,211
Accrued payroll	13,026,715	2,459	-	1,318,204	14,347,378
Revenue refunds payable	6,744,487	-	-	-	6,744,487
Other liabilities	-	2,421	-	483,525	485,946
Abandoned property	581,517	-	-	-	581,517
Liabilities due depositors	302,062	-	-	-	302,062
Deferred revenue	19,665,346	653,002	2,328,858	464,287	23,111,493
Due to other funds	-	-	-	99,382	99,382
TOTAL LIABILITIES	46,673,583	1,114,311	10,616,676	3,688,227	62,092,797
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations	4,996,623	6,836,539	-	-	11,833,162
Debt service	749,640	-	-	-	749,640
Capital stabilization	-	-	-	15,783,210	15,783,210
Perpetual permanent funds	-	-	-	441,993	441,993
Other specific purposes	-	-	-	2,864,947	2,864,947
Unreserved:					
Designated for subsequent year's expenditures	2,675,133	-	-	-	2,675,133
Undesignated, reported in:					
General fund	10,891,149	-	-	-	10,891,149
Special revenue funds	-	3,079,194	-	7,625,739	10,704,933
Capital projects funds	-	-	16,083,861	12,083,352	28,167,213
Permanent funds	-	-	-	740,024	740,024
TOTAL FUND BALANCES	19,312,545	9,915,733	16,083,861	39,539,265	84,851,404
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,986,128	\$ 11,030,044	\$ 26,700,537	\$ 43,227,492	\$ 146,944,201

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances (page 21),.....	\$	84,851,404
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		378,350,833
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		23,111,493
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(1,638,350)
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.....		(187,685,300)
Court judgments.....		(40,000)
Landfill closure and other environmental liabilities.....		(910,000)
Compensated absences.....		(8,181,848)
Net OPEB obligation.....		(81,535,270)
Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets.....		<u>13,258,199</u>
Net assets of governmental activities (page 18).....	\$	<u><u>219,581,161</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, 2010

	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 and permits	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	-	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 & sidewalks	6,693,623	2,400	-	5,364,153	12,060,176
Control of snow & ice	2,410,271	-	-	-	2,410,271
Collection & 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
Administration & 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 judgments	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 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
Transfers 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

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, 2010

Net change in fund balances - total governmental funds (page 23)	\$ (50,765,862)
<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	80,015,766
Depreciation	(15,071,885)
<p>In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds there is no use of financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the disposed capital assets.</p>	
	(18,144)
<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>	
	(4,660,366)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond proceeds	(25,548,000)
Bond maturities	8,548,500
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	(154,911)
<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	(140,000)
Compensated absences	191,709
Net OPEB obligation	(28,011,719)
<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>1,973,056</u>
Changes in net assets of governmental activities (page 20)	<u>\$ (33,641,856)</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, 2010

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes	\$ 229,753,019	230,471,465	\$ 233,329,458	\$ 2,857,993
Motor vehicle excise taxes	10,900,000	10,239,711	10,110,730	(128,981)
Hotel room occupancy taxes	1,150,000	1,171,341	1,168,095	(3,246)
Meals tax	-	606,337	382,934	(223,403)
Penalties and interest on taxes	1,000,000	1,000,000	1,002,806	2,806
Licenses and permits	4,000,000	3,149,845	4,133,582	983,737
Intergovernmental	25,670,411	25,213,347	26,128,171	914,824
Charges for services	1,610,000	1,535,500	1,647,343	111,843
Fines and forfeitures	2,010,000	2,030,000	2,084,951	54,951
Investment income	1,500,000	1,000,000	887,569	(112,431)
Payments in lieu of taxes	358,500	365,000	3,095,059	2,730,059
Miscellaneous	115,000	100,000	235,495	135,495
Special assessments	50,000	235,803	74,274	(161,529)
TOTAL REVENUES	278,116,930	277,118,349	284,280,467	7,162,118
EXPENDITURES				
Current:				
General government:				
Legislative & executive	1,816,002	1,922,355	1,878,689	43,666
Elections	660,124	788,924	742,612	46,312
Financial administration	2,957,410	3,482,299	3,016,728	465,571
Administrative support	4,045,834	4,370,635	3,821,111	549,524
Planning & development	1,037,879	1,170,429	977,929	192,500
Public building maintenance & operations	2,580,076	3,123,160	2,892,443	230,717
Public safety:				
Police	17,067,757	17,020,402	16,247,522	772,880
Fire	15,966,740	16,359,933	16,080,224	279,709
Inspectional services	1,162,676	1,138,676	1,035,615	103,061
Other public safety	91,845	91,845	80,059	11,786
Education				
Education	166,012,179	164,882,067	163,283,685	1,598,382
Public works:				
Streets & sidewalks	6,378,918	7,556,651	6,782,553	774,098
Control of snow & ice	933,423	2,486,815	2,442,689	44,126
Collection & disposal of solid waste	6,330,733	6,447,247	6,413,988	33,259
Vehicle maintenance	2,180,721	2,335,045	2,129,971	205,074
Engineering	1,448,672	1,417,278	1,399,076	18,202
Administration & support	2,228,271	1,836,531	1,822,402	14,129
Health and human services:				
Health & human services	2,998,874	3,052,832	2,984,129	68,703
Senior services	594,437	586,437	582,315	4,122
Veteran services	209,280	223,368	219,527	3,841
Culture and recreation:				
Libraries	5,272,556	5,326,949	5,175,444	151,505
Parks & recreation	4,946,104	5,538,851	4,819,649	719,202
Newton History museum	261,020	261,054	238,168	22,886
Retirement benefits	21,829,199	22,017,972	21,932,506	85,466
Workers' compensation insurance	950,000	1,350,000	1,350,000	-
Property and liability insurance	332,292	332,292	326,169	6,123
Claims and judgments	70,000	250,453	250,453	-
Reserve fund	1,481,397	883,126	-	883,126
State assessments & charges	5,566,870	5,664,218	5,619,317	44,901
Debt service:				
Principal	7,453,556	7,453,556	7,453,556	-
Interest	6,879,040	6,879,040	6,878,714	326
TOTAL EXPENDITURES	291,743,885	296,250,440	288,877,243	7,373,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,626,955)	(19,132,091)	(4,596,776)	14,535,315
OTHER FINANCING SOURCES (USES)				
Transfers in	4,269,473	6,066,878	6,045,656	(21,222)
Premium from issuance of bonds and notes	-	-	815,357	815,357
Sale of capital assets	-	-	18,541	18,541
Transfers out	-	(1,796,879)	(1,796,879)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,269,473	4,269,999	5,082,675	812,676
NET CHANGE IN FUND BALANCE	(9,357,482)	(14,862,092)	485,899	15,347,991
FUND BALANCE AT BEGINNING OF YEAR	27,402,422	27,402,422	27,402,422	-
FUND BALANCE AT END OF YEAR	\$ 18,044,940	\$ 12,540,330	\$ 27,888,321	\$ 15,347,991

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, 2010

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 2,273,264	2,273,264	\$ 2,296,523	23,259
Intergovernmental	646,303	763,914	763,914	-
Investment income.....	200,000	82,389	46,744	(35,645)
TOTAL REVENUES.....	3,119,567	3,119,567	3,107,181	(12,386)
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	-	5,200	-	5,200
Planning & development.....	2,145,078	4,100,126	1,415,013	2,685,113
Public building maintenance & operations.....	140,050	722,588	92,722	629,866
Public works:				
Streets & sidewalks.....	2,830	2,830	2,400	430
Culture and recreation:				
Libraries.....	-	36,545	-	36,545
Parks & recreation.....	52,929	504,579	15,640	488,939
Newton History museum.....	2,989,521	3,053,366	48,191	3,005,175
Reserve fund.....	1,745,600	1,379,612	-	1,379,612
Debt service:				
Principal.....	1,055,000	1,055,000	1,055,000	-
Interest.....	162,988	162,988	162,988	-
TOTAL EXPENDITURES.....	8,293,996	11,022,834	2,791,954	8,230,880
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,174,429)	(7,903,267)	315,227	8,218,494
OTHER FINANCING SOURCES (USES)				
Operating transfers out.....	(26,000)	(26,000)	(1,521)	24,479
TOTAL OTHER FINANCING SOURCES (USES).....	(26,000)	(26,000)	(1,521)	24,479
NET CHANGE IN FUND BALANCE.....	(5,200,429)	(7,929,267)	313,706	8,242,973
FUND BALANCE AT BEGINNING OF YEAR.....	10,054,027	10,054,027	10,054,027	-
FUND BALANCE AT END OF YEAR.....	\$ 4,853,598	\$ 2,124,760	\$ 10,367,733	\$ 8,242,973

See notes to basic financial statements.

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

JUNE 30, 2010

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 2,488,561	\$ 2,488,561	\$ 16,199,087
Restricted cash and cash equivalents	3,717,408	9,780,580	13,497,988	-
Investments	-	-	-	7,639,914
Interest and dividends	-	-	-	35,735
Receivables, net of allowance for uncollectibles:				
Charges for service	8,634,424	4,676,339	13,310,763	-
Utility liens	273,238	182,545	455,783	-
Special assessments	98	-	98	-
Intergovernmental	222,362	-	222,362	-
Working capital deposit	-	-	-	398,417
Total current assets	12,847,530	17,128,025	29,975,555	24,273,153
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments	63,517	-	63,517	-
Intergovernmental	2,294,922	-	2,294,922	-
Capital assets:				
Nondepreciable	26,245	3,308,457	3,334,702	-
Depreciable, net of accumulated depreciation	31,419,787	30,517,756	61,937,543	-
Total noncurrent assets	33,804,471	33,826,213	67,630,684	-
Total assets	46,652,001	50,954,238	97,606,239	24,273,153
LIABILITIES				
Current liabilities:				
Warrants payable	153,075	461,846	614,921	348,167
Accrued liabilities	196,415	1,210,646	1,407,061	40,845
Accrued payroll	54,900	51,834	106,734	28,654
Other liabilities	455,101	755,593	1,210,694	-
Liabilities payable from restricted assets	163,407	213,501	376,908	-
Due to other funds	214,893	-	214,893	-
Accrued interest	129,874	35,507	165,381	-
Accrued health claims payable	-	-	-	3,912,427
Workers' compensation claims	-	-	-	1,011,345
Compensated absences	16,047	14,342	30,389	-
Long-term bonds and notes payable	1,378,739	2,992,656	4,371,395	-
Total current liabilities	2,762,451	5,735,925	8,498,376	5,341,438
Noncurrent liabilities:				
Workers' compensation claims	-	-	-	5,673,516
Compensated absences	144,421	129,075	273,496	-
Net OPEB obligation	924,701	1,012,882	1,937,583	-
Long-term bonds and notes payable	9,677,757	15,112,598	24,790,355	-
Total noncurrent liabilities	10,746,879	16,254,555	27,001,434	5,673,516
Total liabilities	13,509,330	21,990,480	35,499,810	11,014,954
FUND NET ASSETS				
Invested in capital assets, net of related debt	22,906,820	15,720,959	38,627,779	-
Restricted for:				
Capital purposes	3,717,409	9,780,580	13,497,989	-
Unrestricted	6,518,442	3,462,219	9,980,661	13,258,199
Total net assets	\$ 33,142,671	\$ 28,963,758	\$ 62,106,429	\$ 13,258,199

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services	\$ 24,209,095	\$ 14,194,684	\$ 38,403,779	\$ -
Special assessments	1,599		1,599	-
Employer contributions				41,023,712
Employee contributions				9,974,114
TOTAL OPERATING REVENUES	24,210,694	14,194,684	38,405,378	50,997,826
OPERATING EXPENSES				
Salaries, wages and employee benefits	3,283,836	2,791,665	6,075,501	-
Other operating expenses	863,060	747,569	1,610,629	3,146,631
MWRA assessment	17,548,082	8,662,740	26,210,822	-
Workers' compensation	150,000	150,000	300,000	-
Self insurance claims				46,402,859
Depreciation	1,017,807	889,819	1,907,626	-
TOTAL OPERATING EXPENSES	22,862,785	13,241,793	36,104,578	49,549,490
OPERATING INCOME (LOSS)	1,347,909	952,891	2,300,800	1,448,336
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	385,446	347,502	732,948	-
Investment income	19,198	32,633	51,831	802,302
Interest expense	(484,607)	(538,894)	(1,023,501)	-
Gain (loss) on disposal of capital assets		2,776	2,776	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(79,963)	(155,983)	(235,946)	802,302
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,267,946	796,908	2,064,854	2,250,638
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	193,500		193,500	-
Transfers in	683,111		683,111	-
Transfers out	(825,712)	(1,233,586)	(2,059,298)	(277,582)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	50,899	(1,233,586)	(1,182,687)	(277,582)
CHANGE IN FUND NET ASSETS	1,318,845	(436,678)	882,167	1,973,056
FUND NET ASSETS AT BEGINNING OF YEAR	31,823,826	29,400,436	61,224,262	11,285,143
FUND NET ASSETS AT END OF YEAR	\$ 33,142,671	\$ 28,963,758	\$ 62,106,429	\$ 13,258,199

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 22,826,697	\$ 14,052,226	\$ 36,878,923	\$ 9,974,114
Receipts from interfund services provided	-	-	-	41,026,442
Payments to vendors/providers	(18,798,578)	(8,330,703)	(27,129,281)	(50,303,403)
Payments to employees	(2,379,481)	(1,821,242)	(4,200,723)	-
NET CASH FROM OPERATING ACTIVITIES	1,648,638	3,900,281	5,548,919	697,153
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	683,111	-	683,111	-
Transfers out	(825,712)	(1,233,586)	(2,059,298)	(277,582)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(142,601)	(1,233,586)	(1,376,187)	(277,582)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes	736,500	2,224,400	2,960,900	-
Intergovernmental revenues	193,500	-	193,500	-
Acquisition and construction of capital assets	(1,084,178)	(5,857,255)	(6,941,433)	-
Principal payments on bonds and notes	(1,089,707)	(2,770,211)	(3,859,918)	-
Interest expense	(151,797)	(174,000)	(325,797)	-
Proceeds from sale of capital assets	-	2,776	2,776	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,395,682)	(6,574,290)	(7,969,972)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(245,437)
Investment income	19,198	32,633	51,831	802,302
NET CASH FROM INVESTING ACTIVITIES	19,198	32,633	51,831	556,865
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	129,553	(3,874,962)	(3,745,409)	976,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$6,587,855 and \$9,070,093 reported as restricted in the sewer and water enterprise funds, respectively)	3,587,855	16,144,103	19,731,958	15,222,651
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$3,717,408 and \$9,780,580 reported as restricted in the sewer and water enterprise funds, respectively)	\$ 3,717,408	\$ 12,269,141	\$ 15,986,549	\$ 16,199,087
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,347,909	\$ 952,891	\$ 2,300,800	\$ 1,448,336
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,017,807	889,819	1,907,626	-
Changes in assets and liabilities:				
Interest and dividends	-	-	-	2,730
Utility liens	11,821	23,923	35,744	-
Water fees	-	(166,381)	(166,381)	-
Sewer fees	(1,409,232)	-	(1,409,232)	-
Special assessments	13,414	-	13,414	-
Working capital deposit	-	-	-	30,829
Warrants payable	104,665	245,749	350,414	(194,375)
Accrued liabilities	101,109	1,016,275	1,117,384	(95,760)
Accrued payroll	(93,157)	(114,505)	(207,662)	(244)
Other liabilities	437,768	731,502	1,169,270	-
Liabilities payable from restricted assets	14,087	20,833	34,920	-
Due to other funds	(201,575)	-	(201,575)	-
Accrued health claims payable	-	-	-	(499,819)
Workers' compensation	-	-	-	5,456
Accrued compensated absences	2,462	8,036	10,498	-
Net OPEB obligation	301,560	292,139	593,699	-
Total adjustments	300,729	2,947,390	3,248,119	(751,183)
NET CASH FROM OPERATING ACTIVITIES	\$ 1,648,638	\$ 3,900,281	\$ 5,548,919	\$ 697,153
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT and MWRA)	\$ 584,512	\$ 347,502	\$ 932,014	\$ -

See notes to basic financial statements.

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

JUNE 30, 2010

ASSETS	Pension Trust Fund (As of 12/31/09)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 3,077,415	\$ 2,228,371	\$ 2,426,344
Investments.....	-	5,979,786	-
Equities.....	131,889,445	-	-
Mutual bond funds.....	39,187,265	-	-
Real estate.....	30,344,224	-	-
Alternative.....	17,727,076	-	-
Interest and dividends.....	49	25,700	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	370,710	-	-
Loans.....	-	22,647	-
Total assets.....	<u>222,596,184</u>	<u>8,256,504</u>	<u>2,426,344</u>
LIABILITIES			
Warrants payable.....	9,942	500	217,624
Accrued payroll.....	-	-	424
Payroll withholdings.....	-	-	1,443,934
Other liabilities.....	-	-	764,362
Due to other funds.....	-	33,861	-
Total liabilities.....	<u>9,942</u>	<u>34,361</u>	<u>2,426,344</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 222,586,242</u>	<u>\$ 8,222,143</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (As of 12/31/09)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 13,533,100	\$ -
Plan member.....	7,704,725	-
Private donations.....	-	56,536
Total contributions.....	<u>21,237,825</u>	<u>56,536</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	24,170,379	-
Interest.....	7,148,783	717,036
Total investment income (loss).....	31,319,162	717,036
Less investment expense.....	<u>(1,141,650)</u>	<u>-</u>
Net investment income (loss).....	<u>30,177,512</u>	<u>717,036</u>
Intergovernmental.....	370,674	-
Transfers from other systems.....	999,571	-
TOTAL ADDITIONS.....	<u>52,785,582</u>	<u>773,572</u>
DEDUCTIONS		
Retirement benefits.....	29,126,639	-
Refunds of contributions & transfers to other systems.....	1,743,311	-
Administration expense.....	265,623	31,276
Educational scholarships & awards.....	-	458,524
TOTAL DEDUCTIONS.....	<u>31,135,573</u>	<u>489,800</u>
CHANGE IN NET ASSETS.....	21,650,009	283,772
NET ASSETS AT BEGINNING OF YEAR.....	<u>200,936,233</u>	<u>7,938,371</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 222,586,242</u>	<u>\$ 8,222,143</u>

See notes to basic financial statements.

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

JUNE 30, 2010

	Component Units			Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/09)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/09)	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 411,334	\$ -	\$ 60,633	\$ 471,967
Restricted cash and cash equivalents	-	391,214	3,725	394,939
Interest and dividends	-	461,801	-	461,801
Receivables, net of allowance for uncollectibles:				
Departmental and other	1,799	-	317	2,116
Loans	-	79,750	-	79,750
Other assets	-	-	31,289	31,289
Prepaid expenses	4,620	-	790	5,410
Inventory	-	-	810	810
Total current assets	417,753	932,765	97,564	1,448,082
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Loans	-	2,086,712	-	2,086,712
Capital assets:				
Depreciable, net of accumulated depreciation	1,865,275	-	258,924	2,124,199
Total noncurrent assets	1,865,275	2,086,712	258,924	4,210,911
Total assets	2,283,028	3,019,477	356,488	5,658,993
LIABILITIES				
Current liabilities:				
Warrants payable	60,340	-	10,248	70,588
Accrued liabilities	-	104,083	-	104,083
Total liabilities	60,340	104,083	10,248	174,671
FUND NET ASSETS				
Invested in capital assets, net of related debt	1,865,275	-	258,924	2,124,199
Unrestricted	357,413	2,915,394	87,316	3,360,123
Total net assets	\$ 2,222,688	\$ 2,915,394	\$ 346,240	\$ 5,484,322

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
 COMPONENT UNITS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Component Units			Total
	Newton Commonwealth Foundation, Inc. (As of 12/31/09)	Newton Community Development Authority	Newton Community Farm, Inc. (As of 12/31/09)	
OPERATING REVENUES				
Charges for services.....	\$ 270,867	\$ -	\$ 83,933	\$ 354,800
Contributions.....	-	-	47,830	47,830
TOTAL OPERATING REVENUES.....	270,867	-	131,763	402,630
OPERATING EXPENSES				
Salaries, wages and employee benefits.....	88,846	-	124,789	213,635
Other operating expenses.....	50,000	370,855	-	420,855
Depreciation.....	130,882	-	-	130,882
TOTAL OPERATING EXPENSES.....	269,728	370,855	124,789	765,372
OPERATING INCOME (LOSS).....	1,139	(370,855)	6,974	(362,742)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	-	7,590	-	7,590
Investment income.....	5,421	63,762	580	69,763
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	5,421	71,352	580	77,353
CHANGE IN FUND NET ASSETS.....	6,560	(299,503)	7,554	(285,389)
FUND NET ASSETS AT BEGINNING OF YEAR (AS RESTATED).....	2,216,128	3,214,897	338,686	5,769,711
FUND NET ASSETS AT END OF YEAR.....	\$ 2,222,688	\$ 2,915,394	\$ 346,240	\$ 5,484,322

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, 2010

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, 2010

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

B. Basis of Presentation, Basis of Accounting

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions (charges for services) associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues and expenses not meeting this definition, such as intergovernmental subsidies and investment earnings, are reported as nonoperating revenues and expenses.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

The City reports the following major governmental funds:

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

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

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

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and permanent funds).

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

The City also reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

C. Assets, Liabilities and Equity

Cash and Cash Equivalents and Investments

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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, 8% of outstanding water and sewer user charges receivable have been assigned to an allowance for doubtful collections. Real estate taxes receivable are secured by tax liens, and therefore are considered 100% collectible.

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

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

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

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

Inventories

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

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

Land improvements	7-20 years
Buildings and improvements	20-50 years
Machinery and equipment	3-20 years
Infrastructure	20-50 years

Inter-fund Transactions

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

Deferred Revenue

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

Net Assets and Fund Equity

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

- Capital purposes represent unspent proceeds of bonds, notes and grants that are restricted for specific capital projects.
- Community 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 17 fiscal years.
- Perpetual funds – expendable represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- Perpetual funds – non-expendable represents amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by other outside parties.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

- Encumbrances and continuing appropriations represent amounts obligated under purchase orders, contracts, or other commitments for expenditure that are being carried forward to the ensuing fiscal year.
- 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 17 fiscal years.
- Capital stabilization funds represent amounts accumulated for future capital project financing.
- Perpetual permanent funds represent amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by outside parties.

Fund balances have been designated for the following:

- Subsequent year's expenditures represent amounts appropriated by the Mayor and Board of Aldermen for the fiscal year 2011 budget.

Long term debt

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

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

Investment Income

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

Investment income from proprietary funds is retained in the funds.

Compensated Absences

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

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.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Use of Estimates

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

Total Column

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

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budget Information

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

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

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

Although unobligated annual appropriation balances generally lapse at year-end, it is the City's policy to continue certain appropriations into the following year under certain limited circumstances. These are limited to amounts voted as special (multi-year) appropriations (generally capital outlay and improvements), capital maintenance funds, property tax revaluation program appropriations and funds included in the annual budget for settlement of collective bargaining contracts that have not been settled at year-end.

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2010 General Fund and Community Preservation Fund budgets authorized \$291,743,885 and \$8,319,996 (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 \$6,303,434, and \$2,728,838, respectively, for total budgets of \$298,047,319 and \$11,048,834, respectively.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Total General Fund expenditures and transfers to other funds were \$290,674,122, and \$5,877,645 in appropriation balances were carried forward into fiscal year 2011 to support encumbrances and continuing appropriations. A total of \$881,022 of this sum represents funds appropriated for the settlement of outstanding collective bargaining contracts.

Total Community Preservation Fund expenditures and transfers to other funds were \$2,793,475, and \$6,836,539 in appropriation balances were carried forward into fiscal year 2011 to support encumbrances and continuing appropriations.

B. Budget to GAAP Reconciliation

Accounting principles followed for purposes of preparing the financial statements on a budgetary basis differ from those used to present financial statements in accordance with GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund and Community Preservation Fund for the fiscal year ended June 30, 2010 are presented below:

	General Fund		Community Preservation Fund
	Revenues	Expenditures	Expenditures
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 284,280,467	\$ 288,877,243	\$ 2,791,954
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	823,318	-	-
Net change in recording tax refunds payable.....	(314,795)	-	-
To record activity for landfill closure subsidy.....	77,498	77,498	-
To record activity of MTRS on-behalf payments.....	28,008,442	28,008,442	-
Net change in collective bargaining accrual.....	-	1,169,091	-
Net change in recording other revenues.....	(881,707)	-	-
Net change in recording other expenditures.....	-	(199,643)	452,000
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 311,993,223	\$ 317,932,631	\$ 3,243,954

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).

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

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

Investments for the City are reported at fair value.

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a policy for custodial credit risk of deposits. As of June 30, 2010, \$71,922,867 of the City's bank balance of \$85,352,126 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2010 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.....	\$ 4,162,198	\$ 355,307	\$ 2,948,577	\$ 111,820	\$ 746,494
U.S. Agencies.....	845,477	207,688	637,789	-	-
Corporate bonds.....	375,491	25,219	205,101	145,171	-
Money market mutual funds.....	1,716,071	1,716,071	-	-	-
Mutual bond funds.....	179,068	179,068	-	-	-
Certificate of deposits.....	597,349	334,291	263,058	-	-
External investment pools.....	76,239,449	76,239,449	-	-	-
Total debt securities.....	84,115,103	\$ 79,057,093	\$ 4,054,525	\$ 256,991	\$ 746,494
<u>Other Investments:</u>					
Equity securities.....	8,288,036				
Equity mutual funds.....	14,010				
Real estate investments.....	241,985				
Alternative investments.....	41,400				
Total other investments.....	8,585,431				
Total investments.....	\$ 92,700,534				

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. As of June 30, 2010, \$7,799,733 of the City's investments of \$92,700,534 were uninsured, not registered in the name of the City and exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 867,323	\$ -	\$ 867,323
U.S. Agencies.....	1,002,286	-	1,002,286
Corporate bonds.....	375,490	-	375,490
Money market mutual funds.....	1,008,577	1,008,577	-
Mutual bond funds.....	179,068	-	179,068
Equity securities.....	3,755,630	-	3,755,630
Equity mutual funds.....	14,010	14,010	-
Certificates of deposit.....	597,349	597,349	-
Total.....	\$ 7,799,733	\$ 1,619,936	\$ 6,179,797

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, 2010, the credit quality ratings of the City's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings*					Unrated
		AA-2	Aa2	A	A1	A2	
Corporate bonds.....	\$ 375,491	\$ 40,236	\$ 104,009	\$ 100,310	\$ 47,149	\$ 83,787	\$ -
Money market mutual funds.....	1,716,071	-	-	-	-	-	1,716,071
Mutual bond funds.....	179,068	-	-	-	-	-	179,068
Certificates of deposit.....	597,349	-	-	-	-	-	597,349
External investment pools.....	76,239,449	-	-	-	-	-	76,239,449
Total.....	\$ 79,107,428	\$ 40,236	\$ 104,009	\$ 100,310	\$ 47,149	\$ 83,787	\$ 78,731,937

* 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, 2010

Pension Trust Fund (The System)

Pension trust fund investments (more fully described in note 10), include a combination of public and private real estate limited partnership investments, which represents 13.7% of the Pension Fund's total investments. The structure, risk profile, return potential and marketability of these investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. The City has determined the value of these investments from investment advisors, based upon independent year end appraisals.

The Pension Reserve Investment Trust (PRIT) meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the City's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2009, the System is not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2009 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).....	\$ 200,049	\$ 200,049
Debt security mutual funds (PRIT).....	39,187,265	39,187,265
External investment pools.....	<u>2,877,415</u>	<u>2,877,415</u>
Total debt securities.....	<u>42,264,729</u>	<u>\$ 42,264,729</u>
<u>Other Investments:</u>		
Equity mutual funds (PRIT).....	131,889,445	
Real estate investments (PRIT).....	19,750,048	
Real estate investments (non PRIT).....	10,594,176	
Alternative investments (PRIT).....	<u>17,727,076</u>	
Total other investments.....	<u>179,960,745</u>	
Total investments.....	<u>\$ 222,225,474</u>	

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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, 2009, the System's investments were not exposed to custodial credit.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy is that bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 5% of the total investment portfolio may be invested in bonds with a minimum quality rating of CCC as rated by Standard & Poor's Corporate and Municipal Rating Service. As of December 31, 2009, 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.....	\$ 200,049	\$ 200,049
Debt security mutual funds.....	39,187,265	39,187,265
External investment pools.....	2,877,415	2,877,415
Total.....	\$ 42,264,729	\$ 42,264,729

* 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, 2010

Note 4 - Receivables

At June 30, 2010, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u> </u>	<u> </u>	<u> </u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,692,208	\$ (290,199)	\$ 4,402,009
Real estate tax deferrals.....	2,896,319	-	2,896,319
Tax and utility liens.....	4,632,467	-	4,632,467
Motor vehicle excise taxes.....	1,794,911	(1,147,663)	647,248
Community preservation surcharges.....	45,493	-	45,493
Charges for services.....	846,048	-	846,048
Special assessments.....	566,653	-	566,653
Departmental and other.....	10,154,124	(2,612,535)	7,541,589
Intergovernmental.....	6,194,593	-	6,194,593
Loans.....	22,647	-	22,647
	<u>\$ 31,845,463</u>	<u>\$ (4,050,397)</u>	<u>\$ 27,795,066</u>

At June 30, 2010, receivables for the Proprietary Funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u> </u>	<u> </u>	<u> </u>
<u>Receivables:</u>			
Utility liens.....	\$ 455,783	\$ -	\$ 455,783
Charges for services.....	14,461,630	(1,150,867)	13,310,763
Special assessments.....	63,615	-	63,615
Intergovernmental.....	2,517,284	-	2,517,284
	<u>\$ 17,498,312</u>	<u>\$ (1,150,867)</u>	<u>\$ 16,347,445</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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, 2010, the various components of deferred revenue reported in the governmental funds were:

<u>Receivable type:</u>	<u>General Fund</u>	<u>Community Preservation Fund (Major)</u>	<u>High School Improvements Fund (Major)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate and personal property taxes.....	\$ 3,388,599	\$ -	\$ -	\$ -	\$ 3,388,599
Real estate tax deferrals.....	2,896,319	-	-	-	2,896,319
Tax and utility liens.....	4,627,580	-	-	4,887	4,632,467
Motor vehicle and other excise taxes.....	19,029	-	-	-	19,029
Community preservation surcharges.....	-	36,413	-	-	36,413
Charges for service.....	33,829	-	-	259,870	293,699
Special assessments.....	566,653	-	-	-	566,653
Departmental and other.....	7,443,770	-	-	27,960	7,471,730
Intergovernmental (state school construction).....	-	-	2,328,858	-	2,328,858
Intergovernmental (community development).....	-	-	-	74,853	74,853
Intergovernmental (other state and federal).....	689,567	616,589	-	96,717	1,402,873
Total.....	\$ 19,665,346	\$ 653,002	\$ 2,328,858	\$ 464,287	\$ 23,111,493

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for nine school renovation projects previously financed with long-term debt. This assistance program, administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service payments for approved projects. During the fiscal year ended June 30, 2010 the City received final payments totaling \$4,941,992.

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 21,774,126	\$ 452,000	\$ -	\$ 22,226,126
Construction in progress.....	108,302,287	69,895,952	(3,122,139)	175,076,100
Sub-total.....	<u>130,076,413</u>	<u>70,347,952</u>	<u>(3,122,139)</u>	<u>197,302,226</u>
Capital assets being depreciated:				
Buildings and improvements.....	208,760,930	4,348,459	-	213,109,389
Equipment and machinery.....	51,384,580	5,435,224	(875,170)	55,944,634
Road network.....	58,904,472	3,006,270	-	61,910,742
Sub-total.....	<u>319,049,982</u>	<u>12,789,953</u>	<u>(875,170)</u>	<u>330,964,765</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(82,647,684)	(10,197,091)	-	(92,844,775)
Equipment and machinery.....	(33,649,578)	(3,405,413)	857,026	(36,197,965)
Road network.....	(19,404,037)	(1,469,381)	-	(20,873,418)
Sub-total.....	<u>(135,701,299)</u>	<u>(15,071,885)</u>	<u>857,026</u>	<u>(149,916,158)</u>
Total capital assets being depreciated, net.....	<u>183,348,683</u>	<u>(2,281,932)</u>	<u>(18,144)</u>	<u>181,048,607</u>
Governmental capital assets, net.....	\$ <u>313,425,096</u>	\$ <u>68,066,020</u>	\$ <u>(3,140,283)</u>	\$ <u>378,350,833</u>

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

Legislative & executive.....	\$ 3,585
Elections.....	25,861
Administrative support.....	522,045
Public building maintenance and operations.....	112,631
Police.....	187,420
Fire.....	726,374
Inspectional services.....	4,085
Other public safety.....	1,541
Education.....	10,825,652
Streets and sidewalks.....	1,477,296
Control of snow and ice.....	13,250
Solid waste.....	998
Public health.....	3,600
Senior services.....	48,665
Libraries.....	920,756
Parks and recreation.....	192,536
Newton history museum.....	5,590
Total depreciation expense - governmental activities.....	\$ <u>15,071,885</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Water system:				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Construction in progress.....	-	3,049,917	-	3,049,917
Sub-total.....	<u>258,540</u>	<u>3,049,917</u>	<u>-</u>	<u>3,308,457</u>
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	4,438,031	52,386	(58,785)	4,431,632
Water system.....	33,971,383	2,754,952	-	36,726,335
Sub-total.....	<u>40,612,906</u>	<u>2,807,338</u>	<u>(58,785)</u>	<u>43,361,459</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(981,707)	(33,163)	-	(1,014,870)
Equipment and machinery.....	(3,194,274)	(151,794)	58,785	(3,287,283)
Water system.....	(7,836,688)	(704,862)	-	(8,541,550)
Sub-total.....	<u>(12,012,669)</u>	<u>(889,819)</u>	<u>58,785</u>	<u>(12,843,703)</u>
Total capital assets being depreciated, net.....	<u>28,600,237</u>	<u>1,917,519</u>	<u>-</u>	<u>30,517,756</u>
Water system capital assets, net.....	<u>\$ 28,858,777</u>	<u>\$ 4,967,436</u>	<u>\$ -</u>	<u>\$ 33,826,213</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.....	2,290,874	36,959	-	2,327,833
Sanitary sewer system.....	43,159,699	1,047,219	-	44,206,918
Sub-total.....	<u>47,318,232</u>	<u>1,084,178</u>	<u>-</u>	<u>48,402,410</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(585,764)	(39,126)	-	(624,890)
Equipment and machinery.....	(900,336)	(166,603)	-	(1,066,939)
Sanitary sewer system.....	(14,478,716)	(812,078)	-	(15,290,794)
Sub-total.....	<u>(15,964,816)</u>	<u>(1,017,807)</u>	<u>-</u>	<u>(16,982,623)</u>
Total capital assets being depreciated, net.....	<u>31,353,416</u>	<u>66,371</u>	<u>-</u>	<u>31,419,787</u>
Sewer system capital assets, net.....	<u>\$ 31,379,661</u>	<u>\$ 66,371</u>	<u>\$ -</u>	<u>\$ 31,446,032</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Capital asset activity for individual component units for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Newton Commonwealth Foundation (Golf course):				
Capital assets being depreciated:				
Land improvements	\$ 2,415,887	\$ 163,999	\$ -	\$ 2,579,886
Buildings and improvements	78,826	-	(9,345)	69,481
Equipment and machinery	48,224	10,498	-	58,722
Sub-total	<u>2,542,937</u>	<u>174,497</u>	<u>(9,345)</u>	<u>2,708,089</u>
Less: accumulated depreciation:				
Land improvements	(632,317)	(124,935)	-	(757,252)
Buildings and improvements	(45,544)	(2,202)	-	(47,746)
Equipment and machinery	(34,071)	(3,745)	-	(37,816)
Sub-total	<u>(711,932)</u>	<u>(130,882)</u>	<u>-</u>	<u>(842,814)</u>
Golf course capital assets, net	<u>\$ 1,831,005</u>	<u>\$ 43,615</u>	<u>\$ (9,345)</u>	<u>\$ 1,865,275</u>
Newton Community Farm:				
Capital assets being depreciated:				
Equipment and machinery	\$ 275,262	\$ 21,990	\$ -	\$ 297,252
Less: accumulated depreciation:				
Equipment and machinery	(19,766)	(18,562)	-	(38,328)
Newton community farm capital assets, net	<u>\$ 255,496</u>	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ 258,924</u>

Note 6 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2010, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community development block grant - non major governmental fund	75,590 {1}
General Fund	Street improvements - non major governmental fund	23,792 {2}
General Fund	Sewer - sewer major enterprise fund	214,893 {3}
	Total due from other funds	<u>\$ 314,275</u>
General Fund	Chaffin education - private purpose trust fund	6,117 {4}
General Fund	Scovell education - private purpose trust fund	27,744 {5}
	Total due from fiduciary funds	<u>\$ 33,861</u>

- {1} Advance funding pending receipt of Community development block grant fund reimbursements.
- {2} Advance funding pending receipt of state chapter 90 highway construction grant reimbursements.
- {3} Advance funding pending receipt of fiscal year 2011 sewer receipts.
- {4} Advance funding pending receipt of Chaffin fund reimbursements.
- {5} Advance funding pending receipt of Scovell fund reimbursements.

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2010

Inter-fund transfer activity for the fiscal year ended June 30, 2010 consisted of the following:

Transfer Purpose	General Fund	Community Preservation Fund	Non-Major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds
School Lunch fund subsidy	\$ (691,847)	\$ -	\$ 691,847	\$ -	\$ -	\$ -
School Student Athlete Revolving fund subsidy	(877,781)	-	877,781	-	-	-
Traffic Mitigation Receipts Reserved: Washington/Comm Ave traffic improvements	64,620	-	(64,620)	-	-	-
Traffic Mitigation Washington/Comm Ave traffic improvements - Correct duplicate appropriation	(64,620)	-	64,620	-	-	-
Development Mitigation Receipts Reserved Normbega Park improvements	6,000	-	(6,000)	-	-	-
Traffic Mitigation Receipts Reserved Centre-Pelham St traffic signal improvements	25,000	-	(25,000)	-	-	-
Traffic Mitigation Receipts Reserved Lower Falls traffic improvements	150,000	-	(150,000)	-	-	-
Fire federal grant matching funds	(14,094)	-	14,094	-	-	-
Fire station #4 landscaping	(14,600)	-	14,600	-	-	-
FA Day energy conservation debt service reimbursement (CSF)	(120,976)	-	120,976	-	-	-
Close out various General Fund special appropriation balances to Capital Stabilization Fund	(12,961)	-	12,961	-	-	-
Capital Stabilization Fund funding of school debt service	954,176	-	(954,176)	-	-	-
Eliot St Fuel Tank replacement	109,627	-	(109,627)	-	-	-
Bond sale costs	115,243	-	(115,243)	-	-	-
Parking Meter Receipts Reserved fund subsidy of traffic control	1,000,000	-	(1,000,000)	-	-	-
Parking Meter Receipts Reserved fund - Replacement parking meters	90,000	-	(90,000)	-	-	-
Parking Meter Receipts Reserved fund - Automated license plate recognition system	52,645	-	(52,645)	-	-	-
BAA Marathon Receipts Reserved fund - Playground improvements	55,000	-	(55,000)	-	-	-
Water Fund administration and support reimbursement	550,475	-	-	(550,475)	-	-
Water Fund administration reimbursement to Sewer Fund	-	-	-	-	683,111	-
Water Fund administration reimbursement to Sewer Fund	-	-	-	(683,111)	-	-
Sewer Fund administration and support reimbursement	825,712	-	-	-	-	(825,712)
Sale of Recyclable Materials Receipts Reserved fund - solid waste collection/disposals	470,000	-	(470,000)	-	-	-
Sale of Recyclable Materials Receipts Reserved fund - composting equipment	325,000	-	(325,000)	-	-	-
CATV Receipts Reserved fund - Planning/legal/IT staff	100,000	-	(100,000)	-	-	-
CATV Receipts Reserved fund - North High School CATV Studio	617,996	-	(617,996)	-	-	-
Fire Violation Code Receipts Reserved fund - Violation book printing	473	-	(473)	-	-	-
Inclusionary Zoning Receipts Reserved - Warren House grant	34,300	-	(24,300)	-	-	-
NCGF Mayor's Golf Day Receipts Reserved fund - Camp scholarships	-	-	(15,000)	-	-	-
NCGF Mayor's Golf Day Receipts Reserved fund - Camp scholarships	-	-	15,000	-	-	-
CPA Fund engineering and legal support services	1,521	(1,521)	-	-	-	-
School I-Rate Receipts Reserved - School technology	201,497	-	(201,497)	-	-	-
Insurance Recovery Receipts Reserved - Highlands War Memorial repairs	25,532	-	(25,532)	-	-	-
Insurance Recovery Revolving - Close out excess reimbursement	329	-	(329)	-	-	-
Municipal Building Insurance Fund - FY 2010 property insurance premiums	277,582	-	-	-	-	(277,582)
Close MEMA storm reimbursement to reimburse General Fund	2,928	-	(2,928)	-	-	-
Close out completed State Stormwater grant to Stormwater Management Fund	-	-	(220)	-	-	-
Close out completed State Stormwater grant to Stormwater Management Fund	-	-	220	-	-	-
Transfer 6/30/2009 school gift balances to new School Gift Fund	-	-	(676,579)	-	-	-
Transfer 6/30/2009 school gift balances to new School Gift Fund	-	-	676,579	-	-	-
Peiree School Generator Fund from CSF	-	-	98,914	-	-	-
Peiree School Generator Fund from CSF	-	-	(98,914)	-	-	-
Close completed Brown window project balance to CSF	-	-	(54,003)	-	-	-
Close completed Brown window project balance to CSF	-	-	54,003	-	-	-
Close out FA Day Energy Conservation utility rebates to CSF	-	-	(120,770)	-	-	-
Close out FA Day Energy Conservation utility rebates to CSF	-	-	120,770	-	-	-
Close out City Hall Boiler replacement project balance to CSF	-	-	(243)	-	-	-
Close out City Hall Boiler replacement project balance to CSF	-	-	243	-	-	-
Close out Fire Alarm project balance to CSF	-	-	(29,282)	-	-	-
Close out Fire Alarm project balance to CSF	-	-	29,282	-	-	-
Close out Fire Station Improvement project balance to CSF	-	-	(4,471)	-	-	-
Close out Fire Station Improvement project balance to CSF	-	-	4,471	-	-	-
Close out Street lighting replacement project balance to CSF	-	-	(15,175)	-	-	-
Close out Street lighting replacement project balance to CSF	-	-	15,175	-	-	-
Close out Street improvement project balance to CSF	-	-	2,958	-	-	-
Close out Street improvement project balance to CSF	-	-	(2,958)	-	-	-
Transfers from other funds	\$ 6,045,656	\$ -	\$ 2,814,494	\$ -	\$ 683,111	\$ -
Transfers to other funds	\$ (1,796,879)	\$ (1,521)	\$ (5,407,981)	\$ (1,233,586)	\$ (825,712)	\$ (277,582)

Note 7 - 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, 2010, and did not issue or retire any short term debt during the fiscal year.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Note 8 - Long-Term Debt

Massachusetts General Laws Chapter 44, Section 10 authorizes indebtedness of up to a limit of 2 ½% of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” Debt may also be issued for additional purposes, “outside the debt limit.” The City’s long term debt at June 30, 2010 along with future year debt service requirements is as follows:

Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2009	Issued	Redeemed	Outstanding June 30, 2010
MWPAT landfill closure	02/15/1998	4.60	\$ 1,440,800	\$ -	\$ (133,500)	\$ 1,307,300
School renovations	07/15/2000	4.40-4.85	850,000	-	(425,000)	425,000
School renovations	08/15/2001	3.65	1,410,000	-	(500,000)	910,000
School renovations	08/15/2003	3.06	2,850,000	-	(570,000)	2,280,000
Land acquisition (CPA)	12/15/2003	2.0-3.4	2,500,000	-	(500,000)	2,000,000
School renovations	02/15/2005	3.0-4.0	8,000,000	-	(500,000)	7,500,000
Land acquisition (CPA)	02/15/2005	3.0-3.75	300,000	-	(300,000)	-
School renovations	02/15/2006	3.0-4.3	9,730,000	-	(620,000)	9,110,000
Road improvements	02/15/2006	3.0-4.3	360,000	-	(55,000)	305,000
Public works equipment	02/15/2006	3.0-4.3	675,000	-	(65,000)	610,000
Fire equipment	02/15/2006	3.0-4.3	670,000	-	(60,000)	610,000
School renovations	02/01/2007	4.0-5.0	7,825,000	-	(485,000)	7,340,000
Fire station improvements	02/01/2007	4.0-5.0	290,000	-	(25,000)	265,000
Public works equipment	02/01/2007	4.0-5.0	630,000	-	(60,000)	570,000
Street light improvements	02/01/2007	4.0-5.0	230,000	-	(230,000)	-
Land acquisition (CPA)	11/01/2007	3.98	2,040,000	-	(255,000)	1,785,000
Fire station improvements	11/01/2007	3.98	490,000	-	(40,000)	450,000
School renovations	11/01/2007	3.98	195,000	-	(15,000)	180,000
School new construction	11/01/2007	3.98	18,040,000	-	(965,000)	17,075,000
School new construction	06/15/2008	4.37	23,080,000	-	(435,000)	22,645,000
School renovations	06/15/2008	3.80	2,090,000	-	(110,000)	1,980,000
Fire equipment	06/15/2008	3.80	420,000	-	(30,000)	390,000
Public works equipment	06/15/2008	3.80	560,000	-	(40,000)	520,000
School new construction	04/01/2009	2.0-5.0	75,000,000	-	(1,360,000)	73,640,000
School renovations	04/01/2009	2.0-5.0	2,031,000	-	(106,000)	1,925,000
School renovations	04/01/2009	2.0-5.0	230,650	-	(20,650)	210,000
School renovations	04/01/2009	2.0-5.0	778,350	-	(43,350)	735,000
South high school athletic fields	04/01/2009	2.0-5.0	3,218,000	-	(218,000)	3,000,000
Fire station renovations	04/01/2009	2.0-5.0	2,488,000	-	(173,000)	2,315,000
Fire station design	04/01/2009	2.0-5.0	344,000	-	(69,000)	275,000
City hall boiler replacement	04/01/2009	2.0-5.0	225,000	-	(15,000)	210,000
Bencliffe circle construction	04/01/2009	2.0-5.0	185,000	-	(20,000)	165,000
Fire equipment	04/01/2009	2.0-5.0	800,000	-	(55,000)	745,000
Parks equipment	04/01/2009	2.0-5.0	110,000	-	(10,000)	100,000
DPW equipment	04/01/2009	2.0-5.0	600,000	-	(40,000)	560,000
School new construction	05/01/2010	3.0-4.0	-	11,650,000	-	11,650,000
Fire station renovations	05/01/2010	2.0-4.0	-	4,538,000	-	4,538,000
Underground fuel tanks	05/01/2010	2.0-4.0	-	453,000	-	453,000
Modular classrooms	05/01/2010	2.0-4.0	-	1,400,000	-	1,400,000
School renovations	05/01/2010	2.0-4.0	-	1,427,000	-	1,427,000
Energy conservation	05/01/2010	2.0-4.0	-	3,670,000	-	3,670,000
Fire equipment	05/01/2010	2.0-4.0	-	500,000	-	500,000
Public works equipment	05/01/2010	2.0-4.0	-	1,910,000	-	1,910,000
Total			\$ 170,685,800	\$ 25,548,000	\$ (8,548,500)	\$ 187,685,300

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

During fiscal year 2010 the City issued \$25,548,000 in new general obligation bonds; \$11,650,000 for school construction; \$4,538,000 for fire station improvements; \$3,670,000 for energy conservation; \$1,910,000 for public works equipment; \$1,427,000 for school improvements; \$1,400,000 for modular classrooms; \$500,000 for fire equipment; and \$453,000 for underground fuel tanks.

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, 2010, a balance of \$1,307,300 was outstanding on this loan. A principal subsidy of \$37,554 and an interest subsidy of \$39,944 have been recorded in the general fund.

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

Fiscal Year Ending	Principal	Interest	Total
2011	\$ 9,460,500	\$ 7,504,590	\$ 16,965,090
2012	8,926,700	7,341,954	16,268,654
2013	8,460,500	7,132,565	15,593,065
2014	8,542,200	6,763,464	15,305,664
2015	7,461,700	6,474,613	13,936,313
2016	7,511,300	6,208,151	13,719,451
2017	7,526,000	5,953,353	13,479,353
2018	7,340,800	5,677,028	13,017,828
2019	7,410,600	5,376,233	12,786,833
2020	7,310,000	5,070,163	12,380,163
2021	7,040,000	4,761,315	11,801,315
2022	6,945,000	4,461,813	11,406,813
2023	6,985,000	4,184,138	11,169,138
2024	7,055,000	3,904,113	10,959,113
2025	6,720,000	3,620,663	10,340,663
2026	5,815,000	3,344,682	9,159,682
2027	5,370,000	3,106,570	8,476,570
2028	5,270,000	2,881,395	8,151,395
2029	4,505,000	2,676,370	7,181,370
2030	4,535,000	2,481,507	7,016,507
2031	4,470,000	2,280,169	6,750,169
2032	4,675,000	2,080,463	6,755,463
2033	4,885,000	1,855,357	6,740,357
2034	5,115,000	1,620,000	6,735,000
2035	5,355,000	1,373,419	6,728,419
2036	5,610,000	1,115,138	6,725,138
2037	5,875,000	843,925	6,718,925
2038	6,155,000	559,788	6,714,788
2039	4,970,000	261,975	5,231,975
2040	385,000	16,364	401,364
Total	\$ 187,685,300	\$ 110,931,278	\$ 298,616,578

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2009	Issued	Redeemed	Outstanding June 30, 2010
MWRA Water	09/28/2000	0.00	\$ 214,964	\$ -	\$ (107,481)	\$ 107,483
MWRA Water	02/15/2001	0.00	302,240	-	(151,120)	151,120
MWRA Water	02/15/2002	0.00	775,806	-	(258,602)	517,204
MWRA Water	08/15/2002	0.00	1,034,407	-	(258,602)	775,805
MWRA Water	02/26/2004	0.00	1,293,009	-	(258,601)	1,034,408
MWRA Water	11/18/2004	0.00	1,551,611	-	(258,601)	1,293,010
MWRA Water	05/18/2006	0.00	1,810,213	-	(258,602)	1,551,611
MWRA Water	05/31/2007	0.00	2,068,815	-	(258,602)	1,810,213
Water meter replacement	04/01/2009	2.0-5.0	6,000,000	-	(600,000)	5,400,000
MWRA Water	05/21/2009	0.00	3,600,000	-	(360,000)	3,240,000
MWRA Water	05/20/2010	0.00	-	2,224,400	-	2,224,400
Total			\$ 18,651,065	\$ 2,224,400	\$ (2,770,211)	\$ 18,105,254

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, 2010, the City was the recipient of a \$2,224,400 ten-year interest free water system rehabilitation loan.

At June 30, 2010, the City had \$12,705,254 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2010 totaled \$347,502.

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

Fiscal Year Ending	Principal	Interest	Total
2011	\$ 2,992,656	\$ 144,000	\$ 3,136,656
2012	2,734,052	132,000	2,866,052
2013	2,475,450	120,000	2,595,450
2014	2,216,847	108,000	2,324,847
2015	1,958,246	93,000	2,051,246
2016	1,699,643	76,500	1,776,143
2017	1,441,040	58,500	1,499,540
2018	1,182,440	40,500	1,222,940
2019	1,182,440	21,000	1,203,440
2020	222,440	-	222,440
Total	\$ 18,105,254	\$ 793,500	\$ 18,898,754

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2010

Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2009	Issued	Redeemed	Outstanding June 30, 2010
MWRA Sewer.....	02/16/2006	0.00	\$ 21,010	\$ -	\$ (10,505)	\$ 10,505
MWPAT Sewer.....	10/06/1999	5.16	4,001,766	-	(311,766)	3,690,000
MWPAT Sewer.....	11/10/2000	5.20	5,113,401	-	(362,070)	4,751,331
MWPAT Sewer.....	07/03/2002	0.00	91,565	-	(5,130)	86,435
MWRA Sewer.....	02/15/2007	0.00	182,820	-	(60,940)	121,880
MWRA Sewer.....	06/14/2007	0.00	678,480	-	(226,160)	452,320
MWRA Sewer.....	08/23/2007	0.00	42,240	-	(10,560)	31,680
MWRA Sewer.....	11/29/2007	0.00	122,892	-	(30,723)	92,169
MWRA Sewer.....	09/09/2008	0.00	560,120	-	(112,024)	448,096
MWRA Sewer.....	02/19/2009	0.00	794,475	-	(158,895)	635,580
MWRA Sewer.....	03/01/2010	0.00	-	236,500	-	236,500
Sewer system improvements.....	05/01/2010	2.0-4.0	-	500,000	-	500,000
Total			\$ 11,608,769	\$ 736,500	\$ (1,288,773)	\$ 11,056,496

The MWRA's sanitary sewer infiltration/inflow reduction financial assistance program provides financial assistance for eligible projects in the form of a combination of grants and five-year interest-free loans. During the fiscal year ended June 30, 2010, the City was the recipient of a \$236,500 five-year interest free sewer infiltration/inflow loans. At June 30, 2010, the City had \$2,028,730 in MWRA sewer infiltration/inflow reduction loans outstanding.

During the fiscal year ended June 30, 2010, the City also issued \$500,000 of general obligation debt for sewer system improvements.

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2010 the City had \$8,527,766 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2010 were \$385,446 and \$199,066, respectively.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

Fiscal Year	Principal	Interest	Total
Ending			
2011	\$ 1,378,739	\$ 432,336	\$ 1,811,075
2012	1,383,079	407,909	1,790,988
2013	1,121,159	360,059	1,481,218
2014	1,104,219	334,529	1,438,748
2015	853,300	285,411	1,138,711
2016	831,000	241,137	1,072,137
2017	856,000	196,493	1,052,493
2018	891,000	147,991	1,038,991
2019	921,000	104,573	1,025,573
2020	941,000	61,093	1,002,093
2021	531,000	24,033	555,033
2022	35,000	9,750	44,750
2023	35,000	8,250	43,250
2024	25,000	7,000	32,000
2025	25,000	6,000	31,000
2026	25,000	5,000	30,000
2027	25,000	4,000	29,000
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	25,000	1,000	26,000
Total	\$ 11,056,496	\$ 2,641,564	\$ 13,698,060

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

At June 30, 2010 the City had a total of \$29,885,777 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.....	\$ 28,979,692	\$ -	\$ (11,650,000)	\$ 17,329,692
Elementary school improvements.....	225,000	1,000,000	(1,225,000)	-
Modular classrooms.....	-	1,400,000	(1,400,000)	-
Education center emergency generator.....	-	202,000	(202,000)	-
Energy conservation audits.....	82,000	3,755,400	(3,670,000)	167,400
Fire station improvements.....	-	4,538,000	(4,538,000)	-
Public works equipment.....	2,560,000.00	623,000	(2,363,000)	820,000
Fire equipment.....	-	500,000	(500,000)	-
Sewer system improvements.....	-	1,509,800	(500,000)	1,009,800
Sewer I&I removal.....	338,655	-	(236,500)	102,155
Sewer I&I removal-MWPAT.....	2,995,073	-	-	2,995,073
Water main rehabilitation.....	4,158,057	-	(2,224,400)	1,933,657
Water meter replacement.....	5,528,000	-	-	5,528,000
Total.....	\$ 44,866,477	\$ 13,528,200	\$ (28,508,900)	\$ 29,885,777

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 170,685,800	\$ 25,548,000	\$ (8,548,500)	\$ 187,685,300	\$ 9,460,500
Landfill closure and other environmental....	770,000	245,000	(105,000)	910,000	105,000
Workers compensation.....	6,679,405	5,456	-	6,684,861	1,011,345
Claims and judgments.....	190,000	-	(150,000)	40,000	40,000
Compensated absences.....	8,373,557	-	(191,709)	8,181,848	2,801,329
Net OPEB obligation.....	53,523,551	42,670,558	(14,658,839)	81,535,270	-
Total.....	\$ 240,222,313	\$ 68,469,014	\$ (23,654,048)	\$ 285,037,279	\$ 13,418,174
Business-type Activities:					
Bonds and notes payable.....	\$ 30,259,834	\$ 2,960,900	\$ (4,058,984)	\$ 29,161,750	\$ 4,371,395
Compensated absences.....	293,387	10,498	-	303,885	30,389
Net OPEB obligation.....	1,343,884	714,279	(120,580)	1,937,583	-
Total.....	\$ 31,897,105	\$ 3,685,677	\$ (4,179,564)	\$ 31,403,218	\$ 4,401,784

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$6,684,861 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 9 – Risk Financing

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

At June 30, 2010, the City's health claims liability totaled \$3,912,427 and is based on approximately one month claims paid average. Changes in the reported liability since July 1, 2008 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2009.....	\$ 4,164,081	\$ 46,773,806	\$ (46,525,641)	\$ 4,412,246
Fiscal year 2010.....	4,412,246	46,320,935	(46,820,754)	3,912,427

Workers' compensation claims are administered by the City's Personnel Department. The City contracts for an annual actuarial valuation of the program, and based on this study, has recorded a liability of \$6,684,861 at June 30, 2010, of which \$1,011,345 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, 2011. The liability includes an estimate of the IBNR claims.

The June 30, 2010 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, 2008 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2009.....	\$ 6,288,641	\$ 2,112,495	\$ (1,721,731)	\$ 6,679,405
Fiscal year 2010.....	6,679,405	1,758,272	(1,752,816)	6,684,861

Note 10 – Pension Plan

A – Plan Description and Membership

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

The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member's three highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55, with 10 years of service. Normal retirement for most employees occurs at age 65, except for certain hazardous duty and public safety employees who attain normal retirement at age 55. Benefits and member contribution rates are determined by Chapter 32 of the Massachusetts General Laws.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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, 2009, the System's membership consisted of the following:

Active members.....	1,771
Inactive members.....	531
Disabled members.....	150
Retirees and beneficiaries currently receiving benefits.....	<u>1,175</u>
Total.....	<u><u>3,627</u></u>

B – Basis of Accounting

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

Investments of the System are stated at fair value.

C - Funding Policy

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

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

D – Investment Policy

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

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

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,364,434; \$12,682,312; and \$11,594,554; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2010 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included an 8% rate of return on investments (net of administrative expenses); an inflationary rate of 3% and projected salary increases of 3% for the current year; 4% for each of the following four years; and 4.75% (5.25% for Group 4) annually thereafter. The actuarial value of the System's assets was determined using the five-year smoothing of investment returns greater/(less) than expected. The valuation must be within 20% of market value. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2009, 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, 2009	\$ 252,117	\$ 443,010	\$ 190,893	56.9%	\$ 82,014	232.8%

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, 2009
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 4.5% per year
Remaining amortization period:	20 years
Asset valuation method:	Market value
Investment rate of return:	8.0%
Projected salary increases:	4% per year from 2009 to 2012; starting in 2013 the annual increases will be 4.75% and 5.25% for groups 1 and 4, respectively
Cost of living adjustments:	3.0%

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2009 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 74,328,046	Active members' contribution balance
Annuity Reserve Fund....	28,158,083	Retired members' contribution account
Military Service Fund.....	59,645	Military leave of absence contribution balance
Pension Fund.....	<u>120,040,468</u>	Remaining net assets
Total.....	\$ <u>222,586,242</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, 2010, 2009, and 2008 were \$369,779, \$421,905 and \$488,058, 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 11 – 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 approximately \$28,008,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

Note 12 – Other Post Employment Benefits

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

The number of participants as of June 30, 2010, the latest actuarial valuation, is as follows:

Active employees.....	2,499
Retired employees and beneficiaries.....	<u>2,566</u>
Total.....	<u>5,065</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

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

	Amount (in thousands)	
Annual required contribution.....	\$	44,845
Interest on net OPEB obligation.....		1,120
Adjustment to annual required contribution.....		<u>(2,581)</u>
Annual OPEB cost.....		43,384
Contributions made.....		<u>(14,779)</u>
Increase in net OPEB obligation.....		28,605
Net OPEB obligation at beginning of year.....		<u>54,868</u>
Net OPEB obligation at end of year.....	\$	<u><u>83,473</u></u>

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

	Dollar Amounts in Thousands		
Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2008*.....	\$ 35,440	37.9%	\$ 22,010
June 30, 2009.....	46,999	30.1%	54,868
June 30, 2010.....	43,384	31.4%	83,473

* Transition year

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2010, the most recent actuarial valuation, was as follows:

Dollar Amounts in Thousands						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/10	\$	\$ 531,675	\$ 531,675		\$ 175,729	303%

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

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

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

Valuation date:	June 30, 2010
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	28 years
Interest discount rate:	2.00%
Healthcare/Medical cost trend rate:	3.7% for 2010; 4.9% for 2011; 6.0% for 2012; 7.2% for 2013 and 2014; 7.1% starting in 2015 and then decreasing by 1% to an ultimate level of 5.2% per year

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

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

Governmental Activities:

Legislative & Executive.....	\$	412,915
Elections.....		107,311
Financial administration.....		611,884
Administrative support.....		563,572
Planning & development.....		277,480
Public building maintenance & operation.....		490,183
Police.....		3,957,337
Fire.....		3,803,746
Inspectional services.....		225,577
Other public safety.....		7,109
Education.....		27,038,097
Streets & sidewalks.....		1,379,624
Collection & disposal of solid waste.....		85,992
Equipment maintenance.....		382,820
Engineering.....		276,899
Administration & support.....		330,720
Public health.....		628,433
Senior services.....		85,233
Veteran services.....		46,713
Libraries.....		1,069,423
Parks & recreation.....		658,539
Newton history museum.....		<u>44,789</u>
 Total AOPEBC - governmental activities.....	\$	<u><u>42,484,396</u></u>
 Business-Type Activities:		
Water.....	\$	443,077
Sewer.....		<u>457,366</u>
 Total AOPEBC - business-type activities.....	\$	<u><u>900,443</u></u>
 Total AOPEBC.....	\$	<u><u>43,384,839</u></u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2010

Note 13 – 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 \$630,000 at June 30, 2010 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 14 – Commitments and Contingencies

With the exception of certain site/landscaping work and the demolition of the old North High School building, construction of the new North High School was substantially complete as of June 30, 2010.

Additionally, the City has entered into a \$3,200,000 contract for the renovation of Fire Station #7, and a \$3,100,000 contract for various energy conservation improvements to public buildings.

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, 2010, these programs, as well as certain state grant programs, are still subject to separate financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although it is expected such amounts, if any, will be immaterial.

Various additional legal actions and claims are pending. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any at June 30, 2010 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2010.

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2010

Note 15 – Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt at June 30, 2010 is summarized as follows:

Governmental Activities

Capital assets, net of accumulated depreciation.....	\$	378,350,833
Less: total long-term debt outstanding.....		(187,685,300)
Add: long-term debt outstanding not related to asset acquisition.....		1,307,300
Add: grant receivable to fund capital debt.....		<u>2,328,858</u>
 Invested in capital assets, net of related debt.....	 \$	 <u>194,301,691</u>

Business-Type Activities

	Water	Sewer	Total Enterprise Funds/ Business-Type Activities
Capital assets, net of accumulated depreciation.....	\$ 33,826,213	\$ 31,446,032	\$ 65,272,245
Less: total long-term debt outstanding.....	(18,105,254)	(11,056,496)	(29,161,750)
Add: grant receivable to fund capital debt.....	<u>-</u>	<u>2,517,284</u>	<u>2,517,284</u>
 Invested in capital assets, net of related debt.....	 <u>\$ 15,720,959</u>	 <u>\$ 22,906,820</u>	 <u>\$ 38,627,779</u>

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

Note 17 – Prior Period Adjustment

The beginning net assets of its component units has been restated from \$7,120,589 to \$5,769,711, due to the Newton Schools Foundation, Inc., no longer being presented as a discretely presented component unit in the City’s basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2010

Note 18 – Implementation of GASB Pronouncements

The City implemented the following GASB pronouncements during fiscal year 2010:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*. The implementation of this Statement had no impact on the financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement had no impact on the financial statements.

Note 19 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented during fiscal year 2011. The City is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented during fiscal year 2012. This pronouncement will not impact the basic financial statements.
- Statement #59, *Financial Instruments Omnibus*, which is required to be implemented during fiscal year 2011. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by the respective required years of implementation.

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EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

James Reardon, Treasurer
City of Newton
Newton, Massachusetts

\$5,770,000
City of Newton, Massachusetts
General Obligation Municipal Purpose Loan of 2011 Bonds
Dated As of their Date of Delivery

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, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

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. Except as expressed in paragraph 4 below, 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.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

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 Angell Palmer & Dodge LLP

**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 \$5,770,000 General Obligation Municipal Purpose Loan of 2011 Bonds dated April 14, 2011 (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 April 6, 2011 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. 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 determination 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) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Issuer determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, 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.

* 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.

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(c).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this 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: April 14, 2011

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]