

**OFFICIAL STATEMENT DATED JANUARY 21, 2015**

**Ratings**

**Moody's Investors Service, Inc.:**

**Series A: Aaa**

**Series B: Aaa**

**New Issue**

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

**CITY OF NEWTON, MASSACHUSETTS**

**\$25,505,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Series A**

**and**

**\$19,635,000 General Obligation Refunding Bonds, Series B**

**DATED**

Date of Delivery

**DUE**

November 1

(As shown on the inside cover)

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 November 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2015. Principal and semiannual interest on the Bonds will be paid by the U.S. Bank National Association, 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 stated herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the City of Newton and, to the extent not paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City without limitation as to rate or amount except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the City has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½), and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the City has not voted to exempt from that limit.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, LLC, 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 January 29, 2015, against payment to the City in federal reserve funds.

## CITY OF NEWTON, MASSACHUSETTS

### \$25,505,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS, SERIES A

#### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, CUSIPS

Due November 1	Principal Amount	Interest Rate	Yield	Cusip 653063	Due November 1	Principal Amount	Interest Rate	Yield	Cusip 653063
2015	\$ 910,000	2.00 %	0.19 %	3N5	2026	\$ 880,000	3.00 %	2.00 %	3Z8
2016	1,035,000	2.00	0.41	3P0	2027	895,000	3.00	2.20	4A2
2017	1,040,000	2.00	0.62	3Q8	2028	905,000	3.00	2.40	4B0
2018	1,035,000	2.00	0.85	3R6	2029	920,000	3.00	2.60	4C8
2019	1,040,000	2.00	1.00	3S4	2030	935,000	3.00	2.80	4D6
2020	850,000	2.00	1.16	3T2	2031	950,000	3.00	2.90	4E4
2021	865,000	5.00	1.35	3U9	2032	965,000	3.00	3.00	4F1
2022	885,000	5.00	1.51	3V7	2033	985,000	3.00	3.05	4G9
2023	895,000	5.00	1.67	3W5	2034	1,000,000	3.00	3.10	4H7
2024	915,000	5.00	1.80	3X3	2035	580,000	3.00	3.15	4J3
2025	860,000	5.00	1.90	3Y1	2036	600,000	3.00	3.20	4K0

**\$2,600,000 Interest Rates 3.25% Term Bonds Maturing November 1, 2040 Yield @ 3.30% Cusip #653063 4P9**

**\$2,960,000 Interest Rates 3.25% Term Bonds Maturing November 1, 2044 Yield @ 3.35% Cusip #653063 4T1**

ROBERT W. BAIRD & CO., INC.

### \$19,635,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES B

#### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, CUSIPS

Due November 1	Principal Amount	Interest Rate	Yield	Cusip 653063
2016	\$ 745,000	2.00 %	0.41 %	4U8
2017	1,270,000	3.00	0.62	4V6
2018	2,230,000	3.00	0.82	4W4
2019	2,215,000	3.00	1.00	4X2
2020	2,185,000	3.00	1.18	4Y0
2021	1,985,000	3.00	1.38	4Z7
2022	1,895,000	3.00	1.55	5A1
2023	1,865,000	3.00	1.67	5B9
2024	1,850,000	3.00	1.79	5C7
2025	1,600,000	3.00	1.88	5D5
2026	1,025,000	3.00	1.97	5E3
2027	770,000	2.00	2.10	5F0

MORGAN STANLEY & CO., LLC

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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

## SUMMARY STATEMENT

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

<b>Date and Time of Sale:</b>	Wednesday, January 21, 2015 at 11:00 A.M. (Eastern Time).
<b>Location of Sale:</b>	First Southwest Company, LLC, 54 Canal Street, Suite 320, Boston, Massachusetts.
<b>Issuer:</b>	City of Newton, Massachusetts (the "City").
<b>These Issues (the "Bonds"):</b>	\$25,505,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Series A. \$19,635,000 General Obligation Refunding Bonds, Series B.
<b>Preliminary Official Statement Dated:</b>	January 14, 2015.
<b>Dated Date of Bonds:</b>	As of delivery date.
<b>Principal Due:</b>	Series A: Serially on November 1, 2015 through November 1, 2036, and two Term Bonds maturing November 1, 2040 and November 1, 2044, as set forth herein. Series B: Serially on November 1, as set forth herein.
<b>Redemption:</b>	The Bonds are subject to redemption prior to their stated maturity dates as set forth herein.
<b>Security for the Bonds:</b>	The Bonds are valid general obligations of the City of Newton and, to the extent not paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City without limitation as to rate or amount except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the City has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½), and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the City has not voted to exempt from that limit.
<b>Ratings:</b>	Moody's Investors Service has assigned a rating of Aaa to each series of the Bonds.
<b>Basis of Award:</b>	Each series of Bonds will be awarded on the basis of lowest true interest cost (TIC) as of the dated date. <b><u>No bid of less than par plus a premium of at least \$115,000 will be considered on the Series A Bonds. No bid of less than par plus a premium of at least \$1,300,000 will be considered on the Series B Bonds.</u></b>
<b>Tax Exemption:</b>	Refer to "THE BONDS – Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel."
<b>Continuing Disclosure:</b>	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
<b>Bank Qualification:</b>	The Bonds are <u>not</u> designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
<b>Paying/Escrow Agent:</b>	U.S. Bank National Association, Boston, Massachusetts.
<b>Verification Agent:</b>	Grant Thornton LLP, Minneapolis, Minnesota.
<b>Bond Counsel:</b>	Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts.
<b>Financial Advisor:</b>	First Southwest Company, LLC, Boston, Massachusetts.
<b>Delivery and Payment:</b>	The Bonds in definitive form will be delivered to DTC on or about January 29, 2015 against payment to the City in federal reserve funds.
<b>Issuer Official:</b>	Questions concerning the Official Statement should be addressed to: Mr. James Reardon, Treasurer, City of Newton, Massachusetts Telephone (617) 796-1338 or Cinder McNerney, Managing Director, First Southwest Company, LLC, Boston, Massachusetts Telephone (617) 619-4408.

# NOTICE OF SALE

## CITY OF NEWTON, MASSACHUSETTS

**\$25,515,000\* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS, SERIES A**

**and**

**\$19,800,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES B**

The City of Newton, Massachusetts, will receive sealed or electronic (as described herein) proposals until 11:00 A.M. (Eastern Time) on Wednesday, January 21, 2015, for the purchase of the following described Bonds of the City:

**\$25,515,000\* General Obligation Municipal Purpose Loan of 2015 Bonds, Series A, payable on November 1 in the years and amounts as follows:**

<u>Due November 1</u>	<u>Principal Amount*</u>	<u>Due November 1</u>		<u>Principal Amount*</u>
2015	\$ 1,030,000	2030	**	\$ 920,000
2016	1,030,000	2031	**	935,000
2017	1,040,000	2032	**	950,000
2018	1,050,000	2033	**	965,000
2019	1,060,000	2034	**	985,000
2020	875,000	2035	**	570,000
2021	885,000	2036	**	590,000
2022	895,000	2037	**	610,000
2023	905,000	2038	**	630,000
2024	915,000	2039	**	655,000
2025	** 850,000	2040	**	675,000
2026	** 865,000	2041	**	700,000
2027	** 875,000	2042	**	725,000
2028	** 890,000	2043	**	755,000
2029	** 905,000	2044	**	780,000

\*Preliminary, subject to change.

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

**\$19,800,000\* General Obligation Refunding Bonds, Series B, payable on November 1 in the years and amounts as follows:**

<u>Due November 1</u>	<u>Principal Amount*</u>
2016	\$ 755,000
2017	1,280,000
2018	2,260,000
2019	2,230,000
2020	2,190,000
2021	1,995,000
2022	1,905,000
2023	1,885,000
2024	1,860,000
2025	** 1,615,000
2026	** 1,040,000
2027	** 785,000

\*Preliminary, subject to change.

\*\* Callable maturities. May be combined into one Term Bond, as provided herein.

## **SERIES A**

The Series A 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 May 1 and November 1, commencing November 1, 2015.

The Series A Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Series A Bonds maturing on and after November 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after November 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Series A Bonds to be redeemed.

For Series A Bonds of each series maturing on November 1, 2025 and thereafter, bidders may specify that all of the principal amount of such Series A Bonds of a series in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Series A Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity 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 Series A Term Bond maturing in the nearest subsequent year. Bidders may specify no more than three Series A Term Bonds for the Series A Bonds.

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

## **SERIES B**

The Series B 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 May 1 and November 1, commencing November 1, 2015.

The Series B Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Series B Bonds maturing on and after November 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after November 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Series B Bonds to be redeemed.

For Series B Bonds of each series maturing on November 1, 2025 and thereafter, bidders may specify that all of the principal amount of such Series B Bonds of a series in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Series B Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity 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 Series B Term Bond maturing in the nearest subsequent year. Bidders may specify no more than one Series B Term Bond for the Series B Bonds.

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

## **Book-Entry System**

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of certificates made to the public. One certificate for each maturity of each series 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 the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. The winning bidder of each series of Bonds, as a condition to delivery of such series of the Bonds, shall be required to deposit the Bonds of such series with DTC, registered in the name of Cede & Co. Principal of and interest 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 by participants of DTC will be the responsibility of such participants and other nominees of the 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.

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

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, LLC, Boston, Massachusetts and their legality will be approved by Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, whose opinion will be furnished to the purchaser of each series of the Bonds without charge.

### **Bidding Parameters**

**For each series of the Bonds, bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of one-twentieth or one-eighth of one percent, but shall not state (a) more than one interest rate for any Bonds of the same series having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds of the same series by more than three percent, (c) any coupon in excess of 5% for the Series A Bonds, (d) any coupon in excess of 3.0% for the 2015 through 2025 maturities of the Series B Bonds, and (e) any coupon in excess of 4.0% for the 2026 and 2027 maturities of the Series B Bonds. No bid of less than par plus a premium of at least \$115,000 will be considered on the Series A Bonds. No bid of less than par plus a premium of at least \$1,300,000 will be considered on the Series B Bonds.**

The City reserves the right to change the aggregate principal amount of each series of the Bonds and the maturity schedules for each series of the Bonds after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Series B Bonds are being issued after taking into account the premium received by the City and the actual investment yield at which the proceeds of the Series B Bonds are to be invested, (b) account for any changes in the bonds to be refunded with the Series B Bonds based on the actual debt service savings to be realized by the City, (c) achieve approximate level debt service for the Angier Elementary school component being funded with a portion of the Series A Bonds, and (d) to produce sufficient funds for the Cabot Feasibility Study debt excluded component for which a portion of the Series A Bonds are being issued after taking into account the actual premium received by the City. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid for a series of the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid, nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

As between proposals which comply with this Notice of Sale, the award for each series of the Bonds will be to the bidder who offers to purchase all the Bonds of a series 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 their delivery date, discounts semiannually all future payments on account of principal as set forth above and interest on the Bonds of such series to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds of each series 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 G. Reardon, City of Newton, Massachusetts c/o First Southwest Company, LLC, 54 Canal Street, 3<sup>rd</sup> Floor, Boston, Massachusetts 02114. 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, LLC, 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, LLC. 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, LLC by not later than 12:00 NOON on the date of sale. First Southwest Company, LLC will act as agent for the bidder, but neither the City nor First Southwest Company, LLC 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 each series of the Bonds to a winning bidder will not be effective until the bid for each series of the Bonds has been approved by the Treasurer and Mayor of the City.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase a series of 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.

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 or informality with respect to any proposal.

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 therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated January 14, 2015 with respect to 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 therefor, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of 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, 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 the 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 to be dated as of the date of delivery of each series of the Bonds and incorporated by reference in such series of the Bonds.

On or prior to the date of delivery of each series of Bonds, the successful bidder(s) for each series shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of January 21, 2015 (the "Sale Date"), the successful bidder for each respective series of bonds had offered or reasonably expected to offer all of such series 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 each respective series of Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of each respective series of Bonds have been offered to the general public in a bona fide offering at the prices shown 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 each series of bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of each series of Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to a series of Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on such series of 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 fees paid to Moody's Investors Service for the ratings on the Bonds. Any such fees 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 January 14, 2015, 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, LLC, 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, 50 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 are not 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 significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

Each series of the Bonds, in definitive form, will be delivered to DTC on or about January 29, 2015 against payment to the City in federal reserve funds.

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

January 14, 2015

## OFFICIAL STATEMENT

### CITY OF NEWTON, MASSACHUSETTS

#### **\$25,505,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Series A**

and

#### **\$19,635,000 General Obligation Refunding Bonds, Series B**

### 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 \$25,505,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Series A (the "Series A Bonds"), and its \$19,635,000 General Obligation Refunding Bonds, Series B (the "Series B Bonds", and together with the Series A Bonds, the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

The Bonds of each series are being offered for sale at public bidding on Wednesday, January 21, 2015, and a Notice of Sale dated January 14, 2015 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 of each series will be dated as of their delivery date. The Series A Bonds will bear interest payable semiannually on May 1 and November 1 of each year until maturity, commencing November 1, 2015, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the City dated January 14, 2015. The Series B Bonds will bear interest payable semiannually on May 1 and November 1 of each year until maturity, commencing November 1, 2015, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the City dated January 14, 2015. Each series of Bonds shall mature on the dates in each of the years and in the principal amounts as set forth on the inside cover page of this Official Statement.

The Bonds of each series will be issued in fully registered form by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of each series of bond certificates 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 the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. The winning bidder of each series of the Bonds, as a condition to delivery of such series of the Bonds, shall be required to deposit the Bonds of such series with DTC, registered in the name of Cede & Co. Principal of and interest 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 by participants of DTC will be the responsibility of such participants and other nominees of the 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.

Principal of and semiannual interest on the each series of the **Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts**, or its successor, as paying agent for each series of the Bonds. 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 dates of maturity as described below.

## Redemption Provisions

### Optional Redemption

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

### Mandatory Redemption – Series A Bonds

The Series A Bonds maturing November 1, 2040 and November 1, 2044 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts as 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.

#### **\$2,600,000 Term Bond Maturing November 1, 2040**

<u>November 1</u>	<u>Principal Amount</u>
2037	\$ 620,000
2038	640,000
2039	660,000
2040 *	680,000

#### **\$2,960,000 Term Bond Maturing November 1, 2044**

<u>November 1</u>	<u>Principal Amount</u>
2041	\$ 705,000
2042	730,000
2043	750,000
2044 *	775,000

\*Final maturity.

### Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of the Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than sixty (60) days nor less than thirty (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

For each series of the Bonds, the record date for each payment of interest is the last business 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 Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing

agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each security deposited with 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 deposited with 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 deposited with DTC, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with 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 deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to 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.

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.

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.

## Ratings

Moody's Investors Service has assigned a rating of Aaa to each series of the Bonds. Such ratings reflect only the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds. If the Bonds are insured, the ratings will be printed on the cover and described in an additional appendix of the Final Official Statement.

## Authorization of the Bonds and Use of Proceeds

### Series A Bonds

The following table sets forth the principal amounts, purposes, statutory references and authorization dates for the current offering of Series A Bonds.

This Issue	Purpose	Statutory Reference	Total Original Authorization	Date(s) of Approval
\$ 990,000	Cabot Elementary Feasibility Study (1)	Ch.44, s.7(21)	\$ 1,000,000	12/19/2013
465,000	Bigelow Middle School Staircase Replacement	Ch.44, s.7(3A)	465,000	6/9/2014
15,000,000	Angier Elementary School Construction (1)	Ch.44, s.7(3A) or Ch. 70B	36,750,000	10/17/2013
6,100,000	Fire Station	Ch.44, s.7(3A)	6,112,296	3/17/2014
2,610,000	Building Energy Conservation	Ch.44, s.7(3B)	2,610,000	6/18/2014
340,000	DPW Vehicle	Ch.44, s.7(9)	340,000	7/18/2014
<u>\$ 25,505,000</u>				

(1) Exempt from the limits of Proposition 2 ½.

### Series B Bonds

The following table sets forth the principal amount, purpose, statutory reference and authorization date for the current offerings of Series B Bonds.

This Issue	Purpose	Date of Authorization	Statutory Reference
\$ 19,635,000	Refunding Bonds	12/28/2012	Ch.44, s.21A
<u>\$ 19,635,000</u>			

Bond proceeds will be used to advance refund a portion of the City \$13,835,000 General Obligation Bonds dated February 15, 2006, maturing in the years 2017 through 2026, in the aggregate principal amount of \$6,000,000 (the "2006 Bonds"), to advance refund a portion of the City's \$10,600,000 General Obligation Bonds, dated February 1, 2007, maturing in the years 2018 through 2027, in the aggregate principal amount of \$4,200,000 (the "February 2007 Bonds") and to advance refund a portion of the City's \$22,042,000 General Obligation Bonds, dated November 1, 2007, maturing in the years 2018 through 2027, in the aggregate principal amount of \$9,715,000 (the November 2007 Bonds"), and together with the 2006 Bonds and February 2007 Bonds, the "Refunded Bonds") and to pay costs of issuing the Bonds.

## Series A Bonds - Principal Maturities by Purpose (1)

Maturity Year	School	General	Total
2015	\$ 435,000	\$ 475,000	\$ 910,000
2016	560,000	475,000	1,035,000
2017	570,000	470,000	1,040,000
2018	565,000	470,000	1,035,000
2019	570,000	470,000	1,040,000
2020	380,000	470,000	850,000
2021	395,000	470,000	865,000
2022	415,000	470,000	885,000
2023	430,000	465,000	895,000
2024	450,000	465,000	915,000
2025	425,000	435,000	860,000
2026	445,000	435,000	880,000
2027	460,000	435,000	895,000
2028	470,000	435,000	905,000
2029	485,000	435,000	920,000
2030	500,000	435,000	935,000
2031	515,000	435,000	950,000
2032	530,000	435,000	965,000
2033	550,000	435,000	985,000
2034	565,000	435,000	1,000,000
2035	580,000	-	580,000
2036	600,000	-	600,000
2037	620,000	-	620,000
2038	640,000	-	640,000
2039	660,000	-	660,000
2040	680,000	-	680,000
2041	705,000	-	705,000
2042	730,000	-	730,000
2043	750,000	-	750,000
2044	775,000	-	775,000
<b>Totals</b>	<b>\$ 16,455,000</b>	<b>\$ 9,050,000</b>	<b>\$ 25,505,000</b>

(1) Reflects mandatory redemption schedule.

## Plan of Refunding

Upon delivery of the Series B Bonds, the City will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Series B Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Funds established under the Refunding Escrow Agreement, an amount that will be held in cash, to pay when due, interest on, and upon redemption, the outstanding principal of the Refunded Bonds as applicable. The Refunding Escrow Fund will be pledged for the benefit of the holders of the Refunded Bonds.

## Verification of Mathematical Computations

The accuracy of the mathematical computations relating to the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company, LLC on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC and has not evaluated or examined the assumptions or information used in the computations.

## Sources and Uses of Series B Bond Proceeds

Proceeds of the Series B Bonds will be applied as follows:

### Sources:

Par Amount of the Series B Bonds	\$ 19,635,000.00
Premium	1,759,522.20
Cash Contribution	403,521.88
Total Sources	<u>\$ 21,798,044.08</u>

### Uses:

Deposit to Refunding Escrow Fund	\$ 21,623,365.24
Purchaser's Discount	79,806.36
Cost of Issuance	92,206.62
Additional Proceeds	2,665.86
Total Uses	<u>\$ 21,798,044.08</u>

## Opinion of Bond Counsel

On January 10, 2015, Edwards Wildman Palmer LLP merged with the law firm Locke Lord LLP. The legal name of the merged firm is Locke Lord LLP.

The purchaser of each series of the Bonds will be furnished, without cost, the applicable legal opinion of the firm of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer 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 of each series 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 Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the 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. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

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

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

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

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

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

### **Bank Eligibility**

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

### **Securities and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or City 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 "TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" 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 payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

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

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

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

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

**State Distributions.** State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS - TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority 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 MWRA, 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.

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the 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, LLC**

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

#### **Continuing Disclosure**

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

**In the past five years, the City believes that it has complied in all material respects with its previous undertakings to provide annual reports and notices of significant events in accordance with the Rule. Aside from the City, there are no obligated persons with respect to the Bonds.**

## 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	2018
Treasurer/Collector	James Reardon	Appointed by Mayor and confirmed by Board of Aldermen	2018
Comptroller	David C. Wilkinson	Appointed by Board of Aldermen	2016
Clerk	David A. Olson	Appointed by Board of Aldermen	2016
Chief Administrative Officer	Dori Zaleznik	Appointed by Mayor	Indefinite
Chief of Staff/Chief Financial Officer	Maureen Lemieux	Appointed by Mayor	Indefinite
City Solicitor	Donnalyn Kahn	Appointed by Mayor	Indefinite

### Municipal Services

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

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

### Education

The City's public school facilities presently include 15 elementary schools, 4 middle schools and 2 senior high schools. The following table sets forth the trend in public school enrollments for the current and past five school years and a projection for the next year. The current capacity of the City's school system is approximately 13,000 students.

### PUBLIC SCHOOL ENROLLMENTS AS OF – OCTOBER 1,

	<u>Actual</u>					<u>Projected</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Grades K-5	5,646	5,687	5,790	5,799	5,833	5,859
Grades 6-8	2,550	2,667	2,719	2,849	2,806	2,852
Grades 9-12	3,579	3,568	3,661	3,793	3,864	3,972
Totals	<u>11,775</u>	<u>11,922</u>	<u>12,170</u>	<u>12,441</u>	<u>12,503</u>	<u>12,683</u>

SOURCE: Newton Public Schools Enrollment Analysis Report, November, 2014.

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

## History

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

## Industry and Commerce

Newton has a diversified economic base with 52,824 people employed in 3,746 establishments in the City as of June 2014 with an estimated annual payroll of approximately \$3.4 billion. Businesses are generally small and service-oriented, with professional, business, education and health services accounting for over 60 percent of all jobs.

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

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

Industry	Calendar Year Average				
	2009	2010	2011	2012	2013
Construction	1,569	1,710	1,764	1,653	1,636
Manufacturing	1,012	792	841	852	844
Trade, Transportation and Utilities	6,829	6,629	6,436	6,121	5,975
Information	1,232	1,884	2,249	2,377	2,445
Financial Activities	2,987	2,984	2,895	3,156	3,176
Professional and Business Services	8,986	13,840	13,428	12,903	12,486
Education and Health Services	17,993	18,268	18,273	18,882	19,618
Leisure and Hospitality	4,663	4,664	4,757	4,336	4,269
Other Services	2,208	2,253	2,337	2,422	2,375
Total Employment	47,479	53,024	52,980	52,702	52,824
Number of Establishments	3,604	3,742	3,833	3,768	3,746
Average Weekly Wages	\$ 1,133	\$ 1,129	\$ 1,179	\$ 1,238	\$ 1,247
Total Wages	\$ 2,845,012,299	\$ 3,161,176,841	\$ 3,161,176,841	\$ 3,445,263,993	\$ 3,478,463,016

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\* 2014**

#### ***Employers with 1000+ Employees***

Boston College  
Newton Wellesley Hospital

#### ***Employers with 500-999 Employees***

Jewish Community Center

#### ***Employers with 250-499 Employees***

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

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

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

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

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training data in September 2014, the City had a total labor force of 48,265 of which 46,126 were employed and 2,139 or 4.4% were unemployed as compared to 6.0% 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 and the United States.

### UNEMPLOYMENT RATES

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

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

## Building Permits

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

### BUILDING PERMITS

Fiscal Year	New Construction						Additions/Alterations		Total No.
	Residential		Non-Residential						
	No.	Value	No.	Value	No.	Value			
2015 (1)	101	\$ 64,241,960	3	\$ 8,349,135	2,506	\$ 222,851,919	2,610		
2014	104	64,892,914	4	6,095,670	2,556	192,995,936	2,664		
2013	97	63,591,005 (2)	2	10,602,600	2,456	252,707,901	2,555		
2012	61	27,035,745	5	40,724,629 (3)	2,087	150,498,806	2,153		
2011	73	34,475,631	2	8,772,000	2,107	118,897,334	2,182		
2010	62	34,125,255	4	5,993,828	1,972	113,172,077	2,038		

(1) As of November 1, 2014.

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

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

SOURCE: City of Newton Building Department.

## Transportation and Utilities

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

## Development

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

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

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

Location	Type	Description
200-230 Boylston Street (Chestnut Hill Square)	Mixed Use	245,000 square foot retail/office/grocery/health club plus up to 100 residential units
1-55 Boylston Street (Chestnut Hill Shopping Center)	Mixed Use	Multi-stage redevelopment project including new 3-story 65,000 sq. ft. building with a deluxe movie theatre, health club, restaurants, office and retail space.
624 Washington Street	Commercial	New 3,000 square foot bank with drive-thru
8 Border/111 Elm Street	Mixed Use	5 residential units above 3,000 square foot ground floor retail
429 Cherry Street	Residential	New 3-story building with 13 units, including 3 affordable units
49-71 Needham Street	Mixed Use	Two new buildings totaling 19,200 square feet with mix of retail, service and restaurant uses.
300 Needham Street	Commercial	120-seat restaurant
199 Boylston Street (Chestnut Hill Mall)	Commercial	3 new restaurants with a total of up to 795 seats.
327 Grove Street	Mixed Use	Special permit in review for transit-oriented development with office, retail and housing on 12-acre parcel at Riverside MBTA station
152 Adams Street	Residential	9 rental units
170 Needham Street	Commercial	New 7,000 square foot commercial building with retail and restaurant use.

### INSTITUTIONAL DEVELOPMENT

(Approved, permitted or under construction – November 2014)

Location	Description
Boston College	Construction of 183,000 square foot Stokes Hall
Boston College	Interior renovations of St. Mary's Hall
35 Webster Street	Newton Cultural Alliance rehabilitation of the Nathaniel Allen House
Newton Country Day School	New 43,000 square foot Wellness Center

### PENDING MAJOR DEVELOPMENT

(Under review – November 2014)

Location	Type	Description
75-83 Court Street	Residential	36 condo units (40B).
135 Wells Avenue	Residential	336 rental units (40B).
70 Rowe Street	Residential	135 rental units (40B).
12 & 18-10 Curve Street	Residential	7 rental units (40B).
Kessler Woods	Residential	Special permit project for 80 rental units

### Chestnut Hill Square Development

The City entered into an Infrastructure Development Assistance Agreement (IDAA) with the Commonwealth of Massachusetts and the developers of the Chestnut Hill Square commercial development along State Route 9, in the southeast section of the City. Under the terms of the agreement the Commonwealth issued debt to reimburse the developers for \$10 million in public infrastructure improvements that were necessary to accommodate the Chestnut Hill Square development. All funding for the 30 years of debt service associated with the infrastructure improvement reimbursement is expected to be derived from incremental state sales and income tax revenue generated from the commercial development project, however, in the event of a short-fall, the City is responsible for reimbursing the Commonwealth for the difference between the annual debt service on the project debt and the actual incremental state sales and income tax revenues generated from the project. According to Article 4(a) of the agreement, "Local Infrastructure Development Assistance shall constitute a general obligation of the City to which its full faith and credit shall be pledged." In order to minimize the City's financial exposure for such an event, the IDAA authorizes the City to levy and collect an Infrastructure Assessment against development real estate for any short fall and further requires that the developer fund a Municipal Liquidity Reserve equal to two years of annual debt service requirements (\$1,163,000), to be held by the City in a restricted cash account in the City's Agency Fund. The developer and any successors or assigns are obligated to replenish the Municipal Liquidity Reserve if any draw occurs. Prior to finalization of the agreement, the Massachusetts Commissioner of Revenue certified that projected net new state sales and income taxes generated from the project will range from \$655.9 million in 2015 to \$1.4 billion in 2044. Maximum annual debt service over the 30 year term of the project debt is \$581,500.

## 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>
<b>Median Age:</b>			
2013	40.1	39.3	37.4
2012	40.2	39.3	37.3
2011	39.9	39.1	37.2
2010	40.5	39.1	36.8
2000	38.7	36.5	35.3
1990	35.7	33.6	32.9
<b>Median Family Income:</b>			
2013	\$155,931	\$83,867	\$63,784
2012	151,101	82,684	63,105
2011	144,017	82,009	62,735
2010	136,843	81,165	63,331
2000	105,289	61,664	50,046
1990	70,071	44,367	35,225
<b>Per Capita Income:</b>			
2013	\$64,004	\$35,518	\$27,884
2012	61,241	34,860	27,385
2011	60,083	34,420	27,158
2010	56,163	33,966	27,270
2000	45,708	25,952	21,587
1990	28,840	17,224	14,420

SOURCE: Federal Bureau of the Census.

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

## POPULATION TRENDS

<u>Year</u>	<u>Newton(1)</u>	<u>% Change</u>	<u>Middlesex County</u>	<u>% Change</u>	<u>Commonwealth</u>	<u>% Change</u>
2013	87,018	0.2 %	1,506,218	0.2 %	6,553,538	0.1 %
2012	85,742	0.5	1,503,085	(0.2)	6,547,629	(0.1)
2011	85,334	0.2	1,506,218	0.2	6,553,538	0.1
2010	85,146	1.6	1,503,085	2.6	6,547,629	3.1
2000	83,829	1.5	1,465,396	4.8	6,349,097	5.5
1990	82,585	(1.2)	1,398,468	2.3	6,016,426	4.9
1980	83,622	(8.4)	1,367,034	(2.2)	5,737,037	0.8

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

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



## PROPERTY TAXATION

### Tax Levy Computation

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

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

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

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

	<b>TAX LEVY COMPUTATION</b>				
	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
Total Appropriations(1)	\$ 340,288,840	\$ 352,636,164	\$ 366,189,212	\$ 393,233,899	\$ 413,139,760
Additions:					
State and County Assessments	5,589,086	5,589,591	5,810,999	5,776,954	5,921,096
Overlay for Current Year	2,955,334	3,249,822	3,615,573	4,058,035	5,075,909
Other Amounts to be Raised	122,622	128,220	119,906	122,145	144,007
Total Additions	<u>8,667,042</u>	<u>8,967,633</u>	<u>9,546,478</u>	<u>9,957,134</u>	<u>11,141,012</u>
Gross Amount to be Raised	<u>348,955,882</u>	<u>361,603,797</u>	<u>375,735,689</u>	<u>403,191,033</u>	<u>424,280,773</u>
Deductions:					
Local Estimated Receipts	67,652,268	73,473,142	74,344,869	75,544,224	84,142,040
Community Preservation revenues(2)	4,018,864	2,932,860	3,173,516	4,646,686	5,878,931
State Aid(3):					
Current Year	18,871,372	18,600,319	21,642,546	22,975,383	25,422,779
Available Funds(4):					
Free Cash	6,461,611	5,924,413	7,562,065	4,727,876	5,249,196
Other Available Funds	10,243,913	9,891,224	8,837,358	16,072,589	11,697,947
Total Other Revenue	<u>107,248,028</u>	<u>110,821,958</u>	<u>115,560,354</u>	<u>123,966,758</u>	<u>132,390,893</u>
Net Amount to be Raised (Tax Levy)	<u>\$241,707,854</u>	<u>\$250,781,839</u>	<u>\$260,175,336</u>	<u>\$279,224,275</u>	<u>\$291,889,879</u>

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

## Assessed Valuations and Tax Levies

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

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

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

Professional revaluations of all property in the City to full and fair value in compliance with Massachusetts law was most recently completed for use in fiscal year 2015. (See "Property Tax Limitation").

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		
				Residential Property	Commercial, Industrial, Personal Property	Gross Levy
2015 (1)	\$ 22,266,632,300	\$ 398,472,900	\$ 22,665,105,200	\$ 11.61	\$ 22.38	\$ 291,889,879
2014	20,593,882,300	368,307,500	20,962,189,800	12.12	23.16	279,224,275
2013	20,293,688,500	351,617,700	20,645,306,200	11.49	21.93	260,175,336
2012(1)	20,127,981,500	336,017,900	20,463,999,400	11.17	21.32	250,781,839
2011	19,943,714,300	289,095,700	20,232,810,000	10.90	20.89	241,707,854

(1) Revaluation years.

## Classification by Property

The following is a breakdown of the City's fiscal 2015, 2014 and 2013 real estate valuation by type of property.

Property Type	2015 (1)		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$19,995,837,989	88.2 %	\$18,687,096,235	89.1 %	\$18,445,998,977	89.3 %
Commercial	2,102,213,911	9.3	1,756,659,465	8.4	1,696,718,623	8.2
Industrial	168,580,400	0.7	150,126,600	0.7	150,970,900	0.7
Personal	398,472,900	1.8	368,307,500	1.8	351,617,700	1.7
Total ssessed Value	<u>\$22,665,105,200</u>	<u>100.0 %</u>	<u>\$20,962,189,800</u>	<u>100.0 %</u>	<u>\$20,645,306,200</u>	<u>100.0 %</u>

(1) Revaluation year.

## Largest Taxpayers

The following is a list of the ten largest taxpayers in the City based upon assessed valuations for fiscal 2015. All of the taxpayers listed below are current in their tax payments.

### LARGEST TAXPAYERS

Name	Nature of Business	FY 2015 Tax Levy	% of Total Levy
Hines Global REIT	Office Building	\$2,990,252	1.02 %
NStar Electric	Utility Company	2,841,660	0.97
Chestnut Hill Shopping Center LLC	Shopping Center- The Street	2,665,958	0.91
Mall at Chestnut Hill LLC	Chestnut Hill Mall	2,304,840	0.79
Chesapeake Hotel Lmt Partnership	Marriott Hotel	1,873,475	0.64
CHS Commercial Owner LLC	Chestnut Hill Mall	1,831,235	0.63
Boston Gas/National Grid	Utility Company	1,519,322	0.52
Thomas J. White TRS	Hotel and Office Building	1,295,354	0.44
Atrium Wellness Center LLC	Office Building	936,717	0.32
Avalon Upper Falls LLC	Apartment Building	862,383	0.30
		<u>\$19,121,196</u>	<u>6.55 %</u>

## State Equalized Valuation

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

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

Year	State Equalized Valuation	% Increase/ (Decrease)
2014	\$22,305,253,800	2.52 %
2012	21,757,017,900	(3.39)
2010	22,520,035,100	1.34
2008	22,221,420,100	2.86
2006	21,604,607,900	12.93

SOURCE: State Department of Revenue.

## Abatements and Overlay

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

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

The table below sets forth the amount of the overlay reserve for the following fiscal years and actual abatements granted through June 30, 2014 against each levy.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through June 30, 2014
		Dollar Amount	As a % of Net Levy	
2014	\$ 275,166,240	\$ 4,058,035	1.47 %	\$ 406,090
2013	256,559,763	3,615,573	1.41	690,509
2012	247,532,017	3,249,822	1.31	1,066,355
2011	238,752,520	2,955,334	1.24	1,619,750
2010	230,471,466	2,828,818	1.23	1,377,093

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

### 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 June 30, 2014	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2014	\$279,224,275	\$4,058,035	\$275,166,240	\$274,820,049	99.87 %	\$274,820,049	99.87 %
2013	260,175,336	3,615,573	256,559,763	255,584,775	99.62	257,652,982	100.43
2012	250,781,839	3,249,822	247,532,017	246,717,069	99.67	248,494,562	100.39
2011	241,707,854	2,955,334	238,752,520	237,347,484	99.41	239,455,578	100.29
2010	233,300,284	2,828,818	230,471,466	228,861,998	99.30	230,372,112	99.96

(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.

## 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>Total Tax Fiscal Year</u>	<u>Titles and Possessions</u>
2014	\$6,418,558
2013	6,173,905
2012	5,429,714
2011	4,396,479
2010	3,363,990

## Taxation to Meet Deficits

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

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

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

## Tax Limitations

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

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

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

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two

limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

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

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

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

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

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

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

## Tax Levies and Levy Limits (1)

	For Fiscal Year				
	2015	2014	2013	2012	2011
Primary Levy Limit (2)	\$ 566,627,630	\$ 524,054,745	\$ 516,132,655	\$ 511,599,985	\$ 505,820,250
Prior Fiscal Year Levy Limit	279,241,788	260,189,736	250,798,454	241,724,752	233,388,825
2.5% Levy Growth	6,981,045	6,504,743	6,269,961	6,043,119	5,834,721
New Growth (3)	5,404,599	4,147,309	3,121,321	3,030,583	2,501,206
Overrides	-	8,400,000	-	-	-
Growth Levy Limit	291,627,432	279,241,788	260,189,736	250,798,454	241,724,752
Debt Exclusions	283,432	-	-	-	-
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	291,911,394	279,241,788	260,189,736	250,798,454	241,724,752
Tax Levy	291,889,879	279,224,275	260,175,336	250,781,839	241,707,854
Unused Levy Capacity (4)	21,515	17,513	14,400	16,615	16,898
Unused Primary Levy Capacity (5)	\$ 274,716,236	\$ 244,812,957	\$ 255,942,919	\$ 260,801,531	\$ 264,095,498

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

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

## Community Preservation Act

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

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

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns

that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

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

#### **Community Preservation Fund Major Revenues**

<u>Year</u>	<u>Property Tax</u>	<u>State Contribution</u>	<u>All Other</u>	<u>Total</u>
2015 (1)	\$ 1,258,370	\$ -	\$ 8,859	\$ 1,267,229
2014	2,682,190	1,311,139	24,587	4,017,916
2013	2,501,985	652,294	24,977	3,179,256
2012	2,437,128	625,763	30,971	3,093,862
2011	2,336,649	616,589	39,671	2,992,909
2010	2,288,624	763,914	54,643	3,107,181

(1) As of October 31, 2014.

**As of June 30, 2014 the CPA Fund had a balance available for appropriations of \$8,214,318.**



## 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 2011 through 2015. The budgets include General Fund, Water and Sewer Utility Funds, and Community Preservation.

### BUDGET COMPARISON (1)

	FY 2011 Budget	FY 2012 Budget	FY 2013 Budget	FY 2014 Budget	FY 2015 Budget (2)
General Government	\$ 13,365,656	\$ 14,005,361	\$ 14,323,135	\$ 15,863,130	\$ 16,981,530
Public Safety	35,892,062	35,824,539	35,926,763	37,876,009	39,612,438
Education	166,357,021	169,993,109	178,365,423	189,112,913	196,084,446
Public Works	22,431,017	19,895,169	22,871,157	25,385,792	22,522,217
Water & Sewer	36,292,220	36,136,272	40,241,147	40,445,439	41,471,089
Health & Human Services	3,816,352	3,941,976	4,046,683	4,102,323	4,216,670
Culture & Recreation	9,221,441	9,676,877	9,643,449	9,380,325	9,844,064
Debt Service-General	16,010,731	16,056,700	16,264,618	17,057,491	17,493,096
Debt Service-Water & Sewer	4,668,628	4,776,109	4,635,339	5,037,655	4,617,227
Debt Service - CPA	882,788	857,907	831,125	801,750	280,500
Interest on Tax Refunds	-	-	672,858	-	-
Pension & Employee Ben.	24,565,898	26,277,184	26,759,627	28,414,807	30,557,875
State & County Asses.	5,589,086	5,589,591	5,810,999	5,776,954	5,921,096
Capital Outlay from CPA	8,830,205	7,367,397	4,356,568 (3)	5,418,850 (3)	7,018,498 (3)
Capital Outlay & Other	4,656,571	5,379,542	5,181,419 (4)	4,999,018 (4)	5,456,117 (4)
Capital Outlay & Other - Water & Sewer	-	-	(5)	2,345,307 (5)	4,721,883 (5)
Subtotal	\$ 352,579,676	\$ 355,777,733	\$ 369,930,310	\$ 392,017,763	\$ 406,798,746
Transfer to Other Funds	5,461,830	7,326,951	8,127,647 (6)	14,519,031 (6)	10,411,114 (6)
Total	\$ 358,041,506	\$ 363,104,684	\$ 378,057,957	\$ 406,536,794	\$ 417,209,860

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

(2) Fiscal year 2015 Budget as amended, as of November 30, 2014.

(3) CPA Fund Capital Outlay & Other:

	2013	2014	2015
Appropriated reserves	\$ 2,066,075	\$ 1,933,764	\$ 3,620,978
Capital outlay & improvements	2,290,493	3,485,086	3,397,520
Total	\$ 4,356,568	\$ 5,418,850	\$ 7,018,498

(4) General Fund Capital Outlay and Other:

	2013	2014	2015
Municipal wage reserve	\$ 227	\$ -	\$ -
Budget reserve	-	-	210,000
Snow & ice reserve	-	-	2,000,000
Capital outlay & improvements	5,181,192	4,999,018	3,246,117
Total	\$ 5,181,419	\$ 4,999,018	\$ 5,456,117

(5) Water & Sewer Capital Outlay & Other:

	2013	2014	2015
Operating reserve	\$ -	\$ 780,340	\$ 2,971,883
Capital reserve	-	1,564,967	1,750,000
Total	\$ -	\$ 2,345,307	\$ 4,721,883

(6) Transfer to Other Funds:

	2013	2014	2015
Workers compensation self insurance	\$ 1,674,873	\$ 1,868,845	\$ 1,950,000
School athletic revolving subsidy	900,533	880,533	906,729
School food services fund subsidy	95,000	-	-
"Rainy day" stabilization fund	4,850,000	3,000,000	3,236,420
Capital stabilization fund contribution	-	2,400,000	2,460,000
School building improvement fund	350,000	40,000	98,965
Water & sewer capital improvement funds	-	6,246,653	1,604,000
All other	257,241	83,000	155,000
Total	\$ 8,127,647	\$ 14,519,031	\$ 10,411,114

## Revenues

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

**Property Taxes:** Property taxes are the major source of revenue for the City. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION--Property Tax Limitation" above. In fiscal 2013 the property tax levy totaled \$256,559,763. In fiscal 2014 the property tax levy totaled \$275,166,240. The fiscal year 2015 property tax levy is \$291,889,879.

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

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

Fiscal Year		State Aid
2015	(1)	\$ 25,278,772
2014		22,718,542
2013		21,481,789
2012		18,865,910
2011		18,755,877
2010	(2)	24,779,678

(1) Estimated.

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

**Motor Vehicle Excise:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 per cent per annum. Provision is also made for non-renewal of registration and operating license by the registrar of motor vehicles. The amount of excise taxes levied by the City in fiscal year 2011 was \$9,506,478. The amount of excise taxes levied by the City in fiscal year 2012 was \$9,815,594, 92% of which was collected on the first two billings of the year. The amount collected in the two billings of fiscal 2013 is \$9,683,779, 6.8% greater than the amount collected during the same period in fiscal 2012. During the fiscal year ended June 30, 2013 the City collected \$10,909,790 in motor vehicle excise tax revenue. During the fiscal year ended June 30, 2014 the City collected \$12,196,692 in motor vehicle excise tax revenue. The City estimates revenues from motor vehicle excise tax for fiscal year 2015 to total approximately \$11,950,000.

**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, 2014. Water rates are currently \$6.07 per hundred cubic feet (hcf) for the first 20 hcf, \$7.27 per hcf for the next 50 hcf; and \$8.74 per hcf for all consumption in excess of 70 hcf. Sewer rates are based on water consumption. Sewer rates are currently \$8.94 for the first 20 hcf of water consumption; \$10.73 per hcf for the next 50 hcf; and \$12.88 for all water consumed in excess of 70 hcf.

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

For the fiscal year ended June 30, 2014, sewer fund revenues and transfers from other funds were \$30,345,133; expenditures and transfers to other funds were \$30,201,956 (\$4,755,165 of which represented a transfer to the Sewer Capital project fund), and the fund ended the year with a fund balance of \$10,954,964, \$9,027,175 of which was available for appropriation.

For the fiscal year ended June 30, 2014, water fund revenues were \$20,934,301, expenditures and transfers to other funds were \$22,103,608 (including \$3,546,653 in accumulated resources transferred to the Water capital project fund), and the fund ended the year with a fund balance of \$5,112,193, \$4,285,410 of which was available for appropriation.

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

<u>Fiscal Year</u>		<u>Room Occupancy Tax Receipts</u>	
2015	(1)	\$	2,200,000
2014			2,218,759
2013			2,051,414
2012			1,800,000
2011			1,600,000

(1) Estimate.

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

<u>Fiscal Year</u>		<u>Local Meals Excise Tax Receipts</u>	
2015	(1)	\$	1,500,000
2014			1,557,737
2013			1,407,803
2012			1,400,000
2011			1,300,000

(1) Estimate.

### **Capital Planning and Budget Forecasts**

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

### **Investment of City Funds**

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

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

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

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

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

### **Annual Audits**

Audits are performed annually by Sullivan, Rogers, & Company, LLC and incorporated into the City CAFR's. See Appendix A for fiscal 2014 CAFR and audited financials. Copies of previous fiscal year's audits are available upon request from the City.

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

### **Basis of Accounting**

See Appendix A.

### **Financial Statements**

Set forth on the following pages are Governmental Fund Balance Sheets for fiscal 2014, 2013 and 2012, and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2014 through 2010. 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, 2014. This report is attached hereto as Appendix A and is also available on the City's website, [www.Newtonma.gov](http://www.Newtonma.gov).

**CITY OF NEWTON, MASSACHUSETTS  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2014 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 59,244,160	\$ -	\$ -	\$ 1,736,249	\$ 60,980,409
Interest and Dividends	-	-	-	1,003	1,003
Receivables, net of Allowance for Uncollectibles					
Real Estate and Personal Property Taxes	4,190,261	-	-	-	4,190,261
Real Estate Tax Deferrals	3,186,380	-	-	-	3,186,380
Tax Liens	9,672,147	-	-	2,842	9,674,989
Motor Vehicle Excise	735,956	-	-	-	735,956
Community Preservation Surcharges	-	34,293	-	-	34,293
Charges for Services	37,103	-	-	834,764	871,867
Departmental and Other	4,775,685	-	-	16,071	4,791,756
Intergovernmental	755,058	622,706	-	3,778,228	5,155,992
Special Assessments	306,102	-	-	151,192	457,294
Due from Other Funds	772,007	-	-	-	772,007
Due from Other Fiduciary Funds	27,049	-	-	-	27,049
Other Assets	27,675	-	-	30,000	57,675
Restricted Assets:					
Cash and cash Equivalents	2,849,507	11,577,773	-	23,027,972	37,455,252
Investments	-	-	-	622,955	622,955
<b>TOTAL ASSETS</b>	<b>\$ 86,579,090</b>	<b>\$ 12,234,772</b>	<b>\$ -</b>	<b>\$ 30,201,276</b>	<b>\$ 129,015,138</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants Payable	\$ 3,105,199	\$ 54,121	\$ -	\$ 3,832,543	\$ 6,991,863
Accrued Liabilities	3,472,552	28,968	-	1,149,715	4,651,235
Accrued Payroll	14,200,813	1,455	-	645,242	14,847,510
Revenue Refunds Payable	6,708,473	-	-	-	6,708,473
Other Liabilities	-	-	-	1,576,886	1,576,886
Abandoned Property	883,085	-	-	-	883,085
Liabilities and Depositors	262,481	-	-	2,030	264,511
Due to Other Funds	-	-	-	772,007	772,007
<b>TOTAL LIABILITIES</b>	<b>\$ 28,632,603</b>	<b>\$ 84,544</b>	<b>\$ -</b>	<b>\$ 7,978,423</b>	<b>\$ 36,695,570</b>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	\$ 21,270,710	\$ 644,987	\$ -	\$ 1,304,660	\$ 23,220,357
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	397,250	397,250
Restricted	2,849,507	11,505,241	-	18,784,694	33,139,442
Committed	4,889,216	-	-	1,736,249	6,625,465
Assigned	2,677,990	-	-	-	2,677,990
Unassigned	26,259,064	-	-	-	26,259,064
<b>TOTAL FUND BALANCES</b>	<b>36,675,777</b>	<b>11,505,241</b>	<b>-</b>	<b>20,918,193</b>	<b>69,099,211</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 86,579,090</b>	<b>\$ 12,234,772</b>	<b>\$ -</b>	<b>\$ 30,201,276</b>	<b>\$ 129,015,138</b>

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

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

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

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

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

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 49,460,156	\$ -	\$ -	\$ -	\$ 49,460,156
Interest and Dividends	-	-	-	2,297	2,297
Receivables, net of Allowance for Uncollectibles					
Real Estate Personal Property Taxes	3,433,709	-	-	-	3,433,709
Real Estate Tax Deferrals	2,909,782	-	-	-	2,909,782
Tax Liens	7,638,519	-	-	4,627	7,643,146
Motor Vehicle Excise	778,620	-	-	-	778,620
Community Preservation Surcharges	-	31,244	-	-	31,244
Charges for Services	50,083	-	-	749,732	799,815
Departmental and Other	4,948,940	-	-	7,940	4,956,880
Intergovernmental	3,150,936	652,294	-	1,055,781	4,859,011
Special Assessments	595,768	-	-	-	595,768
Due from Other Funds	240,400	-	-	-	240,400
Due from Other Fiduciary Funds	17,601	-	-	-	17,601
Other Assets	7,500	-	-	30,000	37,500
Restricted Assets:					
Cash and cash Equivalents	938,274	8,745,965	336,789	22,857,006	32,878,034
Investments	-	-	-	530,429	530,429
<b>TOTAL ASSETS</b>	<b>\$ 74,170,288</b>	<b>\$ 9,429,503</b>	<b>\$ 336,789</b>	<b>\$ 25,237,812</b>	<b>\$ 109,174,392</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants Payable	\$ 2,365,300	\$ 112,878	\$ 35,813	\$ 522,434	\$ 3,036,425
Accrued Liabilities	4,022,588	-	212,706	555,323	4,790,617
Accrued Payroll	11,632,825	924	-	520,442	12,154,191
Revenue Refunds Payable	5,049,803	-	-	-	5,049,803
Other Liabilities	-	-	-	948,905	948,905
Abandoned Property	789,373	-	-	-	789,373
Liabilities and Depositors	247,349	-	-	-	247,349
Deferred Revenues	21,838,709	679,631	-	365,405	22,883,745
Due to Other Funds	-	-	-	240,400	240,400
<b>TOTAL LIABILITIES</b>	<b>\$ 45,945,947</b>	<b>\$ 793,433</b>	<b>\$ 248,519</b>	<b>\$ 3,152,909</b>	<b>\$ 50,140,808</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	446,818	446,818
Restricted	938,274	8,636,070	88,270	19,892,876	29,555,490
Committed	9,816,666	-	-	1,745,209	11,561,875
Assigned	2,583,061	-	-	-	2,583,061
Unassigned	14,886,340	-	-	-	14,886,340
<b>TOTAL FUND BALANCES</b>	<b>28,224,341</b>	<b>8,636,070</b>	<b>88,270</b>	<b>22,084,903</b>	<b>59,033,584</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 74,170,288</b>	<b>\$ 9,429,503</b>	<b>\$ 336,789</b>	<b>\$ 25,237,812</b>	<b>\$ 109,174,392</b>

(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, 2014 (1)**

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real Estate and Personal Property Taxes	\$ 277,636,527	\$ -	\$ -	\$ -	\$ 277,636,527
Motor Vehicle Excise Taxes	12,057,191	-	-	-	12,057,191
Hotel Room Occupancy Taxes	2,218,759	-	-	-	2,218,759
Meals Taxes	1,557,737	-	-	-	1,557,737
Community Preservation Surcharges	-	2,689,198	-	-	2,689,198
Penalties and Interest on Taxes	1,135,819	-	-	24,272	1,160,091
Licenses and Permits	6,899,536	-	-	638,748	7,538,284
Intergovernmental	56,964,530	1,311,139	-	25,354,077	83,629,746
Charges for Services	1,734,699	-	-	17,355,434	19,090,133
Fines and Forfeitures	1,840,649	-	-	49,286	1,889,935
Investment Income	216,610	18,636	-	92,769	328,015
Contributions and Donations	-	-	-	1,112,823	1,112,823
Payments in Lieu of Taxes	475,741	-	-	-	475,741
Miscellaneous	493,668	5,952	-	238,089	737,709
Special Assessments	51,512	-	-	138,035	189,547
<b>TOTAL REVENUES</b>	<b>\$ 363,282,978</b>	<b>\$ 4,024,925</b>	<b>\$ -</b>	<b>\$ 45,003,533</b>	<b>\$ 412,311,436</b>
<b>EXPENDITURES:</b>					
Current:					
General Government:					
Legislative & Executive	\$ 2,456,088	\$ -	\$ -	\$ 5,074	\$ 2,461,162
Financial Administration	3,600,152	-	-	250	3,600,402
Administrative Support	4,143,257	-	-	-	4,143,257
Planning & Development	1,113,182	455,995	-	4,442,976	6,012,153
Public Building Maintenance & Operations	4,056,107	637,872	-	1,873,703	6,567,682
Public Safety:					
Police	18,816,481	-	-	3,819,460	22,635,941
Fire	17,509,749	-	-	817,020	18,326,769
Inspectional Services	1,198,956	-	-	15,730	1,214,686
Education	187,922,902	-	3,520	42,465,318	230,391,740
Public Works:					
Streets and Sidewalks	6,568,467	-	-	7,086,664	13,655,131
Control of Snow & Ice	4,941,099	-	-	-	4,941,099
Sanitation	8,244,008	-	-	-	8,244,008
Vehicle Maintenance	2,127,266	-	-	4,542	2,131,808
Engineering	1,031,832	-	-	72,382	1,104,214
Administrative & Support	1,006,137	-	-	-	1,006,137
Health and Human Services:					
Health & Human Services	3,109,422	-	-	326,598	3,436,020
Senior Services	576,061	-	-	305,567	881,628
Veteran Services	338,989	-	-	-	338,989
Culture and Recreation:					
Libraries	5,124,667	-	-	333,735	5,458,402
Parks & Recreation	3,863,993	-	-	2,817,467	6,681,460
Newton History Museum	251,324	50,912	-	1,246	303,482
Retirement Benefits	60,134,090	-	-	-	60,134,090
Workers' Compensation Insurance	1,334,721	-	-	-	1,334,721
Property and Liability Insurance	443,898	-	-	-	443,898
Claims and Judgements	171,221	-	-	-	171,221
State assessments & Charges	5,783,939	-	-	-	5,783,939
Debt Service					
Principal	9,612,425	755,000	-	-	10,367,425
Interest	7,364,974	46,750	-	-	7,411,724
<b>TOTAL EXPENDITURES</b>	<b>\$ 362,845,407</b>	<b>\$ 1,946,529</b>	<b>\$ 3,520</b>	<b>\$ 64,387,732</b>	<b>\$ 429,183,188</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS</b>					
OVER EXPENDITURES	437,571	-	-	(19,384,199)	(16,871,752)
Other Financing Sources (Uses)					
Transfers In	6,757,272	-	-	4,045,270	10,802,542
Issuance of General Obligation Bonds	-	-	-	20,936,000	20,936,000
Premium from Issuance of Bonds and Notes	749,963	-	-	-	749,963
Sale of Assets	14,173	-	-	13,246	27,419
Transfers Out	(3,998,586)	-	(5,045)	(4,291,917)	(8,295,548)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,522,822</b>	<b>-</b>	<b>(5,045)</b>	<b>20,702,599</b>	<b>24,220,376</b>
Net Change in Fund Balances	3,960,393	2,078,396	(8,565)	1,318,400	7,348,624
Fund Balances at Beginning of Year	32,715,384	9,426,845	8,565	19,599,793	61,750,587
Fund Balances at End of Year	<b>\$ 36,675,777</b>	<b>\$ 11,505,241</b>	<b>\$ -</b>	<b>\$ 20,918,193</b>	<b>\$ 69,099,211</b>

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

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

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

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

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

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real Estate and Personal Property Taxes	\$ 248,503,570	\$ -	\$ -	\$ -	\$ 248,503,570
Motor Vehicle Excise Taxes	10,567,479	-	-	-	10,567,479
Hotel Room Occupancy Taxes	181,479	-	-	-	181,479
Meals Taxes	1,403,261	-	-	-	1,403,261
Community Preservation Surcharges	-	2,427,905	-	-	2,427,905
Penalties and Interest on Taxes	1,117,001	-	-	29,495	1,146,496
Licenses, Permits and Fees	5,416,982	-	-	664,406	6,081,388
Intergovernmental	50,925,414	625,763	-	21,485,529	73,036,706
Charges for Services	1,739,638	-	-	15,600,829	17,340,467
Fines and Forfeitures	2,000,386	-	-	16,699	2,017,085
Investment Income	261,298	23,768	-	(13,816)	271,250
Contributions and Donations	-	-	-	1,299,748	1,299,748
Payments in Lieu of Taxes	479,617	-	-	-	479,617
Miscellaneous	681,078	-	-	541,153	1,222,231
Special Assessments	73,537	-	-	277,102	350,639
<b>TOTAL REVENUES</b>	<b>\$ 324,984,053</b>	<b>\$3,077,436</b>	<b>\$0</b>	<b>\$ 39,901,145</b>	<b>\$ 367,962,634</b>
<b>EXPENDITURES:</b>					
Current:					
General Government:					
Legislative & Executive	\$ 1,813,159	\$ -	\$ -	\$ -	\$ 1,813,159
Elections	461,392	-	-	36,263	497,655
Financial Administration	2,828,920	-	-	-	2,828,920
Administrative Support	3,403,169	-	-	-	3,403,169
Planning & Development	939,781	1,002,280	-	3,567,594	5,509,655
Public Building Maintenance & Operations	3,929,104	140,508	-	2,600,476	6,670,088
Interest on property tax refunds	493,719	-	-	-	493,719
Public Safety:					
Police	17,691,819	-	-	3,566,751	21,258,570
Fire	16,516,085	-	-	770,446	17,286,531
Inspectional Services	1,063,722	-	-	2,025	1,065,747
Other Public Safety	76,461	-	-	-	76,461
Education					
	169,673,728	-	3,209,330	23,603,427	196,486,485
Public Works:					
Streets and Sidewalks	6,391,291	-	-	3,667,140	10,058,431
Control of Snow & Ice	920,327	-	-	-	920,327
Collections & Disposal of Solid Waste	6,557,584	-	-	15,066	6,572,650
Vehicle Maintenance	1,922,730	-	-	1,437	1,924,167
Engineering	1,057,945	-	-	37,601	1,095,546
Administrative & Support	1,347,135	-	-	-	1,347,135
Health and Human Services:					
Health & Human Services	2,829,423	-	-	170,020	2,999,443
Senior Services	569,105	-	-	220,732	789,837
Veteran Services	334,218	-	-	-	334,218
Culture and Recreation:					
Libraries	4,768,650	3,087	-	392,546	5,164,283
Parks & Recreation	4,437,079	11,503	-	2,152,308	6,600,890
Newton History Museum	233,448	1,833,964	-	6,461	2,073,873
Retirement Benefits	56,055,483	-	-	-	56,055,483
Workers' Compensation Insurance	1,149,375	-	-	-	1,149,375
Property and Liability Insurance	409,899	-	-	-	409,899
Claims and Judgements	58,504	-	-	-	58,504
State assessments & Charges	5,503,956	-	-	-	5,503,956
Debt Service:					
Principal	8,653,367	755,000	-	-	9,408,367
Interest	7,471,534	102,906	-	-	7,574,440
<b>TOTAL EXPENDITURES</b>	<b>\$ 329,562,112</b>	<b>\$ 3,849,248</b>	<b>\$ 3,209,330</b>	<b>\$ 40,810,293</b>	<b>\$ 377,430,983</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES</b>					
	(4,578,059)	(771,812)	(3,209,330)	(909,148)	(9,468,349)
Other Financing Sources (Uses)					
Transfers In	4,811,997	-	-	3,601,440	8,413,437
Issuance of General Obligation Bonds	-	-	-	5,734,000	5,734,000
Premium from Issuance of Bonds and Notes	131,379	-	-	-	131,379
Sale of Assets	35,048	-	-	32,562	67,610
Transfer Out	(2,949,598)	(1,922)	(11)	(3,633,665)	(6,585,196)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,028,826</b>	<b>(1,922)</b>	<b>(11)</b>	<b>5,734,337</b>	<b>7,761,230</b>
Net Change in Fund Balances	(2,549,233)	(773,734)	(3,209,341)	4,825,189	(1,707,119)
Fund Balances at Beginning of Year	30,773,574	9,409,804	3,297,611	17,259,714	60,740,703
Fund Balances at End of Year	\$ 28,224,341	\$ 8,636,070	\$ 88,270	\$ 22,084,903	\$ 59,033,584

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

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

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

(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
<b>REVENUES:</b>					
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
<b>TOTAL REVENUES</b>	<b>\$ 311,993,223</b>	<b>\$3,107,181</b>	<b>\$0</b>	<b>\$ 36,776,793</b>	<b>\$ 351,877,197</b>
<b>EXPENDITURES:</b>					
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
<b>TOTAL EXPENDITURES</b>	<b>\$ 317,932,631</b>	<b>\$ 3,243,954</b>	<b>\$ 63,949,213</b>	<b>\$ 45,576,878</b>	<b>\$ 430,702,676</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES</b>					
	(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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,082,675</b>	<b>(1,521)</b>	<b>11,650,000</b>	<b>11,328,463</b>	<b>28,059,617</b>
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
<b>Fund Balances at End of Year</b>	<b>\$ 19,312,545</b>	<b>\$ 9,915,733</b>	<b>\$ 16,083,861</b>	<b>\$ 39,539,265</b>	<b>\$ 84,851,404</b>

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

## Free Cash (Uniform System of Accounting)

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

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

<u>Year</u>	<u>Free Cash (July 1)</u>
2014	\$6,720,809
2013	6,777,959 (1)
2012	4,939,145
2011	6,793,864
2010	8,018,399

(1) As of November 30, 2014 a total of \$471,237 of the July 1, 2014 Free Cash has been appropriated, and another \$550,000 in additional appropriations were pending before the Board of Aldermen.

## Capital Stabilization Funds

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

<u>Fiscal Year</u>	<u>Balance</u>
2014	\$850,363 (1)
2013	2,550,508
2012	5,205,007
2011	9,939,489
2010	15,783,210

(1) Subsequent to July 1, 2014, a total of \$2,487,157 has been added to the fund and \$2,415,000 has been transferred out to fund capital needs of the City.

## Rainy Day Stabilization Fund

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

<u>Fiscal Year</u>	<u>Balance</u>
2014	\$ 14,045,905
2013	11,024,489
2012	6,158,308
2011	5,152,000
2010	3,175,000

Since July 1, 2014 a total of \$3,241,412 has been added to the fund, bringing the total balance at November 30, 2014 to \$17,287,317, which meets the target funding level of 5% of General Fund appropriations..

## INDEBTEDNESS

### Authorization Procedure and Limitations

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

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

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

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

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

### Types of Obligations

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

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

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

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

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

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

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

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



**CITY OF NEWTON  
DIRECT DEBT SUMMARY (1)  
As of June 30, 2014**

**Including Subsequent Issues, but Excluding the Series B Bond Issue**

General Obligation Bonds:

Outstanding:

School (2)	\$ 180,183,999
General (3)	18,877,000
Water (4)	7,732,500
Sewer (5)	6,532,500
MWRA (6)	13,644,831
MWPAT (7)	6,427,400

Total Outstanding Debt	<u>\$ 233,398,230</u>	\$ 233,398,230
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This Issue - Series A		25,505,000
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Total Direct Debt	<u>\$ 258,903,230</u>	<u>\$ 258,903,230</u>
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- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) \$14,899,999 is outside the City's debt limit.
- (3) Subject to the City's debt limit.
- (4) Outside the City's debt limit. Debt service for this purpose is fully supported from water rates.
- (5) Subject to City's debt limit.
- (6) \$11,072,551 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.
- (7) Does not reflect subsidy from Massachusetts Water Pollution Abatement Trust; \$3,155,400 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.

## Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Equalized Valuation (1)	Per Capita Debt	Debt as a % of Assessed Valuation
2014	\$ 229,858,230	85,145	\$ 21,757,017,900	\$ 2,700	1.06 %
2013	222,612,430	85,145	21,757,017,900	2,615	1.02
2012	217,646,451	85,145	22,520,035,100	2,556	0.97
2011	211,718,814	85,146	22,520,035,100	2,487	0.94
2010	216,847,049	85,146	22,221,420,100	2,547	0.98

- (1) The 2012 state equalized valuation is used for fiscal years 2013 and 2014; the 2010 state equalized valuation is used for fiscal years 2011 and 2012; the 2008 state equalized valuation is used for fiscal year 2010.

## Principal Payments by Purpose

The following table sets forth the principal payments as of June 30, 2014, including subsequent issues, by purpose on outstanding general obligation bonds of the City. As indicated in the table, of the total \$232,481,230 bonds outstanding, \$68,862,474 or approximately 29.6% of the total outstanding are to be retired by the end of fiscal 2019 and \$121,286,881 or approximately 52.1% of the total outstanding are to be retired by the end of fiscal 2024.

<b>CITY OF NEWTON GENERAL OBLIGATION BONDS Principal Payments by Purpose (1) As of June 30, 2014, Including Subsequent Issues but Excluding This Issue</b>							
Fiscal Year	School (2)	General (3)	Water (4)	Sewer (5)	MWRA (6)	MWPAT (7)	Total
2015	\$ 7,440,667	\$ 2,232,000	\$ 1,040,000	\$ 360,000	\$ 2,122,031	\$ 932,700	\$ 14,127,398
2016	7,466,667	2,215,000	1,040,000	360,000	2,296,410	962,300	14,340,377
2017	7,566,667	2,080,000	1,040,000	360,000	2,037,808	992,000	14,076,475
2018	7,521,667	1,805,000	1,040,000	360,000	1,664,146	1,031,800	13,422,613
2019	7,416,667	1,715,000	1,040,000	360,000	1,664,146	1,066,600	13,262,413
2020	7,531,667	1,690,000	440,000	360,000	1,304,146	916,000	12,241,813
2021	7,566,667	1,395,000	440,000	355,000	829,146	506,000	11,091,813
2022	7,601,667	1,255,000	140,000	355,000	635,780	10,000	9,997,447
2023	7,736,667	1,080,000	140,000	355,000	499,760	10,000	9,821,427
2024	7,931,667	940,000	140,000	355,000	363,740	-	9,730,407
2025	7,876,667	625,000	140,000	355,000	227,720	-	9,224,387
2026	7,256,667	385,000	140,000	355,000	-	-	8,136,667
2027	6,836,667	385,000	140,000	355,000	-	-	7,716,667
2028	6,506,667	375,000	137,500	347,500	-	-	7,366,667
2029	5,766,667	290,000	135,000	345,000	-	-	6,536,667
2030	5,641,667	265,000	135,000	345,000	-	-	6,386,667
2031	5,826,667	40,000	135,000	320,000	-	-	6,321,667
2032	5,956,666	40,000	135,000	320,000	-	-	6,451,666
2033	6,196,666	40,000	135,000	210,000	-	-	6,581,666
2034	6,436,666	25,000	-	-	-	-	6,461,666
2035	6,711,666	-	-	-	-	-	6,711,666
2036	7,006,666	-	-	-	-	-	7,006,666
2037	7,311,666	-	-	-	-	-	7,311,666
2038	7,626,666	-	-	-	-	-	7,626,666
2039	6,086,666	-	-	-	-	-	6,086,666
2040	1,536,666	-	-	-	-	-	1,536,666
2041	1,181,666	-	-	-	-	-	1,181,666
2042	845,000	-	-	-	-	-	845,000
2043	880,000	-	-	-	-	-	880,000
2044	915,000	-	-	-	-	-	915,000
Total	<u>\$ 180,183,999</u>	<u>\$ 18,877,000</u>	<u>\$ 7,732,500</u>	<u>\$ 6,532,500</u>	<u>\$ 13,644,831</u>	<u>\$ 6,427,400</u>	<u>\$ 233,398,230</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) \$14,899,999 is outside the City's debt limit.

(3) Subject to the City's debt limit.

(4) Outside the City's debt limit. Debt service for this purpose is fully supported from water rates.

(5) Subject to City's debt limit.

(6) \$11,072,551 is outside the City's debt limit. Debt service for this purpose is fully supported from water and sewer rates.

(7) Does not reflect subsidy from Massachusetts Water Pollution Abatement Trust; \$3,155,400 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, 2014, including subsequent issues but excluding this issue.

**CITY OF NEWTON – GENERAL OBLIGATION BONDS**  
**Debt Service Requirements**  
**As of June 30, 2014, Including Subsequent Issues but Excluding This Issue**

Fiscal Year	Outstanding		MWPAT Subsidy	Net Debt Service
	Principal	Interest		
2015	\$ 14,127,398	\$ 8,745,711	\$ (487,299)	\$ 22,385,810
2016	14,340,377	8,334,066	(462,660)	22,211,783
2017	14,076,475	7,918,891	(438,533)	21,556,833
2018	13,422,613	7,492,681	(411,340)	20,503,954
2019	13,262,413	7,020,879	(387,687)	19,895,605
2020	12,241,813	6,552,577	(312,957)	18,481,433
2021	11,091,813	6,103,558	(160,394)	17,034,977
2022	9,997,447	5,686,542	(2,610)	15,681,379
2023	9,821,427	5,319,396	(2,323)	15,138,500
2024	9,730,407	4,954,100	-	14,684,507
2025	9,224,387	4,584,129	-	13,808,516
2026	8,136,667	4,260,352	-	12,397,019
2027	7,716,667	3,957,231	-	11,673,898
2028	7,366,667	3,665,923	-	11,032,590
2029	6,536,667	3,400,690	-	9,937,357
2030	6,386,667	3,146,625	-	9,533,292
2031	6,321,667	2,890,742	-	9,212,409
2032	6,451,666	2,635,958	-	9,087,624
2033	6,581,666	2,358,194	-	8,939,860
2034	6,461,666	2,071,598	-	8,533,264
2035	6,711,666	1,782,996	-	8,494,662
2036	7,006,666	1,479,969	-	8,486,635
2037	7,311,666	1,162,473	-	8,474,139
2038	7,626,666	830,515	-	8,457,181
2039	6,086,666	483,575	-	6,570,241
2040	1,536,666	200,629	-	1,737,295
2041	1,181,666	145,533	-	1,327,199
2042	845,000	105,600	-	950,600
2043	880,000	71,800	-	951,800
2044	915,000	36,600	-	951,600
	<u>\$ 233,398,230</u>	<u>\$ 107,399,532</u>	<u>\$ (2,665,801)</u>	<u>\$ 338,131,961</u>

## Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the City will have approximately \$62 million outstanding in authorized but unissued debt for various municipal capital purposes. The City's prospective financing includes school construction projects for which the City expects state grant assistance of approximately 40%, the local share of which will be funded in part by an override of the tax levy.

## Overlapping Debt

The City is a member of the Massachusetts Water Resources Authority and the Massachusetts Bay Transportation Authority. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the Massachusetts Water Resources Authority and the Massachusetts Bay Transportation Authority and the City's gross share of such debt as the fiscal 2015 dollar assessment for each.

Overlapping Entity	Outstanding Debt as of 6/30/14	Newton's Estimated Share(1)	Fiscal 2015 Dollar Assessment(2)
Massachusetts Water Resources Authority (3)			
Water	\$ 2,111,387,000	4.965 %	\$ 6,084,716
Sewer	3,898,585,000	4.342	12,285,145
Massachusetts Bay Transportation Authority (4)	5,499,988,000	3.441	5,510,099

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(4) Source: The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAX" above.)

## Contractual Obligations

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

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

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

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

The City has a limited number of contractual obligations (all of which are subject to annual appropriation by the Board of Aldermen). The City's main contractual obligation is with Wheelabrator Millbury for disposal of solid waste. This is a 20 year contract which expires June 30, 2028. The fiscal 2011 and 2012 appropriations for collection and disposal of solid waste (including recycling) were \$5,731,725 and \$6,098,651, respectively. The City appropriated \$6,063,803 for this cost in fiscal 2013 and \$6,342,344 in fiscal year 2014. The City appropriated \$6,797,872 in fiscal year 2015 for solid waste collection and disposal contract costs.

Subsequent to June 30, 2012 the City entered into a twenty year lease and related power purchase agreement with Ameresco Solar Inc., a solar photovoltaic firm, to install operate, and maintain solar panels on the rooftop of four public school buildings, with the condition that any and all funding for monies owed to Ameresco Solar Inc. under the terms of the agreement shall be included in an annual expense appropriation of the City's Public Building Department, and all energy credits earned as a result of the agreement shall be applied to the municipal building electricity account, also under the control of the Public Building Department.

## RETIREMENT PLAN

Teachers, certain administrative personnel and other professional employees of the City's school department participate individually in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. The City does not contribute to this plan. Of the City's 1,917 full-time employees in the school department, 1,347.16 FTE's participate in the State Retirement System. 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 \$271,283,561 at January 1, 2014, computed as follows:

Pension benefit obligation -	\$551,136,472
Actuarial value of assets available for pension benefits (1)	<u>279,852,911</u>
Unfunded pension benefit	<u>\$271,283,561</u>

(1) Fair value of assets available for pension benefits is \$280,345,810. There is a difference between the actuarial value of assets and the fair value of assets because for funding purposes the Newton Contributory Retirement System amortizes investment gains and losses over a period that cannot exceed five years in order to avoid excess volatility in funding requirements. For actuarial purposes, the assets are valued using a method which reflects the market value of assets through gradual recognition of any unrealized appreciation or depreciation in assets beyond the 7.75% return.

A January 1, 2015 valuation of plan assets and liabilities is expected to be available in late April 2015.

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 follow table depicts the progress towards fully funding the System by 2029. The statutory deadline for actuarial funding is currently 2040.

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

Fiscal Year Ending	Employer Normal Cost with Interest	Amortization of Unfunded Actuarial Accrued Liability	Total Appropriation	Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	% Increase Over Prior Year's Appropriation
2015	\$ 2,304,550	\$ 17,668,309	\$ 19,972,859	\$ 281,468,951	8.50 %
2016	2,378,483	19,292,069	21,670,552	284,097,871	8.50
2017	2,454,700	21,057,849	23,512,549	285,190,631	8.50
2018	2,533,265	22,977,851	25,511,116	284,477,765	8.50
2019	2,614,251	25,065,309	27,679,560	281,656,141	8.50
2020	2,697,731	27,334,592	30,032,323	276,385,275	8.50
2021	2,783,778	29,801,292	32,585,070	268,283,265	8.50
2022	2,872,470	32,482,332	35,354,802	256,922,311	8.50
2023	2,963,886	35,396,074	38,359,960	241,823,780	8.50
2024	3,058,108	38,562,448	41,620,556	222,452,777	8.50
2025	3,155,220	42,003,083	45,158,303	198,212,166	8.50
2026	3,255,307	45,741,452	48,996,759	168,435,986	8.50
2027	3,358,460	49,803,024	53,161,484	132,382,220	8.50
2028	3,464,769	54,215,441	57,680,210	89,224,835	8.50
2029	3,574,329	38,279,460	41,853,789	38,045,033	(27.44)
2030	3,687,236	-	3,687,236	-	(91.19)

Source: January 1, 2014 Actuarial Valuation of the Newton Contributory Retirement System prepared by Segal Consulting.

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

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

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

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

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
2014	\$16,503,439
2013	16,220,796
2012	16,428,080
2011	15,170,809
2010	14,779,419

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

The City implemented Governmental Accounting Board statement 45 in the fiscal year ended on June 30, 2008. For that year, the City recorded a \$22 million liability in the government wide financial statements, representing the difference between the annual required contribution (ARC) and the pay-as-you-go appropriation for other post-employment benefits. For the year ended June 30, 2010 the net other post-employment benefit obligation had increased to \$83.5 million and the full actuarial accrued liability for such benefits stood at \$531.7 million, assuming a 2.0% discount rate. For the year ended June 30, 2013, the net other-post employment benefit obligation increased by \$29.7 million to a total of \$177.5 million and the full actuarial liability for such benefits stood at \$601.8 million, assuming a 2.0% discount rate. For the year ended June 30, 2014, the net other-post employment benefit obligation increased by \$25.1 million to a total of \$202.6 million and the full actuarial liability for such benefits stood at \$554.3 million. This decline resulted principally from a correction in reported retiree health plan participants to the actuary this past year. The way that data was forwarded to the actuary caused the valuation to double count almost 900 Medicare eligible retirees who also had life insurance in the plan census. For liability valuation purposes, the City uses a discount rate of 2.04% and annual medical cost inflation rates of 3.34% to 5.96%.

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

<u>Fiscal Year</u>	<u>Contribution to OPEB Trust</u>
2014	\$ 581,274
2013	225,564
2012	175,678
2011	137,295

A complete copy of all annual actuarial valuations of plan liabilities is posted on the Comptroller's page of the City web site, [www.newtonma.gov](http://www.newtonma.gov).

## EMPLOYEE RELATIONS

For the fiscal year ending June 30, 2013, the City employed approximately 2,856 full time employees of whom 1,917 were employed by the Newton Public Schools, 183 by the police department, 185 by the fire department, 191 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 2,613 full time employees are represented by seventeen unions, ten of which are municipal and seven of which are school.

All of the collective bargaining contracts for AFSCME Local 3092, 3092B, 2443, the Mass Nurses Association and Newton Municipal Employees unions have been reestablished with a new expiration date of June 30 2017. The Engineers, AFSCME 2913, Newton Superior Police Officers Association, Newton Patrolman's Association, IAFF are in negotiations with the City. The NTA inclusive of five units, NESA and SCUS are all currently in negotiations with the School Department.

## 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.

January 21, 2015

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



# City of Newton, Massachusetts

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



*Prepared by the Comptroller's Office*

**CITY OF NEWTON, MASSACHUSETTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**CITY OF NEWTON, MASSACHUSETTS**  
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**CITY OF NEWTON, MASSACHUSETTS**  
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# *INTRODUCTORY SECTION*



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## CITY OF NEWTON, MASSACHUSETTS

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DAVID C. WILKINSON  
COMPTROLLER

December 12, 2014

Members of the Board of Aldermen  
Mayor Setti D. Warren  
Citizens and Taxpayers of the City of Newton

I am pleased to transmit to you the City of Newton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report has been prepared by the Comptroller's Office of the City in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the assets of the City from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by CliftonLarsonAllen, LLP (CLA), a firm of licensed certified public accountants, who have been hired by and report to the City's Board of Aldermen. The Board of Aldermen selected CLA to provide independent financial audit services to the City for the five year period beginning with the fiscal year ended June 30, 2014 after a competitive search that was undertaken early in calendar year 2014. The independent auditors' unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2014 is presented as the first component of the financial section of this report on pages 1 - 3.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Reports on Internal Control Over Financial Reporting, Compliance and Federal Award Programs.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **History and Profile**

The City of Newton was settled in 1639 and incorporated as a City in 1873. The City is located approximately seven miles from downtown Boston and is bordered by the West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and Town of Weston on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has an estimated total population of 86,307 and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character and consists of 13 distinct villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. Open space comprises 19.6% of the City's total land area, of which 55% is publicly owned.

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

Commercial uses occupy 4.1% of the City's land area. Nearly 24% of commercial land parcels are office uses; 21% are small retail uses; and 6% are storage or warehouse uses. Only 1.1% of the City's land area is industrial. Newton is a desirable community to live and work in due to its proximity to Boston; an excellent public school system; multiple transportation systems; attractive neighborhoods; high property values; and well managed local government. Newton has an award winning public library and a City museum that was a stop on the Underground Railroad.

## **Organizational Structure**

The City is governed under a home-rule charter, which vested executive authority and responsibility in an elected Mayor, who serves a four-year term. Legislative authority is vested in a 24-member Board of Aldermen, of which eight members are elected from the City's eight wards and sixteen are elected at large. Members of the Board of Aldermen are elected every two years. An eight member school committee is elected every two years and is responsible for appointing the Superintendent of Schools, who has responsibility for the daily administration of the Newton Public Schools.

## **Services**

The City provides a complete range of municipal services including education, public safety, public works, recreation, library, cultural and health and human services. The Massachusetts Water Resources Authority provides public water supply and sewerage treatment services.

## **Reporting Entity**

The basic financial statements along with the combining statements and schedules included in this report relate to the activities under the direction and control of the Mayor, Board of Aldermen and School Committee. The activities of the Newton Contributory Retirement System are included in this report as a blended component unit as prescribed by GAAP. The activities of the Newton Community Development Authority and Newton Commonwealth Foundation are discretely presented component units. The Newton Housing Authority is excluded from this report because it falls outside the direction and control of the Mayor and Board of Aldermen.



## **Financial Management**

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

The City's senior financial management team consists of the Mayor's Chief of Staff/Chief Financial Officer; the Treasurer/Collector and Chief Assessor who are appointed by the Mayor and approved by the Board of Aldermen, and the Comptroller who is appointed by the Board of Aldermen.

The City's three-member Board of Assessors, appointed by the Mayor, is responsible for maintaining accurate real estate and personal property values. Property values are adjusted annually to capture changes in the local real estate market and to make certain the City's assessed valuations are fair and accurate.

The Treasurer/Collector is responsible for revenue collections, cash and debt management, and the administration of parking violations. Real estate and personal property taxes are billed quarterly, thereby eliminating the need to borrow in anticipation of revenue. A lock-box system is used for the majority of real estate, personal property, motor vehicle and utility cash collections.

The Comptroller is responsible for maintaining the City's accounting records, and reporting the City's financial activity and position. Detailed monthly revenue and expenditure information is provided on-line to operating departments. Monthly comparative financial management reports are issued to the Mayor, Board of Aldermen and public on the Comptroller's page of the City web site. Un-audited budgetary basis year-end financial reports are issued within 60 days of the close of the fiscal year, and audited financial statements are issued prior to the end of the calendar year.

## **Financial Planning**

The three primary financial management challenges facing the City for the past several years have been the need to fund general purpose budget reserves; the need to more aggressively fund the City's defined benefit pension plan; and the need to formalize a plan for actuarially funding the City's OPEB liability.

The City's Rainy Day Stabilization Fund ended fiscal year 2014 with a fund balance of \$14,045,905 - \$3 million or 27.3% more than the balance as of the start of the year. Subsequent to fiscal year end, the City has contributed another \$3,241,412 to the fund, bringing the balance to \$17,287,317, which represents 5% of the original 2015 General Fund budget and is the target level of funding in the City's financial management policies. Water and Sewer Utility Funds ended fiscal year 2014 with fund balances available for appropriation totaling \$4.3 million and \$9 million.

In an effort to more aggressively fund the City's defined benefit pension obligations, the City formally adopted a new funding schedule during 2014 which anticipates full actuarial funding by the fiscal year ending June 30, 2029, 8 years earlier than the prior funding schedule provided for. This plan assumes an 8.5% annual increase in the City's contribution to the pension plan; average annual investment returns of 7.65%; and average annual salary and wage increases of not more than 3.5% per year.

During the past fiscal year the trustees of the City's OPEB fund voted to begin investing all OPEB assets with the Commonwealth of Massachusetts's Health Care Security Trust. The OPEB trust ended fiscal year 2014 with assets of \$1,119,811, all of which were transferred to the Commonwealth subsequent to year end and invested in the same manner as the City's defined benefit pension assets. Pending adoption of a formal actuarial funding plan, the City contributes 3% of compensation for employees hired after June 30, 2012.

## **Accounting System and Budgetary Control**

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

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

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

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

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

The City's books on fiscal year 2014 were closed within 60 days of year end and on September 24, 2014 the Massachusetts Department of Revenue certified the City's July 1, 2014 free cash (General Fund fund balance available for appropriation) at \$6,720,809. As of this date, a total of \$279,737 of this sum has been appropriated by vote of the Board of Aldermen and another \$341,500 in appropriation recommendations are currently before the Board of Aldermen, leaving unobligated free cash balance of \$6,099,572. All statutory filings have also been made with the Massachusetts Department of Revenue.

## **Cash Management**

Quarterly billing of real estate and personal property taxes coupled with timely water and sewer utility billing has eliminated the need to borrow in anticipation of revenue. Idle cash is invested by the Treasurer/Collector and governed by the Municipal Finance Laws of the Commonwealth of Massachusetts.

Trust Fund, Permanent Fund and Internal Service Fund assets, which the City does not expect to liquidate for current operations, are invested in U.S. Government, fixed income and/or equity securities. Professional investment managers oversee the City's long-term investments.

The City's Retirement Board voted at its May 2007 meeting to transfer investment management responsibility for the system's investment portfolio to the Commonwealth of Massachusetts Pension Reserve Investment Trust effective July 1, 2007. The Retirement System's assets are segregated from other City assets and are managed by a variety of professional investment managers who have been selected by the Massachusetts Pension Reserve Investment Trust, in order to achieve the Board's asset allocation policy.

## **Risk Management**

The City is self-insured for group health, workers' compensation, building and general liability insurance. Individual Internal Service Funds are maintained for purposes of accumulating sufficient assets to meet fund liabilities.

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

In accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement 45, the City began to recognize the cost of health benefits in the same manner that has been required for pension benefits for the past several years in the year ended June 30, 2008. This means that instead of recognizing the cost of health benefits as they are being paid out, the cost of these benefits are now recognized as they are earned. Although there are no requirements that the City change the method of funding these benefits, the cumulative impact of the change in financial reporting is a \$202.6 million increase in expenses in the government-wide financial statements and a corresponding decline in unrestricted net assets. This represents 36.5% of the total OPEB unfunded actuarial accrued liability.

Newton, like most communities in Massachusetts and for that matter New England, does not currently have a plan for funding health benefits on a basis other than the historical pay as you go approach. Beginning on July 1 of 2012 the City began making a contribution of 2.5% of compensation for all new health plan participants. The 2.5% contribution level was increased to 3% in 2014. Please refer to note 12 (pages 61-64) and OPEB Required Supplementary Information (page 74) for more detailed information on the City's health benefit obligations.

## **Collective Bargaining Agreements**

All municipal and Newton Public School collective bargaining agreements expired with the close of fiscal year 2014. Subsequent to fiscal year end, new three year contracts have been agreed to with three small municipal bargaining units. All other are open as of this date.

## **Audit Committee**

In order to strengthen the City's internal controls and financial reporting, the Board of Aldermen created a permanent audit committee, consisting of both representatives of the Board of Aldermen and Newton residents with financial management and audit education and experience. The Committee held a number of meetings with management and the City's independent auditors in 2014. A complete accounting of the work of the Audit Committee is documented on their page of the City web site.

## **Awards and Acknowledgments**

During the fiscal year ended June 30, 2014, the City maintained an Aaa credit rating with Moody's Investor Service.

Before concluding, I would like to take this opportunity to acknowledge the exceptional work and professional commitment of the staff of the Comptroller's Office, including: Regina Zegarelli; Mary Santoes; Denise Paone; Stephen Curley; Ann-Marie Daley and Maria Mastroinni. I'd also like to thank the Chair of the Finance Committee, Alderman Leonard Gentile, and members of the Finance Committee for their assistance and support over the past year. Special thanks also go to the public accounting firm of CliftonLarsonAllen, LLP for the efficient completion of this year's audit and for all of their advice and assistance in the preparation of this report and over the course of the year.

Respectfully,

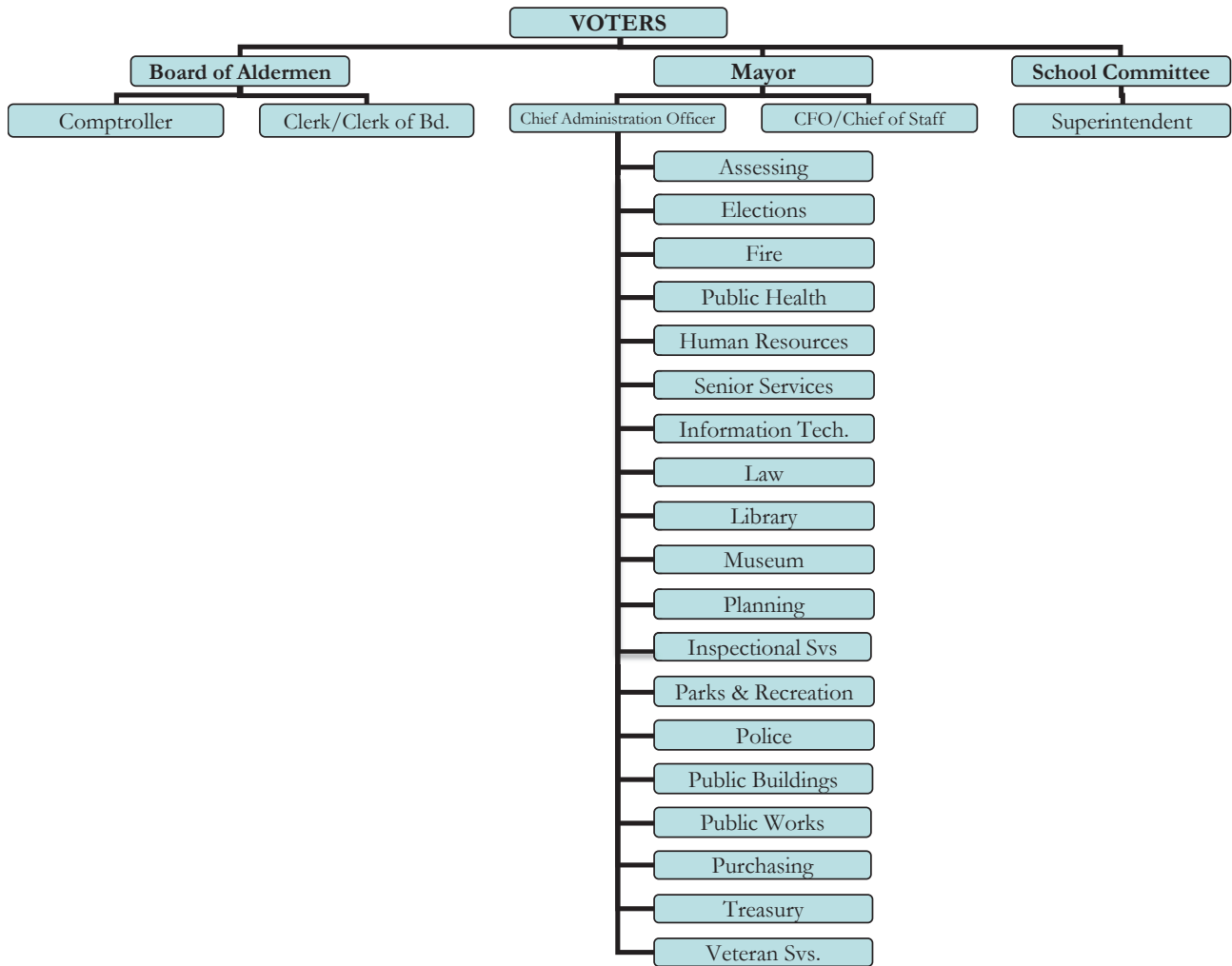
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David C. Wilkinson  
Comptroller

CITY OF NEWTON, MASSACHUSETTS

ORGANIZATIONAL CHART

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## CITY OF NEWTON, MASSACHUSETTS

### ELECTED OFFICIALS AND DEPARTMENT HEADS

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#### **BOARD OF ALDERMEN**

Scott F. Lennon, President  
Cheryl Lappin, Vice President & Finance Committee  
R. Lisle Baker, President Emeritus  
Susan Albright  
Richard Blazar, Finance Committee  
Allan Ciccone, Jr., Finance Committee  
James R. Cote  
Deborah Crossley  
Victoria Danberg  
Ruthanne Fuller, Finance Committee  
Leonard Gentile, Finance Committee Chair  
John Harney  
Alison M. Leary  
Richard A. Lipof  
Ted Hess-Mahan  
Marcia Johnson  
David Kalis  
Marc Laredo  
Emily Norton, Finance Committee  
John Rice, Finance Committee  
Amy Mah Sangiolo  
Gregory Swartz  
Brian Yates

#### **SCHOOL COMMITTEE**

Matt Hills, Chair  
Margie Ross Decker, Vice Chair  
Margaret Albright  
Ruth Goldman  
Ellen Gibson  
Diana Fisher Gomberg  
Steven Siegel  
Angela Pitter-Wright  
David Fleishman, Superintendent of Schools  
Sandra Guryan, Deputy Superintendent/CAO

#### **EXECUTIVE**

Mayor Setti D. Warren  
Maureen Lemieux, Chief of Staff & Chief Financial Officer  
Dori Zaleznik, Chief Administrative Officer

#### **DEPARTMENT HEADS**

Accounting: David Wilkinson, Comptroller  
Assessing: Elizabeth Dromey, Director and Chair, Board of Assessors  
City Clerk/Clerk of Board: David Olson, City Clerk/Clerk of the Board  
Elections: David Olson, Clerk/Clerk of the Board  
Fire: Bruce Proia, Fire Chief  
Health & Human Services: Linda Walsh, Interim Commissioner  
Human Resources: Wesley Layne HR Director  
Financial Information Systems: Ann Cornaro, Director  
Information Technology: Joe Mulvey, Director  
Inspectional Services: John Lojek Commissioner  
Newton History Museum: Cynthia Stone, Director  
Law: Donnalyn Kahn, City Solicitor  
Library: Philip McNulty, Librarian  
Parks & Recreation: Robert DeRubeis, Commissioner  
Planning & Development: Candace Havens, Director  
Police: Howard Mintz, Police Chief  
Public Buildings: Josh Morse, Commissioner  
Public Works: David Turocy, Commissioner  
Purchasing: Nick Read, Chief Procurement Officer  
Senior Services: Jayne Colino, Director  
Treasury: James Reardon, Treasurer & Collector

#### **CONTRIBUTORY RETIREMENT BOARD**

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

## *FINANCIAL SECTION*



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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the year ended June 30, 2014 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City of Newton, Massachusetts' basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Newton Commonwealth Foundation, Inc., which represents 36.0%, 35.5%, and 54.6%, respectively, of the assets, net position, and operating revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Newton Commonwealth Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Newton Commonwealth Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

## *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of June 30, 2014 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 17) and certain pension and other postemployment benefits information (located on pages 73 and 74) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the City of Newton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Boston, MA

December 12, 2014



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## **Management's Discussion and Analysis**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Newton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City (primary government) for the fiscal year ended June 30, 2014.

### **Financial Highlights:**

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$229.9 million (*net position*). The City has a negative unrestricted net position totaling (\$138.7 million) in the City's governmental activities and \$23.1 million positive unrestricted net position in its business type activities (water & sewer utilities).
- The City's total net position increased by \$3.5 million or 1.6% in fiscal year 2014. Net position of governmental activities decreased by \$4.1 million, a 2.8% decline from fiscal year 2013, while net position of business-type activities increased by \$7.6 million, or 9.3%, from the prior fiscal year.
- Unrestricted governmental net position decreased by \$16.3 million to (\$138.7) million at June 30, 2014. The decline in unrestricted governmental activities net position continues to be the result of the recognition of new liabilities associated with the City's post-retirement health benefit (OPEB) obligations. During the fiscal year just ended, \$24.5 million in new OPEB liabilities were recognized, bringing the total governmental OPEB liability that has been recognized since the implementation of Governmental Accounting Standards Board Statement 45 to \$197.8 million (35.7% of the total unfunded actuarial accrued liability as of June 30, 2014).
- The total cost of all City services for fiscal year 2014 was \$462.1 million, \$419.9 million (90.9%) of which was for governmental services, and \$42.2 million (9.1%) of which was for business type services. The total cost of City services increased by \$12.6 million or 2.8% from the total cost of services in the previous fiscal year, principally as a result of growth in education (\$7.8 million) and public safety (\$4.3 million) spending.
- A total of \$107.7 million or 25.6% of governmental services were financed from program revenue, leaving 74.4% to be financed from general revenues and inter-fund transfers. Real estate and personal property tax revenue continues to represent the single largest source of general revenue.
- At June 30, 2014, the City's governmental funds reported a combined fund balance of \$69.1 million. The combined governmental funds fund balance increased by \$7.3 million (11.9%) from the prior year's ending fund balance.
- The City's general fund reported total fund balance of \$36.7 million at the end of fiscal year 2014, a \$4 million (12.1%) increase from the total fund balance at June 30 of the prior fiscal year. The unassigned portion of the fund balance increased by \$5.2 million to \$26.3 million or 7.1% of total general fund revenues and other financing sources. The unassigned fund balance includes \$14 million that the City has set aside over the course of the four most recent fiscal years as a "Rainy Day" Stabilization fund and \$6.7 million in "Free Cash" that has been certified as being available for appropriation by the Massachusetts Department of Revenue.
- The City's total bonded debt (bonds and notes) increased by \$7.2 million or 3.3% to \$229.9 million during the year. Newton North High School project debt accounted for \$125.7 million or 54.7% of the City's total bonded debt.

### **Overview of the Financial Statements:**

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

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The *statement of net position* (pages 18 and 19) presents information on all of the City's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (pages 20 and 21) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements summarize functions and programs of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and programs that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include the broad functions of general government; public safety; education; public works; health & human services; culture and recreation; debt service – interest, and the major services provided within each functional category. The business-type activities of the City include two enterprise activities: the water system and the sanitary sewer system. Trend information for all years since the City's adoption of the current reporting model can be found on pages 122-129 of this report.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds:** *Governmental funds* are used to account for essentially the same functions and programs reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations may be found on pages 23 and 25.

The City maintains 18 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 15 funds are combined into a single, aggregated presentation under the caption *non-major governmental funds*. A brief description and individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* beginning on page 75 of this report. The governmental funds financial statements can be found on pages 22-27 of this report. Trend information may be found on pages 130 through 133 of this report.

**Proprietary funds:** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and sanitary sewer activities. *Internal service funds* are an accounting device used to accumulate and allocate the costs internally among the City's various functions, including employee health benefits; workers' compensation; public building insurance; and general liability self-insurance activities. The services provided by these funds predominately benefit the governmental rather than the business-type functions. Accordingly, the internal service funds have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitary sewer activities, which are considered major funds of the City. Conversely, all internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. A brief description of each fund and individual fund data for the internal service funds is provided in the form of *combining statements* beginning on page 86 of this report. The basic proprietary fund financial statements can be found on 28-30 of this report.

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

The fiduciary funds financial statements provide separate information for the pension and other post-employment trust funds of the City. All other fiduciary funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively. A brief description of each fund and individual fund data for the private purpose trust funds and agency funds are provided in the form of *combining statements* beginning on page 90 of this report. The fiduciary funds financial statements can be found on pages 31 and 32 of this report.

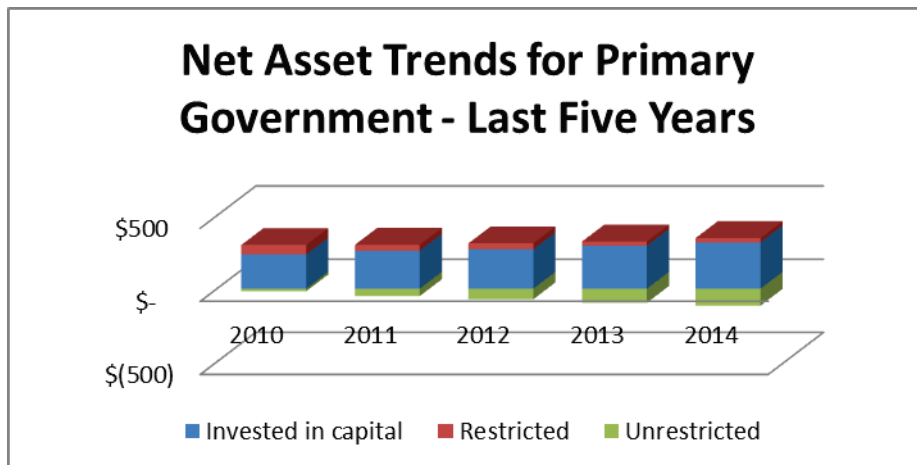
**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-72 of this report. A brief description of fund balance terminology required by Governmental Accounting Standards Board Statement 54 for governmental funds is presented on pages 41 and 42 along with a detailed analysis of the major components of each fund balance account on page 66.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension and post-employment benefits to its employees. Such information is located on pages 73 and 74 of this report.

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

### Government-wide Financial Analysis:

**Net Position:** The City's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$229.9 million at June 30, 2014. This represents an increase of \$3.5 million or 1.6% from total net position at June 30 of the prior year, and a decline of \$82.4 million or 26.4% since fiscal year 2008, after which the City began recognizing post-employment health benefit liabilities in its external financial statements. Trend information for total net position and its major components over the past five year period is summarized graphically below.





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

	<i><b>Governmental Activities</b></i>		<i><b>Business-Type Activities</b></i>		<i><b>Total</b></i>	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current assets.....	\$ 151,940,115	\$ 138,337,209	\$ 42,853,659	\$ 41,468,864	\$ 194,793,774	\$ 179,806,073
Noncurrent assets (excluding capital assets).....	8,043,265	8,183,644	1,409,014	1,655,994	9,452,279	9,839,638
Capital assets (net).....	<u>439,458,990</u>	<u>419,836,768</u>	<u>84,431,153</u>	<u>78,727,945</u>	<u>523,890,143</u>	<u>498,564,713</u>
Total assets.....	<u>599,442,370</u>	<u>566,357,621</u>	<u>128,693,826</u>	<u>121,852,803</u>	<u>728,136,196</u>	<u>688,210,424</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	49,315,307	44,977,938	3,599,704	1,668,664	52,915,011	46,646,602
Noncurrent liabilities (excluding debt).....	210,359,515	188,081,336	5,108,483	4,499,822	215,467,998	192,581,158
Current debt.....	9,824,367	9,664,867	4,303,032	4,682,975	14,127,399	14,347,842
Noncurrent debt.....	<u>190,042,032</u>	<u>179,632,957</u>	<u>25,688,798</u>	<u>28,631,629</u>	<u>215,730,830</u>	<u>208,264,586</u>
Total liabilities.....	<u>459,541,221</u>	<u>422,357,098</u>	<u>38,700,017</u>	<u>39,483,090</u>	<u>498,241,238</u>	<u>461,840,188</u>
<b>Net Position</b>						
Net investment in capital assets.....	248,739,230	238,374,247	66,943,719	56,271,350	315,682,949	294,645,597
Restricted.....	29,816,361	27,981,384	-	-	29,816,361	27,981,384
Unrestricted.....	<u>(138,654,442)</u>	<u>(122,355,108)</u>	<u>23,050,090</u>	<u>26,098,363</u>	<u>(115,604,352)</u>	<u>(96,256,745)</u>
Total net position.....	<u>\$ 139,901,149</u>	<u>\$ 144,000,523</u>	<u>\$ 89,993,809</u>	<u>\$ 82,369,713</u>	<u>\$ 229,894,958</u>	<u>\$ 226,370,236</u>

The largest portion of the City's total net position, \$315.7 million, represents the investment in capital assets (e.g., land and land improvements, intangible assets, buildings and improvements, machinery and equipment, road network, water system, sewer system and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens therefore the assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities. Please refer to note 6 (page 53) for a detailed calculation of the City's net investment in capital assets.

An additional portion of the City's net position, \$29.8 million, represents resources that are subject to restrictions placed on how they may be used by parties external to the City, of which \$12.1 million (40.6%) represents resources restricted to community preservation purposes. A summary of all major components of the restricted net position may be found on the face of the Statement of Net Position, which can be found on page 19 of this report.

During the fiscal year ended June 30, 2014, total unrestricted net position declined by \$19.3 million as a direct result of the recognition of \$25.1 million new post-retirement health benefit liabilities (\$24.5 million in governmental activities and \$0.6 million in business type activities). All governmental activities unrestricted net position has been consumed since 2008 with the recognition of liabilities required by Governmental Accounting Standards Board Statement 45. Pages 61 through 64 of this report provide more detailed information on the City's post retirement health liabilities that have given rise to the change in financial positions over the past five years.

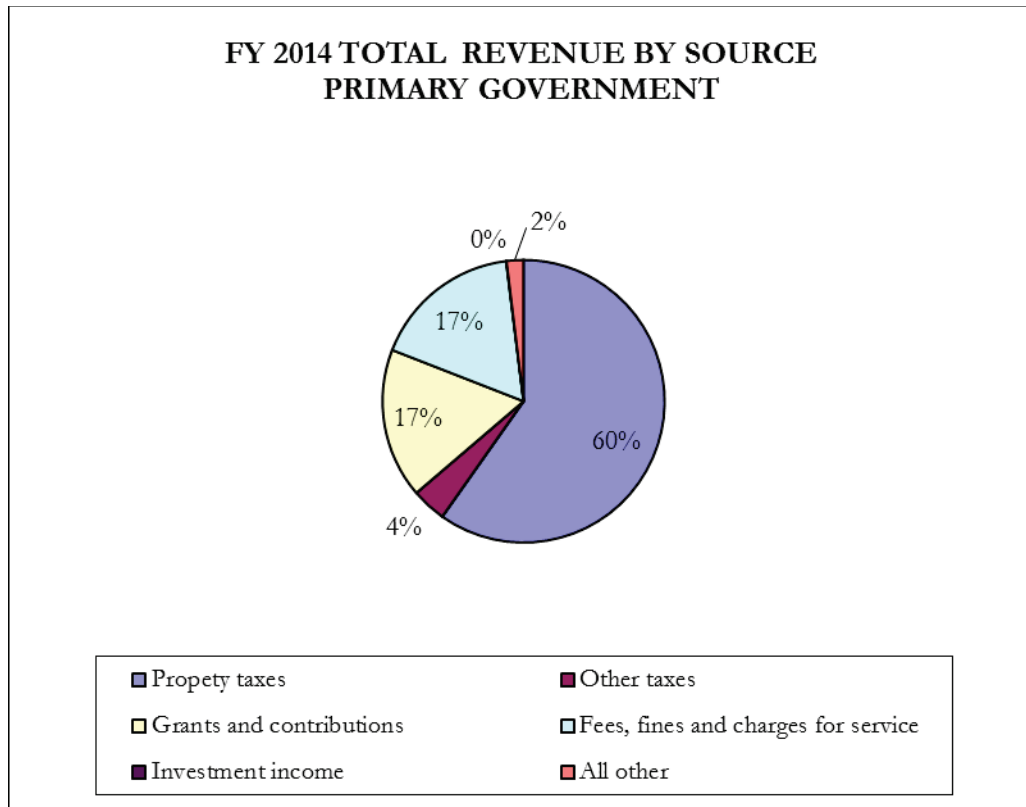
## Changes in net position:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 28,321,486	\$ 28,970,340	\$ 51,347,815	\$ 47,175,932	\$ 79,669,301	\$ 76,146,272
Operating grants and contributions.....	74,285,730	69,319,711	514,894	1,059,085	74,800,624	70,378,796
Capital grants and contributions.....	5,053,677	5,975,327	5,480	9,808	5,059,157	5,985,135
<i>General Revenues:</i>						
Real estate and personal property taxes.....	278,426,655	258,590,398	-	-	278,426,655	258,590,398
Motor vehicle and other excise taxes.....	11,953,727	11,404,708	-	-	11,953,727	11,404,708
Hotel room occupancy taxes.....	2,218,759	2,051,414	-	-	2,218,759	2,051,414
Meals taxes.....	1,557,737	1,407,803	-	-	1,557,737	1,407,803
Penalties and interest on taxes.....	1,160,092	1,011,590	-	-	1,160,092	1,011,590
Payments in lieu of taxes.....	557,065	524,906	-	-	557,065	524,906
Community preservation surcharges.....	2,697,187	2,501,875	-	-	2,697,187	2,501,875
Grants and contributions not restricted to specific programs.....	5,716,482	6,276,114	-	-	5,716,482	6,276,114
Unrestricted investment income.....	230,699	202,473	-	-	230,699	202,473
Other.....	1,622,541	1,492,956	-	-	1,622,541	1,492,956
Total revenues.....	<u>413,801,837</u>	<u>389,729,615</u>	<u>51,868,189</u>	<u>48,244,825</u>	<u>465,670,026</u>	<u>437,974,440</u>
<b>Expenses</b>						
General government.....	22,716,559	22,997,802	-	-	22,716,559	22,997,802
Public safety.....	61,290,201	56,962,698	-	-	61,290,201	56,962,698
Education.....	272,447,586	264,655,220	-	-	272,447,586	264,655,220
Public works.....	29,223,056	28,194,390	-	-	29,223,056	28,194,390
Health and human services.....	11,328,446	11,323,484	-	-	11,328,446	11,323,484
Culture and recreation.....	15,164,811	16,177,118	-	-	15,164,811	16,177,118
Debt service - interest.....	7,714,546	7,989,634	-	-	7,714,546	7,989,634
Water.....	-	-	16,702,263	15,896,034	16,702,263	15,896,034
Sewer.....	-	-	25,557,836	25,359,689	25,557,836	25,359,689
Total expenses.....	<u>419,885,205</u>	<u>408,300,346</u>	<u>42,260,099</u>	<u>41,255,723</u>	<u>462,145,304</u>	<u>449,556,069</u>
Change in net position before transfers.....	(6,083,368)	(18,570,731)	9,608,090	6,989,102	3,524,722	(11,581,629)
Transfers, net.....	<u>1,983,994</u>	<u>1,640,260</u>	<u>(1,983,994)</u>	<u>(1,640,260)</u>	<u>-</u>	<u>-</u>
Change in net position.....	(4,099,374)	(16,930,471)	7,624,096	5,348,842	3,524,722	(11,581,629)
Net position - beginning of year.....	<u>144,000,523</u>	<u>160,930,994</u>	<u>82,369,713</u>	<u>77,020,871</u>	<u>226,370,236</u>	<u>237,951,865</u>
Net position - end of year.....	<u>\$ 139,901,149</u>	<u>\$ 144,000,523</u>	<u>\$ 89,993,809</u>	<u>\$ 82,369,713</u>	<u>\$ 229,894,958</u>	<u>\$ 226,370,236</u>

The City's total revenues for the year ended June 30, 2014 increased by \$27.7 million (6.3%) from the prior year. Property taxes, water and sewer user charges, and grants/contributions were responsible for the increase. The 7.7% increase in property taxes represents a combination of a 2 ½% increase allowed in the tax levy; new growth; and an \$8.4 million operating override authorized by Newton voters in a March 2013 special election. The 6.3% increase in operating grants and contributions is primarily a function of increased federal HOME grant funding; Chapter 70 and special education circuit-breaker funding for the City's schools, additional state CH 90 road improvement funding; and additional state community preservation matching funding.

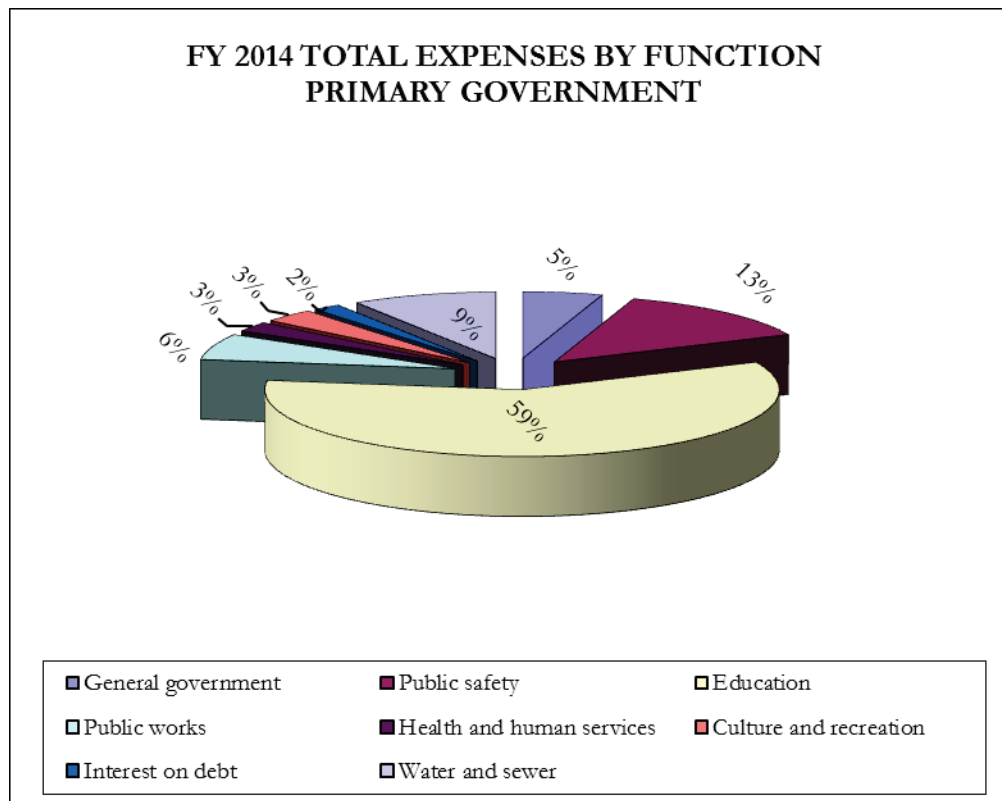
The following chart illustrates the distribution of total current year revenues for the primary government, by major source.



Total expenses increased by \$12.6 million or 2.8% during the year. Education and public safety spending accounted for \$12.1 million or 96% of the total year over year growth in total spending.

Public education continues to be the function receiving the largest commitment of City resources. For the year ended June 30, 2014, total spending for education purposes was \$272.4 million or 59% of total spending, and 64.9% of governmental activity spending.

The following chart illustrates the distribution of expenses by major function for the primary government for the year ended June 30, 2014.



**Governmental activities** – Governmental activities decreased the City’s net position by \$4.1 million or 2.8% during fiscal 2014, principally due to the recognition of \$24.5 million in new OPEB liabilities during the year. A summary of revenues and major functional expenses is included in the tables presented previously. In order to assist the reader in understanding more completely the full cost of the major services provided by the City within each of the broad functional classifications identified above, the Statement of Activities, presented on pages 20 and 21 of this report, provides a detailed accounting of all major service expenses, related revenues, and each service’s consumption of general revenues (principally property taxes).

As has been the case in all years since the City has adopted this reporting model, all governmental activity services, except for inspectional services, relied on subsidies from general revenues to one degree or another during fiscal year 2014. Inspectional service department program revenues exceeded total program expenses by \$4.2 million for the year. In the fiscal year ending June 30, 2013, Inspectional services department program revenue exceeded program expenses by \$5.3 million.

**Business-type activities** – Business-type activities increased the City’s net position by \$7.6 million or 9.3% during fiscal year 2014. This resulted from increased user charge revenue from a rate increase that was put in place effective July 1, 2013 along with enhanced revenue collections from the City’s new water meters and a decline in the value of abatements for prior meter reading errors.

#### **Financial Analysis of Governmental Funds:**

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

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

As of June 30, 2014, the City’s governmental funds reported a combined fund balance totaling \$69.1 million, a \$7.3 million or 11.9% increase from the prior year reported financial position.

The City's General Fund; Community Preservation Fund; and Non major governmental funds reported improved financial positions during the year. The North High School Improvement Fund was closed out during the year with the residual balance transferred to the Capital Stabilization Fund.

The general fund is the primary operating fund of the City and at June 30, 2014 reported a total fund balance of \$36.7 million, \$4 million or 12.1% greater than the total fund balance for the previous fiscal year. The unassigned portion of fund balance continued to improve, increasing from \$21.1 million or approximately 6% of total fund revenues and other financing sources at June 30, 2013 to \$26.3 million or 7.1% of fund revenues and other financing sources at June 30, 2014. During the past fiscal year, the City added a total of \$3 million to the Rainy Day Stabilization Fund, which at June 30, 2014 accounted for \$14 million of the \$26.3 million in unassigned fund balance. The City's funding target for the Rainy Day Stabilization Fund is 5% of the General Fund budget, or approximately \$17.3 million. Subsequent to fiscal year end, the City achieved this goal with two supplemental appropriations from General Fund resources. Note 14, on page 66 of this report provides a detailed analysis of the major components of each fund balance category.

**City of Newton, Massachusetts**  
**General Fund**  
**Fund Trends – Fiscal year 2014 and (5) previous fiscal years**

	2014	2013	2012	2011 (1)	2010	2009
Total fund balance	\$ 36,675,777	\$ 32,715,384	\$ 28,224,341	\$ 30,773,574	\$ 19,312,545	\$ 20,169,278
Less: Fund balance restrictions for:						
Debt service.....	2,835,755	2,896,430	617,572	683,320	749,640	881,707
Capital.....	13,752	268,186	7,729	108,107	-	-
Other postemployment benefits (2).....	-	-	312,973	137,295	-	-
Less: Fund balance committed for:						
Subsequent year's expenditures.....	1,595,130	300,000	2,565,748	2,066,320	2,675,133	5,051,017
Capital.....	714,835	2,149,216	5,049,725	9,714,755	-	-
Continued appropriations.....	2,579,251	2,899,584	2,201,193	3,096,013	3,192,017	2,335,964
Less: Fund balance assigned for:						
Encumbrances.....	2,556,214	2,977,415	2,435,508	727,814	1,804,606	1,377,372
Capital.....	121,776	133,106	147,553	116,627	-	-
Unassigned fund balance.....	26,259,064	21,091,447	14,886,340	14,123,323	10,891,149	10,523,218
Total revenues & other financing sources.....	\$ 370,804,386	\$ 349,844,773	\$ 329,962,477	\$ 321,055,179	\$ 318,872,777	\$ 310,562,043
Total fund balance as % total revenues and ofs.....	9.9%	9.4%	8.6%	9.6%	6.1%	6.5%
Unassigned fund balance as % total revenues and ofs.....	7.1%	6.0%	4.5%	4.4%	3.4%	3.4%

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

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

Total fiscal year 2014 general fund revenues and other financing sources increased by \$21 million or 6%, to \$370.8 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 277,636,527	74.9%	\$ 20,410,671	7.9%
Motor vehicle excise taxes.....	12,057,191	3.3%	705,823	6.2%
Hotel room occupancy taxes.....	2,218,759	0.6%	167,345	8.2%
Meals taxes.....	1,557,737	0.4%	149,934	10.7%
Penalties and interest on taxes.....	1,135,819	0.3%	151,518	15.4%
Licenses and permits.....	6,899,536	1.9%	(1,300,636)	-15.9%
Intergovernmental.....	56,964,530	15.4%	(729,409)	-1.3%
Charges for services.....	1,734,699	0.5%	(88,195)	-4.8%
Fines and forfeitures.....	1,840,649	0.5%	(98,473)	-5.1%
Investment income.....	216,610	0.1%	27,718	14.7%
Payments in lieu of taxes.....	475,741	0.1%	(45,902)	-8.8%
Special assessments.....	51,512	0.0%	(15,240)	-22.8%
Miscellaneous.....	493,668	0.1%	118,297	31.5%
Total revenues.....	363,282,978	98.0%	19,453,451	5.7%
Premium from issuance of bonds/notes.....	749,963	0.2%	159,223	27.0%
Sale of capital assets.....	14,173	0.0%	(8,552)	-37.6%
Transfers from other funds.....	6,757,272	1.8%	1,355,491	25.1%
Total revenues and other financing sources.....	\$ 370,804,386	100.0%	\$ 20,959,613	6.0%

Property tax growth of \$20.4 million accounted for 97.1% of all revenue growth for the year. The 7.9% increase in property tax revenue resulted from a combination of the normal increase authorized by Proposition 2 1/2; \$8.4 million in new property taxes authorized by a March 2013 Proposition 2 1/2 override vote of the Newton electorate; \$2.6 million in prior year tax collections; and a 99.87% current year tax collection rate.

Over the course of the fiscal year, the City's Board of Assessors granted tax abatements, exemptions; and senior work credits totaling \$548,107 or 0.2% of the tax levy for the year. A tax refund payable liability of \$6.7 million has been recorded at fiscal year-end for abatement applications that, in the opinion of the Board of Assessors, are likely to result in tax refunds.

Intergovernmental revenue including \$32.6 million in Commonwealth of Massachusetts on-behalf payments for Newton participants in the Massachusetts Teachers Retirement System, declined by \$0.7 million or 1.3% during the year. The reported decline is entirely a function of the fact that 2013 intergovernmental revenue included a one-time \$2.3 final reimbursement on the new Newton North High School project.

The \$1.3 million decrease in license and permit revenue consists entirely of inspectional services permit revenue. Total fiscal year 2014 inspectional service permit revenue amounted to \$5.7 million. The median annual revenue realized from this source over the trailing five year period is \$4.5 million.

A detailed schedule of inter-fund transfer activity is presented in note 7, on page 54 of this report.

Total general fund expenditures and transfers to other funds totaled \$366.8 million, an increase of \$21.8 million or 6.3% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	\$ 15,368,786	4.2%	1,368,587	9.8%
Public safety.....	37,525,186	10.2%	2,104,603	5.9%
Education.....	187,922,902	51.2%	10,972,710	6.2%
Public works.....	23,918,809	6.5%	2,704,312	12.7%
Health and human services.....	4,024,472	1.1%	148,472	3.8%
Culture and recreation.....	9,239,984	2.5%	(603,051)	-6.1%
Retirement benefits.....	60,134,090	16.5%	2,321,023	4.0%
Workers' compensation insurance.....	1,334,721	0.4%	34,078	2.6%
Property and liability insurance.....	443,898	0.1%	22,535	5.3%
Claims and judgements.....	171,221	0.0%	42,271	32.8%
State assessments and charges.....	5,783,939	1.6%	61,389	1.1%
Debt service				
Principal.....	9,612,425	2.6%	771,258	8.7%
Interest.....	7,364,974	2.0%	(127,227)	-1.7%
Total expenditures.....	362,845,407	98.9%	19,820,960	5.8%
Transfers to other funds.....	3,998,586	1.1%	1,982,276	98.3%
Total expenditures and transfers.....	\$ 366,843,993	100.0%	\$ 21,803,236	6.3%

The functions reporting the largest growth in spending (in dollar terms) were Education; Public Works; Retirement Benefits; and Public Safety.

The \$8.4 million Proposition 2 ½ override vote approved by the voters in March of 2013 provided for the following additional spending:

Description	Amount
Education.....	\$ 3,500,000
Public safety - Police.....	500,000
Public works - Streets & sidewalks.....	1,000,000
General government - public building maintenance.....	345,020
Debt service - school projects.....	654,980
Transfer to Capital Stabilization Fund.....	2,400,000
Total.....	\$ 8,400,000

The \$3.5 million in education funding was expended in full during the year, and the \$2.4 million Capital Stabilization Fund contribution was made in full. Of the \$2.4 million in capital funding, \$1 million was appropriated for a feasibility study for improvements to the Zervas Elementary School and \$691,000 was appropriated for fire station improvements.

A total of \$0.7 million of the \$1 million that was appropriated for street and sidewalk improvements was expended during fiscal year 2014 and the balance carried forward into fiscal year 2015 for expenditure during the summer 2014 construction season.

A total of \$0.2 million of the additional funding for police capital outlay was expended in full during the year. All but \$129,596 of the \$0.3 million that was appropriated for police salaries and benefits was expended during the year.

A total of \$623,342 of the \$654,980 that was appropriated for debt service was expended during fiscal year 2014.



Expenditures for retirement benefits (including pay-as-you-go retiree health and life benefits and the Commonwealth's on behalf contribution to the Massachusetts Teachers Retirement System for Newton educators) increased by \$2.3 million or 4% for the year. The \$2.3 million increase in retirement spending consisted of \$1.6 million in additional contributions to the Newton Contributory Retirement System; \$0.7 million in additional funding for the Massachusetts Teachers Retirement System, and a \$0.1 million increase in pay-as-you-go retiree health benefit costs.

The voters of the City elected to implement the Community Preservation Act (CPA), with a 1% surcharge on all real estate tax bills, in November 2001. During the fiscal year ended June 30, 2014, the City realized \$4 million in CPA fund revenue, \$2.7 million (67.5%) of which came from the local property tax surcharge. State matching funds amounted to \$1.3 million. Fund expenditures totaled \$1.9 million for the year, \$0.8 million of which was for community recreation purposes; \$0.5 million of which was for open space acquisition; \$0.3 million of which was for historic preservation purposes; and \$0.2 million for community housing.

The high school improvements fund was established to account for major renovations to the City's Newton South High School and the construction of a new Newton North High School. Both projects have been completed and the fund was closed during fiscal year 2014.

The overall financial position of all non-major governmental funds increased by \$1.3 million (6.6%) during the year, as a result of unexpended capital project fund balances in the street improvement and public building improvement funds.

**Proprietary funds** - The City's proprietary funds provide the same information found in the government-wide statements, but in slightly more detail. Proprietary fund net position's net investment in capital assets represents principally the City's water supply and distribution system and the sanitary sewer collection system.

The financial position of the City's sewer fund increased by \$4.4 million to \$48.3 million at June 30, 2014. This resulted from the fact that fund revenues continue to exceed fund expenses, which resulted from a combination of the more accurate and timely billings from the City's new installed water meter system and the accumulation of resources for future capital improvements. A total of \$32.4 million or 67.1% of the fund's net position represent its net investment in capital assets. Unrestricted fund net position amounted to \$15.9 million at June 30, 2014, the equivalent of 7.6 months of operating expenditures.

The financial position of the City's water fund also improved during the last fiscal year from \$38.5 million at June 30, 2013 to \$41.7 million at June 30, 2014. The \$3.2 million improvement in the financial position of this fund was also a function of the improved billings and collections resulting from the installation of new water meters and planned accumulation of resources for future capital improvements and maintenance.

A total of \$34.6 million or 83% of the total fund net position represents the City's net investment in capital assets. Unrestricted fund net position were \$7.1 million, also approximately 5.3 months of operating expenditures.

The financial position of the City's Internal Service Funds increased by \$3.6 million, or 27.2% during the year ended June 30, 2014. 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 City buildings and contents. Detailed information on the self-insurance funds is presented on pages 86-89.

The financial position of the City's workers compensation self-insurance fund increased by \$3.5 million during the year and accounted for all of the improvement in the financial position of the internal service funds. A \$2.3 million decrease in the City's estimate of incurred but unreported workers compensation benefit claims along with \$1.5 million in investment income contributed to the improved financial position. The reduction in the accrued liability resulted from a favorable lump sum settlement of a long term workers compensation claim and the death of long term recipients.

Although total paid claims increased by 6.1% to \$46.6 million during fiscal year 2014, the City's group health self-insurance fund's financial position improved by \$0.7 million to \$14.8 million. The \$14.8 million year-end net position represents 3.8 months of average paid claims. The City's target financial position for the fund is 1.5 – 2.0 months of average paid claims.

The City's Building Insurance Fund ended the fiscal year with a net position of \$36,026. All of this sum has been designated to fund fiscal year 2015 property insurance premiums.



**Fiduciary funds** – The net position of the City’s contributory retirement system increased by \$26.2 million (10.3%) to \$280.4 million during the system’s fiscal year that ended December 31, 2013, entirely as a result of positive investment performance. According to the Commonwealth of Massachusetts Public Employee Retirement Administration Commission’s 2013 Annual Report, the Newton Contributory Retirement System’s investment portfolio returned 14.62% for the year (compared to a long term return assumption of 7.65%). The plan’s ten year average annual return is 6.43%.

The funded status of the defined benefit retirement plan at January 1, 2014 was 50.8%. Based upon a new funding schedule that was formally adopted by the City during fiscal year 2014, the plan is expected to be fully funded in the fiscal year ending June 30, 2029. The new 15 year funding schedule assumes an 8.5% annual increase in City appropriations to the defined benefit trust; average annual investment returns of 7.65%; and projected annual salary increases of no greater than 3.5% per 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 67-70 of this report.

The net position of the City’s OPEB fund increased from \$0.5 million to \$1.1 million during fiscal year 2014 as a result of employer contributions.

### **General Fund Budgetary Highlights:**

The difference between the original General Fund budget of \$337 million (including prior year encumbrances and continuing appropriations) and the final amended budget of \$343.6 million amounts to 2.0% and can be summarized as follows:

Description	Amount
Rainy Day Stabilization fund.....	\$ 2,500,000
Snow and ice control.....	2,000,000
Fiber network.....	1,100,000
Newton Public Schools.....	536,749
Police overtime.....	200,000
Capital outlay and improvements.....	188,876
Legal claim.....	75,000
Police gasoline.....	41,210
State assessments.....	(13,239)
Total supplemental appropriations.....	<u>\$ 6,628,596</u>

There were no deficits incurred in the appropriations of the various departments of the City. All but \$1.9 million (0.5%) of total appropriations were expended, encumbered, or continued into fiscal year 2015 for completion of the appropriated purposes at June 30, 2014. Please refer to pages 98–107 for a complete accounting of budget to actual experience for all City departments, at their legal level of control.

### **Capital Assets and Debt Administration**

**Capital assets** – The City’s investment in capital assets for governmental and business-type activities, net of accumulated depreciation of \$248 million, as of June 30, 2014, amounts to \$523.9 million. The investment in capital assets includes land and land improvements, intangible assets, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Land and improvements.....	\$ 22,226,126	\$ 22,226,126	\$ 284,785	\$ 284,785	\$ 22,510,911	\$ 22,510,911
Intangible assets.....	2,238,261	2,238,261	-	-	2,238,261	2,238,261
Buildings and improvements.....	329,274,167	312,637,033	2,381,638	2,214,526	331,655,805	314,851,559
Machinery and equipment.....	24,931,294	21,911,216	9,568,984	10,066,842	34,500,278	31,978,058
Infrastructure.....	55,030,739	45,672,372	72,191,401	66,129,347	127,222,140	111,801,719
Construction in progress.....	5,758,403	15,151,760	4,345	32,445	5,762,748	15,184,205
Total capital assets.....	<u>\$ 439,458,990</u>	<u>\$ 419,836,768</u>	<u>\$ 84,431,153</u>	<u>\$ 78,727,945</u>	<u>\$ 523,890,143</u>	<u>\$ 498,564,713</u>

Total capital assets, net of accumulated depreciation, increased by \$25.3 million or 5.1%. Major capital asset events during 2014 included the following:

- Business-type activity net capital assets increased by \$5.7 million, due to water and sewer system improvements funded with Massachusetts Water Resources Authority grants and interest free loans, and the beginning of a locally funded sewer infiltration and inflow reduction program.
- Governmental activity capital assets (net) increased by \$19.6 million, principally as a result of a variety of school improvement projects and roadway improvements that are being funded with a combination of state capital construction grants and additional property taxes from the March 2013 Proposition 2 ½ override vote.

Additional information on the City's capital assets may be found on pages 50-52 of this report.

**Debt outstanding** – At June 30, 2014, the City had total long term debt outstanding of \$229.9 million, \$199.9 million for governmental activities and \$30 million for business-type activities. There were no bond anticipation notes outstanding at June 30, 2014. 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Education buildings.....	\$ 180,183,999	\$ 168,213,224	\$ -	\$ -	\$ 180,183,999	\$ 168,213,224
Municipal buildings.....	11,145,000	10,945,000	-	-	11,145,000	10,945,000
Departmental equipment.....	6,782,000	7,412,000	-	-	6,782,000	7,412,000
Landfill closure.....	805,400	952,600	-	-	805,400	952,600
Street reconstruction.....	185,000	255,000	-	-	185,000	255,000
Land acquisition.....	765,000	1,520,000	-	-	765,000	1,520,000
Water system.....	-	-	17,444,849	19,207,903	17,444,849	19,207,903
Sanitary sewer system.....	-	-	12,546,980	14,106,701	12,546,980	14,106,701
Total bonds and notes.....	<u>\$ 199,866,399</u>	<u>\$ 189,297,824</u>	<u>\$ 29,991,829</u>	<u>\$ 33,314,604</u>	<u>\$ 229,858,228</u>	<u>\$ 222,612,428</u>

During the year just ended, the City added \$22.3 million in new bonds and retired \$15.1 million in existing bonds. General fund interest and principal payments amounted to \$16.9 million or 4.6% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$0.8 million, or 19.9%, of fund revenues.

A total of \$118.8 million or 51.7% of existing bonded debt will be retired within ten years; \$189.9 million or 82.6% will be retired within twenty years; and all existing debt will be extinguished by June 30, 2044. Of the \$40.1 million in existing debt that matures in greater than 20 years, \$30.9 million represents new Newton North High School debt and the balance consists of debt issued in fiscal years 2013 and 2014 for Carr Elementary school improvements and construction of the new Angier Elementary school.

At June 30, 2014 the City's authorized and unissued long term debt amounted to \$53.3 million, an increase of \$23.4 million (78.3%) from June 30, 2013. Funding authorized for the construction of a new Angier Elementary school is responsible for the growth in authorized unissued debt. The debt service on the Angier project is to be funded with a Proposition 2 ½ debt exclusion that was approved by Newton voters in the spring of 2013.

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 55-60 of this report. In addition, debt trend information is available on pages 138-141 of this report.

### **Economic Factors and Next Year's Budget and Rates**

- According to the U.S. Census Bureau, the median household income for the City was \$114,416. This compares favorably with the Massachusetts median household income of \$66,658, and the U.S. median household income of \$53,046. The City's per capita income was \$61,530 compared with \$35,485 for the Commonwealth of Massachusetts, and \$28,051 for the nation as a whole.
- According to Homefacts.com, the unemployment rate for the City for June of 2014 was 4.1%, which compared favorably with the statewide unemployment rate of 5.6% and the national unemployment rate of 6.1%.
- According to the City's Board of Assessors, the 2014 median value of a single family home in Newton was \$693,900; the median value of a commercial property was \$758,600; and the median value of industrial property was \$854,950.

The City of Newton's fiscal year 2015 general fund operating budget, as amended through the date of this report, amounts to \$354.4 million, \$5.1 million of which represents encumbrances and continuing appropriations from fiscal year 2014. This represents an increase of \$10.8 million, or 3.1%, from the final fiscal year 2014 budget total.

### **Request for Information**

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

## **Basic Financial Statements**

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

JUNE 30, 2014

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 60,980,409	\$ 16,982,335	\$ 77,962,744	\$ 695,745
Restricted cash and cash equivalents.....	58,682,140	12,504,396	71,186,536	3,522
Restricted investments.....	10,612,781	-	10,612,781	-
Interest and dividends.....	21,099	-	21,099	477,026
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	4,190,261	-	4,190,261	-
Tax and utility liens.....	9,674,989	208,524	9,883,513	-
Motor vehicle excise.....	735,956	-	735,956	-
Community preservation surcharges.....	34,293	-	34,293	-
Charges for service.....	871,867	12,928,191	13,800,058	-
Departmental and other.....	670,030	-	670,030	4,000
Intergovernmental.....	4,987,592	230,209	5,217,801	-
Special assessments.....	61	4	65	-
Loans.....	-	-	-	62,436
Other assets.....	57,675	-	57,675	-
Due from fiduciary funds.....	27,049	-	27,049	-
Working capital deposit.....	393,913	-	393,913	-
Total current assets.....	151,940,115	42,853,659	194,793,774	1,253,879
Noncurrent assets:				
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	3,186,380	-	3,186,380	-
Departmental and other.....	4,231,253	-	4,231,253	-
Intergovernmental.....	168,399	1,378,150	1,546,549	-
Special assessments.....	457,233	30,864	488,097	-
Loans.....	-	-	-	4,035,365
Capital assets:				
Nondepreciable.....	30,222,790	289,130	30,511,920	-
Depreciable, net of accumulated depreciation.....	409,236,200	84,142,023	493,378,223	1,859,821
Total noncurrent assets.....	447,502,255	85,840,167	533,342,422	5,895,186
Total assets.....	599,442,370	128,693,826	728,136,196	7,149,065
LIABILITIES				
Current liabilities:				
Warrants payable.....	7,377,978	2,385,119	9,763,097	54,495
Accrued liabilities.....	5,666,997	329,294	5,996,291	3,522
Accrued payroll.....	14,877,634	59,961	14,937,595	-
Revenue refunds payable.....	6,708,473	-	6,708,473	-
Health claims payable.....	3,333,157	-	3,333,157	-
Other liabilities.....	3,409,097	8,001	3,417,098	-
Accrued interest.....	2,150,517	238,567	2,389,084	-
Abandoned property.....	883,085	-	883,085	-
Liabilities payable from restricted assets.....	264,511	546,092	810,603	-
Bonds payable.....	9,824,367	4,303,032	14,127,399	-
Landfill closure and other environmental liabilities.....	45,000	-	45,000	-
Compensated absences.....	3,017,508	32,670	3,050,178	-
Workers' compensation benefits.....	1,581,350	-	1,581,350	-
Total current liabilities.....	59,139,674	7,902,736	67,042,410	58,017

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

JUNE 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent liabilities:				
Bonds payable.....	190,042,032	25,688,798	215,730,830	-
Landfill closure and other environmental liabilities.....	486,000	-	486,000	-
Compensated absences.....	5,578,468	294,022	5,872,490	-
Net OPEB obligation.....	197,776,642	4,814,461	202,591,103	-
Workers' compensation benefits.....	6,518,405	-	6,518,405	-
Total noncurrent liabilities.....	400,401,547	30,797,281	431,198,828	-
Total liabilities.....	459,541,221	38,700,017	498,241,238	58,017
<b>NET POSITION</b>				
Net investment in capital assets.....	248,739,230	66,943,719	315,682,949	1,859,821
Restricted for:				
Community preservation activities.....	12,150,228	-	12,150,228	-
Education activities.....	2,665,866	-	2,665,866	-
Debt service.....	2,835,755	-	2,835,755	-
Receipts reserved.....	2,520,712	-	2,520,712	-
Community development block grant.....	417,499	-	417,499	-
Municipal federal grants.....	1,091,206	-	1,091,206	-
Municipal state grants.....	582,454	-	582,454	-
Stormwater management.....	762,394	-	762,394	-
Perpetual funds:				
Expendable.....	985,046	-	985,046	-
Nonexpendable.....	397,250	-	397,250	-
Other specific purposes.....	5,407,951	-	5,407,951	-
Unrestricted.....	(138,654,442)	23,050,090	(115,604,352)	5,231,227
Total net position.....	\$ 139,901,149	\$ 89,993,809	\$ 229,894,958	\$ 7,091,048

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
<b>Primary government:</b>					
<b>Governmental activities:</b>					
<b>General government</b>					
Legislative & executive.....	\$ 3,183,958	\$ 352,288	\$ 4,830	\$ 4,547	\$ (2,822,293)
Financial administration.....	4,556,855	186,785	96,734	-	(4,273,336)
Administrative support.....	4,124,312	501,275	5	-	(3,623,032)
Planning & development.....	6,211,228	661,442	3,754,046	-	(1,795,740)
Public building maintenance & operation.....	4,640,206	8,670	62,647	-	(4,568,889)
<b>Public safety</b>					
Police.....	31,297,625	5,343,828	504,861	-	(25,448,936)
Fire.....	28,361,816	1,031,901	1,091,467	-	(26,238,448)
Inspectional services.....	1,630,760	5,781,807	-	-	4,151,047
<b>Education.....</b>	<b>272,447,586</b>	<b>8,799,925</b>	<b>66,448,471</b>	<b>-</b>	<b>(197,199,190)</b>
<b>Public works</b>					
Streets & sidewalks.....	12,972,656	2,811,938	9,822	5,049,130	(5,101,766)
Control of snow & ice.....	5,271,904	-	-	-	(5,271,904)
Sanitation.....	9,378,942	-	26,823	-	(9,352,119)
Engineering.....	1,599,717	90,326	-	-	(1,509,391)
<b>Health &amp; human services</b>					
Public health & human services.....	9,950,081	129,140	285,714	-	(9,535,227)
Senior services.....	959,592	11,811	277,424	-	(670,357)
Veteran services.....	418,773	-	191,319	-	(227,454)
<b>Culture and recreation</b>					
Libraries.....	7,131,899	138,958	510,898	-	(6,482,043)
Parks & recreation.....	7,704,599	2,471,392	258,043	-	(4,975,164)
Newton History museum.....	328,313	-	2,462	-	(325,851)
Debt service - interest.....	7,714,546	-	760,164	-	(6,954,382)
Total governmental activities.....	<u>419,885,205</u>	<u>28,321,486</u>	<u>74,285,730</u>	<u>5,053,677</u>	<u>(312,224,312)</u>
Business-type activities:					
Water.....	16,702,263	21,234,953	288,201	4,253	4,825,144
Sewer.....	25,557,836	30,112,862	226,693	1,227	4,782,946
Total business-type activities.....	<u>42,260,099</u>	<u>51,347,815</u>	<u>514,894</u>	<u>5,480</u>	<u>9,608,090</u>
Total Primary Government.....	<u>\$ 462,145,304</u>	<u>\$ 79,669,301</u>	<u>\$ 74,800,624</u>	<u>\$ 5,059,157</u>	<u>\$ (302,616,222)</u>
<b>Component units:</b>					
Newton Commonwealth Foundation, Inc.....	\$ 229,845	\$ 297,715	\$ 1,600	\$ -	\$ 69,470
Newton Community Development Authority.....	425,930	927	370,756	-	(54,247)
Total Component Units.....	<u>\$ 655,775</u>	<u>\$ 298,642</u>	<u>\$ 372,356</u>	<u>\$ -</u>	<u>\$ 15,223</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>Changes in net position:</b>				
Net (expense)/revenue (from previous page).....	\$ (312,224,312)	\$ 9,608,090	\$ (302,616,222)	\$ 15,223
<i>General revenues:</i>				
Real estate and personal property taxes, levied for general purposes.....	278,426,655	-	278,426,655	-
Real estate and personal property taxes, levied for community preservation purposes.....	2,697,187	-	2,697,187	-
Motor vehicle and other excise taxes.....	11,953,727	-	11,953,727	-
Hotel room occupancy taxes.....	2,218,759	-	2,218,759	-
Meals taxes.....	1,557,737	-	1,557,737	-
Penalties and interest on taxes.....	1,160,092	-	1,160,092	-
Payments in lieu of taxes.....	557,065	-	557,065	-
Grants and contributions not restricted to specific programs.....	5,716,482	-	5,716,482	-
Unrestricted investment income.....	230,699	-	230,699	-
Other.....	1,622,541	-	1,622,541	-
<i>Transfers, net</i> .....	1,983,994	(1,983,994)	-	-
Total general revenues and transfers.....	308,124,938	(1,983,994)	306,140,944	-
Change in net position.....	(4,099,374)	7,624,096	3,524,722	15,223
Net position - beginning of year.....	144,000,523	82,369,713	226,370,236	7,075,825
Net position - end of year.....	\$ 139,901,149	\$ 89,993,809	\$ 229,894,958	\$ 7,091,048

See notes to basic financial statements.



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

JUNE 30, 2014

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 59,244,160	\$ -	\$ -	\$ 1,736,249	\$ 60,980,409
Interest and dividends.....	-	-	-	1,003	1,003
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	4,190,261	-	-	-	4,190,261
Real estate tax deferrals.....	3,186,380	-	-	-	3,186,380
Tax liens.....	9,672,147	-	-	2,842	9,674,989
Motor vehicle excise.....	735,956	-	-	-	735,956
Community preservation surcharges.....	-	34,293	-	-	34,293
Charges for services.....	37,103	-	-	834,764	871,867
Departmental and other.....	4,775,685	-	-	16,071	4,791,756
Intergovernmental.....	755,058	622,706	-	3,778,228	5,155,992
Special assessments.....	306,102	-	-	151,192	457,294
Due from other funds.....	772,007	-	-	-	772,007
Due from fiduciary funds.....	27,049	-	-	-	27,049
Other assets.....	27,675	-	-	30,000	57,675
Restricted assets:					
Cash and cash equivalents.....	2,849,507	11,577,773	-	23,027,972	37,455,252
Investments.....	-	-	-	622,955	622,955
<b>TOTAL ASSETS.....</b>	<b>\$ 86,579,090</b>	<b>\$ 12,234,772</b>	<b>\$ -</b>	<b>\$ 30,201,276</b>	<b>\$ 129,015,138</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 3,105,199	\$ 54,121	\$ -	\$ 3,832,543	\$ 6,991,863
Accrued liabilities.....	3,472,552	28,968	-	1,149,715	4,651,235
Accrued payroll.....	14,200,813	1,455	-	645,242	14,847,510
Revenue refunds payable.....	6,708,473	-	-	-	6,708,473
Other liabilities.....	-	-	-	1,576,886	1,576,886
Abandoned property.....	883,085	-	-	-	883,085
Liabilities due depositors.....	262,481	-	-	2,030	264,511
Due to other funds.....	-	-	-	772,007	772,007
<b>TOTAL LIABILITIES.....</b>	<b>28,632,603</b>	<b>84,544</b>	<b>-</b>	<b>7,978,423</b>	<b>36,695,570</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	21,270,710	644,987	-	1,304,660	23,220,357
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	397,250	397,250
Restricted.....	2,849,507	11,505,241	-	18,784,694	33,139,442
Committed.....	4,889,216	-	-	1,736,249	6,625,465
Assigned.....	2,677,990	-	-	-	2,677,990
Unassigned.....	26,259,064	-	-	-	26,259,064
<b>TOTAL FUND BALANCES.....</b>	<b>36,675,777</b>	<b>11,505,241</b>	<b>-</b>	<b>20,918,193</b>	<b>69,099,211</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 86,579,090</b>	<b>\$ 12,234,772</b>	<b>\$ -</b>	<b>\$ 30,201,276</b>	<b>\$ 129,015,138</b>

See notes to basic financial statements.

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

JUNE 30, 2014

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Total governmental fund balances (page 22).....	\$ 69,099,211
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	439,458,990
Other assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.....	23,220,357
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(2,150,517)
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.....	(199,866,399)
Landfill closure and other environmental liabilities.....	(531,000)
Compensated absences.....	(8,595,976)
Net OPEB obligation.....	(197,776,642)
Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net position.....	17,043,125
Net position of governmental activities (page 19).....	\$ <u>139,901,149</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, 2014

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 277,636,527	\$ -	\$ -	\$ -	\$ 277,636,527
Motor vehicle excise taxes.....	12,057,191	-	-	-	12,057,191
Hotel room occupancy taxes.....	2,218,759	-	-	-	2,218,759
Meals taxes.....	1,557,737	-	-	-	1,557,737
Community preservation surcharges.....	-	2,689,198	-	-	2,689,198
Penalties and interest on taxes.....	1,135,819	-	-	24,272	1,160,091
Licenses and permits.....	6,899,536	-	-	638,748	7,538,284
Intergovernmental.....	56,964,530	1,311,139	-	25,354,077	83,629,746
Charges for services.....	1,734,699	-	-	17,355,434	19,090,133
Fines and forfeitures.....	1,840,649	-	-	49,286	1,889,935
Investment income.....	216,610	18,636	-	92,769	328,015
Contributions and donations.....	-	-	-	1,112,823	1,112,823
Payments in lieu of taxes.....	475,741	-	-	-	475,741
Miscellaneous.....	493,668	5,952	-	238,089	737,709
Special assessments.....	51,512	-	-	138,035	189,547
<b>TOTAL REVENUES.....</b>	<b>363,282,978</b>	<b>4,024,925</b>	<b>-</b>	<b>45,003,533</b>	<b>412,311,436</b>
<b>EXPENDITURES</b>					
Current:					
General government:					
Legislative & executive.....	2,456,088	-	-	5,074	2,461,162
Financial administration.....	3,600,152	-	-	250	3,600,402
Administrative support.....	4,143,257	-	-	-	4,143,257
Planning & development.....	1,113,182	455,995	-	4,442,976	6,012,153
Public building maintenance & operations.....	4,056,107	637,872	-	1,873,703	6,567,682
Public safety:					
Police.....	18,816,481	-	-	3,819,460	22,635,941
Fire.....	17,509,749	-	-	817,020	18,326,769
Inspectional services.....	1,198,956	-	-	15,730	1,214,686
Education.....	187,922,902	-	3,520	42,465,318	230,391,740
Public works:					
Streets & sidewalks.....	6,568,467	-	-	7,086,664	13,655,131
Control of snow & ice.....	4,941,099	-	-	-	4,941,099
Sanitation.....	8,244,008	-	-	-	8,244,008
Vehicle maintenance.....	2,127,266	-	-	4,542	2,131,808
Engineering.....	1,031,832	-	-	72,382	1,104,214
Administration & support.....	1,006,137	-	-	-	1,006,137
Health and human services:					
Health & human services.....	3,109,422	-	-	326,598	3,436,020
Senior services.....	576,061	-	-	305,567	881,628
Veteran services.....	338,989	-	-	-	338,989
Culture and recreation:					
Libraries.....	5,124,667	-	-	333,735	5,458,402
Parks & recreation.....	3,863,993	-	-	2,817,467	6,681,460
Newton History museum.....	251,324	50,912	-	1,246	303,482
Retirement benefits.....	60,134,090	-	-	-	60,134,090
Workers' compensation insurance.....	1,334,721	-	-	-	1,334,721
Property and liability insurance.....	443,898	-	-	-	443,898
Claims and judgments.....	171,221	-	-	-	171,221
State assessments & charges.....	5,783,939	-	-	-	5,783,939
Debt service:					
Principal.....	9,612,425	755,000	-	-	10,367,425
Interest.....	7,364,974	46,750	-	-	7,411,724
<b>TOTAL EXPENDITURES.....</b>	<b>362,845,407</b>	<b>1,946,529</b>	<b>3,520</b>	<b>64,387,732</b>	<b>429,183,188</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>437,571</b>	<b>2,078,396</b>	<b>(3,520)</b>	<b>(19,384,199)</b>	<b>(16,871,752)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	6,757,272	-	-	4,045,270	10,802,542
Issuance of general obligation bonds.....	-	-	-	20,936,000	20,936,000
Premium from issuance of bonds and notes.....	749,963	-	-	-	749,963
Sale of assets.....	14,173	-	-	13,246	27,419
Transfers out.....	(3,998,586)	-	(5,045)	(4,291,917)	(8,295,548)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,522,822</b>	<b>-</b>	<b>(5,045)</b>	<b>20,702,599</b>	<b>24,220,376</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,960,393</b>	<b>2,078,396</b>	<b>(8,565)</b>	<b>1,318,400</b>	<b>7,348,624</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>32,715,384</b>	<b>9,426,845</b>	<b>8,565</b>	<b>19,599,793</b>	<b>61,750,587</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 36,675,777</b>	<b>\$ 11,505,241</b>	<b>\$ -</b>	<b>\$ 20,918,193</b>	<b>\$ 69,099,211</b>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (page 24).....	\$ 7,348,624
<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.....	36,979,475
Depreciation.....	(17,357,253)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues 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 unavailable revenue.....</p>	
	748,350
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond proceeds.....	(20,936,000)
Bond maturities.....	10,367,425
<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>	
	(302,823)
<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.....	137,113
Compensated absences.....	(247,038)
Net OPEB obligation.....	(24,480,070)
<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>3,642,823</u>
Changes in net position of governmental activities (page 21).....	<u>\$ (4,099,374)</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, 2014

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ 274,744,479	275,166,240	\$ 278,939,309	\$ 3,773,069
Motor vehicle excise taxes.....	10,700,000	10,832,200	12,196,691	1,364,491
Hotel room occupancy taxes.....	2,100,000	2,082,800	2,218,759	135,959
Meals tax.....	1,425,000	1,375,000	1,557,737	182,737
Penalties and interest on taxes.....	1,020,000	984,000	1,135,819	151,819
Licenses and permits.....	5,509,400	4,695,950	6,899,536	2,203,586
Intergovernmental.....	24,193,788	24,560,238	24,108,556	(451,682)
Charges for services.....	1,625,958	1,625,958	1,734,699	108,741
Fines and forfeitures.....	1,861,500	1,861,500	1,840,649	(20,851)
Investment income.....	175,000	167,000	190,647	23,647
Payments in lieu of taxes.....	409,000	409,000	475,741	66,741
Miscellaneous.....	189,467	124,958	404,557	279,599
Special assessments.....	75,000	66,000	51,512	(14,488)
<b>TOTAL REVENUES.....</b>	<b>324,028,592</b>	<b>323,950,844</b>	<b>331,754,212</b>	<b>7,803,368</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative & executive.....	2,653,491	2,652,835	2,456,088	196,747
Financial administration.....	3,892,434	3,995,609	3,600,152	395,457
Administrative support.....	3,907,165	5,001,522	4,143,257	858,265
Planning & development.....	1,441,481	1,456,481	1,113,182	343,299
Public building maintenance & operations.....	4,282,195	4,243,770	4,056,107	187,663
Interest on property tax refunds.....	435,510	435,510	-	435,510
Public safety:				
Police.....	18,965,918	19,201,524	18,843,953	357,571
Fire.....	18,229,508	18,177,948	17,509,749	668,199
Inspectional services.....	1,237,794	1,287,794	1,198,956	88,838
Education.....	190,044,186	189,469,661	187,922,902	1,546,759
Public works:				
Streets & sidewalks.....	7,396,240	7,068,554	6,568,467	500,087
Control of snow & ice.....	1,000,117	5,025,117	4,941,099	84,018
Sanitation.....	8,447,535	8,346,631	8,244,008	102,623
Vehicle maintenance.....	2,319,832	2,292,081	2,127,266	164,815
Engineering.....	1,062,286	1,086,806	1,031,832	54,974
Administration & support.....	966,938	1,001,576	1,006,137	(4,561)
Health and human services:				
Health & human services.....	3,179,144	3,282,220	3,109,422	172,798
Senior services.....	578,802	580,127	576,061	4,066
Veteran services.....	322,584	348,645	338,989	9,656
Culture and recreation:				
Libraries.....	5,218,195	5,228,253	5,124,667	103,586
Parks & recreation.....	4,483,660	4,471,848	3,863,993	607,855
Newton History museum.....	259,198	263,708	251,324	12,384
Retirement benefits.....	27,842,189	27,501,763	27,501,760	3
Workers' compensation insurance.....	700,000	1,334,721	1,334,721	-
Property and liability insurance.....	484,707	484,707	443,898	40,809
Claims and judgments.....	101,403	101,403	171,221	(69,818)
Reserve fund.....	2,250,000	-	-	-
State assessments & charges.....	5,790,193	5,776,954	5,783,939	(6,985)
Debt service:				
Principal.....	9,596,925	9,601,925	9,572,381	29,544
Interest.....	7,460,566	7,455,566	7,338,150	117,416
<b>TOTAL EXPENDITURES.....</b>	<b>334,550,196</b>	<b>337,175,259</b>	<b>330,173,681</b>	<b>7,001,578</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(10,521,604)</b>	<b>(13,224,415)</b>	<b>1,580,531</b>	<b>14,804,946</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	6,744,605	8,108,481	8,112,799	4,318
Premium from issuance of bonds and notes.....	-	-	749,963	749,963
Sale of assets.....	-	-	14,173	14,173
Transfers out.....	(2,400,000)	(6,403,533)	(6,403,533)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,344,605</b>	<b>1,704,948</b>	<b>2,473,402</b>	<b>768,454</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(6,176,999)</b>	<b>(11,519,467)</b>	<b>4,053,933</b>	<b>15,573,400</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>23,676,808</b>	<b>23,676,808</b>	<b>23,676,808</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 17,499,809</b>	<b>\$ 12,157,341</b>	<b>\$ 27,730,741</b>	<b>\$ 15,573,400</b>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Community preservation surcharges.....	\$ 2,534,441	2,534,441	\$ 2,682,190	147,749
Intergovernmental .....	642,882	642,882	1,311,139	668,257
Investment income.....	-	-	18,636	18,636
Miscellaneous.....			5,952	5,952
<b>TOTAL REVENUES.....</b>	<b>3,177,323</b>	<b>3,177,323</b>	<b>4,017,917</b>	<b>840,594</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Planning & development.....	596,486	2,170,237	455,995	1,714,242
Public building maintenance & operations.....	667,867	667,867	637,872	29,995
Culture and recreation:				
Newton History museum.....	153,574	794,574	50,911	743,663
Reserve fund.....	2,232,664	1,926,360	-	1,926,360
Debt service:				
Principal.....	698,843	698,843	755,000	(56,157)
Interest.....	102,907	102,907	46,750	56,157
<b>TOTAL EXPENDITURES.....</b>	<b>4,452,341</b>	<b>6,360,788</b>	<b>1,946,528</b>	<b>4,414,260</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,275,018)</b>	<b>(3,183,465)</b>	<b>2,071,389</b>	<b>5,254,854</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out.....	(6,250)	(6,250)	-	6,250
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,281,268)</b>	<b>(3,189,715)</b>	<b>2,071,389</b>	<b>5,261,104</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>9,421,842</b>	<b>9,421,842</b>	<b>9,421,842</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 8,140,574</b>	<b>\$ 6,232,127</b>	<b>\$ 11,493,231</b>	<b>\$ 5,261,104</b>

See notes to basic financial statements.

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

JUNE 30, 2014

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 11,269,729	\$ 5,712,606	\$ 16,982,335	\$ -
Restricted cash and cash equivalents.....	6,602,388	5,902,008	12,504,396	21,226,890
Restricted investments.....	-	-	-	9,989,826
Interest and dividends.....	-	-	-	20,096
Receivables, net of allowance for uncollectibles:				
Charges for service.....	7,659,989	5,268,203	12,928,192	-
Utility liens.....	120,003	88,522	208,525	-
Special assessments.....	4	-	4	-
Departmental and other.....	-	-	-	109,527
Intergovernmental.....	230,209	-	230,209	-
Working capital deposit.....	-	-	-	393,913
Total current assets.....	<u>25,882,322</u>	<u>16,971,339</u>	<u>42,853,661</u>	<u>31,740,252</u>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	30,864	-	30,864	-
Intergovernmental.....	1,378,150	-	1,378,150	-
Capital assets:				
Nondepreciable.....	26,245	262,885	289,130	-
Depreciable, net of accumulated depreciation.....	<u>38,303,270</u>	<u>45,838,753</u>	<u>84,142,023</u>	<u>-</u>
Total noncurrent assets.....	<u>39,738,529</u>	<u>46,101,638</u>	<u>85,840,167</u>	<u>-</u>
Total assets.....	<u>65,620,851</u>	<u>63,072,977</u>	<u>128,693,828</u>	<u>31,740,252</u>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable.....	1,869,380	515,741	2,385,121	386,117
Accrued liabilities.....	193,834	135,460	329,294	1,035,229
Accrued payroll.....	29,127	30,835	59,962	30,124
Other liabilities.....	8,000	-	8,000	1,812,745
Liabilities payable from restricted assets.....	162,274	383,819	546,093	-
Accrued interest.....	112,802	125,765	238,567	-
Accrued health claims payable.....	-	-	-	3,333,157
Workers' compensation claims.....	-	-	-	1,581,350
Compensated absences.....	16,102	16,568	32,670	-
Long-term bonds and notes payable.....	<u>1,303,360</u>	<u>2,999,672</u>	<u>4,303,032</u>	<u>-</u>
Total current liabilities.....	<u>3,694,879</u>	<u>4,207,860</u>	<u>7,902,739</u>	<u>8,178,722</u>
Noncurrent liabilities:				
Workers' compensation claims.....	-	-	-	6,518,405
Compensated absences.....	144,915	149,107	294,022	-
Net OPEB obligation.....	2,218,769	2,595,692	4,814,461	-
Long-term bonds and notes payable.....	<u>11,243,620</u>	<u>14,445,177</u>	<u>25,688,797</u>	<u>-</u>
Total noncurrent liabilities.....	<u>13,607,304</u>	<u>17,189,976</u>	<u>30,797,280</u>	<u>6,518,405</u>
Total liabilities.....	<u>17,302,183</u>	<u>21,397,836</u>	<u>38,700,019</u>	<u>14,697,127</u>
<b>FUND NET POSITION</b>				
Net investment in capital assets.....	32,384,923	34,558,796	66,943,719	-
Unrestricted.....	<u>15,933,745</u>	<u>7,116,345</u>	<u>23,050,090</u>	<u>17,043,125</u>
Total net position.....	<u>\$ 48,318,668</u>	<u>\$ 41,675,141</u>	<u>\$ 89,993,809</u>	<u>\$ 17,043,125</u>

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>OPERATING REVENUES</b>				
Charges for services.....	\$ 30,112,862	\$ 21,234,953	\$ 51,347,815	\$ -
Employer contributions.....	-	-	-	42,153,680
Plan member contributions.....	-	-	-	10,580,661
<b>TOTAL OPERATING REVENUES.....</b>	<b>30,112,862</b>	<b>21,234,953</b>	<b>51,347,815</b>	<b>52,734,341</b>
<b>OPERATING EXPENSES</b>				
Salaries, wages and employee benefits.....	2,609,807	2,995,987	5,605,794	-
Other operating expenses.....	864,884	764,743	1,629,627	3,647,479
MWRA assessment.....	20,152,363	10,333,024	30,485,387	-
Workers' compensation.....	247,660	286,464	534,124	-
Self insurance claims.....	-	-	-	46,409,561
Depreciation.....	1,182,245	1,683,314	2,865,559	-
<b>TOTAL OPERATING EXPENSES.....</b>	<b>25,056,959</b>	<b>16,063,532</b>	<b>41,120,491</b>	<b>50,057,040</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>5,055,903</b>	<b>5,171,421</b>	<b>10,227,324</b>	<b>2,677,301</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental.....	226,693	288,201	514,894	-
Investment income.....	1,227	4,253	5,480	1,488,522
Interest expense.....	(500,877)	(638,731)	(1,139,608)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(272,957)</b>	<b>(346,277)</b>	<b>(619,234)</b>	<b>1,488,522</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>4,782,946</b>	<b>4,825,144</b>	<b>9,608,090</b>	<b>4,165,823</b>
<b>TRANSFERS</b>				
Transfers in.....	577,827	-	577,827	-
Transfers out.....	(960,852)	(1,600,969)	(2,561,821)	(523,000)
<b>TOTAL TRANSFERS.....</b>	<b>(383,025)</b>	<b>(1,600,969)</b>	<b>(1,983,994)</b>	<b>(523,000)</b>
<b>CHANGE IN FUND NET POSITION.....</b>	<b>4,399,921</b>	<b>3,224,175</b>	<b>7,624,096</b>	<b>3,642,823</b>
<b>FUND NET POSITION AT BEGINNING OF YEAR.....</b>	<b>43,918,747</b>	<b>38,450,966</b>	<b>82,369,713</b>	<b>13,400,302</b>
<b>FUND NET POSITION AT END OF YEAR.....</b>	<b>\$ 48,318,668</b>	<b>\$ 41,675,141</b>	<b>\$ 89,993,809</b>	<b>\$ 17,043,125</b>

See notes to basic financial statements.



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Business - Enterprise Fund			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users.....	\$ 29,767,306	\$ 20,929,412	\$ 50,696,718	\$ 10,580,661
Receipts from interfund services provided.....	-	-	-	42,089,373
Payments to vendors/providers.....	(20,170,975)	(12,603,722)	(32,774,697)	(52,420,395)
Payments to employees.....	(1,530,733)	(1,475,303)	(3,006,036)	-
NET CASH FROM OPERATING ACTIVITIES.....	8,065,598	6,850,387	14,915,985	249,639
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in.....	577,827	-	577,827	-
Transfers out.....	(960,852)	(1,600,969)	(2,561,821)	(523,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(383,025)	(1,600,969)	(1,983,994)	(523,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the issuance of bonds and notes.....	-	1,360,200	1,360,200	-
Acquisition and construction of capital assets.....	(5,009,173)	(3,564,808)	(8,573,981)	-
Principal payments on bonds and notes.....	(1,329,884)	(3,123,253)	(4,453,137)	-
Interest expense.....	(284,883)	(269,113)	(553,996)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(6,623,940)	(5,596,974)	(12,220,914)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase and sales of investments, net.....	-	-	-	(1,200,542)
Investment income.....	1,227	4,253	5,480	1,488,522
NET CASH FROM INVESTING ACTIVITIES.....	1,227	4,253	5,480	287,980
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	1,059,860	(343,303)	716,557	14,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$5,726,366, \$5,131,643 and \$21,212,271 reported as restricted in the sewer, water enterprise funds and internal service funds respectively).....	16,812,257	11,957,917	28,770,174	21,212,271
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$6,602,388, \$5,902,008 and \$21,226,890 reported as restricted in the sewer, water enterprise funds and internal service funds respectively).....	\$ 17,872,117	\$ 11,614,614	\$ 29,486,731	\$ 21,226,890
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating income (loss).....	\$ 5,055,903	\$ 5,171,421	\$ 10,227,324	\$ 2,677,301
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities not requiring current cash flows:				
Depreciation.....	1,182,245	1,683,314	2,865,559	-
Changes in assets and liabilities requiring current cash flows:				
Utility liens.....	23,821	18,065	41,886	-
Water fees.....	-	(323,606)	(323,606)	-
Sewer fees.....	(386,290)	-	(386,290)	-
Special assessments.....	16,913	-	16,913	-
Interest and dividends.....	-	-	-	10,030
Departmental and other.....	-	-	-	(74,337)
Working capital deposit.....	-	-	-	54,160
Warrants payable.....	1,814,535	135,911	1,950,446	155,481
Accrued liabilities.....	76,482	(277,948)	(201,466)	(202,548)
Accrued payroll.....	8,298	5,598	13,896	18,426
Other liabilities.....	7,167	(1,088)	6,079	606,271
Liabilities payable from restricted assets.....	(3,601)	96,015	92,414	-
Accrued health claims payable.....	-	-	-	(663,147)
Workers' compensation.....	-	-	-	(2,331,998)
Accrued compensated absences.....	13,242	28,441	41,683	-
Net OPEB obligation.....	256,883	314,264	571,147	-
Total adjustments.....	3,009,695	1,678,966	4,688,661	(2,427,662)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 8,065,598	\$ 6,850,387	\$ 14,915,985	\$ 249,639
<b>NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental debt subsidies (MWPAT and MWRA).....	\$ 456,531	\$ 288,201	\$ 744,732	\$ -

See notes to basic financial statements.

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

JUNE 30, 2014

<b>ASSETS</b>	Pension Trust Fund (As of 12/31/13)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 8,700,834	\$ 1,119,811	\$ 2,236,433	\$ 1,973,030
Investments:				
Fixed Income.....	57,248,254	-	2,253,408	-
Equities.....	126,704,056	-	6,025,142	-
Real estate.....	22,793,695	-	-	-
Other alternative.....	64,340,000	-	-	-
Interest and dividends.....	-	-	10,450	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	559,795	-	-	-
Employer.....	68,073	-	-	-
Loans.....	-	-	19,663	-
Prepaid expenses.....	6,706	-	-	-
Total assets.....	<u>280,421,413</u>	<u>1,119,811</u>	<u>10,545,096</u>	<u>1,973,030</u>
<b>LIABILITIES</b>				
Warrants payable.....	7,530	-	1,750	-
Payroll withholdings.....	-	-	-	423,475
Other liabilities.....	-	-	-	1,549,555
Due to the general fund.....	-	-	27,049	-
Total liabilities.....	<u>7,530</u>	<u>-</u>	<u>28,799</u>	<u>1,973,030</u>
<b>NET POSITION</b>				
Assets held in trust for pension/other post employment benefits and other purposes.....	<u>\$ 280,413,883</u>	<u>\$ 1,119,811</u>	<u>\$ 10,516,297</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (As of 12/31/13)	OPEB Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer.....	\$ 18,363,516	\$ 579,953	\$ -
Plan members.....	8,035,716	-	-
Private donations.....	-	-	84,417
Other.....	278,168	-	-
Total contributions.....	26,677,400	579,953	84,417
Net investment income:			
Net appreciation/(depreciation) in fair value of investments.....	28,959,542	-	-
Interest and dividends.....	7,465,801	1,321	1,180,834
Total investment income (loss).....	36,425,343	1,321	1,180,834
Less investment expense.....	(1,421,647)	-	-
Net investment income (loss).....	35,003,696	1,321	1,180,834
Intergovernmental.....	649,195	-	-
Transfers from other systems.....	1,080,758	-	-
TOTAL ADDITIONS.....	63,411,049	581,274	1,265,251
<b>DEDUCTIONS</b>			
Retirement benefits.....	34,486,791	-	-
Refunds of contributions and transfers to other systems.....	2,407,652	-	-
Administration expense.....	285,039	-	28,923
Educational scholarships and awards.....	-	-	361,136
TOTAL DEDUCTIONS.....	37,179,482	-	390,059
CHANGE IN NET POSITION.....	26,231,567	581,274	875,192
NET POSITION AT BEGINNING OF YEAR.....	254,182,316	538,537	9,641,105
NET POSITION AT END OF YEAR.....	\$ 280,413,883	\$ 1,119,811	\$ 10,516,297

See notes to basic financial statements.

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

JUNE 30, 2014

	Component Units		
	Newton Commonwealth Foundation, Inc. (As of 12/31/13)	Newton Community Development Authority	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 695,745	\$ -	\$ 695,745
Restricted cash and cash equivalents.....	-	3,522	3,522
Interest and dividends.....	-	477,026	477,026
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	4,000	-	4,000
Loans.....	-	62,436	62,436
Prepaid expenses.....	11,150	-	11,150
Total current assets.....	710,895	542,984	1,253,879
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Loans.....	-	4,035,365	4,035,365
Capital assets:			
Depreciable, net of accumulated depreciation.....	1,859,821	-	1,859,821
Total noncurrent assets.....	1,859,821	4,035,365	5,895,186
Total assets.....	2,570,716	4,578,349	7,149,065
<b>LIABILITIES</b>			
Current liabilities:			
Warrants payable.....	54,495	-	54,495
Accrued liabilities.....	-	3,522	3,522
Total current liabilities.....	54,495	3,522	58,017
<b>FUND NET POSITION</b>			
Net investment in capital assets.....	1,859,821	-	1,859,821
Unrestricted.....	656,400	4,574,827	5,231,227
Total fund net position.....	\$ 2,516,221	\$ 4,574,827	\$ 7,091,048

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS**  
**COMPONENT UNITS**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Component Units		
	Newton Commonwealth Foundation, Inc. (As of 12/31/13)	Newton Community Development Authority	Total
<b>OPERATING REVENUES</b>			
Charges for services.....	\$ 297,715	\$ -	\$ 297,715
Intergovernmental.....	-	246,308	246,308
Other.....	-	927	927
TOTAL OPERATING REVENUES.....	297,715	247,235	544,950
<b>OPERATING EXPENSES</b>			
Salaries, wages and employee benefits.....	22,894	-	22,894
Grant expense.....	-	425,930	425,930
Other operating expenses.....	50,000		50,000
Depreciation.....	156,951	-	156,951
TOTAL OPERATING EXPENSES.....	229,845	425,930	655,775
OPERATING INCOME (LOSS).....	67,870	(178,695)	(110,825)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment/interest income.....	1,600	124,448	126,048
CHANGE IN FUND NET POSITION.....	69,470	(54,247)	15,223
FUND NET POSITION AT BEGINNING OF YEAR.....	2,446,751	4,629,074	7,075,825
FUND NET POSITION AT END OF YEAR.....	\$ 2,516,221	\$ 4,574,827	\$ 7,091,048

See notes to basic financial statements.

## **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.

## **B. Basis of Presentation, Basis of Accounting**

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

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

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

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

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

The City reports the following major governmental funds:

General Fund: The fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

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

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

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

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

The City also reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

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

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

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

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



## Measurement Focus and Basis of Accounting

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

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

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

### C. Implementation of New Accounting Principles

For the year ending June 30, 2014, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statement No. 25*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows of resources, which represents the acquisition of net position/fund balances that apply to a future period(s) and so will not be recognized as an inflow of resources until that time.

The implementation of GASB Statement No. 66 and 70 had no reporting impact for the City.

### D. Assets, Liabilities and Equity

#### Cash and Cash Equivalents and Investments

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

### **Restricted Cash and Cash Equivalents and Investments**

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

### **Receivables**

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

Based upon an analysis of water and sewer receivable activity over the past three years, 1.5% and 1.4% of outstanding water and sewer user charges receivable have been assigned to an allowance for doubtful collections. Real estate taxes receivable are secured by tax liens, and therefore are considered 100% collectible. Intergovernmental receivables are considered 100% collectible.

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

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

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

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

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

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

### **Capital Assets**

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

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

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

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

### **Inter-fund Transactions**

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

### **Deferred Inflows of Resources**

The statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has one item that qualifies for reporting in this category. It is as follows:

- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

## Net Position and Fund Balances

Government – wide and Proprietary Funds Financial Statements (Net Position) – Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position has been reported as restricted for the following purposes:

- Community preservation activities represent amounts restricted by state statute for open space; historic preservation, and affordable housing under the Community Preservation program.
- Education activities represent amounts received from the U.S. Department of Education, the Commonwealth of Massachusetts' Department of Education, and various private donors for public education services.
- Debt service represents amounts accumulated for future payment of long-term debt service costs associated with school construction. This amount will be amortized over the next 25 fiscal years.
- Receipts reserved represent amounts for a variety of local revenues whose use is legally restricted by state law
- Community development block grant represents amounts restricted for federal community development block grant funds
- Municipal federal grants represent amounts restricted for federal grant funds other than school-related funds
- Municipal state grants represent amounts restricted for state grant funds other than school-related funds
- Stormwater management represents amounts restricted for the operation and maintenance of the City's stormwater drainage activities
- 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.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding borrowings attributable to those assets.

Unrestricted net position is the difference between total net position and net investment in capital assets and restricted net position.

### Governmental Funds Statements (Fund Balances)

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

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

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

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

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

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

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

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

### **Long term debt**

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

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

### **Investment Income**

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

Investment income from enterprise operating funds is voluntarily assigned to the general fund. Investment income from internal service funds is retained in the funds.

### **Compensated Absences**

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

### **Post Retirement Benefits**

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

### **Use of Estimates**

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

### **Total Column**

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

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

## **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 2014 General Fund and Community Preservation Fund budgets authorized \$336,950,196 and \$4,458,591 (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 \$6,628,596, and \$1,908,447, for total budgets of \$343,578,792 and \$6,367,038, respectively.

Total General Fund expenditures and transfers to other funds totaled \$336,577,214, and \$5,135,465 in appropriation balances were carried forward into fiscal year 2015 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures and transfers to other funds were \$1,946,528, and \$2,448,087 in appropriation balances were carried forward into fiscal year 2014 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, 2014 are presented below:

	General Fund		
	Revenues	Expenditures	Other Financing Sources (Uses)
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 331,754,212	\$ 330,173,681	\$ 2,473,402
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	271,850	-	1,049,420
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	(43,048)	-	-
Net change in recording tax refunds payable.....	(1,399,234)	-	-
To record activity for landfill closure subsidy.....	66,868	66,868	-
To record activity of MTRS on-behalf payments.....	32,632,330	32,632,330	-
Net change in recording other expenditures.....		(27,472)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>363,282,978</u>	\$ <u>362,845,407</u>	\$ <u>3,522,822</u>



		Community Preservation Fund
		<u>Revenues</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$	4,017,917
<u>Adjustment</u>		
Net change in recording 60-day receipts.....		<u>7,008</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$	<u><u>4,024,925</u></u>

### Note 3 - Deposits and Investments

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

##### *City (Excluding the Pension Trust Fund)*

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

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

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

Investments for the City are reported at fair value.

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

##### Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$97,245,491 of the City's bank balance of \$132,491,229 was uninsured and uncollateralized.



### Investments Summary

The City's investments at June 30, 2014 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.....	\$ 1,333,822	\$ 408,020	\$ 144,878	\$ -	\$ 780,924
U.S. Agencies.....	256,812	-	256,812	-	-
Corporate bonds.....	69,660	-	43,506	26,154	-
Money market mutual funds....	1,156,484	1,156,484	-	-	-
Mutual bond funds.....	4,623,031	4,623,031	-	-	-
External investment pools.....	<u>25,582,941</u>	<u>25,582,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>33,022,750</u>	<u>\$ 31,770,476</u>	<u>\$ 445,196</u>	<u>\$ 26,154</u>	<u>\$ 780,924</u>
<u>Other Investments:</u>					
Equity securities.....	6,062,228				
Equity mutual funds.....	<u>7,344,731</u>				
Total other investments.....	<u>13,406,959</u>				
Total investments.....	<u>\$ 46,429,709</u>				

### Investments - Interest Rate Risk of Debt Securities

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

### Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. As of June 30, 2014, \$8,700,930 of the City's investments of \$46,429,709 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
Corporate bonds.....	\$ 69,660	\$ -	\$ 69,660
Money market mutual funds.....	737,734	737,734	-
Mutual bond funds.....	2,364,851	-	2,364,851
Equity securities.....	1,057,664	-	1,057,664
Equity mutual funds.....	4,471,022	-	4,471,022
Total.....	<u>\$ 8,700,930</u>	<u>\$ 737,734</u>	<u>\$ 7,963,196</u>

### Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City does not have a policy for credit risk of debt securities. As of June 30, 2014, the credit quality ratings of the City's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *			
		A1	A2	BAA2	Unrated
Corporate bonds.....	\$ 69,660	\$ 15,992	\$ 26,154	\$ 27,514	\$ -
Money market mutual funds....	1,156,484	-	-	-	1,156,484
Mutual bond funds.....	4,623,031	-	-	-	4,623,031
External investment pools.....	25,582,941	-	-	-	25,582,941
Total.....	<u>\$ 31,688,929</u>	<u>\$ 15,992</u>	<u>\$ 26,154</u>	<u>\$ 27,514</u>	<u>\$ 31,362,456</u>

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

### *Pension Trust Fund (The System)*

Pension trust fund investments (more fully described in note 17), include a combination of public and private real estate limited partnership investments, which represents 8.1% of the Pension Fund's total investments. The structure, risk profile, return potential and marketability of these investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. The City has determined the value of these investments from investment advisors, based upon independent year end appraisals.

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

### Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2013, the System is not exposed to custodial credit risk.

### Investments Summary

The System's investments at December 31, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
<u>External Investment Pools:</u>		
Pension Reserve Investment Trust.....	\$ 270,877,342	\$ 270,877,342
Massachusetts Municipal Depository Trust....	8,500,817	8,500,817
Total external investment pools.....	279,378,159	\$ <u>279,378,159</u>
<u>Other Investments:</u>		
Real estate investments.....	408,680	
Total investments.....	\$ <u>279,786,839</u>	

#### Investments - Interest Rate Risk of Debt Securities

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

#### Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. The custodial arrangements are reflective of the fact that System assets are invested in pooled funds as opposed to individual securities. As of December 31, 2013, the System's investments were not exposed to custodial credit risk.

#### Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy is that for underlying investments in external investment pools, 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, 2013, the System's debt security investments were in external investment pools unrated by national credit rating organizations.

#### **Note 4 - Receivables**

At June 30, 2014, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,574,116	\$ (383,855)	\$ 4,190,261
Real estate tax deferrals.....	3,186,380	-	3,186,380
Tax liens.....	9,674,989	-	9,674,989
Motor vehicle excise taxes.....	2,018,188	(1,282,232)	735,956
Community preservation surcharges.....	34,293	-	34,293
Charges for services.....	871,867	-	871,867
Special assessments.....	457,294	-	457,294
Departmental and other.....	8,275,003	(3,373,720)	4,901,283
Intergovernmental.....	5,715,787	-	5,715,787
Pension Trust Fund employer.....	68,073	-	68,073
Loans.....	19,663	-	19,663
	<u>\$ 34,895,653</u>	<u>\$ (5,039,807)</u>	<u>\$ 29,855,846</u>

At June 30, 2014, receivables for the Enterprise Funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Charges for services.....	\$ 13,050,260	\$ (122,068)	\$ 12,928,192
Utility liens.....	208,525	-	208,525
Special assessments.....	30,868	-	30,868
Intergovernmental.....	<u>1,608,359</u>	<u>-</u>	<u>1,608,359</u>
	<u>\$ 14,898,012</u>	<u>\$ (122,068)</u>	<u>\$ 14,775,944</u>

## Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 22,226,126	\$ -	\$ -	\$ 22,226,126
Construction in progress.....	15,151,760	4,372,959	(13,766,316)	5,758,403
Intangible assets.....	<u>2,238,261</u>	<u>-</u>	<u>-</u>	<u>2,238,261</u>
Sub-total .....	<u>39,616,147</u>	<u>4,372,959</u>	<u>(13,766,316)</u>	<u>30,222,790</u>
Capital assets being depreciated:				
Buildings and improvements.....	433,034,750	27,287,766	-	460,322,516
Equipment and machinery.....	67,357,831	7,672,365	(342,404)	74,687,792
Road network.....	<u>71,054,770</u>	<u>11,412,701</u>	<u>-</u>	<u>82,467,471</u>
Sub-total .....	<u>571,447,351</u>	<u>46,372,832</u>	<u>(342,404)</u>	<u>617,477,779</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(120,397,717)	(10,650,632)	-	(131,048,349)
Equipment and machinery.....	(45,446,615)	(4,652,287)	342,404	(49,756,498)
Road network.....	<u>(25,382,398)</u>	<u>(2,054,334)</u>	<u>-</u>	<u>(27,436,732)</u>
Sub-total .....	<u>(191,226,730)</u>	<u>(17,357,253)</u>	<u>342,404</u>	<u>(208,241,579)</u>
Total capital assets being depreciated, net.....	<u>380,220,621</u>	<u>29,015,579</u>	<u>-</u>	<u>409,236,200</u>
Governmental capital assets, net.....	<u>\$ 419,836,768</u>	<u>\$ 33,388,538</u>	<u>\$ (13,766,316)</u>	<u>\$ 439,458,990</u>

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

Legislative & executive.....	\$	3,585
Administrative support.....		79,609
Public building maintenance and operations.....		193,059
Police.....		568,910
Fire.....		834,159
Inspectional services.....		4,085
Education.....		11,689,735
Streets and sidewalks.....		2,669,603
Control of snow and ice.....		38,245
Solid waste.....		998
Public health.....		2,822
Senior services.....		50,004
Libraries.....		985,879
Parks and recreation.....		224,015
Newton history museum.....		12,545
Total depreciation expense - governmental activities.....	\$	<u>17,357,253</u>

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2014 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water system:</b>				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Construction in progress.....	32,445	-	(28,100)	4,345
Sub-total .....	<u>290,985</u>	<u>-</u>	<u>(28,100)</u>	<u>262,885</u>
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	252,000	-	2,455,492
Equipment and machinery.....	13,380,698	175,265	(57,033)	13,498,930
Water system.....	45,039,514	3,165,644	-	48,205,158
Sub-total.....	<u>60,623,704</u>	<u>3,592,909</u>	<u>(57,033)</u>	<u>64,159,580</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(1,114,357)	(45,762)	-	(1,160,119)
Equipment and machinery.....	(4,583,593)	(709,156)	51,819	(5,240,930)
Water system.....	<u>(10,991,382)</u>	<u>(928,396)</u>	<u>-</u>	<u>(11,919,778)</u>
Sub-total.....	<u>(16,689,332)</u>	<u>(1,683,314)</u>	<u>51,819</u>	<u>(18,320,827)</u>
Total capital assets being depreciated, net.....	<u>43,934,372</u>	<u>1,909,595</u>	<u>(5,214)</u>	<u>45,838,753</u>
Water system capital assets, net.....	\$ <u>44,225,357</u>	\$ <u>1,909,595</u>	\$ <u>(33,314)</u>	\$ <u>46,101,638</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer system:</b>				
Capital assets not being depreciated:				
Land.....	\$ 26,245	\$ -	\$ -	\$ 26,245
Capital assets being depreciated:				
Buildings and improvements.....	1,867,659	-	-	1,867,659
Equipment and machinery.....	2,769,323	195,608	-	2,964,931
Sanitary sewer system.....	50,072,777	4,813,564	-	54,886,341
Sub-total.....	54,709,759	5,009,172	-	59,718,931
Less: accumulated depreciation:				
Buildings and improvements.....	(742,268)	(39,126)	-	(781,394)
Equipment and machinery.....	(1,499,586)	(154,361)	-	(1,653,947)
Sanitary sewer system.....	(17,991,562)	(988,758)	-	(18,980,320)
Sub-total.....	(20,233,416)	(1,182,245)	-	(21,415,661)
Total capital assets being depreciated, net.....	34,476,343	3,826,927	-	38,303,270
Sewer system capital assets, net.....	\$ 34,502,588	\$ 3,826,927	\$ -	\$ 38,329,515

Capital asset activity for the Newton Commonwealth Foundation component unit for the fiscal year ended June 30, 2014 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Newton Commonwealth Foundation (Golf course):</b>				
Capital assets being depreciated:				
Land improvements.....	\$ 3,080,871	\$ 41,462	-	\$ 3,122,333
Buildings and improvements.....	88,620	5,800	-	94,420
Equipment and machinery.....	62,687	4,351	-	67,038
Sub-total.....	3,232,178	51,613	-	3,283,791
Less: accumulated depreciation:				
Land improvements.....	(1,162,854)	(150,125)	-	(1,312,979)
Buildings and improvements.....	(55,861)	(2,729)	-	(58,590)
Equipment and machinery.....	(48,304)	(4,097)	-	(52,401)
Sub-total.....	(1,267,019)	(156,951)	-	(1,423,970)
Golf course, net.....	\$ 1,965,159	\$ (105,338)	\$ -	\$ 1,859,821

## Note 6 – Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014 is summarized as follows:

### *Governmental Activities*

Capital assets, net of accumulated depreciation.....	\$	439,458,990
Less: total long-term debt outstanding.....		(199,866,399)
Add: long-term debt outstanding not related to asset acquisition.....		805,400
Add: unspent BAN/bond proceeds.....		<u>8,341,239</u>
Net investment in capital assets.....	\$	<u><u>248,739,230</u></u>

### *Business-Type Activities*

	Water	Sewer	Total Enterprise Funds/ Business-Type Activities
Capital assets, net of accumulated depreciation.....	\$ 46,101,638	\$ 38,329,515	\$ 84,431,153
Less: total long-term debt outstanding.....	(17,444,849)	(12,546,980)	(29,991,829)
Add: unspent BAN/bond proceeds.....	<u>5,902,007</u>	<u>6,602,388</u>	<u>12,504,395</u>
Net investment in capital assets.....	<u><u>\$ 34,558,796</u></u>	<u><u>\$ 32,384,923</u></u>	<u><u>\$ 66,943,719</u></u>

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

Receivables and payables between funds at June 30, 2014, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Street Improvements Fund - non major governmental fund	\$ 243,907 {1}
General Fund	School State Grant Fund - non major governmental fund	528,100 {1}
General Fund	Chaffin Education - private purpose trust fund	82 {2}
General Fund	Scovell Education Fund - private purpose trust fund	<u>26,967 {2}</u>
	Total	<u><u>\$ 799,056</u></u>

{1} Advance funding pending receipt of grant reimbursement

{2} Advance funding pending receipt of reimbursement



Inter-fund transfer activity for the fiscal year ended June 30, 2014 consisted of the following:

	General Fund	High School Improvement Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	Total All Funds
Solid Waste Program receipts reserved - FY 2014 operating budget	\$ 130,700	\$ -	\$ (130,700)	\$ -	\$ -	\$ -	\$ -
Parking Meter receipts reserved - FY 2014 operating budget	1,709,300	-	(1,709,300)	-	-	-	-
BAA Marathon receipts reserved - FY 2014 operating budget	67,500	-	(67,500)	-	-	-	-
Sale of Recycling Materials receipts reserved - FY 2014 operating budget	35,000	-	(35,000)	-	-	-	-
CATV licensing fees receipts reserved - FY 2014 operating budget	205,000	-	(205,000)	-	-	-	-
NCGF golf day receipts reserved - FY 2014 operating budget	25,000	-	(25,000)	-	-	-	-
Sewer fund indirect cost reimbursement - FY 2014 operating budget	960,852	-	-	-	(960,852)	-	-
Water fund indirect cost reimbursement - FY 2014 operating budget	1,023,142	-	-	(1,023,142)	-	-	-
Building Insurance Fund - FY 2014 operating budget	448,000	-	-	-	-	(448,000)	-
Water fund indirect cost reimbursement to Sewer fund - FY 2014 operating budget	-	-	-	(577,827)	577,827	-	-
Assistance to Firefighters federal grant local match	(33,000)	-	33,000	-	-	-	-
Common Backyard Park state grant local match	(50,000)	-	50,000	-	-	-	-
Manet Rd Communications building replacement design	(40,000)	-	40,000	-	-	-	-
Zervas School feasibility study funding - Capital Stabilization fund	(1,000,000)	-	1,000,000	-	-	-	-
CATV licensing fees receipts reserved - Fiber network	1,100,000	-	(1,100,000)	-	-	-	-
E-rate receipts reserved - school technology	119,259	-	(119,259)	-	-	-	-
Development mitigation receipts reserved - Hammond Pond stormwater improvements	69,617	-	(69,617)	-	-	-	-
Liability self-insurance Fund - property damage claim	75,000	-	-	-	-	(75,000)	-
Sale of Surplus Property receipts reserved - LED Street Lighting project	-	-	46,684	-	-	-	46,684
Sale of Surplus Property receipts reserved - LED Street Lighting project	-	-	(46,684)	-	-	-	(46,684)
Capital Stabilization Fund - LED Street Lighting project	(1,254,054)	-	1,254,054	-	-	-	-
Capital Stabilization fund - Fire Station #3 & HQ design	(275,000)	-	275,000	-	-	-	-
Capital Stabilization fund - Fire Station #4 window repairs	(50,000)	-	50,000	-	-	-	-
Capital Stabilization fund - Fire Station #10	(416,000)	-	416,000	-	-	-	-
NPS Athletic Revolving Fund subsidy	(880,532)	-	880,532	-	-	-	-
Municipal Federal grant fund - close out excess BAA Marathon reimbursement	4,318	-	(4,318)	-	-	-	-
School Building Improvement Fund project close outs to Capital Stabilization fund	535,269	-	(535,269)	-	-	-	-
High School Improvement Fund project close outs to Capital Stabilization fund	5,045	(5,045)	-	-	-	-	-
Park Improvement fund project close outs to Capital Stabilization fund	4,337	-	(4,337)	-	-	-	-
Public Building Improvement Fund project close outs to Capital Stabilization Fund	239,933	-	(239,933)	-	-	-	-
Transfers from other funds.....	\$ 6,757,272	\$ -	\$ 4,045,270	\$ -	\$ 577,827	\$ -	\$ 11,380,369
Transfers to other funds.....	\$ (3,998,586)	\$ (5,045)	\$ (4,291,917)	\$ (1,600,969)	\$ (960,852)	\$ (523,000)	\$ (11,380,369)

## Note 8 - Short-Term Debt

Short term debt may be authorized and issued to fund current operating costs prior to the collection of revenues through the issuance of revenue (RAN's) or tax anticipation notes (TAN's), or to finance capital project expenditures prior to the issuance of permanent long-term debt, through the issuance of bond (BAN's) or grant anticipation notes (GAN's).

The City has no short term debt outstanding at June 30, 2014, and did not issue or retire any short term debt during the fiscal year.

## Note 9 - Long-Term Obligations

The follow represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 189,297,824	\$ 20,936,000	\$ (10,367,425)	\$ 199,866,399	\$ 9,824,367
Landfill closure and other environmental....	668,113	-	(137,113)	531,000	45,000
Workers' compensation.....	10,431,753	(287,247)	(2,044,751)	8,099,755	1,581,350
Compensated absences.....	8,348,938	247,038	-	8,595,976	3,017,508
Net OPEB obligation.....	<u>173,296,572</u>	<u>41,173,973</u>	<u>(16,693,903)</u>	<u>197,776,642</u>	<u>-</u>
Total.....	<u>\$ 382,043,200</u>	<u>\$ 62,069,764</u>	<u>\$ (29,243,192)</u>	<u>\$ 414,869,772</u>	<u>\$ 14,468,225</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 33,314,604	\$ 1,360,200	\$ (4,682,975)	\$ 29,991,829	\$ 4,303,032
Compensated absences.....	285,009	41,683	-	326,692	32,670
Net OPEB obligation.....	<u>4,243,314</u>	<u>960,632</u>	<u>(389,485)</u>	<u>4,814,461</u>	<u>-</u>
Total.....	<u>\$ 37,842,927</u>	<u>\$ 2,362,515</u>	<u>\$ (5,072,460)</u>	<u>\$ 35,132,982</u>	<u>\$ 4,335,702</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year-end, \$8,099,755 of the internal service funds accrued liabilities (workers' compensation claims) is included above.

The outstanding long-term debt related to land acquisition (Kessler Woods, Angino Farm and Rogers Street) will be funded from the community preservation fund (major fund).

Except for the amounts related to the internal service funds and community preservation fund, the governmental activities long term liabilities are generally liquidated by the general fund.

## Note 10 - Long-Term Debt

The City's long term debt at June 30, 2014, along with future year debt service requirements, is as follows:

## Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
MWPAT landfill closure.....	02/15/1998	4.60	\$ 952,600	\$ -	\$ (147,200)	\$ 805,400
School renovations.....	08/15/2003	3.06	570,000	-	(570,000)	-
Land acquisition (CPA).....	12/15/2003	2.0-3.4	500,000	-	(500,000)	-
School renovations.....	02/15/2005	3.0-4.0	1,000,000	-	(500,000)	500,000
School renovations.....	02/15/2006	3.0-4.3	7,265,000	-	(600,000)	6,665,000
Road improvements.....	02/15/2006	3.0-4.3	150,000	-	(50,000)	100,000
Public works equipment.....	02/15/2006	3.0-4.3	430,000	-	(60,000)	370,000
Fire equipment.....	02/15/2006	3.0-4.3	440,000	-	(55,000)	385,000
School renovations.....	02/01/2007	4.0-5.0	5,810,000	-	(475,000)	5,335,000
Fire station improvements.....	02/01/2007	4.0-5.0	190,000	-	(25,000)	165,000
Public works equipment.....	02/01/2007	4.0-5.0	400,000	-	(50,000)	350,000
Land acquisition (CPA).....	11/01/2007	3.98	1,020,000	-	(255,000)	765,000
Fire station improvements.....	11/01/2007	3.98	350,000	-	(35,000)	315,000
School renovations.....	11/01/2007	3.98	150,000	-	(10,000)	140,000
School new construction.....	11/01/2007	3.98	14,195,000	-	(950,000)	13,245,000
School new construction.....	06/15/2008	4.37	21,260,000	-	(490,000)	20,770,000
School renovations.....	06/15/2008	3.80	1,650,000	-	(110,000)	1,540,000
Fire equipment.....	06/15/2008	3.80	300,000	-	(30,000)	270,000
Public works equipment.....	06/15/2008	3.80	400,000	-	(40,000)	360,000
School new construction.....	04/01/2009	2.0-5.0	69,390,000	-	(1,480,000)	67,910,000
School renovations.....	04/01/2009	2.0-5.0	1,610,000	-	(105,000)	1,505,000
School renovations.....	04/01/2009	2.0-5.0	165,000	-	(15,000)	150,000
School renovations.....	04/01/2009	2.0-5.0	615,000	-	(40,000)	575,000
South high school athletic fields.....	04/01/2009	2.0-5.0	2,355,000	-	(215,000)	2,140,000
Fire station renovations.....	04/01/2009	2.0-5.0	1,805,000	-	(170,000)	1,635,000
Fire station design.....	04/01/2009	2.0-5.0	65,000	-	(65,000)	-
City hall boiler replacement.....	04/01/2009	2.0-5.0	165,000	-	(15,000)	150,000
Bencliffie circle construction.....	04/01/2009	2.0-5.0	105,000	-	(20,000)	85,000
Fire equipment.....	04/01/2009	2.0-5.0	580,000	-	(55,000)	525,000
Parks equipment.....	04/01/2009	2.0-5.0	70,000	-	(10,000)	60,000
DPW equipment.....	04/01/2009	2.0-5.0	440,000	-	(40,000)	400,000
School new construction.....	05/01/2010	3.0-4.0	10,480,000	-	(390,000)	10,090,000
Fire station renovations.....	05/01/2010	2.0-4.0	3,835,000	-	(230,000)	3,605,000
Underground fuel tanks.....	05/01/2010	2.0-4.0	315,000	-	(45,000)	270,000
Modular classrooms.....	05/01/2010	2.0-4.0	1,115,000	-	(95,000)	1,020,000
School renovations.....	05/01/2010	2.0-4.0	1,080,000	-	(115,000)	965,000
Energy conservation .....	05/01/2010	2.0-4.0	2,935,000	-	(245,000)	2,690,000
Fire equipment.....	05/01/2010	2.0-4.0	350,000	-	(50,000)	300,000
Public works equipment.....	05/01/2010	2.0-4.0	1,330,000	-	(190,000)	1,140,000
School new construction.....	03/30/2011	2.0	10,266,666	-	(366,667)	9,899,999
School renovations.....	04/14/2011	3.0-4.5	2,030,000	-	(130,000)	1,900,000
City hall windows.....	04/14/2011	3.0-4.5	100,000	-	(15,000)	85,000
Public works equipment.....	04/14/2011	3.0-4.5	295,000	-	(75,000)	220,000
School renovations/upgrades.....	04/03/2012	2.0-3.0	4,075,000	-	(405,000)	3,670,000
Fire engine replacement.....	04/03/2012	2.0-3.0	540,000	-	(60,000)	480,000
Gath pool repairs.....	04/03/2012	2.0-3.0	90,000	-	(10,000)	80,000
Playground improvements.....	04/03/2012	2.0-3.0	140,000	-	(10,000)	130,000
Public works equipment.....	04/03/2012	2.0-3.0	350,000	-	(40,000)	310,000
School advance refunding.....	04/12/2013	2.0-4.0	4,761,000	-	(11,000)	4,750,000
School renovations.....	04/12/2013	2.0-4.0	8,230,558	-	(445,558)	7,785,000
Public works equipment.....	04/12/2013	2.0-4.0	172,000	-	(22,000)	150,000
Gath Pool improvements.....	04/12/2013	2.0-4.0	150,000	-	(15,000)	135,000
City Hall improvements.....	04/12/2013	2.0-4.0	600,000	-	(35,000)	565,000
Crafts St DPW garage improvements.....	04/12/2013	2.0-4.0	260,000	-	(35,000)	225,000
Energy conservation .....	04/12/2013	2.0-4.0	400,000	-	(80,000)	320,000
Fire equipment.....	04/12/2013	2.0-4.0	1,000,000	-	(70,000)	930,000
Elementary modular classrooms.....	03/06/2014	2.75-5.0	-	2,400,000	-	2,400,000
Mason Rice School sprinklers.....	03/06/2014	2.75-5.0	-	480,000	-	480,000
Carr School renovatons.....	03/06/2014	2.75-5.0	-	11,749,000	-	11,749,000
Angier demoliton & construction.....	03/06/2014	2.75-5.0	-	5,000,000	-	5,000,000
Community Ctr renovations.....	03/06/2014	2.75-5.0	-	275,000	-	275,000
DPW equipment.....	03/06/2014	2.75-5.0	-	282,000	-	282,000
Snow melting equipment.....	03/06/2014	2.75-5.0	-	250,000	-	250,000
Salt shed & garage.....	03/06/2014	2.75-5.0	-	500,000	-	500,000
Total.....			\$ 189,297,824	\$ 20,936,000	\$ (10,367,425)	\$ 199,866,399

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

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 9,824,367	\$ 8,009,058	\$ 17,833,425
2016	9,837,967	7,680,285	17,518,252
2017	9,807,667	7,352,857	17,160,524
2018	9,492,467	7,018,247	16,510,714
2019	9,302,267	6,638,047	15,940,314
2020	9,221,667	6,262,942	15,484,609
2021	8,961,667	5,881,760	14,843,427
2022	8,856,667	5,509,598	14,366,265
2023	8,816,667	5,161,027	13,977,694
2024	8,871,667	4,813,481	13,685,148
2025	8,501,667	4,461,586	12,963,253
2026	7,641,667	4,149,669	11,791,336
2027	7,221,667	3,861,075	11,082,742
2028	6,881,667	3,584,292	10,465,959
2029	6,056,667	3,333,583	9,390,250
2030	5,906,667	3,093,894	9,000,561
2031	5,866,667	2,852,660	8,719,327
2032	5,996,667	2,611,527	8,608,194
2033	6,236,667	2,347,414	8,584,081
2034	6,461,667	2,071,598	8,533,265
2035	6,711,667	1,782,996	8,494,663
2036	7,006,667	1,479,970	8,486,637
2037	7,311,667	1,162,474	8,474,141
2038	7,626,667	830,515	8,457,182
2039	6,086,667	483,575	6,570,242
2040	1,536,667	200,630	1,737,297
2041	1,181,657	145,533	1,327,190
2042	845,000	105,600	950,600
2043	880,000	71,800	951,800
2044	915,000	36,600	951,600
Total	\$ 199,866,399	\$ 102,994,293	\$ 302,860,692

## Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
MWRA Water .....	02/26/2004	0.00	\$ 258,602	\$ -	\$ (258,602)	\$ -
MWRA Water .....	11/18/2004	0.00	517,204	-	(258,602)	258,602
MWRA Water .....	05/18/2006	0.00	775,805	-	(258,602)	517,203
MWRA Water .....	05/31/2007	0.00	1,034,407	-	(258,602)	775,805
Water meter replacement.....	04/01/2009	2.0-5.0	3,600,000	-	(600,000)	3,000,000
MWRA Water .....	05/21/2009	0.00	2,160,000	-	(360,000)	1,800,000
MWRA Water .....	05/20/2010	0.00	1,557,080	-	(222,440)	1,334,640
MWRA Water .....	02/15/2011	0.00	1,546,925	-	(193,366)	1,353,559
Water meter replacement.....	04/14/2011	3.0-4.5	2,400,000	-	(300,000)	2,100,000
MWRA Water .....	05/14/2012	0.00	1,224,180	-	(136,020)	1,088,160
MWRA Water .....	08/20/2012	0.00	1,360,200	-	(136,020)	1,224,180
Water Mains.....	04/12/2013	2.0-4.0	2,700,000	-	(135,000)	2,565,000
Water/Sewer Garage.....	04/12/2013	2.0-4.0	73,500	-	(6,000)	67,500
MWRA Water.....	8/15/2013	0.00	-	1,360,200	-	1,360,200
Total.....			<u>\$ 19,207,903</u>	<u>\$ 1,360,200</u>	<u>\$ (3,123,254)</u>	<u>\$ 17,444,849</u>

The Massachusetts Water Resources Authority (MWRA) offers water system rehabilitation and sanitary sewer infiltration and inflow reduction financial assistance programs to member communities in order to assist with the on-going maintenance of water and sewer system infrastructure. During the fiscal year ended June 30, 2014, the City was the recipient of a \$1,360,200 ten-year interest free water system rehabilitation loan.

At June 30, 2014, the City had \$9,712,349 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2014 totaled \$288,201.

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

Ending	Principal	Interest	Total
2015	2,999,672	264,894	3,264,566
2016	2,741,069	235,193	2,976,262
2017	2,482,467	200,993	2,683,460
2018	2,223,866	166,794	2,390,660
2019	2,223,865	129,693	2,353,558
2020	1,263,865	91,094	1,354,959
2021	1,041,425	71,993	1,113,418
2022	548,060	52,894	600,954
2023	412,040	47,293	459,333
2024	276,020	41,694	317,714
2025	140,000	36,093	176,093
2026	140,000	32,944	172,944
2027	140,000	28,744	168,744
2028	137,500	24,544	162,044
2029	135,000	20,419	155,419
2030	135,000	16,369	151,369
2031	135,000	12,319	147,319
2032	135,000	8,269	143,269
2033	135,000	4,219	139,219
Total	\$ 17,444,849	\$ 1,486,455	\$ 18,931,304

#### Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
MWPAT Sewer.....	10/06/1999	5.16	\$ 2,700,000	\$ -	\$ (350,000)	\$ 2,350,000
MWPAT Sewer.....	11/10/2000	5.20	3,613,000	-	(406,000)	3,207,000
MWPAT Sewer.....	07/03/2002	0.00	70,000	-	(5,000)	65,000
MWRA Sewer.....	09/09/2008	0.00	112,024	-	(112,024)	-
MWRA Sewer.....	02/19/2009	0.00	158,895	-	(158,895)	-
MWRA Sewer.....	03/01/2010	0.00	94,600	-	(47,300)	47,300
Sewer system improvements.....	05/01/2010	2.0-4.0	425,000	-	(25,000)	400,000
MWRA Sewer.....	08/25/2010	0.00	460,240	-	(115,060)	345,180
Sewer system improvements.....	04/03/2012	2.0-3.0	2,160,000	-	(115,000)	2,045,000
Sewer I& I removal.....	04/12/2013	2.0-4.0	4,239,442	-	(219,442)	4,020,000
Water/Sewer Garage.....	04/12/2013	2.0-4.0	73,500	-	(6,000)	67,500
Total .....			\$ 14,106,701	\$ -	\$ (1,559,721)	\$ 12,546,980

The MWRA's sanitary sewer infiltration/inflow reduction financial assistance program provides financial assistance for eligible projects in the form of a combination of grants and five-year interest-free loans. At June 30, 2014, the City had \$392,480 in MWRA sewer infiltration/inflow reduction loans outstanding.

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2014 the City had \$5,622,000 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2014 were \$226,693 and \$229,837, respectively.

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

Ending	Principal	Interest	Total
2015	\$ 1,303,360	\$ 471,762	\$ 1,775,122
2016	1,281,060	418,587	1,699,647
2017	1,306,060	365,043	1,671,103
2018	1,226,000	307,642	1,533,642
2019	1,256,000	253,123	1,509,123
2020	1,276,000	198,544	1,474,544
2021	861,000	149,808	1,010,808
2022	365,000	124,051	489,051
2023	365,000	111,075	476,075
2024	355,000	98,926	453,926
2025	355,000	86,448	441,448
2026	355,000	77,737	432,737
2027	355,000	67,412	422,412
2028	347,500	57,087	404,587
2029	345,000	46,687	391,687
2030	345,000	36,362	381,362
2031	320,000	25,762	345,762
2032	320,000	16,162	336,162
2033	210,000	6,562	216,562
Total	\$ 12,546,980	\$ 2,918,780	\$ 15,465,760

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

### Subsequent Events

On August 18, 2014, the City received non-interest bearing notes from MWRA totaling \$1,262,800. The proceeds of the notes will be used for sewer system rehabilitation.

### Authorized and Unissued Debt

At June 30, 2014 the City had a total of \$53,258,151 in authorized (by the Board of Aldermen) and unissued debt, which is summarized as follows:

	<b>Authorized and Unissued Debt</b>			
	Beginning of Year	Increases	Decreases	End of Year
School improvements.....	\$ 14,629,118	\$ 38,215,000	\$ (19,629,118)	\$ 33,215,000
Public works equipment.....	532,000	1,262,800	(532,000)	1,262,800
Sewer system improvements .....	536,655	-	-	536,655
Sewer I&I removal-MWPAT.....	2,995,073	-	(2,995,073)	-
Water main rehabilitation - MWRA.....	10,881,600	-	(1,360,200)	9,521,400
Fire engine and station repairs.....	90,000	6,112,296	(90,000)	6,112,296
Lower Falls community center.....	275,000	-	(275,000)	-
Public works sheds and garage.....	-	500,000	(500,000)	-
Public building energy conservation.....	-	2,610,000	-	2,610,000
Total.....	\$ 29,939,446	\$ 48,700,096	\$ (25,381,391)	\$ 53,258,151

**Note 11 – Landfill Closure and Post-closure Care Costs**

State and federal laws and regulations mandated that the City close its old landfill site when it ceases accepting waste and to perform certain maintenance and monitoring activities at the site after closure. On June 28, 1996 the City signed a consent agreement with the Commonwealth of Massachusetts’ Department of Environmental Protection that established a schedule for closure of the Rumford Avenue landfill. This landfill ceased operations in 1976 and was capped during 1998, which was in compliance with the consent agreement. The City has recorded a liability of \$511,000 at June 30, 2014 for future year landfill site monitoring and maintenance. Estimated costs per year total \$35,000. The current estimate is based upon current costs and may require modification in future years due to price inflation, changes in technology or changes in state/federal law and regulations.

**Note 12 – Other Post Employment Benefits**

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

The number of participants as of June 30, 2014, the latest actuarial valuation, is as follows:

Active employees.....	2,375
Retired employees and beneficiaries.....	<u>2,528</u>
Total.....	<u><u>4,903</u></u>

*Funding Policy* - The contribution requirements of Plan members and the City are established and may be amended by the City. The required health insurance contribution rates of Plan members and the City are 25%/30% and 75%/70%, respectively. In addition, the City reimburses retirees and their spouses \$925 each per year for Medicare Part B premiums. The Plan members and City each contribute 50% towards a \$5,000 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

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



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

	Amount (in thousands)
Annual required contribution.....	\$ 47,757
Interest on net OPEB obligation.....	3,624
Adjustment to annual required contribution.....	<u>(9,247)</u>
Annual OPEB cost.....	42,134
Contributions made.....	<u>(17,083)</u>
Increase in net OPEB obligation.....	25,051
Net OPEB obligation at beginning of year.....	<u>177,540</u>
Net OPEB obligation at end of year.....	<u><u>\$ 202,591</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, 2012.....	46,419	35.3%	147,879
June 30, 2013.....	46,107	35.0%	177,540
June 30, 2014.....	42,134	40.5%	202,591

*Funded Status and Funding Progress* – The funded status of the Plan at June 30, 2014, 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)
06/30/14	\$ 1,120	\$ 555,377	\$ 554,257	0.2%	\$ 191,423	290%

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, 2014
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	24 years (closed)
Interest discount rate:	2.04%
Healthcare/Medical cost trend rate:	3.34% for 2015; 4.65% for 2016; 5.96% for 2017; 5.93% for 2018; 5.91% for 2019; 5.89% for 2020; 5.78% for 2025; 5.81% for 2030; 5.19% for 2040; 5.00% for 2050; 4.83% for 2060; 4.35% starting in 2070 to an ultimate level of 4.35% per year

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

**Governmental Activities:**

Legislative & Executive.....	\$ 474,316
Financial administration.....	527,358
Administrative support.....	494,558
Planning & development.....	232,508
Public building maintenance & operation.....	512,294
Police.....	4,016,015
Fire.....	4,306,821
Inspectional services.....	245,256
Education.....	25,705,421
Streets & sidewalks.....	1,163,942
Collection & disposal of solid waste.....	406,832
Equipment maintenance.....	359,608
Engineering.....	222,651
Administration & support.....	168,877
Public health.....	603,334
Senior services.....	47,027
Veteran services.....	38,398
Libraries.....	828,952
Parks & recreation.....	791,936
Newton history museum.....	<u>27,870</u>
Total AOPEBC - governmental activities.....	<u>41,173,973</u>
<b>Business-Type Activities:</b>	
Water.....	528,571
Sewer.....	<u>432,061</u>
Total AOPEBC - business-type activities.....	<u>960,632</u>
Total AOPEBC.....	<u><u>\$ 42,134,606</u></u>

**Note 13 – Risk Financing**

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

The City has medical plans with Tufts and Harvard-Pilgrim, under which it makes actual claims payments. The medical plan providers act as claims processors and a transfer of risk does not occur. City employees currently contribute between 20% and 30% of the cost of health care, and retirees contribute between 25% and 30% of their health care costs, and the remainder is funded by the City. The City purchased stop loss insurance for individual claims in excess of \$250,000 per year, which are incurred during the fiscal year and paid within eighteen months after June 30.

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

At June 30, 2014, the City's health claims liability totaled \$3,333,157 and is based on approximately one month claims paid average. Changes in the reported liability since July 1, 2012 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 2013.....	\$ 3,674,387	43,804,672	(43,482,755)	3,996,304
Fiscal year 2014.....	3,996,304	46,784,350	(47,447,497)	3,333,157

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 \$8,099,755 at June 30, 2014, of which \$1,581,350 has been recorded as a current liability based upon the City's expectation that this amount will be paid within the fiscal year ending June 30, 2014. The liability includes an estimate of the IBNR claims.

The June 30, 2014 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, 2012 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 2013.....	\$ 6,489,195	\$ 5,551,582	\$ (1,609,024)	\$ 10,431,753
Fiscal year 2014.....	10,431,753	(287,247)	(2,044,751)	8,099,755

## Note 14 – Fund Balances

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

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Permanent fund principal.....	\$ -	\$ -	\$ 397,250	\$ 397,250
<b>Restricted:</b>				
Debt service.....	2,835,755	-	-	2,835,755
General government.....	-	-	1,410,723	1,410,723
Public safety.....	-	-	112,445	112,445
Education.....	-	-	1,679,940	1,679,940
School construction.....	-	-	6,376,825	6,376,825
Freeman Foundation exchange program.....	-	-	205,403	205,403
Pre-school program.....	-	-	226,521	226,521
Summer school.....	-	-	249,474	249,474
Continuing education.....	-	-	262,005	262,005
Public works.....	-	-	2,171,068	2,171,068
Health and human services.....	-	-	310,457	310,457
Culture and recreation.....	-	-	1,690,123	1,690,123
Recreation activities/classes.....	-	-	783,782	783,782
Camp programs.....	-	-	703,310	703,310
Community preservation.....	-	8,313,717	-	8,313,717
CPA- community housing.....	-	1,457,935	-	1,457,935
CPA- historic resources.....	-	1,133,058	-	1,133,058
CPA- open space.....	-	349,235	-	349,235
CPA- community recreation.....	-	251,296	-	251,296
Capital.....	13,752	-	-	13,752
School lunch.....	-	-	77,682	77,682
Insurance proceeds.....	-	-	4,224	4,224
Receipts reserved.....	-	-	2,520,712	2,520,712
Sub-total - Restricted.....	2,849,507	11,505,241	18,784,694	33,139,442
<b>Committed:</b>				
Subsequent year's expenditures.....	1,595,130	-	-	1,595,130
Capital.....	714,835	-	-	714,835
Continuing appropriations.....	2,579,251	-	-	2,579,251
Receipts reserved.....	-	-	1,736,249	1,736,249
Sub-total - Committed.....	4,889,216	-	1,736,249	6,625,465
<b>Assigned:</b>				
Encumbrances.....	2,556,214	-	-	2,556,214
Capital.....	121,776	-	-	121,776
Sub-total - Assigned.....	2,677,990	-	-	2,677,990
<b>Unassigned.....</b>	26,259,064	-	-	26,259,064
<b>Total.....</b>	<b>\$ 36,675,777</b>	<b>\$ 11,505,241</b>	<b>\$ 20,918,193</b>	<b>\$ 69,099,211</b>

## **Note 15 – Stabilization Funds**

The City maintains capital and rainy day stabilization funds. Appropriations in and out of the stabilization funds require approval of the Mayor and Board of Aldermen. Investment income is retained by the funds.

The balance of the capital and rainy day stabilization funds at June 30, 2014 total \$850,363 and \$14,045,905, respectively, and are reported in the general fund as restricted (\$13,752), committed (\$714,835), assigned (\$121,776) and unassigned (\$14,045,905).

## **Note 16 - Donor Restricted Endowments**

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

Amounts available for expenditure related to Permanent Funds are reported as expendable perpetual funds in the Statement of Net position and restricted fund balance in the Governmental Funds Balance Sheet. Amounts available for expenditure related to Private Purpose Trust Funds are reported as held in trust for other purposes in the Fiduciary Funds Statement of Fiduciary Net Position.

## **Note 17 – Pension Plan**

### **A – Plan Description and Membership**

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

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

A retirement allowance consists of two parts, an annuity and a pension. A member's accumulated total retirement deductions, plus interest, constitutes the annuity. The difference between the total retirement benefit and the annuity is the pension.

At December 31, 2013, the System's membership consisted of the following:

Active members.....	1,666
Inactive - vested members.....	28
Inactive - non-vested members.....	514
Retirees and beneficiaries currently receiving benefits.....	<u>1,327</u>
Total.....	<u><u>3,535</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.

## E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,182,464; \$16,165,564; and \$16,077,924; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2014 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included a 7.75% rate of return on investments (net of administrative expenses); an inflationary rate of 2% and projected salary increases of 2.5% for 2013, 3.0% for 2014, and 3.5% annually thereafter. The actuarial value of the System's assets was determined using the five-year smoothing of investment returns greater/(less) than expected. The valuation must be within 20% of market value. The System's unfunded actuarial accrued liability was amortized as a level percentage of projected payroll.

**Funded Status and Funding Progress** - The funded status of the plan at January 1, 2014, 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, 2014	\$ 279,853	\$ 551,136	\$ 271,283	50.8%	\$ 86,808	312.5%

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, 2014
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 8.50% per year
Remaining amortization period:	15 years (closed)
Asset valuation method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on actuarial interest assumption less benefit payments plus 25% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value
Investment rate of return:	7.65%
Inflation rate:	2.0% for 2014 and 2.5% thereafter
Projected salary increases:	3.0% per year in 2014 and 3.5% thereafter
Cost of living adjustments:	3.0% on the first \$12,000 in benefits

***Legally Required Reserve Accounts*** – The balance in the System’s legally required reserves as of December 31, 2013 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 82,687,241	Active members' contribution balance
Annuity Reserve Fund....	29,822,742	Retired members' contribution account
Military Service Fund.....	56,998	Military leave of absence contribution balance
Pension Fund.....	<u>167,846,902</u>	Remaining net assets
Total.....	<u><u>\$ 280,413,883</u></u>	

#### **F - Non Contributory Retirement Allowances**

City employees with World War II military veteran status, at least 30 years of service to the City, and who began work prior to July 1, 1939, are entitled to a non-contributory pension benefit equal to 72% of their highest annual rate of regular compensation. Retirement benefits for these individuals are funded on a pay-as-you-go basis by the City, and there is no estimate of the actuarial liability for these benefits because the City deems the amount to be immaterial to the financial statements. Expenditures for non-contributory retirement benefits for the fiscal years ended June 30, 2014, 2013, and 2012 were \$275,682, \$283,143 and \$298,065, respectively. Non contributory retirees are eligible for an annual cost of living adjustment of not more than 3% on the first \$12,000 of their annual retirement benefit.

## **Note 18 – Massachusetts Teachers Retirement System**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$32,632,330 for the fiscal year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

## **Note 19 – Commitments and Contingencies**

Significant commitments include the continuing appropriations and encumbrances outstanding for the general fund and CPA fund, for which outstanding balances at June 30, 2014, totaled \$5,135,465 and \$2,448,087, respectively.

The City participates in a number of state and federal award programs. These 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, 2014 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2014.

## **Note 20 – Subsequent Events**

Subsequent to fiscal year end the City entered into an Infrastructure Development Assistance Agreement (IDAA) with the Commonwealth of Massachusetts and the developers of the Chestnut Hill Square commercial development along State Route 9, in the southeast section of the City. Under the terms of the agreement the Commonwealth issued debt to reimburse the developers for \$10 million in public infrastructure improvements that were necessary to accommodate the Chestnut Hill Square development. All funding for the 30 years of debt service associated with the infrastructure improvement reimbursement is expected to be derived from incremental state sales and income tax revenue generated from the commercial development project, however, in the event of a short-fall, the City is responsible for reimbursing the Commonwealth for the difference between the annual debt service on the project debt and the actual incremental state sales and income tax revenues generated from the project. According to Article 4(a) of the agreement, “Local Infrastructure Development Assistance shall constitute a general obligation of the City to which its full faith and credit shall be pledged.” In order to minimize the City’s financial exposure for such an event, the IDAA authorizes the City to levy and collect an Infrastructure Assessment against development real estate for any short fall and further requires that the developer fund a Municipal Liquidity Reserve equal to two years of annual debt service requirements (\$1,163,000), to be held by the City in a restricted cash account in the City’s Agency Fund. The developer and any successors or assigns are obligated to replenish the Municipal Liquidity Reserve if any draw occurs. Prior to finalization of the agreement, the Massachusetts Commissioner of Revenue certified that projected net new state sales and income taxes generated from the project will range from \$655.9 million in 2015 to \$1.4 billion in 2044. Maximum annual debt service over the 30 year term of the project debt is \$581,500.

## Note 21 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require expanded note disclosures and required supplementary information.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the City, in the transition year of Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates.



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## **Required Supplementary Information**

## PENSION PLAN SCHEDULES

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

### SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Dollar Amounts in Thousands						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
January 1, 2014	\$ 279,853	\$ 551,136	\$ 271,283	50.8%	\$ 86,808	312.5%
January 1, 2013	268,087	512,377	244,289	52.3%	82,970	294.4%
January 1, 2012	262,109	493,224	231,115	53.1%	80,337	287.7%
January 1, 2011	260,156	473,083	212,927	55.0%	81,378	261.7%
January 1, 2010	254,035	462,104	208,069	55.0%	83,844	248.2%
January 1, 2009	252,117	443,010	190,893	56.9%	82,014	232.8%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	\$ 12,843,635	100
2009	13,547,778	100
2010	15,029,827	100
2011	16,252,351	100
2012	16,343,094	100
2013	18,363,516	100

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

#### CITY SHARE OF SYSTEM ARC

<u>Fiscal Year Ended</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>City ARC as a Percentage of System ARC (%)</u>
2009	\$ 12,682,312	100	98.7%
2010	13,364,434	100	98.6%
2011	14,829,525	100	98.7%
2012	16,077,924	100	98.9%
2013	16,165,564	100	98.9%
2014	18,149,124	100	98.8%

#### OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

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

#### SCHEDULES OF FUNDING PROGRESS

Dollar Amounts in Thousands

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/14	\$ 1,120	\$ 555,377	\$ 554,257	0.2%	\$ 191,423	290%
06/30/13	538	602,309	601,771	0.1%	182,513	330%
06/30/12	-	601,300	601,300	-	176,525	341%
06/30/11	-	639,110	639,110	-	176,191	363%
06/30/10	-	531,675	531,675	-	175,729	303%
06/30/09	-	595,672	595,672	-	174,021	342%

# **Combining and Individual Fund Statements and Schedules**



# Nonmajor Governmental Funds

## *Special Revenue Funds*

### School Lunch Fund:

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

### Revolving Fund

The Revolving Fund is used to account for a variety of municipal functions that are expected to be self-supporting, such as departmental private duty details. All revolving funds, except for damage recoveries of less than \$20,000; private duty details and assignments; wetlands protection and development review activities; and police asset forfeitures are authorized annually by vote of the Board of Aldermen under Massachusetts General Law Chapter 44, Section 53E 1/2. Fund expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen.

### Receipts Reserved Fund

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

### Federal ARRA Fund

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

### Community Development Block Grant Fund

This fund is used to account for activities undertaken with federal Community Development Block Grant funds. The Mayor and Board of Aldermen approve each year's grant budget. This is a reimbursement grant.

### Municipal Federal Grant Fund

This fund is used to account for a variety of categorical municipal federal grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are generally limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

### Municipal State Grant Fund

This fund is used to account for a variety of categorical municipal state grants other than ARRA grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

### School State Grant Fund

This fund is used to account for all categorical public education state grants. The School Committee approves annual grant budgets and grant budgets are recorded upon receipt of approved grant agreements.

#### School Federal Grant Fund

This fund is used to account for all categorical public education federal grants other than ARRA grants. The School Committee approves annual grant budgets and grant budgets are recorded upon receipt of approved grant agreements.

#### Gift Fund

This fund is used to account for private gifts and donations that are unrelated to any other fund. Expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen and School Committee.

#### Stormwater Management Fund

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

### ***Capital Projects Funds***

#### Public Building Improvements Fund

This fund is used to account for the acquisition, construction, reconstruction, and/or major renovation of buildings (and related fields and facilities). Financing is generally derived from the issuance of bonds or notes. Board of Aldermen appropriations are for the term of the project. The Public Building Commissioner is responsible for all projects accounted for in this fund. A separate sub-fund is maintained within the fund for each major capital project.

#### Street Improvements Fund

This fund is used to account for the revenues and expenditures of the Commonwealth of Massachusetts Chapter 90 highway construction grant funds and state construction grant for certain road and intersection improvements. Grant budgets are recorded based upon annual grant awards from the Commonwealth, Board of Aldermen authorization of annual spending authority, and approval of specific construction projects by the Massachusetts Highway Department. Chapter 90 highway construction grants are paid to the City on a reimbursement basis. The City finances grant expenditures internally until reimbursements are received from the Commonwealth. Grant revenue is recognized when approved expenditures are incurred and submitted to the Commonwealth for reimbursement.

#### Municipal Equipment Replacement Fund

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

### ***Permanent Funds***

#### Municipal Fund

This fund is used to account for a variety of municipal purposes. A detailed report may be obtained from the Comptroller's Office.

#### Library Common Fund

This fund is used to account for the purchase of library supplies and materials and the enhancement of public library services in Newton. The Newton Library Board of Trustees maintains custody of fund assets.

CITY OF NEWTON, MASSACHUSETTS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2014

*Special Revenue Funds*

ASSETS	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant	Municipal Federal Grant
Cash and cash equivalents.....	\$ -	\$ -	\$ 1,736,249	\$ -	\$ -
Restricted cash and cash equivalents.....	805,769	5,643,357	2,500,440	482,217	650,833
Restricted investments.....	-	-	-	-	-
Interest and dividends.....	-	-	-	-	-
Receivables, net of allowance for uncollectible amounts:					
Tax liens.....	-	-	-	-	-
Charges for services.....	-	709,596	10,700	-	-
Special assessments.....	-	151,192	-	-	-
Departmental and other.....	6,499	-	9,572	-	-
Intergovernmental.....	44,949	-	-	-	975,508
Other assets.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 857,217</b>	<b>\$ 6,504,145</b>	<b>\$ 4,256,961</b>	<b>\$ 482,217</b>	<b>\$ 1,626,341</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 327,303	\$ 378,294	\$ -	\$ 57,585	\$ 528,635
Accrued liabilities.....	238,580	10,335	-	-	6,500
Accrued payroll.....	357	273,691	-	6,841	-
Other liabilities.....	206,796	1,369,798	-	292	-
Liabilities due depositors.....	-	2,030	-	-	-
Due to other funds.....	-	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>773,036</b>	<b>2,034,148</b>	<b>-</b>	<b>64,718</b>	<b>535,135</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	6,499	343,180	-	-	945,045
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	77,682	4,126,817	2,520,712	417,499	146,161
Committed.....	-	-	1,736,249	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>77,682</b>	<b>4,126,817</b>	<b>4,256,961</b>	<b>417,499</b>	<b>146,161</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 857,217</b>	<b>\$ 6,504,145</b>	<b>\$ 4,256,961</b>	<b>\$ 482,217</b>	<b>\$ 1,626,341</b>

*Special Revenue Funds*

Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	1,736,249
494,256	-	101,135	1,287,768	691,746	12,657,521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,842	2,842
-	-	-	-	114,468	834,764
-	-	-	-	-	151,192
-	-	-	-	-	16,071
82,465	1,307,909	212,360	-	-	2,623,191
-	-	-	-	-	-
<u>\$ 576,721</u>	<u>\$ 1,307,909</u>	<u>\$ 313,495</u>	<u>\$ 1,287,768</u>	<u>\$ 809,056</u>	<u>\$ 18,021,830</u>
\$ 66,502	\$ 86,637	\$ 43,897	\$ 12,338	\$ 42,801	\$ 1,543,992
-	1,087	1,482	19,651	-	277,635
31,462	109,631	218,350	911	3,861	645,104
-	-	-	-	-	1,576,886
-	-	-	-	-	2,030
-	528,100	-	-	-	528,100
<u>97,964</u>	<u>725,455</u>	<u>263,729</u>	<u>32,900</u>	<u>46,662</u>	<u>4,573,747</u>
-	-	-	-	9,936	1,304,660
-	-	-	-	-	-
478,757	582,454	49,766	1,254,868	752,458	10,407,174
-	-	-	-	-	1,736,249
<u>478,757</u>	<u>582,454</u>	<u>49,766</u>	<u>1,254,868</u>	<u>752,458</u>	<u>12,143,423</u>
<u>\$ 576,721</u>	<u>\$ 1,307,909</u>	<u>\$ 313,495</u>	<u>\$ 1,287,768</u>	<u>\$ 809,056</u>	<u>\$ 18,021,830</u>

(Continued)

CITY OF NEWTON, MASSACHUSETTS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2014

*Capital Projects Funds*

ASSETS	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
Cash and cash equivalents.....	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents.....	8,240,053	1,300,736	101,186	9,641,975
Restricted investments.....	-	-	-	-
Interest and dividends.....	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Tax liens.....	-	-	-	-
Charges for services.....	-	-	-	-
Special assessments.....	-	-	-	-
Departmental and other.....	-	-	-	-
Intergovernmental.....	76,873	1,078,164	-	1,155,037
Other assets.....	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 8,316,926</b>	<b>\$ 2,378,900</b>	<b>\$ 101,186</b>	<b>\$ 10,797,012</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 1,426,375	\$ 862,176	\$ -	\$ 2,288,551
Accrued liabilities.....	697,506	174,574	-	872,080
Accrued payroll.....	-	-	-	-
Other liabilities.....	-	-	-	-
Liabilities due depositors.....	-	-	-	-
Due to other funds.....	-	243,907	-	243,907
<b>TOTAL LIABILITIES.....</b>	<b>2,123,881</b>	<b>1,280,657</b>	<b>-</b>	<b>3,404,538</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	-	-	-	-
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	-	-
Restricted.....	6,193,045	1,098,243	101,186	7,392,474
Committed.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>6,193,045</b>	<b>1,098,243</b>	<b>101,186</b>	<b>7,392,474</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 8,316,926</b>	<b>\$ 2,378,900</b>	<b>\$ 101,186</b>	<b>\$ 10,797,012</b>

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***Permanent Funds***

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,736,249
424,192	304,284	728,476	23,027,972
-	622,955	622,955	622,955
-	1,003	1,003	1,003
-	-	-	2,842
-	-	-	834,764
-	-	-	151,192
-	-	-	16,071
-	-	-	3,778,228
30,000	-	30,000	30,000
<u>\$ 454,192</u>	<u>\$ 928,242</u>	<u>\$ 1,382,434</u>	<u>\$ 30,201,276</u>
\$ -	\$ -	\$ -	\$ 3,832,543
-	-	-	1,149,715
138	-	138	645,242
-	-	-	1,576,886
-	-	-	2,030
-	-	-	772,007
138	-	138	7,978,423
-	-	-	1,304,660
397,250	-	397,250	397,250
56,804	928,242	985,046	18,784,694
-	-	-	1,736,249
454,054	928,242	1,382,296	20,918,193
<u>\$ 454,192</u>	<u>\$ 928,242</u>	<u>\$ 1,382,434</u>	<u>\$ 30,201,276</u>

(Concluded)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

*Special Revenue Funds*

	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant	Municipal Federal Grant
<b>REVENUES</b>					
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits.....	-	-	638,748	-	-
Intergovernmental .....	670,343	15,770	-	2,241,319	2,712,643
Charges for services.....	2,358,583	12,540,958	1,694,678	-	-
Fines and forfeitures.....	-	40,186	9,100	-	-
Investment income (loss).....	1,336	(2,349)	315	-	88
Contributions and donations.....	-	178,438	139,000	-	-
Miscellaneous.....	-	79,814	158,275	-	-
Special assessments.....	-	138,035	-	-	-
<b>TOTAL REVENUES.....</b>	<b>3,030,262</b>	<b>12,990,852</b>	<b>2,640,116</b>	<b>2,241,319</b>	<b>2,712,731</b>
<b>EXPENDITURES</b>					
Current:					
General government:					
Legislative & executive.....	-	5,074	-	-	-
Financial administration.....	-	-	-	-	-
Planning & development.....	-	77,661	-	1,953,538	2,392,281
Public building maintenance & operations.....	-	967	-	-	-
Public safety:					
Police.....	-	3,330,239	-	-	29,277
Fire.....	-	486,525	-	-	170,032
Inspectional services.....	-	15,730	-	-	-
Education.....	2,967,191	6,862,843	-	-	-
Public works:					
Streets & sidewalks.....	-	538,728	-	-	-
Vehicle maintenance.....	-	4,542	-	-	-
Engineering.....	-	72,382	-	-	-
Health and human services:					
Health & human services.....	-	894	-	-	119,209
Senior services.....	-	79,269	-	-	-
Culture and recreation:					
Libraries.....	-	92,377	-	-	-
Parks & recreation.....	-	2,415,432	-	-	-
Newton History museum.....	-	1,246	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,967,191</b>	<b>13,983,909</b>	<b>-</b>	<b>1,953,538</b>	<b>2,710,799</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>63,071</b>	<b>(993,057)</b>	<b>2,640,116</b>	<b>287,781</b>	<b>1,932</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	1	880,533	-	-	33,000
Issuance of general obligation bonds.....	-	-	-	-	-
Sale of assets.....	-	13,246	-	-	-
Transfers out.....	-	-	(3,508,060)	-	(4,318)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1</b>	<b>893,779</b>	<b>(3,508,060)</b>	<b>-</b>	<b>28,682</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>63,072</b>	<b>(99,278)</b>	<b>(867,944)</b>	<b>287,781</b>	<b>30,614</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>14,610</b>	<b>4,226,095</b>	<b>5,124,905</b>	<b>129,718</b>	<b>115,547</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 77,682</b>	<b>\$ 4,126,817</b>	<b>\$ 4,256,961</b>	<b>\$ 417,499</b>	<b>\$ 146,161</b>



***Special Revenue Funds***

Municipal State Grant	School State Grant	School Federal Grant	Gift	Stormwater Management	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ 24,272	\$ 24,272
-	-	-	-	-	638,748
1,046,497	7,848,913	5,191,867	-	-	19,727,352
-	-	-	-	752,545	17,346,764
-	-	-	-	-	49,286
14	-	-	1,068	-	472
-	-	-	489,405	-	806,843
-	-	-	-	-	238,089
-	-	-	-	-	138,035
<u>1,046,511</u>	<u>7,848,913</u>	<u>5,191,867</u>	<u>490,473</u>	<u>776,817</u>	<u>38,969,861</u>
-	-	-	-	-	5,074
-	-	-	250	-	250
18,426	-	-	965	-	4,442,871
29,254	-	-	-	-	30,221
459,604	-	-	340	-	3,819,460
42,426	-	-	-	-	698,983
-	-	-	-	-	15,730
-	8,156,826	5,206,662	310,037	-	23,503,559
-	-	-	-	687,944	1,226,672
-	-	-	-	-	4,542
-	-	-	-	-	72,382
187,751	-	-	18,744	-	326,598
193,088	-	-	33,210	-	305,567
33,781	-	-	-	-	126,158
9,977	-	-	90,325	-	2,515,734
-	-	-	-	-	1,246
<u>974,307</u>	<u>8,156,826</u>	<u>5,206,662</u>	<u>453,871</u>	<u>687,944</u>	<u>37,095,047</u>
<u>72,204</u>	<u>(307,913)</u>	<u>(14,795)</u>	<u>36,602</u>	<u>88,873</u>	<u>1,874,814</u>
50,000	-	-	-	-	963,534
-	-	-	-	-	-
-	-	-	-	-	13,246
-	-	-	-	-	(3,512,378)
<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,535,598)</u>
122,204	(307,913)	(14,795)	36,602	88,873	(660,784)
<u>356,553</u>	<u>890,367</u>	<u>64,561</u>	<u>1,218,266</u>	<u>663,585</u>	<u>12,804,207</u>
<u>\$ 478,757</u>	<u>\$ 582,454</u>	<u>\$ 49,766</u>	<u>\$ 1,254,868</u>	<u>\$ 752,458</u>	<u>\$ 12,143,423</u>

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<i>Capital Projects Funds</i>			
	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Sub-total
<b>REVENUES</b>				
Penalties and interest on taxes.....	\$ -	\$ -	\$ -	\$ -
Licenses and permits.....	-	-	-	-
Intergovernmental .....	659,435	4,967,290	-	5,626,725
Charges for services.....	-	-	-	-
Fines and forfeitures.....	-	-	-	-
Investment income.....	-	-	-	-
Contributions and donations.....	-	-	-	-
Miscellaneous.....	-	-	-	-
Special assessments.....	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>659,435</b>	<b>4,967,290</b>	<b>-</b>	<b>5,626,725</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative & executive.....	-	-	-	-
Financial administration.....	-	-	-	-
Planning & development.....	-	-	-	-
Public building maintenance & operations.....	1,783,246	-	-	1,783,246
Public safety:				
Police.....	-	-	-	-
Fire.....	-	-	118,037	118,037
Inspectional services.....	-	-	-	-
Education.....	18,961,759	-	-	18,961,759
Public works:				
Streets & sidewalks.....	-	5,302,391	557,601	5,859,992
Vehicle maintenance.....	-	-	-	-
Engineering.....	-	-	-	-
Health and human services:				
Health & human services.....	-	-	-	-
Senior services.....	-	-	-	-
Culture and recreation:				
Libraries.....	-	-	-	-
Parks & recreation.....	301,733	-	-	301,733
Newton History museum.....	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>21,046,738</b>	<b>5,302,391</b>	<b>675,638</b>	<b>27,024,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES.....</b>	<b>(20,387,303)</b>	<b>(335,101)</b>	<b>(675,638)</b>	<b>(21,398,042)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	1,781,000	1,300,736	-	3,081,736
Issuance of general obligation bonds.....	20,404,000	-	532,000	20,936,000
Sale of assets.....	-	-	-	-
Transfers out.....	(779,539)	-	-	(779,539)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>21,405,461</b>	<b>1,300,736</b>	<b>532,000</b>	<b>23,238,197</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,018,158</b>	<b>965,635</b>	<b>(143,638)</b>	<b>1,840,155</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>5,174,887</b>	<b>132,608</b>	<b>244,824</b>	<b>5,552,319</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 6,193,045</b>	<b>\$ 1,098,243</b>	<b>\$ 101,186</b>	<b>\$ 7,392,474</b>

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***Permanent Funds***

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 24,272
-	-	-	638,748
-	-	-	25,354,077
8,670	-	8,670	17,355,434
-	-	-	49,286
254	92,043	92,297	92,769
-	305,980	305,980	1,112,823
-	-	-	238,089
-	-	-	138,035
<u>8,924</u>	<u>398,023</u>	<u>406,947</u>	<u>45,003,533</u>
-	-	-	5,074
-	-	-	250
105	-	105	4,442,976
60,236	-	60,236	1,873,703
-	-	-	3,819,460
-	-	-	817,020
-	-	-	15,730
-	-	-	42,465,318
-	-	-	7,086,664
-	-	-	4,542
-	-	-	72,382
-	-	-	326,598
-	-	-	305,567
-	207,577	207,577	333,735
-	-	-	2,817,467
-	-	-	1,246
<u>60,341</u>	<u>207,577</u>	<u>267,918</u>	<u>64,387,732</u>
<u>(51,417)</u>	<u>190,446</u>	<u>139,029</u>	<u>(19,384,199)</u>
-	-	-	4,045,270
-	-	-	20,936,000
-	-	-	13,246
-	-	-	(4,291,917)
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,702,599</u>
(51,417)	190,446	139,029	1,318,400
<u>505,471</u>	<u>737,796</u>	<u>1,243,267</u>	<u>19,599,793</u>
\$ <u>454,054</u>	\$ <u>928,242</u>	\$ <u>1,382,296</u>	\$ <u>20,918,193</u>

(Concluded)

## Internal Service Funds

### Health Insurance Fund

This fund is used to account for group health benefits for active and retired employees of the City. The City funds 70%/75% of group health benefits, and employees contribute 25%/30% of the cost through payroll deductions. The City maintains separate sub-funds for plans administered by Tufts Associated Health Plan and Harvard-Pilgrim Health.

### Workers' Compensation Insurance Fund

This fund is used to account for workers' compensation benefits, replacement wages and medical benefits for qualified employees. The fund is also used to account for the cost of providing medical benefits to public safety employees who are injured in the line of duty. Replacement wages for public safety employees are accounted for in the General Fund operating budgets of the police and fire departments.

### Building Insurance Fund

This fund is used to generate annual income, which is used to finance the City's annual property insurance premiums. Funds are transferred to the General Fund, based upon an annual authorization vote of the Board of Aldermen.

### Liability Insurance Fund

This fund is used to accumulate resources to pay liability claims in excess of \$50,000. Liability claims of \$15,000 or more are financed from a judgment and settlement appropriation in the City's Solicitor's General Fund annual appropriation. Claims greater than \$5,000, but less than \$50,000 are financed with a transfer from the Reserve Fund annual appropriation in the General Fund.

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

JUNE 30, 2014

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
<b>ASSETS</b>					
Current assets:					
Restricted cash and cash equivalents.....	\$ 20,678,504	\$ 363,942	\$ 36,026	\$ 148,418	\$ 21,226,890
Restricted investments.....	-	9,989,826	-	-	9,989,826
Interest and dividends.....	-	20,096	-	-	20,096
Receivables, net of allowance for uncollectible amounts:					
Departmental and other.....	109,527	-	-	-	109,527
Working capital deposit.....	393,913	-	-	-	393,913
Total assets.....	21,181,944	10,373,864	36,026	148,418	31,740,252
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable.....	332,371	53,746	-	-	386,117
Accrued liabilities.....	947,857	87,372	-	-	1,035,229
Accrued payroll.....	-	30,124	-	-	30,124
Other liabilities.....	1,812,745	-	-	-	1,812,745
Accrued health claims payable.....	3,333,157	-	-	-	3,333,157
Workers' compensation claims.....	-	1,581,350	-	-	1,581,350
Total current liabilities.....	6,426,130	1,752,592	-	-	8,178,722
Noncurrent liabilities:					
Workers' compensation claims.....	-	6,518,405	-	-	6,518,405
Total liabilities.....	6,426,130	8,270,997	-	-	14,697,127
<b>FUND NET POSITION</b>					
Unrestricted.....	\$ 14,755,814	\$ 2,102,867	\$ 36,026	\$ 148,418	\$ 17,043,125

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
<b>OPERATING REVENUES</b>					
Employer contributions.....	\$ 40,284,835	\$ 1,868,845	\$ -	\$ -	\$ 42,153,680
Plan member contributions.....	10,580,661	-	-	-	10,580,661
<b>TOTAL OPERATING REVENUES.....</b>	<b>50,865,496</b>	<b>1,868,845</b>	<b>-</b>	<b>-</b>	<b>52,734,341</b>
<b>OPERATING EXPENSES</b>					
Change in incurred but not reported liability.....	-	(2,271,908)	-	-	(2,271,908)
Self insurance claims.....	46,636,717	2,044,752	-	-	48,681,469
Insurance premiums.....	533,958	-	-	-	533,958
Administrative expenses.....	3,038,023	75,498	-	-	3,113,521
<b>TOTAL OPERATING EXPENSES.....</b>	<b>50,208,698</b>	<b>(151,658)</b>	<b>-</b>	<b>-</b>	<b>50,057,040</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>656,798</b>	<b>2,020,503</b>	<b>-</b>	<b>-</b>	<b>2,677,301</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income.....	32,905	1,455,272	-	345	1,488,522
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>689,703</b>	<b>3,475,775</b>	<b>-</b>	<b>345</b>	<b>4,165,823</b>
<b>TRANSFERS</b>					
Transfers out.....	-	-	(448,000)	(75,000)	(523,000)
<b>CHANGE IN FUND NET POSITION.....</b>	<b>689,703</b>	<b>3,475,775</b>	<b>(448,000)</b>	<b>(74,655)</b>	<b>3,642,823</b>
<b>FUND NET POSITION AT BEGINNING OF YEAR.....</b>	<b>14,066,111</b>	<b>(1,372,908)</b>	<b>484,026</b>	<b>223,073</b>	<b>13,400,302</b>
<b>FUND NET POSITION AT END OF YEAR.....</b>	<b>\$ 14,755,814</b>	<b>\$ 2,102,867</b>	<b>\$ 36,026</b>	<b>148,418</b>	<b>\$ 17,043,125</b>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users.....	\$ 10,580,661	\$ -	\$ -	\$ -	\$ 10,580,661
Receipts from interfund services provided.....	40,210,498	1,878,875	-	-	42,089,373
Payments to vendors/providers.....	(50,353,488)	(2,066,907)	-	-	(52,420,395)
NET CASH FROM OPERATING ACTIVITIES.....	437,671	(188,032)	-	-	249,639
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out.....	-	-	(448,000)	(75,000)	(523,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase and sales of investments, net.....	-	(1,200,542)	-	-	(1,200,542)
Investment income.....	32,905	1,455,272	-	345	1,488,522
NET CASH FROM INVESTING ACTIVITIES.....	32,905	254,730	-	345	287,980
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	470,576	66,698	(448,000)	(74,655)	14,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (restricted).....	20,207,928	297,244	484,026	223,073	21,212,271
CASH AND CASH EQUIVALENTS AT END OF YEAR (restricted).....	<u>\$ 20,678,504</u>	<u>\$ 363,942</u>	<u>\$ 36,026</u>	<u>\$ 148,418</u>	<u>\$ 21,226,890</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>					
Operating income (loss).....	\$ 656,798	\$ 2,020,503	\$ -	\$ -	\$ 2,677,301
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Interest and dividends.....	-	10,030	-	-	10,030
Departmental and other.....	(74,337)	-	-	-	(74,337)
Working capital deposit.....	54,160	-	-	-	54,160
Warrants payable.....	147,632	7,849	-	-	155,481
Accrued payroll.....	-	18,426	-	-	18,426
Other liabilities.....	606,271	-	-	-	606,271
Accrued liabilities.....	(289,706)	87,158	-	-	(202,548)
Accrued health claims payable.....	(663,147)	-	-	-	(663,147)
Workers' compensation.....	-	(2,331,998)	-	-	(2,331,998)
Total adjustments.....	(219,127)	(2,208,535)	-	-	(2,427,662)
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 437,671</u>	<u>\$ (188,032)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,639</u>



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## Private Purpose Trust Funds

### Chaffin Education Fund

This fund is used to account for higher education loans and grants issued to Newton high school graduates who are unable to afford the cost of college education. Revenues consist primarily of investment income on fund cash and investments.

### Scovell Education Fund

This fund is used to account for prizes and awards to students for distinguished scholarships awarded at Newton high schools. The prizes are subject to approval of the School Committee. Revenues consist primarily of investment income on fund cash and investments.

### Gorin Education Fund

This fund is used to account for loans to Newton high school graduates for attending institutions of higher education. Revenues consist primarily of investment income on fund cash and investments.

### Cousens Welfare Fund

This fund is used to account for loans and or grants to Newton residents who qualify as poor. At least 90% of the annual income of the fund is to be distributed to the deserving poor and not more than 20% of this sum may be loaned to individuals who are temporarily in financial need. Revenues consist primarily of investment income on fund cash and investments.

### School Scholarship Fund

This fund is used to account for a variety of public school scholarship funds. Detailed fund information is available from the City Comptroller's Office.

### Kendrick Welfare Fund

This fund is used to account for distributions to needy industrious poor of Newton, especially widows and orphans.

### Read Charity Fund

This fund is used to account for the perpetual maintenance of the donor's grave site, an annual sleigh ride or picnic for the children of the Newton Corner section of Newton, free lectures on scientific subjects in Newton Corner, library book purchases, and assistance to poor widows of the City. Revenues consist primarily of investment income on fund cash and investments.

### Spear Infirmary Fund

The terms of the gift of this fund calls for the income to be used to "...provide cheer for the inmates of the City farm." The fund has been inactive for a number of years.

### Mabel Riley Senior Fund

The terms of the gift of this fund calls for the income to be used for "...special treats for residents of nursing homes and homes for the elderly on holidays and for comforts for the sick throughout the year."

### Elderly Tax Relief Fund

The City has accepted Massachusetts General Law Chapter 60, Section 3D, which authorizes the implementation of a voluntary tax check-off program for purposes of defraying real estate taxes for elderly and disabled Newton taxpayers with low incomes. This fund is used to account for the receipt of voluntary donations and awards voted by the Taxation Aid Committee.

### Arnold Daniels Fund

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

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

JUNE 30, 2014

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 298,084	\$ 21,930	\$ 6,500	\$ 1,173,865
Investments:				
Fixed Income.....	1,377,801	555,745	-	26,154
Equities.....	3,891,572	709,093	-	1,057,664
Interest and dividends.....	4,818	3,445	-	471
Receivables, net of allowance for uncollectibles:				
Loans.....	-	-	19,663	-
Total assets.....	<u>5,572,275</u>	<u>1,290,213</u>	<u>26,163</u>	<u>2,258,154</u>
<b>LIABILITIES</b>				
Warrants payable.....	1,000	-	-	-
Due to the general fund.....	<u>82</u>	<u>26,967</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>1,082</u>	<u>26,967</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Assets held in trust for other purposes.....	<u>\$ 5,571,193</u>	<u>\$ 1,263,246</u>	<u>\$ 26,163</u>	<u>\$ 2,258,154</u>

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<u>School Scholarship</u>	<u>Kendrick Welfare</u>	<u>Read Charity</u>	<u>Spear Infirmary</u>	<u>Mabel Riley Senior</u>	<u>Elderly Tax Relief</u>	<u>Arnold Daniels Fund</u>	<u>Total</u>
\$ 617,995	\$ 3,122	\$ 43,327	\$ 4,679	\$ 38,164	\$ 458	\$ 28,309	\$ 2,236,433
293,708	-	-	-	-	-	-	2,253,408
366,813	-	-	-	-	-	-	6,025,142
1,716	-	-	-	-	-	-	10,450
-	-	-	-	-	-	-	19,663
<u>1,280,232</u>	<u>3,122</u>	<u>43,327</u>	<u>4,679</u>	<u>38,164</u>	<u>458</u>	<u>28,309</u>	<u>10,545,096</u>
-	-	-	-	-	-	750	1,750
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,049</u>
-	-	-	-	-	-	750	28,799
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,280,232</u>	<u>\$ 3,122</u>	<u>\$ 43,327</u>	<u>\$ 4,679</u>	<u>\$ 38,164</u>	<u>\$ 458</u>	<u>\$ 27,559</u>	<u>\$ 10,516,297</u>

**CITY OF NEWTON, MASSACHUSETTS**  
**PRIVATE PURPOSE TRUST FUNDS**  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
<b>ADDITIONS</b>				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 11,815
Net investment income:				
Dividends and interest.....	717,051	152,712	-	229,649
TOTAL ADDITIONS.....	717,051	152,712	-	241,464
<b>DEDUCTIONS</b>				
Administration expense.....	1,097	-	-	27,826
Educational scholarships & awards.....	164,000	25,500	-	33,631
TOTAL DEDUCTIONS.....	165,097	25,500	-	61,457
CHANGE IN NET POSITION.....	551,954	127,212	-	180,007
NET POSITION AT BEGINNING OF YEAR.....	5,019,239	1,136,034	26,163	2,078,147
NET POSITION AT END OF YEAR.....	\$ 5,571,193	\$ 1,263,246	\$ 26,163	\$ 2,258,154

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<u>School Scholarship</u>	<u>Kendrick Welfare</u>	<u>Read Charity</u>	<u>Spear Infirmary</u>	<u>Mabel Riley Senior</u>	<u>Elderly Tax Relief</u>	<u>Arnold Daniels Fund</u>	<u>Total</u>
\$ <u>70,832</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,770</u>	\$ <u>-</u>	\$ <u>84,417</u>
<u>81,197</u>	<u>5</u>	<u>75</u>	<u>8</u>	<u>67</u>	<u>3</u>	<u>67</u>	<u>1,180,834</u>
<u>152,029</u>	<u>5</u>	<u>75</u>	<u>8</u>	<u>67</u>	<u>1,773</u>	<u>67</u>	<u>1,265,251</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,923</u>
<u>114,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,900</u>	<u>20,783</u>	<u>361,136</u>
<u>114,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,900</u>	<u>20,783</u>	<u>390,059</u>
<u>37,707</u>	<u>5</u>	<u>75</u>	<u>8</u>	<u>67</u>	<u>(1,127)</u>	<u>(20,716)</u>	<u>875,192</u>
<u>1,242,525</u>	<u>3,117</u>	<u>43,252</u>	<u>4,671</u>	<u>38,097</u>	<u>1,585</u>	<u>48,275</u>	<u>9,641,105</u>
\$ <u><u>1,280,232</u></u>	\$ <u><u>3,122</u></u>	\$ <u><u>43,327</u></u>	\$ <u><u>4,679</u></u>	\$ <u><u>38,164</u></u>	\$ <u><u>458</u></u>	\$ <u><u>27,559</u></u>	\$ <u><u>10,516,297</u></u>

## Agency Fund

This fund is used to account for monies held on behalf of parties other than the City, such as state and federal agencies; independent not-for-profit organizations for which the City collects private donations; the Metro Fire District; and public school student activities.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,064,936	137,274,837	(137,366,743)	\$ 1,973,030
<b>LIABILITIES</b>				
Payroll withholdings.....	\$ 971,009	\$ 134,907,434	\$ (135,454,968)	\$ 423,475
Other liabilities.....	1,093,927	2,367,403	(1,911,775)	1,549,555
Total liabilities.....	\$ 2,064,936	\$ 137,274,837	\$ (137,366,743)	\$ 1,973,030



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## General Fund

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
<b>City Clerk/Clerk of the Board</b>			
Personal Services	\$ -	\$ 1,192,420	\$ -
Expenses	13,575	150,439	-
Capital Outlay	-	13,498	-
Fringe Benefits	-	286,577	(29,387)
Total City Clerk/Clerk of the Board	<u>13,575</u>	<u>1,642,934</u>	<u>(29,387)</u>
<b>Executive</b>			
Personal Services	-	818,541	(55,000)
Expenses	40,410	44,905	4,000
Fringe Benefits	-	93,126	9,731
Total Mayor's Office	<u>40,410</u>	<u>956,572</u>	<u>(41,269)</u>
<b>Comptroller's Office/Property Insurance/Audit</b>			
Personal Services	-	422,739	(11,000)
Expenses	30,051	542,570	11,000
Fringe Benefits	-	75,071	265
Total Comptroller's Office/Property Insurance	<u>30,051</u>	<u>1,040,380</u>	<u>265</u>
<b>Purchasing/General Services</b>			
Personal Services	-	313,246	6,000
Expenses	-	48,800	-
Fringe Benefits	-	43,884	16,869
Total Purchasing/General Services	<u>-</u>	<u>405,930</u>	<u>22,869</u>
<b>Assessing Department</b>			
Personal Services	-	1,037,512	-
Expenses	-	44,634	-
Fringe Benefits	-	124,887	-
Total Assessing Department	<u>-</u>	<u>1,207,033</u>	<u>-</u>
<b>Treasury &amp; Collection Department</b>			
Personal Services	-	662,832	-
Expenses	3,936	408,693	104,416
Fringe Benefits	-	108,640	-
Total Treasury & Collection Department	<u>3,936</u>	<u>1,180,165</u>	<u>104,416</u>
<b>City Solicitor/Judgments &amp; Settlements</b>			
Personal Services	-	953,782	-
Expenses	1,403	201,160	75,000
Fringe Benefits	-	114,025	-
Total City Solicitor's Office/Settlements	<u>1,403</u>	<u>1,268,967</u>	<u>75,000</u>

FY 2014 Budget As Amended	Total Revised FY 2014 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 1,192,420	\$ 1,192,420	\$ 1,096,731	\$ -	\$ 95,689
150,439	164,014	140,702	15,443	7,869
13,498	13,498	13,079	-	419
257,190	257,190	243,830	-	13,360
<u>1,613,547</u>	<u>1,627,122</u>	<u>1,494,342</u>	<u>15,443</u>	<u>117,337</u>
763,541	763,541	747,914	-	15,627
48,905	89,315	88,514	-	801
102,857	102,857	97,715	-	5,142
<u>915,303</u>	<u>955,713</u>	<u>934,143</u>	<u>-</u>	<u>21,570</u>
411,739	411,739	408,724	-	3,015
553,570	583,621	542,087	41,533	1
75,336	75,336	74,901	-	435
<u>1,040,645</u>	<u>1,070,696</u>	<u>1,025,712</u>	<u>41,533</u>	<u>3,451</u>
319,246	319,246	318,140	-	1,106
48,800	48,800	25,290	568	22,942
60,753	60,753	60,395	-	358
<u>428,799</u>	<u>428,799</u>	<u>403,825</u>	<u>568</u>	<u>24,406</u>
1,037,512	1,037,512	1,035,719	-	1,793
44,634	44,634	44,634	-	-
124,887	124,887	122,487	-	2,400
<u>1,207,033</u>	<u>1,207,033</u>	<u>1,202,840</u>	<u>-</u>	<u>4,193</u>
662,832	662,832	637,980	-	24,852
513,109	517,045	475,782	4,450	36,813
108,640	108,640	93,296	-	15,344
<u>1,284,581</u>	<u>1,288,517</u>	<u>1,207,058</u>	<u>4,450</u>	<u>77,009</u>
953,782	953,782	953,463	-	319
276,160	277,563	270,062	7,500	1
114,025	114,025	113,833	-	192
<u>1,343,967</u>	<u>1,345,370</u>	<u>1,337,358</u>	<u>7,500</u>	<u>512</u>

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
<b>Human Resources Department</b>			
Personal Services	-	537,636	(100,000)
Expenses	-	181,972	-
Capital Outlay	15,000	-	-
Fringe Benefits	-	222,649	-
Total Human Resources Department	15,000	942,257	(100,000)
<b>Information Technology Department</b>			
Personal Services	-	639,591	(67,000)
Expenses	6,228	187,380	-
Capital Outlay	10,641	120,000	-
Fringe Benefits	-	98,132	(3,512)
Total Information Technology Department	16,869	1,045,103	(70,512)
<b>Financial Information Systems</b>			
Personal Services	-	361,889	(40,000)
Expenses	-	186,990	-
Fringe Benefits	-	48,859	(1,506)
Total Financial Information Systems	-	597,738	(41,506)
<b>Planning &amp; Development Department</b>			
Personal Services	-	1,022,113	-
Expenses	74,863	122,173	15,000
Capital Outlay	-	25,000	-
Fringe Benefits	-	175,574	-
Total Planning & Development Department	74,863	1,344,860	15,000
<b>Public Building Department</b>			
Personal Services	-	2,293,298	(242,949)
Expenses	70,268	1,053,154	384,535
Capital Outlay	712	173,200	(150,000)
Fringe Benefits	-	441,563	(70,011)
Total Public Building Department	70,980	3,961,215	(78,425)
<b>GENERAL GOVERNMENT TOTAL</b>	<b>267,087</b>	<b>15,593,154</b>	<b>(143,549)</b>
<b>Police Department</b>			
Personal Services	-	14,979,141	200,000
Expenses	-	981,948	67,870
Capital Outlay	-	558,000	-
Fringe Benefits	-	2,271,829	(32,264)
Total Police Department	-	18,790,918	235,606

FY 2014 Budget As Amended	Total Revised FY 2014 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
437,636	437,636	371,047	-	66,589
181,972	181,972	171,467	-	10,505
-	15,000	15,000	-	-
222,649	222,649	185,373	-	37,276
842,257	857,257	742,887	-	114,370
572,591	572,591	560,191	-	12,400
187,380	193,608	180,716	6,686	6,206
120,000	130,641	118,146	11,328	1,167
94,620	94,620	83,241	-	11,379
974,591	991,460	942,294	18,014	31,152
321,889	321,889	302,916	-	18,973
186,990	186,990	173,623	-	13,367
47,353	47,353	41,424	-	5,929
556,232	556,232	517,963	-	38,269
1,022,113	1,022,113	921,965	-	100,148
137,173	212,036	54,754	146,561	10,721
25,000	25,000	-	25,000	-
175,574	175,574	134,705	-	40,869
1,359,860	1,434,723	1,111,424	171,561	151,738
2,050,349	2,050,349	2,042,041	-	8,308
1,437,689	1,507,957	1,412,915	94,306	736
23,200	23,912	22,912	912	88
371,552	371,552	360,150	-	11,402
3,882,790	3,953,770	3,838,018	95,218	20,534
15,449,605	15,716,692	14,757,864	354,287	604,541
15,179,141	15,179,141	14,950,802	-	228,339
1,049,818	1,049,818	1,022,946	-	26,872
558,000	558,000	557,391	-	609
2,239,565	2,239,565	2,170,572	-	68,993
19,026,524	19,026,524	18,701,711	-	324,813

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
<b>Fire Department</b>			
Personal Services	-	14,324,265	(155,000)
Expenses	31,963	820,304	47,000
Capital Outlay	99,347	168,000	-
Fringe Benefits	-	2,288,597	(18,560)
Total Fire Department	131,310	17,601,166	(126,560)
<b>Inspectional Services Department</b>			
Personal Services	-	964,693	44,000
Expenses	635	59,172	6,000
Fringe Benefits	-	169,069	-
Total Inspectional Services Department	635	1,192,934	50,000
<b>PUBLIC SAFETY TOTAL</b>	<b>131,945</b>	<b>37,585,018</b>	<b>159,046</b>
<b>NEWTON PUBLIC SCHOOLS</b>	<b>2,241,283</b>	<b>187,671,536</b>	<b>(799,906)</b>
<b>Public Works Department</b>			
Personal Services	-	7,677,511	292,617
Expenses	162,908	11,084,242	3,300,000
Capital Outlay	23,246	194,500	-
Fringe Benefits	-	1,616,443	(34,417)
Total Public Works Department	186,154	20,572,696	3,558,200
<b>PUBLIC WORKS TOTAL</b>	<b>186,154</b>	<b>20,572,696</b>	<b>3,558,200</b>

FY 2014 Budget As Amended	Total Revised FY 2014 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
14,169,265	14,169,265	14,068,861	-	100,404
867,304	899,267	827,648	26,279	45,340
168,000	267,347	126,830	136,899	3,618
2,270,037	2,270,037	2,240,043	-	29,994
17,474,606	17,605,916	17,263,382	163,178	179,356
1,008,693	1,008,693	968,585	-	40,108
65,172	65,807	63,213	1,255	1,339
169,069	169,069	167,158	-	1,911
1,242,934	1,243,569	1,198,956	1,255	43,358
37,744,064	37,876,009	37,164,049	164,433	547,527
186,871,630	189,112,913	187,701,909	1,410,011	993
7,970,128	7,970,128	7,919,863	-	50,265
14,384,242	14,547,150	13,920,551	477,807	148,792
194,500	217,746	136,232	75,792	5,722
1,582,026	1,582,026	1,547,578	-	34,448
24,130,896	24,317,050	23,524,224	553,599	239,227
24,130,896	24,317,050	23,524,224	553,599	239,227

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
<b>Health &amp; Human Services Department</b>			
Personal Services	-	2,437,752	-
Expenses	-	334,491	-
Fringe Benefits	-	398,232	3,076
Total Public Health Department	-	3,170,475	3,076
<b>Senior Services Department</b>			
Personal Services	-	256,351	-
Expenses	-	269,420	-
Fringe Benefits	-	53,031	1,325
Total Human Services Department	-	578,802	1,325
<b>Veteran Services Department</b>			
Personal Services	-	88,342	1,000
Expenses	-	216,545	25,000
Fringe Benefits	-	17,697	61
Total Veteran Services Department	-	322,584	26,061
<b>HEALTH &amp; HUMAN SERVICES TOTAL</b>	-	4,071,861	30,462
<b>Newton Public Library</b>			
Personal Services	-	3,582,560	-
Expenses	18,510	1,014,148	-
Capital Outlay	-	6,000	-
Fringe Benefits	-	596,977	10,058
Total Newton Public Library	18,510	5,199,685	10,058
<b>Parks &amp; Recreation Department</b>			
Personal Services	-	2,260,084	(58,000)
Expenses	-	1,252,524	18,000
Capital Outlay	-	60,000	10,000
Fringe Benefits	-	368,318	(11,812)
Total Parks & Recreation Department	-	3,940,926	(41,812)
<b>Newton History Museum</b>			
Personal Services	-	203,761	4,000
Expenses	-	19,449	-
Fringe Benefits	-	25,238	510
Total Newton History Museum	-	248,448	4,510
<b>CULTURE &amp; RECREATION TOTAL</b>	18,510	9,389,059	(27,244)



FY 2014 Budget As Amended	Total Revised FY 2014 Budget	Expenditures and Transfers	Encumbrances/ Continued Appropriations	Closed to Fund Balance
2,437,752	2,437,752	2,357,741	-	80,011
334,491	334,491	310,108	-	24,383
401,308	401,308	398,476	-	2,832
3,173,551	3,173,551	3,066,325	-	107,226
256,351	256,351	253,524	-	2,827
269,420	269,420	268,327	-	1,093
54,356	54,356	54,210	-	146
580,127	580,127	576,061	-	4,066
89,342	89,342	88,680	-	662
241,545	241,545	234,270	-	7,275
17,758	17,758	16,038	-	1,720
348,645	348,645	338,988	-	9,657
<b>4,102,323</b>	<b>4,102,323</b>	<b>3,981,374</b>	<b>-</b>	<b>120,949</b>
3,582,560	3,582,560	3,489,218	-	93,342
1,014,148	1,032,658	1,031,977	9	672
6,000	6,000	5,903	-	97
607,035	607,035	597,569	-	9,466
5,209,743	5,228,253	5,124,667	9	103,577
2,202,084	2,202,084	2,179,011	-	23,073
1,270,524	1,270,524	1,193,646	-	76,878
70,000	70,000	70,000	-	-
356,506	356,506	348,445	-	8,061
3,899,114	3,899,114	3,791,102	-	108,012
207,761	207,761	207,090	-	671
19,449	19,449	18,576	326	547
25,748	25,748	25,658	-	90
252,958	252,958	251,324	326	1,308
<b>9,361,815</b>	<b>9,380,325</b>	<b>9,167,093</b>	<b>335</b>	<b>212,897</b>

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
<b>DEBT SERVICE (PRINCIPAL &amp; INTEREST)</b>			
Debt Service	-	17,057,491	-
<b>RETIREMENT</b>			
Personal Services	-	201,896	-
Expenses	-	76,050	-
Fringe Benefits	-	27,564,243	(340,426)
Total Retirement	-	27,842,189	(340,426)
<b>APPROPRIATED RESERVES</b>			
Reserve Fund (Budget Reserve)	-	500,000	(500,000)
Reserve Fund (Snow & Ice)	-	1,750,000	(1,750,000)
Total Budgetary Reserves	-	2,250,000	(2,250,000)
<b>STATE &amp; COUNTY ASSESSMENTS</b>	-	5,790,193	(13,239)
<b>SPECIAL APPROPRIATIONS</b>	3,032,020	150,000	1,816,998
<b>TOTAL EXPENDITURES</b>	5,876,999	327,973,197	1,990,342
<b>TRANSFERS TO OTHER FUNDS:</b>			
Workers Comp Self Insurance Fund - Municipal	-	700,000	284,721
Workers Comp Self Insurance Fund - School	-	-	350,000
School Athletic Revolving Fund - School	-	-	880,533
Federal Grant Fund	-	-	33,000
School Building Improvement Fund	-	-	50,000
Municipal Building Improvement Fund	-	-	40,000
Capital Stabilization Fund - Municipal	-	2,400,000	-
Rainy Day Stabilization Fund	-	-	3,000,000
Total Transfers to Other Funds	-	3,100,000	4,638,254
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	\$ 5,876,999	\$ 331,073,197	\$ 6,628,596

<u>FY 2014 Budget As Amended</u>	<u>Total Revised FY 2014 Budget</u>	<u>Expenditures and Transfers</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
<u>17,057,491</u>	<u>17,057,491</u>	<u>16,910,530</u>	<u>-</u>	<u>146,961</u>
201,896	201,896	201,894	-	2
76,050	76,050	76,050	-	-
<u>27,223,817</u>	<u>27,223,817</u>	<u>27,223,816</u>	<u>-</u>	<u>1</u>
<u>27,501,763</u>	<u>27,501,763</u>	<u>27,501,760</u>	<u>-</u>	<u>3</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>5,776,954</u>	<u>5,776,954</u>	<u>5,783,939</u>	<u>-</u>	<u>(6,985)</u>
<u>1,966,998</u>	<u>4,999,018</u>	<u>2,346,218</u>	<u>2,652,800</u>	<u>-</u>
<u>329,963,539</u>	<u>335,840,538</u>	<u>328,838,960</u>	<u>5,135,465</u>	<u>1,866,113</u>
984,721	984,721	984,721	-	-
350,000	350,000	350,000	-	-
880,533	880,533	880,533	-	-
33,000	33,000	33,000	-	-
50,000	50,000	50,000	-	-
40,000	40,000	40,000	-	-
2,400,000	2,400,000	2,400,000	-	-
<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
<u>7,738,254</u>	<u>7,738,254</u>	<u>7,738,254</u>	<u>-</u>	<u>-</u>
<u>337,701,793</u> \$	<u>343,578,792</u> \$	<u>336,577,214</u> \$	<u>5,135,465</u> \$	<u>1,866,113</u>

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## Community Preservation Fund

This fund accounts for the 1% local property tax surcharge that the voters of the City approved in November of 2001 for open space, historic resource and affordable housing purposes. The Commonwealth of Massachusetts currently matches local surcharge revenue on a dollar for dollar basis.

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Encumbrances/ Continued Appropriations	Current Year Appropriations	Original Budget
<b>Administration &amp; operations</b>	\$ 3,529	142,909	\$ 146,438
<b>2012 CPA appropriation reserve</b>	-	1,597,200	1,597,200
<b>Open space:</b>			
Kessler Woods debt service	-	508,500	508,500
<b>Historic resources:</b>			
Historic preservation reserve	-	317,732	317,732
Historic building assessment (1830-1840)	18,900	-	18,900
Civil war monument repairs	125,698	-	125,698
Historical burial grounds restoration	13,076	-	13,076
Historical burial grounds restoration Phase II	53,518	-	53,518
Durant Kenrick Homestead	104	-	104
Durant Kenrick Homestead preservation restriction	56,028	-	56,028
Newton History Museum Archives Project	30,848	-	30,848
Angino farm barn rehabilitation	95,179	-	95,179
Total - Historic preservation	393,351	317,732	711,083
<b>Community housing:</b>			
Community housing reserve	-	317,732	317,732
54 Eddy Street housing	233,715	-	233,715
12 & 18-20 Curve St. Affordable Housing	-	-	-
Newton Homebuyer Assistance Program	-	-	-
Newton Homebuyer Assistance Program II	77,985	-	77,985
Total - community housing	311,700	317,732	629,432
<b>Community recreation:</b>			
20 Rogers Street land acquisition debt service	-	293,250	293,250
Newton Highlands Playground Strategic Design	-	-	-
Angino farm barn rehabilitation	572,688	-	572,688
Total - community recreation	572,688	293,250	865,938
<b>TOTAL CPA FUND</b>	<b>\$ 1,281,268</b>	<b>\$ 3,177,323</b>	<b>\$ 4,458,591</b>

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ -	\$ 146,438	\$ 107,779	\$ -	\$ 38,659
-	1,597,200	-	-	1,597,200
-	508,500	508,500	-	-
7,404	325,136	-	-	325,136
-	18,900	18,900	-	-
-	125,698	90,343	35,355	-
-	13,076	-	13,076	-
-	53,518	2,184	51,334	-
	104	104	-	-
(7,404)	48,624	48,624		-
641,000	671,848	21,387	650,461	-
-	95,179	95,121	58	-
641,000	1,352,083	276,663	750,284	325,136
(306,304)	11,428	-	-	11,428
(11,428)	222,287	222,287	-	-
910,179	910,179	-	910,179	-
475,000	475,000	-	475,000	-
-	77,985	16,657	61,328	-
1,067,447	1,696,879	238,944	1,446,507	11,428
-	293,250	293,250	-	-
200,000	200,000	-	200,000	-
-	572,688	521,392	51,296	-
200,000	1,065,938	814,642	251,296	-
<u>\$ 1,908,447</u>	<u>\$ 6,367,038</u>	<u>\$ 1,946,528</u>	<u>\$ 2,448,087</u>	<u>\$ 1,972,423</u>



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## **Additional Information**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Continued Appropriations	FY 2014 Appropriations	Transfers
<b>School Building Improvement Fund:</b>			
Newton South High Athletic Field Improvements - 2009	\$ 77,857	\$ -	\$ -
Elementary Modularity Design - 2013	172,103	-	(47,352)
Elementary Modularity - 2013	2,400,000	-	(36,270)
Mason-Rice Sprinkler System - 2013	480,000	-	(12,800)
School Masonry Repairs - 2011	27,620	-	(23,420)
Horace Mann School Window/Door Replacement - 2011	467,139	-	(55,945)
F.A Day Renovations/Addition - 2012	2,176,142	-	(177,200)
F.A Day Renovations - 2012	67,089	-	(15,800)
School Accessibility Improvements - 2012	1,880	-	(1,262)
Lincoln-Eliot Mechanical Upgrades - 2012	323,120	-	3,106
Bowen Masonry Repairs - 2012	60,000	-	(60,000)
Burr Mechanical Upgrades - 2012	182,740	-	(15,500)
Carr Elementary Evaluation/Design - 2012	152,215	-	-
Carr Elementary Renovations - 2013	11,749,118	(118)	-
School Electrical Upgrades - 2012	182,716	-	(23,877)
School Emergency Generators - 2012	99,300	-	-
Bigelow Middle School Staircase Replacement - 2014	-	465,000	-
School Masonry Repairs - 2012	215,878	-	(68,950)
<b>Total School Building Improvement Fund</b>	<u>18,834,917</u>	<u>464,882</u>	<u>(535,270)</u>
<b>High School Renovation Fund:</b>			
Newton North High School Renovations	<u>8,565</u>	<u>-</u>	<u>(5,045)</u>
<b>Angier School Improvement Fund</b>			
Angier Elementary School Feasibility Study	<u>208,825</u>	<u>36,750,000</u>	<u>-</u>
<b>Zervas School Improvement Fund</b>			
Zervas Elementary School Feasibility Study	<u>-</u>	<u>1,000,000</u>	<u>-</u>
<b>Cabot School Improvement Fund</b>			
Cabot Elementary School Feasibility Study	<u>-</u>	<u>1,000,000</u>	<u>-</u>
City Hall Veteran Memorial Wing Improvements - 2013	2,353	-	(311)
Utility Building Masonry Repairs - 2013	223,900	-	-
Crafts St DPW Yard Salt Sheds - 2014	-	500,000	(102)
Manet Rd Communications Building Replacement - 2014	-	-	40,000
Main Library HVAC Repairs - 2013	30,994	-	(50,000)
Crafts St Garage Masonry & Roof Design Svs - 2013	244,750	-	(155,000)
Fire Station #3/HQ Design - 2014	-	-	275,000
Fire Station #4 Window Repairs - 2012	90,000	(90,000)	50,000
Fire Station #10 Improvements - 2011	104,788	6,112,296	416,000
Police Station HQ Lobby Safety Improvements - 2011	27,027	-	(22,847)
City Hall Window Replacement/Repairs - 2011	122,010	-	(10,000)
City Hall Electrical & Boiler Improvements - 2012	18,269	-	-
Public Building Energy Conservation - 2014	-	2,610,000	-
Lower Falls Community Center ADA Compliance - 2012	8,244	-	(1,673)
<b>Total Municipal Building Improvement Fund</b>	<u>872,335</u>	<u>9,132,296</u>	<u>541,067</u>

Expended	Encumbered	Balance
\$ 4,100	\$ 1,567	\$ 72,190
121,600	-	3,151
2,353,412	-	10,318
426,423	34,269	6,508
4,200	-	-
411,194	-	-
1,987,853	-	11,089
51,289	-	-
618	-	-
307,294	18,932	-
-	-	-
167,240	-	-
143,707	-	8,508
10,560,994	755,175	432,831
158,839	-	-
99,300	-	-
-	443,000	22,000
124,641	-	22,287
16,922,704	1,252,943	588,882
3,520	-	-
1,596,487	2,090,429	33,271,909
442,568	192,627	364,805
-	-	1,000,000
2,042	-	-
223,900	-	-
499,898	-	-
7,500	-	32,500
(20,140)	-	1,134
75,873	-	13,877
24,823	175,000	75,177
-	37,770	12,230
939,577	5,191,760	501,747
4,180	-	-
16,451	950	94,609
2,571	13,479	2,219
-	-	2,610,000
6,571	-	-
1,783,246	5,418,959	3,343,493

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Continued Appropriations	FY 2014 Appropriations	Transfers
<b>CH 90 Highway Improvement Fund:</b>			
Unallocated	398,290	2,338,015	(2,705,363)
Commonwealth Avenue - Engineering	1,662	-	-
Wales Street Bridge	74,850	-	-
Crafts St/Linwood Ave Pedestrian Beacon	806	-	-
Parker St Pedestrian Beacon	18,808	-	-
Nahanton St Bridge Design	5,510	-	-
Walnut & Centre Street Design	7,059	-	-
Pavement Management Plan	19,524	-	-
Nahanton St Bridge Construction Inspection	4,057	-	-
2012 Traffic Signals & Markings	66,800	-	-
2013 Bicycle Lane Striping & Signage	21,411	-	-
2013 Cold Planning - Various Roads	329,000	-	250,000
2013 Overlay - Various Roads	792,000	-	620,000
2013 DPW Labor & Materials	535,648	-	-
2013 Police Details	76,882	-	-
2013 Wales St Bridge Repairs	400,000	-	-
2013 Traffic Signals & Markings - Concord & Washington	25,000	-	-
2014 Microsurfacing	-	-	89,344
2014 Traffic Signals & markings	-	-	80,000
2014 Crack Sealing	-	-	80,000
2014 Bicycle Lane Striping	-	-	76,369
2014 Elliot St Bridge Improvements	-	-	60,600
2014 Cold Planning - Citywide	-	-	643,300
2014 Overlay - Citywide	-	-	748,250
2014 Commonwealth/Lexington/Melrose Traffic Signals	-	-	57,500
<b>Total CH 90 Highway Improvement Fund</b>	<b>2,777,307</b>	<b>2,338,015</b>	<b>-</b>
<b>Massworks Road Improvement Fund:</b>			
2012 Grant Award	665,332	-	-
2013 Grant Award	1,237,216	-	-
2014 Grant Award	-	1,000,000	-
<b>Total Massworks Road Improvement Fund</b>	<b>1,902,548</b>	<b>1,000,000</b>	<b>-</b>
<b>Municipal Equipment Replacement Fund:</b>			
DPW Equipment Replacement - 2012	21,986	-	-
DPW Equipment Replacement - 2012	3,615	-	-
DPW Equipment Replacement - 2013	282,000	-	-
DPW Snow Melting Equipment - 2013	250,000	-	-
Fire Ladder Replacement - 2013	146,911	-	-
Fire Engine Replacement - 2012	72,312	-	-
<b>Total Municipal Equipment Replacement Fund</b>	<b>776,824</b>	<b>-</b>	<b>-</b>
<b>Street Improvement Fund</b>			
LED Street Lighting	-	-	1,300,736
<b>Park Improvement Fund</b>			
Gath Pool Repairs - 2012	36,757	-	(634)
Gath Pool Repairs - 2013	3,703	-	(3,703)
Lower Falls Community Ctr Accessibility - 2013	275,000	-	-
Braceland Playground Improvements - 2012	3,470	-	-
<b>Total Park Improvement Fund</b>	<b>318,930</b>	<b>-</b>	<b>(4,337)</b>

Expended	Encumbered	Balance
-	-	30,942
-	-	1,662
16,677	-	58,173
-	-	806
2,590	-	16,218
-	-	5,510
5,488	1,571	-
-	-	19,524
-	-	4,057
4,948	-	61,852
-	-	21,411
507,759	21,612	49,629
1,016,212	-	395,788
334,807	5	200,836
22,850	-	54,032
44,377	283,858	71,765
19,742	-	5,258
89,344	-	-
72,447	-	7,553
34,796	-	45,204
27,060	-	49,309
37,575	23,025	-
343,151	300,149	-
207,131	462,019	79,100
4,025	53,475	-
2,790,979	1,145,714	1,178,629
629,309	36,023	-
959,724	274,740	2,752
587,278	143,740	268,982
2,176,311	454,503	271,734
21,986	-	-
3,615	-	-
282,000	-	-
250,000	-	-
118,037	-	28,874
-	-	72,312
675,638	-	101,186
335,101	911,924	53,711
36,123	-	-
-	-	-
270,508	4,492	-
(4,898)	-	8,368
301,733	4,492	8,368

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Continued Appropriations	FY 2014 Appropriations	Transfers
<b>Water System Improvement Fund:</b>			
MWRA - Water System - Accumulated Interest Income	45,949	4,253	-
MWRA - Water System Improvements - Loan of 2005	5,276	-	-
MWRA - Water System Improvements - Loan of 2009	16,209	-	-
MWRA - Water System Improvements - III Transfer	25,091	-	-
MWRA - Water System Improvements - Loan of 2010	14,605	-	-
MWRA - Water System Improvements - Loan of 2011	97,763	-	-
MWRA - Water System Improvements - Loan of 2012	31	-	-
MWRA - Water System Improvements - Loan of 2013	1,157,952	-	-
MWRA - Water System Improvements - Loan of 2014	-	1,360,200	-
Water Meter Replacement - 2009	182,210	-	-
Water Main Cleaning & Relining - 2013	2,700,000	-	-
Water Main Cleaning & Relining - 2014	-	-	2,700,000
Waban Hill Reservoir Improvements - 2001/2003	250,467	-	-
<b>Total Water System Improvement Fund</b>	<u>4,495,553</u>	<u>1,364,453</u>	<u>2,700,000</u>
<b>Sanitary Sewer Improvement Fund:</b>			
Sewer Emergency Repairs (City of Newton)	10,000	-	-
Cochituate Sewer Repair (Town of Wellesley Contb)	135,478	-	-
Oakdale Rd Sewer Improvements - 2010	26,083	(26,083)	-
Farina Rd Sewer Improvements - 2010	50,500	(50,500)	-
Irving St Sewer Improvements - 2010	60,518	(60,518)	-
Old Farm Rd Sewer Improvements - 2010	26,238	(26,238)	-
Woodland/Studio Rd Sewer Improvements - 2010	3,778	(3,778)	-
Central Avenue Sewer Improvements - 2010	-	167,117	-
Central Avenue Sewer Improvements - 2011	-	82,885	-
Old Farm Rd Sewer Improvements - 2011	510	-	-
Aspen Ave /Hawthorne Ave/Studio Ed Ext - 2011	731,000	-	-
Quinobequin Rd Sewer Repairs - 2011	44,158	-	-
Grodon Rd Sewer Repairs - 2011	25,484	(19,065)	-
Newtonville Ave Sewer Repairs - 2011	63,820	(63,820)	-
Wood End Rd Sewer Repairs - 2011	160,000	-	-
Phase I Underground Infrastructure Impv Plan - 2012	3,503,061	-	1,138,160
Project Area II -2014	-	-	181,500
Project Area II (Local Share) - 2014	-	-	1,100,000
Project Area III & IV - 2014	-	-	1,126,993
MWRA - Sewer I&I - Accumulated Interest Income	24,753	1,227	-
MWRA - Infiltration/Inflow - 2007	10,350	-	-
MWRA - Infiltration/Inflow - 2007	72,712	-	-
MWRA - Infiltration/Inflow - 2008	7	-	-
MWRA - Infiltration/Inflow - 2009	5	-	-
MWRA - Infiltration/Inflow - 2009	4,004	-	-
MWRA - Infiltration/Inflow - 2010	232,768	-	-
MWRA - Infiltration/Inflow - 2011	382,008	-	-
<b>Total Sanitary Sewer Improvement Fund</b>	<u>5,567,235</u>	<u>1,227</u>	<u>3,546,653</u>
<b>Capital Stabilization Fund:</b>			
Reserved for Debt Funded Projects	268,186	-	(254,434)
Designated for North High School Debt Service	2,048,111	-	(2,048,111)
Designated for Fire Station Renovations	1,288	4,547	-
Designated for Energy Conservation Projects	225,106	245,887	(349,217)
Designated for 2013 Override Capital Projects	-	-	709,000
Designated for Ordinary Capital Appropriations	7,817	-	(7,817)
<b>Total Capital Stabilization Fund</b>	<u>2,550,508</u>	<u>250,434</u>	<u>(1,950,579)</u>
<b>Total Capital Projects Funds</b>	<u>\$ 38,313,547</u>	<u>\$ 53,301,307</u>	<u>\$ 5,593,225</u>

Expended	Encumbered	Balance
-	-	50,202
-	5,276	-
-	16,209	-
-	25,091	-
-	14,605	-
77,807	19,956	-
31	-	-
1,143,206	14,746	-
-	1,229,665	130,535
48,282	-	133,928
1,927,610	375,419	396,971
-	2,327,265	372,735
-	2,180	248,287
<u>3,196,936</u>	<u>4,030,412</u>	<u>1,332,658</u>
-	-	10,000
-	-	135,478
-	-	-
-	-	-
-	-	-
-	-	-
135,981	31,136	-
870	-	82,015
-	-	510
2,450	-	728,550
17,026	-	27,132
-	-	6,419
-	-	-
-	-	160,000
3,551,023	1,030,862	59,336
136,125	45,375	-
-	-	1,100,000
678,333	448,660	-
-	-	25,980
-	-	10,350
-	-	72,712
7	-	-
5	-	-
-	-	4,004
4,036	-	228,732
8,223	-	373,785
<u>4,534,079</u>	<u>1,556,033</u>	<u>3,025,003</u>
-	-	13,752
-	-	-
-	-	5,835
-	-	121,776
-	-	709,000
-	-	-
<u>-</u>	<u>-</u>	<u>850,363</u>
<u>\$ 34,759,302</u>	<u>\$ 17,058,036</u>	<u>\$ 45,390,741</u>

(Concluded)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
Sewer Maintenance & Operation			
Personal Services	\$ -	\$ 1,859,274	\$ (47,660)
Expenses	537,871	996,386	-
Capital Outlay	1,236,867	745,500	-
Fringe Benefits	-	359,465	(538)
Total	<u>1,774,738</u>	<u>3,960,625</u>	<u>(48,198)</u>
MWRA Sewer Assessment			
Intergovernmental	<u>-</u>	<u>20,146,020</u>	<u>7,500</u>
Debt Maturities & Interest	<u>-</u>	<u>1,630,196</u>	<u>-</u>
Retirement	<u>-</u>	<u>381,706</u>	<u>538</u>
Operating Reserve	<u>-</u>	<u>4,090,679</u>	<u>(3,554,153)</u>
Capital Reserve	<u>-</u>	<u>938,048</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>200,000</u>	<u>47,660</u>
Transfer - Sewer Capital Project Fund	<u>-</u>	<u>-</u>	<u>3,546,653</u>
Transfer - General Fund	<u>-</u>	<u>960,852</u>	<u>-</u>
<b>Total Sewer Enterprise Fund</b>	<u><u>\$ 1,774,738</u></u>	<u><u>\$ 32,308,126</u></u>	<u><u>\$ -</u></u>



<u>FY 2014 Budget As Amended</u>	<u>Total Revised FY 2014 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,811,614	\$ 1,811,614	\$ 1,569,637	\$ -	\$ 241,977
1,534,257	1,534,257	856,696	471,276	206,285
1,982,367	1,982,367	515,193	1,456,513	10,661
358,927	358,927	355,890	-	3,037
<u>5,687,165</u>	<u>5,687,165</u>	<u>3,297,416</u>	<u>1,927,789</u>	<u>461,960</u>
 20,153,520	 20,153,520	 20,152,363	 -	 1,157
 1,630,196	 1,630,196	 1,614,768	 -	 15,428
 382,244	 382,244	 382,244	 -	 -
 536,526	 536,526	 -	 -	 536,526
 938,048	 938,048	 -	 -	 938,048
 247,660	 247,660	 247,660	 -	 -
 3,546,653	 3,546,653	 3,546,653	 -	 -
 960,852	 960,852	 960,852	 -	 -
 \$ <u>34,082,864</u>	 \$ <u>34,082,864</u>	 \$ <u>30,201,956</u>	 \$ <u>1,927,789</u>	 \$ <u>1,953,119</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Continued Appropriations	FY 2014 Original Budget	FY 2014 Budget Revisions
Water Maintenance & Operation			
Personal Services	\$ -	\$ 1,931,544	\$ (86,464)
Expenses	301,239	1,008,950	-
Capital Outlay	454,910	230,000	-
Fringe Benefits	-	374,710	-
Total	<u>756,149</u>	<u>3,545,204</u>	<u>(86,464)</u>
Debt Maturities & Interest	<u>-</u>	<u>3,407,459</u>	<u>-</u>
Retirement	<u>-</u>	<u>530,800</u>	<u>-</u>
MWRA/DEP Assessments & Charges	<u>-</u>	<u>10,382,420</u>	<u>-</u>
Legal Settlements	<u>-</u>	<u>-</u>	<u>7,445</u>
Operating Reserve	<u>-</u>	<u>2,951,259</u>	<u>(2,707,445)</u>
Capital Reserve	<u>-</u>	<u>626,919</u>	<u>-</u>
Transfer - Sewer Fund	<u>-</u>	<u>577,827</u>	<u>-</u>
Transfer - General Fund	<u>-</u>	<u>1,023,142</u>	<u>-</u>
Transfer - Water Capital Project Fund	<u>-</u>	<u>-</u>	<u>2,700,000</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>200,000</u>	<u>86,464</u>
<b>Total Water Enterprise Fund</b>	<u><u>\$ 756,149</u></u>	<u><u>\$ 23,245,030</u></u>	<u><u>\$ -</u></u>

FY 2014 Budget As Amended	Total Revised FY 2014 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 1,845,080	\$ 1,845,080	\$ 1,774,787	\$ -	\$ 70,293
1,310,189	1,310,189	951,166	317,134	41,889
684,910	684,910	173,679	509,649	1,582
374,710	374,710	340,160	-	34,550
<u>4,214,889</u>	<u>4,214,889</u>	<u>3,239,792</u>	<u>826,783</u>	<u>148,314</u>
 3,407,459	 3,407,459	 3,397,580	 -	 9,879
 530,800	 530,800	 511,158	 -	 19,642
 10,382,420	 10,382,420	 10,360,200	 -	 22,220
 7,445	 7,445	 7,445	 -	 -
 243,814	 243,814	 -	 -	 243,814
 626,919	 626,919	 -	 -	 626,919
 577,827	 577,827	 577,827	 -	 -
 1,023,142	 1,023,142	 1,023,142	 -	 -
 2,700,000	 2,700,000	 2,700,000	 -	 -
 286,464	 286,464	 286,464	 -	 -
 \$ <u>24,001,179</u>	 \$ <u>24,001,179</u>	 \$ <u>22,103,608</u>	 \$ <u>826,783</u>	 \$ <u>1,070,788</u>



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# *STATISTICAL SECTION*

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

## Financial Trends (pages 122 - 133)

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

## Revenue Capacity (pages 134 - 137)

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

## Debt Capacity (pages 138 - 141)

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

## Demographic and Economic Information (page 142)

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

## Operating Information (pages 143 - 144)

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

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

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
<b>Governmental Activities</b>					
Net investment in capital assets.....	\$ 153,522,317	\$ 153,034,916	\$ 167,543,474	\$ 174,706,210	\$ 150,650,131
Restricted.....	21,270,042	15,267,985	13,842,544	35,459,940	104,838,430
Unrestricted.....	<u>35,865,065</u>	<u>48,962,078</u>	<u>67,671,362</u>	<u>39,781,710</u>	<u>(2,265,544)</u>
Total governmental activities net position.....	<u>\$ 210,657,424</u>	<u>\$ 217,264,979</u>	<u>\$ 249,057,380</u>	<u>\$ 249,947,860</u>	<u>\$ 253,223,017</u>
<b>Business-Type Activities</b>					
Net investment in capital assets.....	\$ 38,212,839	\$ 40,093,169	\$ 43,120,013	\$ 52,946,101	\$ 48,352,902
Unrestricted.....	<u>11,936,815</u>	<u>13,583,611</u>	<u>13,295,771</u>	<u>9,359,270</u>	<u>12,871,360</u>
Total business-type activities net position.....	<u>\$ 50,149,654</u>	<u>\$ 53,676,780</u>	<u>\$ 56,415,784</u>	<u>\$ 62,305,371</u>	<u>\$ 61,224,262</u>
<b>Primary Government</b>					
Net investment in capital assets.....	\$ 191,735,156	\$ 193,128,085	\$ 210,663,487	\$ 227,652,311	\$ 183,345,085
Restricted.....	21,270,042	15,267,985	13,842,544	35,459,940	120,496,378
Unrestricted.....	<u>47,801,880</u>	<u>62,545,689</u>	<u>80,967,133</u>	<u>49,140,980</u>	<u>10,605,816</u>
Total primary government net position.....	<u>\$ 260,807,078</u>	<u>\$ 270,941,759</u>	<u>\$ 305,473,164</u>	<u>\$ 312,253,231</u>	<u>\$ 314,447,279</u>

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 194,301,691	\$ 211,763,420	\$ 227,091,798	\$ 238,374,247	\$ 248,739,230
52,363,403	34,096,760	27,700,568	27,981,384	29,816,361
<u>(27,083,933)</u>	<u>(65,309,262)</u>	<u>(93,548,399)</u>	<u>(122,355,108)</u>	<u>(138,654,442)</u>
<u>\$ 219,581,161</u>	<u>\$ 180,550,918</u>	<u>\$ 161,243,967</u>	<u>\$ 144,000,523</u>	<u>\$ 139,901,149</u>
\$ 52,125,768	\$ 54,124,183	\$ 55,890,406	\$ 56,271,350	\$ 66,943,719
<u>9,980,661</u>	<u>15,055,372</u>	<u>21,130,465</u>	<u>26,098,363</u>	<u>23,050,090</u>
<u>\$ 62,106,429</u>	<u>\$ 69,179,554</u>	<u>\$ 77,020,871</u>	<u>\$ 82,369,713</u>	<u>\$ 89,993,809</u>
\$ 232,929,470	\$ 258,565,946	\$ 269,287,104	\$ 294,645,597	\$ 315,682,949
65,861,392	41,418,417	41,395,668	27,981,384	29,816,361
<u>(17,103,272)</u>	<u>(50,253,891)</u>	<u>(72,417,934)</u>	<u>(96,256,745)</u>	<u>(115,604,352)</u>
<u>\$ 281,687,590</u>	<u>\$ 249,730,472</u>	<u>\$ 238,264,838</u>	<u>\$ 226,370,236</u>	<u>\$ 229,894,958</u>

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
<b>Expenses</b>					
General government..... \$	19,275,760	\$ 24,609,259	\$ 20,617,999	\$ 25,791,496	\$ 22,581,716
Public safety.....	41,690,193	43,062,252	44,207,931	48,896,370	52,614,816
Education.....	175,722,669	181,638,581	188,026,627	218,716,994	236,024,500
Public works.....	23,440,299	21,666,417	21,643,562	25,208,763	27,229,098
Health and human services.....	8,864,530	8,979,409	9,273,626	9,980,301	10,463,388
Culture and recreation.....	14,253,032	13,802,334	13,471,254	15,864,538	16,806,140
Debt service - interest.....	2,570,332	2,350,756	2,237,287	2,494,422	4,375,013
Total expenses.....	285,816,815	296,109,008	299,478,286	346,976,964	370,094,671
<b>Program Revenues</b>					
Charges for services.....	20,056,263	21,298,907	22,854,391	21,185,123	21,413,394
Operating grants and contributions.....	48,562,260	50,529,662	54,150,398	60,500,259	66,344,326
Capital grants and contributions.....	36,589,529	642,315	11,118,572	21,684,895	30,179,116
Total program revenues.....	105,208,052	72,470,884	88,123,361	103,370,277	117,936,836
Net (expense)/revenue.....	(180,608,763)	(223,638,124)	(211,354,925)	(243,606,687)	(252,157,835)
<b>General Revenues and Other Changes in Net Position</b>					
Real estate and personal property taxes.....	192,457,450	200,966,839	209,105,186	211,886,334	226,800,860
Motor vehicle and other excise taxes.....	11,202,714	10,803,654	10,396,428	10,859,789	10,479,922
Hotel/motel taxes.....	979,194	1,060,052	1,138,921	1,103,549	1,108,199
Meal taxes.....	-	-	-	-	-
Penalties and interest on taxes.....	1,166,429	830,030	1,049,712	1,055,344	1,223,300
Payments in lieu of taxes.....	529,600	553,920	2,851,122	767,439	273,359
Community preservation surcharges.....	1,893,219	1,963,982	2,032,942	2,114,805	2,193,701
Grants and contributions not restricted to specific programs.....	7,988,751	8,353,727	9,289,181	8,705,545	7,435,280
Unrestricted investment income.....	1,687,125	3,290,981	4,757,698	4,306,424	2,610,098
Gain (Loss) on sale of capital assets.....	36,000	10,702	-	-	-
Other.....	554,259	1,133,664	1,302,478	2,522,970	1,761,048
Transfers, net.....	1,219,955	1,278,128	1,223,658	1,264,968	1,457,225
Total general revenues and other changes in net position.....	219,714,696	230,245,679	243,147,326	244,587,167	255,342,992
<b>Change in net position..... \$</b>	<b>39,105,933</b>	<b>\$ 6,607,555</b>	<b>\$ 31,792,401</b>	<b>\$ 980,480</b>	<b>\$ 3,185,157</b>



	2010	2011	2012	2013	2014
\$	24,623,302	\$ 26,974,952	\$ 21,992,988	\$ 22,997,802	\$ 22,716,559
	52,168,801	55,800,259	56,061,495	56,962,698	61,290,201
	245,946,308	252,413,006	252,922,994	264,655,220	272,447,586
	26,138,843	28,410,758	24,221,365	28,194,390	29,223,056
	10,672,057	10,757,372	10,684,932	11,323,484	11,328,446
	16,245,112	15,092,035	16,216,945	16,177,118	15,164,811
	<u>7,234,167</u>	<u>7,670,746</u>	<u>7,559,469</u>	<u>7,989,634</u>	<u>7,714,546</u>
	<u>383,028,590</u>	<u>397,119,128</u>	<u>389,660,188</u>	<u>408,300,346</u>	<u>419,885,205</u>
	20,969,889	21,915,225	25,732,684	28,970,340	28,321,486
	65,706,164	66,976,636	65,780,261	69,319,711	74,285,730
	<u>1,960,084</u>	<u>1,764,258</u>	<u>2,519,356</u>	<u>5,975,327</u>	<u>5,053,677</u>
	<u>88,636,137</u>	<u>90,656,119</u>	<u>94,032,301</u>	<u>104,265,378</u>	<u>107,660,893</u>
	<u>(294,392,453)</u>	<u>(306,463,009)</u>	<u>(295,627,887)</u>	<u>(304,034,968)</u>	<u>(312,224,312)</u>
	232,774,689	239,761,554	249,340,011	258,590,398	278,426,655
	9,860,220	10,541,624	10,514,832	11,404,708	11,953,727
	1,168,095	1,588,882	1,814,792	2,051,414	2,218,759
	382,934	1,308,191	1,403,261	1,407,803	1,557,737
	1,026,507	1,038,225	1,146,496	1,011,590	1,160,092
	3,270,902	515,471	529,294	524,906	557,065
	2,288,314	2,352,389	2,431,863	2,501,875	2,697,187
	5,891,287	5,596,391	5,263,525	6,276,114	5,716,482
	934,313	454,365	278,106	202,473	230,699
	24,347	32,280	-	-	-
	1,752,802	3,002,856	2,169,238	1,492,956	1,622,541
	<u>1,376,187</u>	<u>1,240,538</u>	<u>1,429,518</u>	<u>1,640,260</u>	<u>1,983,994</u>
	<u>260,750,597</u>	<u>267,432,766</u>	<u>276,320,936</u>	<u>287,104,497</u>	<u>308,124,938</u>
\$	<u>(33,641,856)</u>	<u>(39,030,243)</u>	<u>(19,306,951)</u>	<u>(16,930,471)</u>	<u>(4,099,374)</u>

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
<b>Expenses</b>					
Sewer.....	\$ 17,891,749	\$ 18,404,780	\$ 20,033,778	\$ 21,208,637	\$ 21,879,634
Water.....	10,045,997	10,939,117	11,467,754	12,212,234	13,623,595
Total expenses.....	27,937,746	29,343,897	31,501,532	33,420,871	35,503,229
<b>Program Revenues</b>					
Charges for services.....	29,763,876	32,981,905	33,084,089	39,034,143	33,761,633
Operating grants and contributions.....	1,289,586	838,241	835,397	814,428	857,561
Capital grants and contributions.....	159,450	329,005	1,544,708	726,855	1,260,151
Total program revenues.....	31,212,912	34,149,151	35,464,194	40,575,426	35,879,345
Net (expense)/ revenue.....	3,275,166	4,805,254	3,962,662	7,154,555	376,116
<b>General Revenues and Transfers</b>					
Gain on sale of capital asset.....	-	-	-	-	-
Transfers, net.....	(1,219,955)	(1,278,128)	(1,223,658)	(1,264,968)	(1,457,225)
<b>Change in net position.....</b>	<b>\$ 2,055,211</b>	<b>\$ 3,527,126</b>	<b>\$ 2,739,004</b>	<b>\$ 5,889,587</b>	<b>\$ (1,081,109)</b>

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 23,347,392	\$ 23,468,371	\$ 24,953,457	\$ 25,359,689	\$ 25,557,836
<u>13,780,687</u>	<u>14,260,631</u>	<u>15,185,784</u>	<u>15,896,034</u>	<u>16,702,263</u>
<u>37,128,079</u>	<u>37,729,002</u>	<u>40,139,241</u>	<u>41,255,723</u>	<u>42,260,099</u>
38,405,378	45,171,479	48,273,768	47,175,932	51,347,815
732,948	847,004	646,975	1,059,085	514,894
<u>245,331</u>	<u>24,182</u>	<u>489,333</u>	<u>9,808</u>	<u>5,480</u>
<u>39,383,657</u>	<u>46,042,665</u>	<u>49,410,076</u>	<u>48,244,825</u>	<u>51,868,189</u>
<u>2,255,578</u>	<u>8,313,663</u>	<u>9,270,835</u>	<u>6,989,102</u>	<u>9,608,090</u>
2,776	-	-	-	-
<u>(1,376,187)</u>	<u>(1,240,538)</u>	<u>(1,429,518)</u>	<u>(1,640,260)</u>	<u>(1,983,994)</u>
<u>\$ 882,167</u>	<u>\$ 7,073,125</u>	<u>\$ 7,841,317</u>	<u>\$ 5,348,842</u>	<u>\$ 7,624,096</u>

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

LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total expenses.....	\$ 313,754,561	\$ 325,918,453	\$ 330,979,818	\$ 380,397,835	\$ 405,597,900
Total program revenues.....	<u>136,420,964</u>	<u>107,200,814</u>	<u>123,587,555</u>	<u>143,945,703</u>	<u>153,816,181</u>
Net (expense)/revenue.....	(177,333,597)	(218,717,639)	(207,392,263)	(236,452,132)	(251,781,719)
Total general revenues, transfers and other changes in net position.....	<u>218,494,741</u>	<u>228,967,551</u>	<u>241,923,668</u>	<u>243,322,199</u>	<u>253,885,767</u>
<b>Change in net position.....</b>	<b>\$ <u>41,161,144</u></b>	<b>\$ <u>10,249,912</u></b>	<b>\$ <u>34,531,405</u></b>	<b>\$ <u>6,870,067</u></b>	<b>\$ <u>2,104,048</u></b>

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 420,156,669	\$ 434,848,130	\$ 429,799,429	449,556,069	\$ 462,145,304
<u>128,019,794</u>	<u>136,698,784</u>	<u>143,442,377</u>	<u>152,510,203</u>	<u>159,529,082</u>
(292,136,875)	(298,149,346)	(286,357,052)	(297,045,866)	(302,616,222)
<u>259,377,186</u>	<u>266,192,228</u>	<u>274,891,418</u>	<u>285,464,237</u>	<u>306,140,944</u>
\$ <u><u>(32,759,689)</u></u>	\$ <u><u>(31,957,118)</u></u>	\$ <u><u>(11,465,634)</u></u>	<u><u>(11,581,629)</u></u>	\$ <u><u>3,524,722</u></u>

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
<b>General Fund</b>					
Reserved.....	\$ 3,696,513	\$ 4,177,720	\$ 3,884,714	\$ 3,091,164	\$ 4,595,043
Unreserved.....	10,125,954	16,117,152	19,724,693	16,342,052	15,574,235
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	-	-	-	-	-
Unassigned.....	-	-	-	-	-
Total general fund.....	<u>\$ 13,822,467</u>	<u>\$ 20,294,872</u>	<u>\$ 23,609,407</u>	<u>\$ 19,433,216</u>	<u>\$ 20,169,278</u>
<b>All Other Governmental Funds</b>					
Reserved.....	\$ 7,188,858	\$ 7,333,993	\$ 6,181,855	\$ 7,904,778	\$ 8,153,969
Unreserved, reported in:					
Special revenue funds.....	7,651,781	6,828,092	7,213,248	10,478,029	13,253,604
Capital projects funds.....	(9,421,471)	1,450,147	17,319,824	38,560,162	93,303,737
Permanent funds.....	1,012,798	874,461	925,527	817,614	736,678
Nonspendable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Unassigned.....	-	-	-	-	-
Total all other governmental funds.....	<u>\$ 6,431,966</u>	<u>\$ 16,486,693</u>	<u>\$ 31,640,454</u>	<u>\$ 57,760,583</u>	<u>\$ 115,447,988</u>

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

2010	2011 (1)	2012	2013	2014
\$ 5,746,263	\$ -	\$ -	\$ -	\$ -
13,566,282	-	-	-	-
-	928,722	938,274	3,164,616	2,849,507
-	14,877,088	9,816,666	5,348,800	4,889,216
-	844,441	2,583,061	3,110,521	2,677,990
-	14,123,323	14,886,340	21,091,447	26,259,064
<u>\$ 19,312,545</u>	<u>\$ 30,773,574</u>	<u>\$ 28,224,341</u>	<u>\$ 32,715,384</u>	<u>\$ 36,675,777</u>
\$ 25,926,689	\$ -	\$ -	\$ -	\$ -
10,704,933	-	-	-	-
28,167,213	-	-	-	-
740,024	-	-	-	-
-	445,570	446,818	447,206	397,250
-	28,989,163	28,617,216	26,869,665	30,289,935
-	886,894	1,745,209	1,718,332	1,736,249
-	(354,498)	-	-	-
<u>\$ 65,538,859</u>	<u>\$ 29,967,129</u>	<u>\$ 30,809,243</u>	<u>\$ 29,035,203</u>	<u>\$ 32,423,434</u>

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 192,554,388	\$ 200,165,525	\$ 207,245,638	\$ 211,435,422	\$ 224,437,442
Motor vehicle and other excise taxes.....	11,467,867	11,298,282	10,197,596	11,131,712	10,098,579
Hotel/motel tax.....	979,194	1,060,052	1,138,921	1,103,549	1,108,199
Meals tax.....	-	-	-	-	-
Payments in lieu of taxes.....	394,563	418,202	411,841	358,957	489,108
Community preservation surcharges.....	1,878,091	1,978,999	2,027,379	2,107,392	2,207,442
Charges for services.....	11,765,228	11,895,186	14,110,021	14,088,742	14,209,678
Intergovernmental .....	85,837,606	60,266,994	75,564,011	78,760,492	122,879,420
Special assessments.....	-	-	215,216	157,281	218,438
Penalties and interest on taxes.....	1,225,224	830,030	1,049,712	1,055,344	1,223,300
Licenses and permits.....	4,991,489	7,172,004	5,764,582	4,928,179	4,575,496
Fines and forfeitures.....	1,987,816	2,002,406	1,850,503	1,899,661	2,022,175
Contributions.....	1,462,588	1,187,036	796,807	1,395,023	1,320,527
Investment income.....	1,985,227	3,362,563	4,960,859	4,435,423	2,642,189
Miscellaneous/other.....	588,220	1,326,054	947,985	1,813,990	1,686,507
<b>TOTAL REVENUES.....</b>	<b>317,117,501</b>	<b>302,963,333</b>	<b>326,281,071</b>	<b>334,671,167</b>	<b>389,118,500</b>
<b>EXPENDITURES</b>					
Current:					
General government.....	20,272,046	21,671,422	18,456,441	22,190,508	21,756,050
Public safety.....	33,467,775	33,207,890	36,540,065	36,960,093	37,438,138
Education.....	156,983,456	157,219,646	166,363,295	202,577,476	252,917,406
Public works.....	23,574,662	20,074,536	23,001,792	24,844,231	24,944,049
Health and human services.....	3,565,435	3,594,966	4,054,211	3,989,849	4,080,313
Culture and recreation.....	12,376,821	12,156,563	14,441,900	12,837,823	12,438,606
Retirement benefits.....	36,643,546	39,366,562	42,079,659	44,134,609	47,480,693
Insurance.....	1,596,923	1,621,121	1,666,576	1,690,977	1,891,488
Claims and judgments.....	176,472	214,058	143,335	97,254	250,509
Health insurance subsidy.....	-	-	173,495	-	-
Other.....	-	-	-	24,080	-
State and county charges.....	5,045,783	5,209,013	5,375,365	5,512,027	5,453,169
Debt service:					
Principal.....	5,118,200	5,595,500	8,472,050	6,146,900	7,652,100
Interest.....	2,483,216	2,215,170	2,129,315	2,378,302	3,694,574
<b>TOTAL EXPENDITURES.....</b>	<b>301,304,335</b>	<b>302,146,447</b>	<b>322,897,499</b>	<b>363,384,129</b>	<b>419,997,095</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES.....</b>	<b>15,813,166</b>	<b>816,886</b>	<b>3,383,572</b>	<b>(28,712,962)</b>	<b>(30,878,595)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	7,768,303	8,195,281	9,793,750	12,584,287	15,539,377
Proceeds of bonds and notes.....	11,500,000	13,835,000	10,600,000	48,792,000	86,010,000
Premium from issuance of bonds and notes.....	406,462	293,090	92,732	262,441	1,557,255
Sale of capital assets.....	36,000	26,446	40,752	49,909	-
Transfers out.....	(6,236,017)	(6,639,571)	(8,292,510)	(11,031,737)	(13,804,570)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>13,474,748</b>	<b>15,710,246</b>	<b>12,234,724</b>	<b>50,656,900</b>	<b>89,302,062</b>
<b>EXTRAORDINARY ITEM</b>					
Proceeds of structured settlement contract.....	-	-	2,850,000	-	-
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ 29,287,914</b>	<b>\$ 16,527,132</b>	<b>\$ 18,468,296</b>	<b>\$ 21,943,938</b>	<b>\$ 58,423,467</b>
<b>DEBT SERVICE EXPENDITURES AS A PERCENTAGE</b>					
<b>OF NONCAPITAL EXPENDITURES.....</b>	<b>2.5%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>2.3%</b>	<b>2.7%</b>



2010	2011	2012	2013	2014
\$ 233,726,177	\$ 240,732,647	\$ 248,503,570	\$ 257,225,856	\$ 277,636,527
10,222,534	10,463,796	10,567,479	11,351,368	12,057,191
1,168,095	1,588,882	1,814,792	2,051,414	2,218,759
382,934	1,308,191	1,403,261	1,407,803	1,557,737
3,095,059	439,721	479,617	521,643	475,741
2,296,523	2,365,422	2,427,905	2,508,969	2,689,198
14,821,694	14,674,078	17,340,467	17,702,424	19,090,133
75,443,469	73,856,678	73,036,706	81,971,057	83,629,746
158,481	254,638	350,639	224,503	189,547
1,026,507	1,038,224	1,146,496	1,011,591	1,160,091
4,564,508	5,523,613	6,081,388	9,291,263	7,538,284
2,101,518	1,907,471	2,017,085	2,029,860	1,889,935
1,185,340	1,382,243	1,299,748	833,888	1,112,823
1,016,818	554,473	271,250	257,726	328,015
667,540	1,676,863	1,222,231	593,712	737,709
351,877,197	357,766,940	367,962,634	388,983,077	412,311,436
22,007,737	27,495,142	21,216,365	18,961,966	22,784,656
37,999,263	37,725,281	39,687,309	40,232,455	42,177,396
254,430,394	214,802,244	196,486,485	210,372,992	230,391,740
26,357,440	24,730,797	21,918,256	28,939,827	31,082,397
4,305,785	4,177,515	4,123,498	4,358,995	4,656,637
12,637,414	11,232,808	13,839,046	13,634,682	12,443,344
49,940,948	53,157,157	56,055,483	57,813,067	60,134,090
1,676,169	1,445,803	1,559,274	1,722,006	1,778,619
100,453	160,733	58,504	128,950	171,221
-	-	-	-	-
-	-	-	-	-
5,619,317	5,472,487	5,503,956	5,722,550	5,783,939
8,548,500	9,460,500	9,408,367	9,596,167	10,367,425
7,079,256	7,509,703	7,574,440	7,568,326	7,411,724
430,702,676	397,370,170	377,430,983	399,051,983	429,183,188
(78,825,479)	(39,603,230)	(9,468,349)	(10,068,906)	(16,871,752)
8,860,150	6,386,643	8,413,437	7,732,178	10,802,542
25,548,000	13,770,000	5,734,000	10,812,558	20,936,000
815,357	168,147	131,379	590,740	749,963
42,491	36,262	67,610	55,325	27,419
(7,206,381)	(4,868,523)	(6,585,196)	(6,091,919)	(8,295,548)
28,059,617	15,492,529	7,761,230	13,098,882	24,220,376
-	-	-	-	-
\$ (50,765,862)	\$ (24,110,701)	\$ (1,707,119)	\$ 3,029,976	\$ 7,348,624
3.6%	4.3%	4.5%	4.3%	4.1%

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

**LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
2005	\$ 17,046,470,917	\$ 1,614,228,983	\$ 194,282,500	\$ 18,854,982,400	\$ 10.16	\$ 19,131,654,600	98.55%
2006	18,038,525,657	1,630,652,443	197,645,600	19,866,823,700	9.99	21,590,027,600	92.02%
2007	18,780,465,279	1,691,031,121	195,725,500	20,667,221,900	9.95	21,590,027,600	95.73%
2008	18,478,928,698	1,767,239,702	211,461,100	20,457,629,500	10.44	22,207,139,600	92.12%
2009	18,659,283,807	1,788,640,793	266,624,600	20,714,549,200	10.72	22,207,139,600	93.28%
2010	18,384,685,100	1,819,972,600	283,174,000	20,487,831,700	11.25	22,506,213,100	91.03%
2011	18,113,668,363	1,830,045,937	289,095,700	20,232,810,000	11.80	22,506,213,100	89.90%
2012	18,276,909,150	1,851,072,350	336,017,900	20,463,999,400	12.10	21,744,090,700	94.11%
2013	18,445,998,977	1,847,689,523	351,617,700	20,645,306,200	12.43	21,744,090,700	94.95%
2014	18,687,096,235	1,906,786,065	368,307,500	20,962,189,800	13.13	22,305,253,800	93.98%

**Source:** City of Newton Annual Tax Recap Sheet

(1) Does not include valuation affected by residential exemption

(2) As of January 1st

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

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

## LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
2005	\$ 9.48	\$ 18.02	\$ 18.02	\$ 10.16
2006	9.36	17.72	17.72	9.99
2007	9.33	17.64	17.64	9.95
2008	9.70	18.46	18.46	10.44
2009	9.96	19.00	19.00	10.72
2010	10.41	19.93	19.93	11.25
2011	10.90	20.89	20.89	11.80
2012	11.17	21.32	21.32	12.10
2013	11.49	21.93	21.93	12.43
2014	12.12	23.18	23.18	13.13

**Source:** City of Newton Tax Recap Sheets

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

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

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

# PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2014			2005		
	Assessed Valuation	Rank	Percentage of Total Tax Levy	Assessed Valuation	Rank	Percentage of Total Tax Levy
NSTAR Electric	\$ 2,798,348	1	1.00%	\$ 937,170	4	0.48%
Riverside Project, LLC	2,264,538	2	0.81%	1,735,758	1	0.89%
Rothenberg, Daniel E.	1,717,289	3	0.62%	951,421	3	0.49%
Cohen, Julian & Rothenburg D TRS	1,522,327	4	0.55%	868,636	5	0.45%
Chesapeake Hotel Lmt Partnership	1,481,770	5	0.53%	738,579	7	0.38%
Boston Gas/National Grid	1,479,983	6	0.53%	N/A	N/A	N/A
Atrium Wellness Center LLC	1,055,518	7	0.38%	N/A	N/A	N/A
CHS Commercial Owner LLC	1,052,245	8	0.38%	N/A	N/A	N/A
Verizon New England Inc.	1,032,210	9	0.37%	N/A	N/A	N/A
Thomas J. White TRS	982,698	10	0.35%	695,556	8	0.36%
Mayflower Atrium LLC	N/A	N/A	N/A	1,176,722	2	0.61%
Wells Avenue Senior Holdings LLC	N/A	N/A	N/A	761,460	6	0.39%
Schroder Newton Limited Partnership	N/A	N/A	N/A	678,588	9	0.35%
Lasell College	N/A	N/A	N/A	467,855	10	0.24%
Total	\$ 15,386,926		5.52%	\$ 9,011,745		4.64%

Source: City of Newton Board of Assessors.

## PROPERTY TAX LEVIES AND COLLECTIONS

### LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy		Collected within the Fiscal Year of the Levy		Actual Subsequent Collections		Total Collections to Date	
			Current Tax Collections	Percent of Net Levy Collected			Total Tax Collections	Total Collections as a % of Net Levy (1)
2005	\$	191,516,639	\$ 189,884,213	99.15%	\$	2,341,207	\$ 192,225,420	100.37%
2006		198,431,418	197,604,301	99.58%		1,845,616	199,449,917	100.51%
2007		205,603,998	204,425,747	99.43%		2,449,528	206,875,275	100.62%
2008		213,670,594	211,782,357	99.12%		2,225,079	214,007,436	100.16%
2009		222,124,895	221,179,256	99.57%		1,089,303	222,268,559	100.06%
2010		230,471,466	228,861,998	99.30%		1,510,114	230,372,112	99.96%
2011		238,752,520	237,347,484	99.41%		2,108,094	239,455,578	100.29%
2012		247,532,017	246,717,069	99.67%		1,777,493	248,494,562	100.39%
2013		256,559,763	255,584,775	99.62%		2,068,207	257,652,982	100.43%
2014		275,166,240	274,820,049	99.87%		-	274,820,049	99.87%

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

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

# **RATIOS OF OUTSTANDING DEBT BY TYPE**

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita (1)
	General Obligation Bonds	State Pension Loan	General Obligation Bonds	MWRA/ MWPAT Loans		
2005	\$ 36,715,350	\$ 2,600,000	\$ 266,250	\$ 22,627,199	\$ 62,208,799	\$ 778
2006	44,954,850	2,600,000	176,250	23,158,874	70,889,974	844
2007	49,682,800	-	80,000	24,790,065	74,552,865	903
2008	92,327,900	-	40,000	22,117,941	114,485,841	1,415
2009	170,685,800	-	6,000,000	24,259,834	200,945,634	2,418
2010	187,685,300	-	5,900,000	23,261,750	216,847,050	2,597
2011	191,994,800	-	8,275,000	21,449,014	221,718,814	2,639
2012	188,320,433	-	9,627,000	19,699,017	217,646,450	2,556
2013	189,297,824	-	15,671,442	17,643,162	222,612,428	2,579
2014	199,866,399	-	14,265,000	15,726,829	229,858,228	2,663

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

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

# **RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**

LAST TEN FISCAL YEARS

Fiscal Year	Net General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property (1)	Percentage of Estimated Personal Income (2)
	General Obligation Bonds	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt		
2005	36,981,600	-	36,981,600	0.19%	1.01%
2006	45,131,100	-	45,131,100	0.21%	0.96%
2007	49,762,800	-	49,762,800	0.23%	1.08%
2008	92,367,900	-	92,367,900	0.42%	2.04%
2009	170,685,800	(881,707)	169,804,093	0.76%	3.32%
2010	187,685,300	(749,640)	186,935,660	0.83%	3.64%
2011	191,994,800	(683,320)	191,311,480	0.85%	3.70%
2012	188,320,433	(2,946,430)	185,374,003	0.85%	3.54%
2013	189,297,824	(2,896,430)	186,401,394	0.86%	3.51%
2014	199,866,399	(2,835,755)	197,030,644	0.88%	3.71%

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

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

# DIRECT AND OVERLAPPING DEBT

JUNE 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resources Authority.....	\$ 6,009,972,000	4.56%	\$ <u>274,092,978</u>
City direct debt.....			<u>229,858,228</u>
Total direct and overlapping debt.....			\$ <u><u>503,951,206</u></u>

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



# LEGAL DEBT MARGIN INFORMATION

## LAST FIVE FISCAL YEARS

	2014	2013	2012	2011	2010
Equalized valuation.....	\$ 22,305,253,800	\$ 21,744,090,700	\$ 21,744,090,700	\$ 22,506,213,100	\$ 22,506,213,100
Normal debt limit (5% of equalized valuation).....	1,115,262,690	1,087,204,535	1,087,204,535	1,125,310,655	1,125,310,655
Debt applicable to limit:					
Total bonded debt.....	229,858,228	222,612,428	217,646,450	221,718,814	216,847,050
Less: General obligation bonds exempted by authority of state legislature.....	(17,377,352)	(17,643,162)	(19,699,017)	(29,724,014)	(29,161,750)
Total net debt applicable to limit.....	212,480,876	204,969,266	197,947,433	191,994,800	187,685,300
Legal debt margin.....	\$ <u>902,781,814</u>	\$ <u>882,235,269</u>	\$ <u>889,257,102</u>	\$ <u>933,315,855</u>	\$ <u>937,625,355</u>
Total net debt applicable to the limit as a percentage of normal debt limit.....	<u>19.1%</u>	<u>18.9%</u>	<u>18.2%</u>	<u>17.1%</u>	<u>16.7%</u>

# DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN CALENDAR YEARS

Year	Population	Median Age	Per Capita Income	Estimated Personal Income	Median Family Income	Public School Enrollment	Unemployment Rate (%)
2004	79,980	38.7	45,708	3,655,725,840	105,289	11,268	3.5%
2005	84,031	38.7	55,891	4,696,576,621	124,893	11,415	3.3%
2006	82,578	38.7	55,891	4,615,366,998	124,893	11,501	3.7%
2007	80,917	38.7	55,891	4,522,532,047	124,893	11,570	3.9%
2008	83,112	38.7	61,530	5,113,881,360	113,416	11,570	6.3%
2009	83,501	38.7	61,530	5,137,816,530	113,416	11,607	6.5%
2010	84,024	40.5	61,530	5,169,996,720	113,416	11,775	5.0%
2011	85,146	39.9	61,530	5,239,033,380	113,416	12,172	4.1%
2012	86,307	40.2	61,530	5,310,469,710	113,416	12,170	4.1%
2013	86,307	40.2	61,530	5,310,469,710	113,416	12,441	4.1%

**Sources:** Population from City census

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

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

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

# **EMPLOYEES BY FUNCTION/PROGRAM**

LAST FIVE FISCAL YEARS

Employees as of June 30					
Function/Program	2014	2013	2012	2011	2010
General government.....	138	128	131	133	125
Public safety.....	372	364	371	373	379
Education.....	1,406	1,334	1,285	1,195	1,268
Public works .....	136	131	126	131	139
Health and human services.....	42	45	45	48	48
Culture and recreation.....	82	80	79	82	93
Water.....	29	28	29	31	27
Sewer.....	25	28	27	32	36
Total.....	<u>2,230</u>	<u>2,138</u>	<u>2,093</u>	<u>2,025</u>	<u>2,115</u>

**Source:** City of Newton payroll

# CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST FIVE FISCAL YEARS

Function/Program	Fiscal Year				
	2014	2013	2012	2011	2010
Public safety					
Police					
Stations.....	1	1	1	1	1
Vehicles.....	69	69	69	69	69
Fire					
Stations.....	6	6	6	6	6
Firefighting Vehicles.....	9	9	9	9	9
Education					
Public school buildings.....	21	21	21	21	21
Public works					
Streets (miles).....	310	310	310	310	310
Streetlights.....	8,595	8,595	8,595	8,595	8,595
Traffic signals.....	98	98	98	98	98
Parking meters.....	1,671	1,671	1,671	1,671	1,671
Culture and recreation					
Public libraries					
Main library.....	1	1	1	1	1
Park & playground Acreage.....	590	590	590	590	590
Outdoor swimming facilities.....	2	2	2	2	2
Indoor swimming facilities.....	1	1	1	1	1
Public street trees	30,000	30,000	30,000	30,000	30,000
Water					
Water mains (miles).....	300	300	300	300	300
Fire hydrants.....	2,400	2,400	2,400	2,400	2,400
Storage capacity (thousands of gallons).....	26,000,000	26,000,000	26,000,000	26,000,000	26,000,000
Sewer					
Sanitary sewers (miles).....	300	300	300	300	300
Sewer pump stations.....	10	10	10	10	10
Stormdrains (miles).....	324	324	324	324	324

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



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www.lockelord.com

(Date of Delivery)

James Reardon, Treasurer  
City of Newton  
Newton, Massachusetts

\$25,505,000  
City of Newton, Massachusetts  
General Obligation Municipal Purpose Loan of 2015 Bonds, Series A  
Dated January 29, 2015

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

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

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

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

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

B-1

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

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

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

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

LOCKE LORD LLP

(Date of Delivery)

James Reardon, Treasurer  
City of Newton  
Newton, Massachusetts

\$19,635,000  
City of Newton, Massachusetts  
General Obligation Refunding Bonds, Series B  
Dated January 29, 2015

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. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

LOCKE LORD 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 \$25,505,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Series A, and \$19,635,000 General Obligation Refunding Bonds, Series B, each dated January 29, 2015 (collectively, 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 January 21, 2015 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 determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

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

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

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

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

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

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

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

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

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

Date: January 29, 2015

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]