

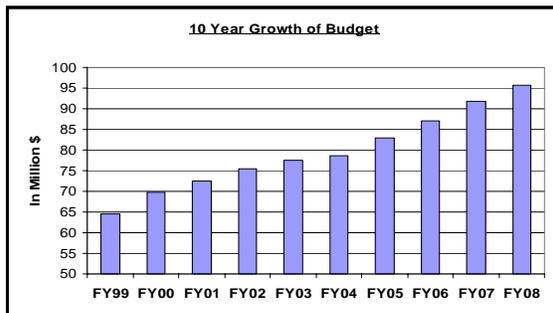
Executive Budget Financial Summary

City of Leominster

Introduction

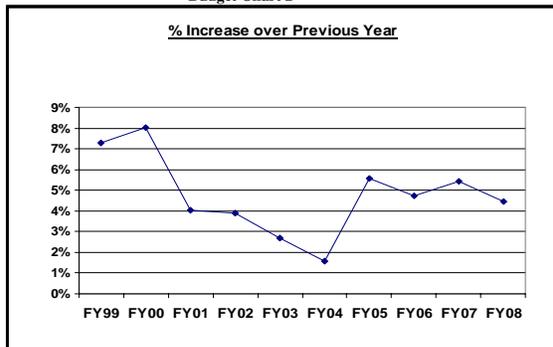
The Fiscal Year 2008 General Fund Budget total of \$95,777,683.26 represents a 4.44 % increase over the Fiscal Year 2007 Budget total of \$91,705,650.

Budget Chart 1



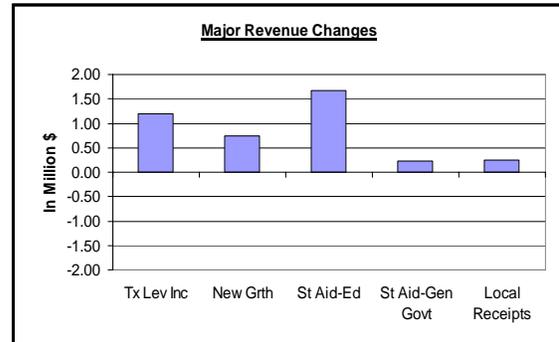
The 4.44 % budget increase was possible because of increased State Aid amounts along with Certified New Tax Growth and a Proposition 2 1/2 Tax Levy Increase

Budget Chart 2



The major changes in revenue sources from FY07 to FY08 were a Proposition 2 1/2 tax increase (\$1,186,260), Certified New Tax Growth (\$737,511), State Aid-Education (\$1,677,454), State Aid-General Government (\$230,808) and Local Receipts (\$250,000).

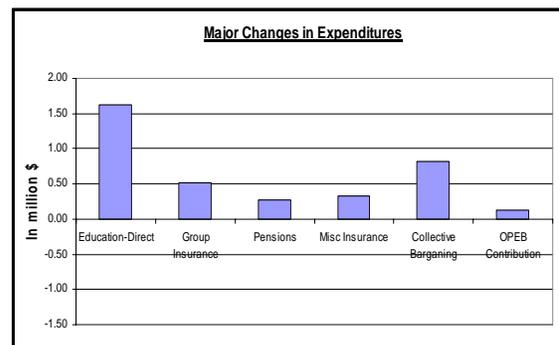
Budget Chart 3



The expenditure side of the FY08 Budget introduces three new cost centers to the budget in addition to the existing major cost centers of group health insurance, pension contributions and salary increases.

The three new major cost centers are related to the new Government Account Standards Board (GASB) Statement Number 45 (Other Post Employment Benefit expenses [OPEB]), the Library Expansion/Renovation Project (both debt services and operating expense increases) and a Net School Spending newly imposed "dollar increment toward the target share penalty of 2% (\$369,415)" that is added to the local contribution municipal revenue growth factor increase annual requirement.

Budget Chart 4



Executive Budget

Summary continued

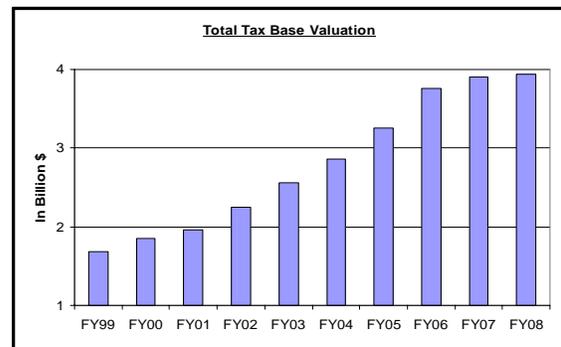
City of Leominster

The Net School Spending requirement for the City increased by \$2,792,924 in FY 2008. This is due to the \$1,655,126 increase in the Chapter 70 line item along with a total local required contribution increase of \$1,137,798. This local contribution increase is the total of the municipal revenue growth factor increase of \$768,383 along with a newly imposed 2% required target share increase of \$369,415. This is due to the fact that the City is more than 10% below its overall target amount under the newly implemented legislative Chapter 70 aid formula.

Several other areas of the budget such as miscellaneous insurances, trash pick-up and removal, utility costs and other operating expenses continue to put significant cost pressure on the expense budget.

The Total Assessed Valuation for the City has reached \$3,943,877,000 for Fiscal Year 2008. This represents a 143.0 % increase over the Fiscal Year 1998 Total Assessed Valuation of \$1,619,971,821.

Budget Chart 6

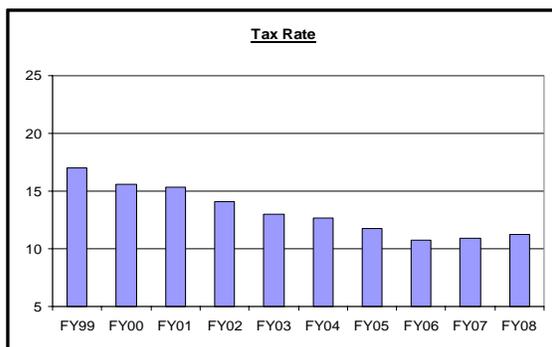


Tax Base Information

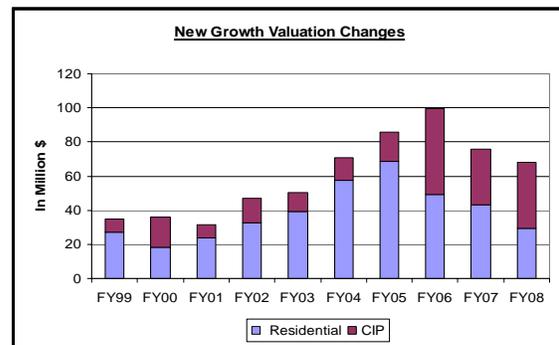
The Total Assessed Valuation of the City has again risen at a slower pace than the Tax Levy during the past year. This had led to the tax rate rising for the second year in a row. The tax levy has only increased by 2.5% in FY 2008 once again. (\$10.88 in FY07 to \$10.25 in FY08).

The \$2,323,905,179 increase in valuation during the past 10 year period includes Certified New Growth valuations of \$599,532,985 which resulted in growth in the tax levy equal to \$8,114,250 (unadjusted for future tax levy increases).

Budget Chart 5



Budget Chart 7



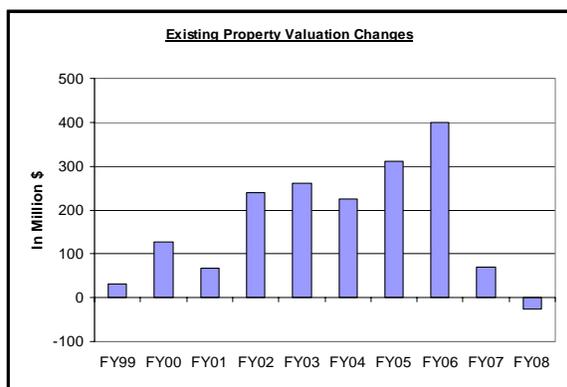
Executive Budget

Summary Continued

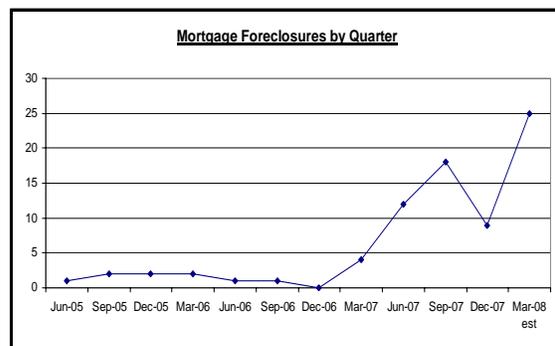
City of Leominster

Existing property valuation net changes amounted to -\$25,089,605 during FY 2008.

Budget Chart 8

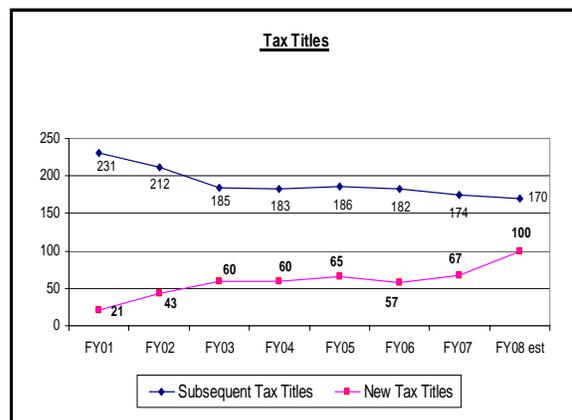


Budget Chart 9



This is the first decrease in valuation changes of existing properties since FY98. Property values for residential properties continue to decline during calendar year 2007 sales which will be reflected in FY 2009 real estate values. Foreclosures of property in Leominster began to increase significantly in August 2007. The impact upon collection rates will be closely monitored. A number of these properties had adjustable rate mortgages which were initiated on originally favorable terms, but are being adjusted to current market rate terms not as favorable.

Budget Chart 10



The City has also seen an increase in the number of new tax titles for FY 2007 which were advertised in November of 2007 (FY08). The number of new tax titles increased to 100 from 67 in FY 2006.

Executive Budget Summary Continued

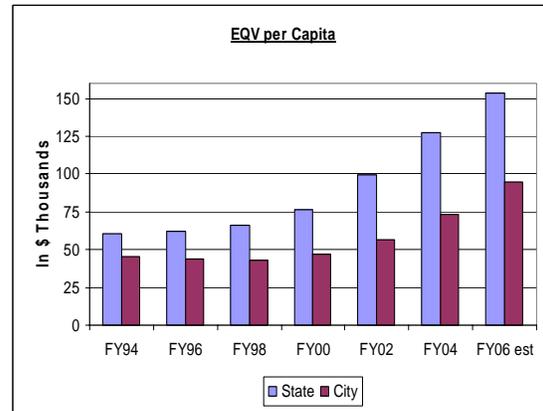
City of Leominster

Budget Chart 12

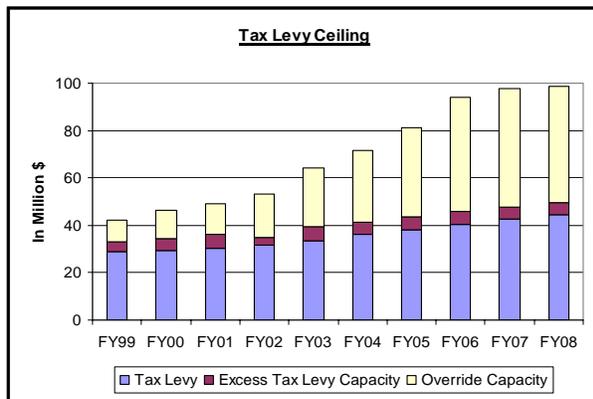
The overall Net Valuation increase has served to raise the City of Leominster ultimate levy ceiling to \$98,596,925 in FY 2008. The ultimate levy ceiling is the maximum amount that the City of Leominster could raise through the tax levy in that particular year. This amount is equal to the so called, "Proposition 2 1/2 Ultimate Limit". The formula to arrive at this levy ceiling amount is:

$$\text{Total Assessed Valuation} \times 2.5\%$$

This net increase in valuation has resulted in the City having \$49,019,176 in current override capacity in FY 2008.



Budget Chart 11



Although the Equalized Valuation per Capita (EQV per Capita) has risen for the past few years, the City still trails the State-Wide EQV per Capita average through FY 2004. The figures for FY 2004 indicate that the Leominster EQV per Capita of \$74,198 equates to 57.9% of the State-Wide EQV per Capita average of \$128,116. The FY06 EQV for Leominster is \$3,983,376,300 with a 2000 census population of 41,303 that translates into a \$96,443 EQV per Capita for FY 2006.

Revenues

The rate of State Aid revenue growth has dropped significantly since the School Department reached its Foundation Budget spending requirement. Lottery Aid increased by a paltry 1.76% (\$122,705) in FY 2008. All indications point to the City becoming more self reliant for revenue growth for the foreseeable future.

Budget Table 1

Fiscal Year	Tax Levy %	State Aid %	Local Receipts %
FY08	46.3	47.2	6.5
FY07	46.3	47.2	6.5
FY06	47	47	6
FY05	46	46	8
FY04	46	47	7
FY03	43	48	9
FY02	42	50	8
FY01	41	51	8
FY00	42	50	8
FY99	44	48	8

Executive Budget

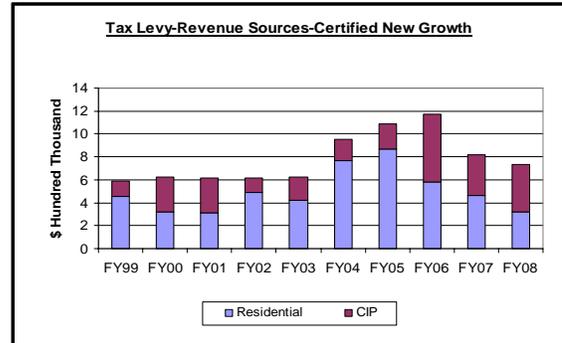
Summary Continued

City of Leominster

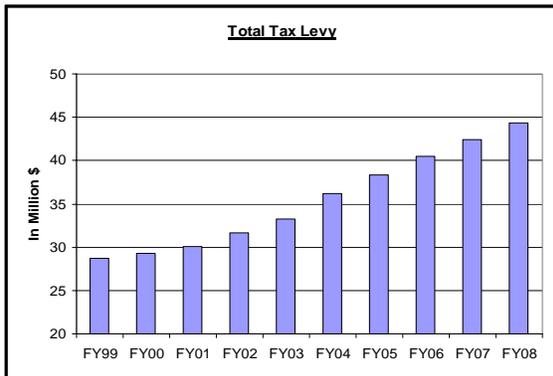
Property Tax Levy

In FY 2008, the Property Tax Levy is \$44,368,616. This represents a 4.53 % increase over the FY 2007 Property Tax Levy of \$42,444,846. In FY 2008 a single "Proposition 2 1/2" tax levy increase yields additional tax revenue of \$1,191,225. The amount of tax revenue raised by so called "Certified New Growth" yielded \$757,511 in additional tax revenue in FY 2008. Of this amount, \$419,382 was related to Commercial, Industrial & Personal Property new value, while \$318,129 was related to Residential New Growth.

Budget Chart 14

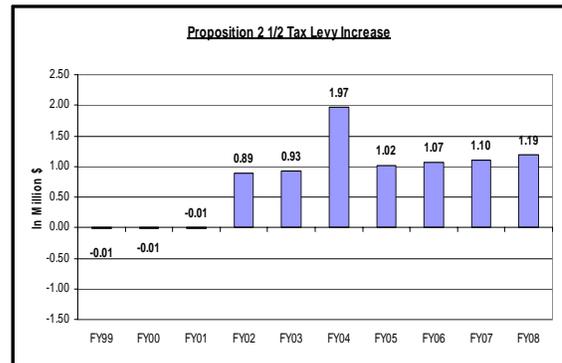


Budget Chart 13



The Proposition 2 1/2 total tax increase during this period was \$8,131,615.

Budget Chart 15



Since FY 1998, the property tax levy has grown from \$28,122,711 to \$44,368,616 for a total increase of \$16,245,905. "New Growth" has been certified for a total of \$8,114,250 during this period. This is equal to more than 53.7% of the total levy increase during this ten year time period. Of the amount, \$5,343,212 was residential new growth, while \$2,770,660 was commercial, industrial, and personal property new growth (CIP). CIP growth during FY08 was \$419,382 compared to \$318,129 in residential new growth.

The underutilization of the allowed full Proposition 2 1/2 tax increases over the past several years has placed the City in the position of having \$5,209,132 in Excess Levy Capacity in FY 2008. The cumulative total of tax capacity not levied since FY 1998 totaled \$53,711,487 (see Budget Chart 28).

Executive Budget

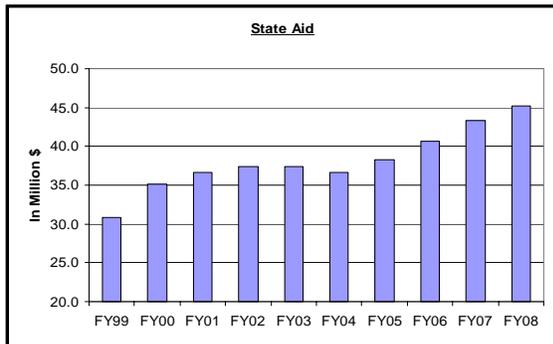
Summary Continued

City of Leominster

State Aid and Revenue Summary

State Aid has a net increase of \$1,657,923 for FY08 (4.22%). Two categories of State Aid that remain unfunded for FY 2008 are School Transportation and the Highway Fund Reimbursement line items.

Budget Chart 16



State Aid - Education

The State Legislature changed the Chapter 70 funding formula for FY 2008. While the Governor submitted a funding formula based on previous funding methods, the Senate and House implemented a new formula for FY08. The new formula impacted Leominster in two ways. It decreased the amount of Chapter 70 Aid Leominster is to receive in FY 2008 and increased significantly the local contributions the City must make in order to meet Net School Spending requirements. The \$35,606,445 Chapter 70 award for FY 2008 reflects a \$1,655,126 increase over the FY 2007 award of \$33,951,319.

Budget Table 2

<u>Fiscal Year</u>	<u>Chapter 70</u>	<u>School Transp</u>	<u>School Constr</u>	<u>Charter School</u>	<u>Total Ed Aid</u>
1999	24.1	.44	1.51	-	26.0
2000	27.8	.41	1.51	-	29.8
2001	28.9	.40	1.51	-	30.9
2002	29.5	.39	1.51	-	31.4
2003	29.5	.37	1.51	-	31.4
2004	30.0	0	1.5	-	31.6
2005	31.3	0	1.51	.27	33.1
2006	32.7	0	1.73	.15	34.6
2007	34.0	0	1.73	.17	35.9
2008	35.6	0	1.73	.18	37.5

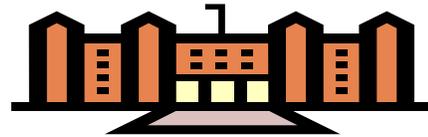
In Million \$

Executive Budget

Summary Continued

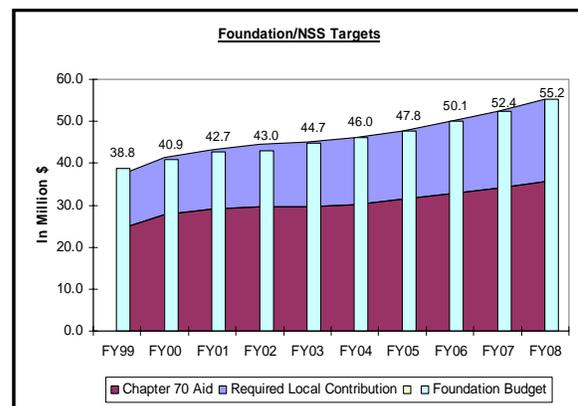
City of Leominster

In Addition to Ch. 70 Awards, the State requires the City to increase their local contribution in accordance with a newly established Municipal Revenue Growth Factor (MGRF) formula along with a new test to see where a community stands in relation to its newly instituted “target share” requirement to be met over time. The Leominster “target share” is calculated at \$26,377,371 (47% of the Foundation Budget). The FY 2008 preliminary required local contribution is \$19,239,122 after the FY08MGRF addition (\$768,383 increase over FY07) which is 34.84% of the “target share”. Since the City is greater than 10% below the “target share” required percent (47.0% required), the City was said to be 12.93% below target and therefore must contribute an additional 2% of the previous year’s (FY07) required local contribution. For FY08, this translates into an additional \$369,415 increase in the City local required contribution . The new “aggregate wealth” model adopted in FY 2007 and implemented in FY 2008 is expected to indicate that the city is significantly under its “target share” for a considerable time in the foreseeable future, and therefore will place additional financial requirements on the City over the normal MGRF for many years in the future.



In addition to NSS requirements, there are cost centers such as debt service, transportation and capital outlay expenses which are not included in the Required Net School Spending calculations. The City issued permanent bonds for the outstanding Bond Anticipation Notes for the Southeast School architectural plans in November.

Budget Chart 17



Executive Budget

Summary Continued

City of Leominster

State Aid-General Government

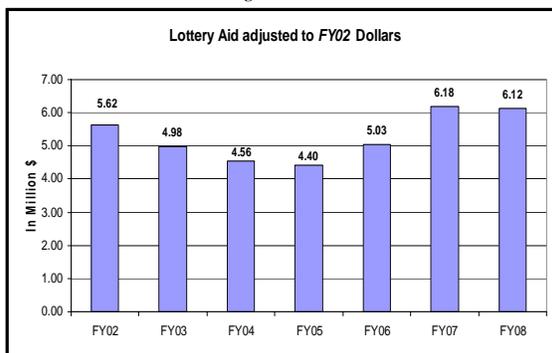
The total State Aid-General Government the City is estimated to receive in FY 2008 in this section of the “Cherry Sheet” is \$230,808 over the amount of \$7,441,899 aid received in FY 2007 (3.1% increase).

The FY 2008 Lottery Aid award of \$7,111,354 is only \$122,705 greater than the Lottery Aid award given in FY 2007. Reports out of Boston seem to indicate that Lottery sales have slowed dramatically, if not decreased, and the future of this primary local aid revenue source is question-

Budget Table 3

Gen Government	FY99	FY00	FY01	FY02	FY 03	FY04	FY05	FY06	FY07	FY08
Lottery	4,176,359	4,741,974	5,226,377	5,623,305	5,097,526	4,779,809	4,779,809	5,633,456	6,988,649	7,111,354
Additional Assistance	14,714	14,714	14,714	14,714	13,756	11,693	11,693	11,693	11,693	11,693
Highway Fund	340,693	340,693	340,693	85,173	0	0	0	0	0	0
Police Incentive	40,679	36,621	39,314	40,168	93,179	135,209	154,288	163,770	193,305	214,978
Veteran’s Benefits	40,325	42,281	32,815	21,759	51,618	32,212	27,428	45,792	35,829	56,447
Exemptions Vets, Blind/ Survivor Spouse	48,632	50,198	49,771	49,415	52,217	53,178	51,049	55,547	50,068	111,001
Abatements Elderly	63,408	63,376	63,354	61,565	58,685	62,372	63,354	63,332	63,322	63,292
State Owned Land	40,369	50,147	60,486	47,010	31,232	25,003	39,124	49,823	93,033	103,942
Total State Aid Gen Government	4,765,179	5,340,004	5,827,524	5,943,109	5,923,992	5,099,476	5,126,745	6,023,413	7,441,899	7,672,707

Budget Chart 18



able. The Governor has submitted a bill to allow casinos. It’s value as a source of revenue and/or its impact on the Lottery is undetermined at this time.

Since other State Aid—General Government revenue line items are reimbursement types of aid, these revenue sources only serve to help mitigate other cost center increases.

Executive Budget

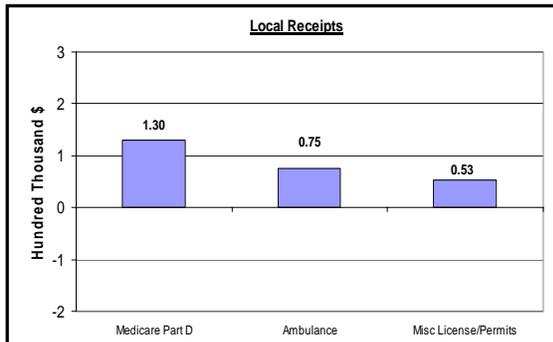
Summary Continued

City of Leominster

Local Receipts

The economy continues to put downside pressure on several elastic-type revenue local receipts. For example, Motor Vehicle excise tax collections decreased by \$250,000 last fiscal year. Investment income is expected to drop due to the lowering of interest rates by the Federal Reserve. The City did increase its "Medicare Part D" reimbursement estimate by \$130,000 for FY08 to \$250,000 which is the actual amount received in FY07.

Budget Chart 19



Expenditures

Budget adjustments in the functional areas include the following:

General Government:

Non Union:

- City (not school) employee health insurance cost sharing increases from 20% to 25% of HMO premium.
- Cost of Living Adjustment (COLA) bargained increase of 5% for City Employees

Public Safety:

- Police & Fire employee union contracts settled with same 5% COLA and 20% to 25% HMO insurance cost sharing increase.
- Police expense increases of \$40,000 (11.75%).

Education:

- Direct appropriation increases of \$1,662,360
- Preliminary school spending during FY2008 can be summarized as follows:

Net School Spending Requirement*	\$55,214,982
School Transportation	\$2,500,000
School Debt Service**	<u>\$3,448,372</u>
Total:	\$61,163,354

*The City has historically spent in excess of the net school spending requirement.

**Does not include "Free Cash" appropriations for temporary borrowings.

Executive Budget

Summary Continued

City of Leominster

Budget Table 4

Public Works:

- DPW union COLA of 5% along with 20% to 25% cost sharing change for HMO insurance.

Functional Area	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
General Government	2,685,663	2,429,028	2,348,021	2,137,752.32	2,024,898	2,175,738	2,068,243	1,930,584
Public Safety	13,261,360	12,311,596	12,382,045	11,267,559	10,921,058	11,172,585	10,872,913	10,139,399
Education	45,430,328	43,767,968	42,404,000	41,280,682	39,951,363	41,760,405	41,290,395	40,975,008
Public Works	4,934,286	4,711,284	4,469,462	4,315,061	4,157,508	4,366,108	3,978,045	3,751,522
Human Services	683,376	608,308	575,505	516,573	515,472	499,932	485,383	449,548
Culture and Recreation	1,609,172	1,361,142	1,298,494	1,238,512	1,171,226	1,151,200	1,139,323	1,055,934
Debt Service	3,965,993	3,905,039	3,942,095	3,981,020	4,059,533	3,052,102	3,109,010	3,140,540
Miscellaneous	19,325,822	18,980,636	15,968,314	14,111,541	12,403,942	11,663,387	10,754,554	9,645,131
Other	3,881,683	3,630,650	3,614,034	4,207,454	3,457,192	1,603,522	1,719,973	1,500,170
Totals	95,777,683	91,705,651	87,001,979	83,056,154	78,662,192	74,444,979	75,417,439	72,587,745

This budget chart on illustrates the expenditure amounts by functional area in the City. The Miscellaneous category includes Group Health, Pension, Other Insurances, and Other expenditure categories.

- Refuse collection, disposal along with landfill monitoring expenses increased by \$123,275 (4.87%).

Executive Budget

Summary Continued

City of Leominster

Culture & Recreation:

- Library operating expenses increased by \$192,014 (20.6%). This is primarily due to the opening of the newly renovated/expanded Library facility.
- Recreation expenses increased by 11.8%

Debt Service:

- Library Renovation/Expansion debt service expenses funding started at \$180,000.

Retirement & Insurance:

- Actuarially calculated funding increase of \$276,118 (5.99%) for Retirement System.
- Group Insurance funding increase of \$521,842 (4.4%).
- OPEB funding increase of \$130,000 (108.3%).
- Medicare Insurance expense increase of \$50,000 (7.35%)



Debt Service

General Fund Debt Service

The City of Leominster employs a broad based and long term view when managing debt service and debt-like service payments within the General Fund.

The City had a total of \$12,940,000 in bond principle amounts outstanding as of 6/30/07 within the General Fund.

The City also had a total of \$9,688,000 in bond anticipation notes outstanding as of 6/30/07 within the General fund.

The City additionally had a \$23,146,101 Unfunded Pension Liability as of 1/1/2007.

The City also had \$78,395,541 in unfunded Other Post Employment Benefits (OPEB) Liability as of 1/1/2006, if the City properly funds this amortization. If the City does not fund this amortization requirement, the unfunded liability is \$125,319,511 as of 1/1/2006.

Thus, General Fund debt and debt-like principle amounts can be summarized as follows:

6/30/07	General Fund Debt Principle	\$12,940,000
6/30/07	General Fund	\$9,688,000
1/1/2007	Unfunded Pension Liability	\$23,146,101
1/1/2006	Unfunded OPEB Liability	\$78,395,541
	Total:	\$124,169,642

Details as to the principle and interest-like payments can be seen on page 14 (top).

Executive Budget

Summary Continued

City of Leominster

The City is currently in a very strong position as to the relatively short principle payback period for outstanding debt. The school addition loan will be paid back in FY 2009, and the two middle school loans are scheduled to be fully paid by FY 2014. The City will then utilize this tax levy capacity toward the amortization of the Library Renovation/Expansion Project.

Current State law does not allow increasing principle payments in future years for this purpose, however, the City is hoping that legislation submitted by the Governor in the Municipal Partnership Act will be passed allowing this type of principle debt payment structure in the future. The City currently utilizes “free cash” to pay for bond anticipation notes (B.A.N.S.) interest for most of the outstanding issues.

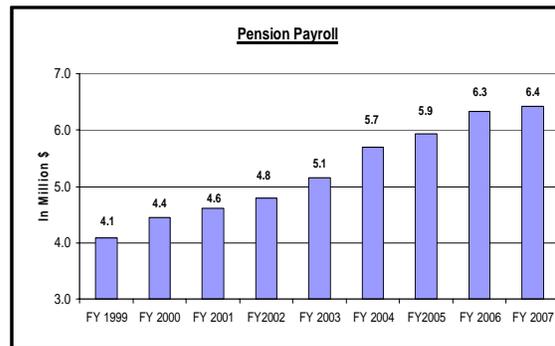
The City did increase the budget by \$180,000 in the FY 2008 temporary interest budget line item. The City is beginning to imbed into the tax levy debt service a debt service payment for the Library Project. The \$180,000 reflects approximately half of the interest payment for the Library Project permanent debt service payments. The FY 2009 budget is expected to raise the remaining interest payment requirements with principle payments to begin in FY2010 without a significant impact upon the tax levy. This is due to the school additions loans principle retirement in FY 2009.

The City plans to issue permanent debt for the Southeast School architecture plans bond anticipation notes outstanding. The statutory time limit has expired for the ability to continue issuing bond anticipation notes for this project.

Unfunded Pension Liability

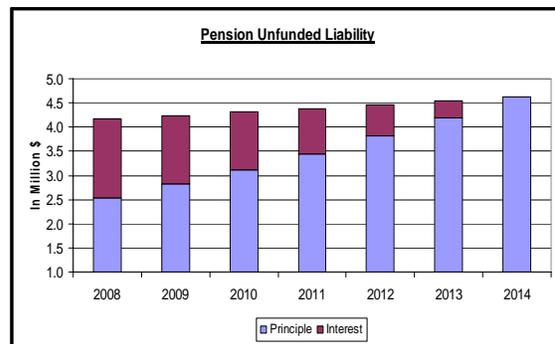
The second largest debt-like obligation for the City of Leominster is the Unfunded Pension Liability of \$23,146,101 as of 1/1/2007. The pension payroll has increased \$2,636,462 since FY1998.

Budget Chart 20



The Retirement System has reduced the time period of the funding schedule of the unfunded pension liability from the year 2028 to the year 2014. This will eventually allow for these funds (currently \$4,164,404) to be utilized toward the significant unfunded liability and service costs of Other Post Employment Benefits (OPEB) obligations that are required to be reported by the City of Leominster within the Fiscal Year 2009 financial statements.

Budget Chart 21

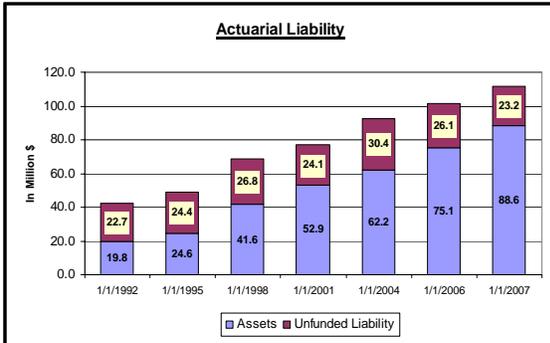


Executive Budget

Summary Continued

City of Leominster

Budget Chart 22



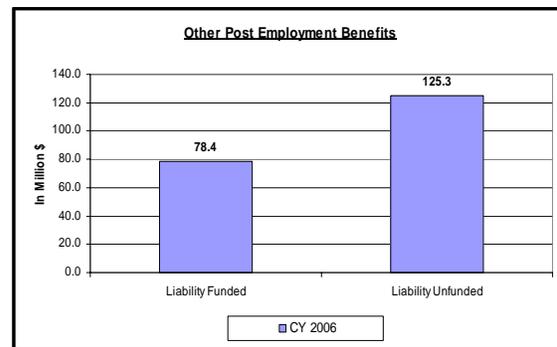
Unfunded Other Post Employment Benefit Liability

The City has completed its first actuarial study examining the area of Other Post Employment Benefit Liability (OPEB). For the City of Leominster, this encompasses Retiree health, dental and life insurance. The current system pays for these benefits on a “pay as you go” methodology. The actuarial study estimates a total cost of \$8,385,386 in FY 2008 if properly funded. This compares to an estimated FY 2008 appropriations of \$3.8 million for the “pay as you go” method imbedded in the FY08 budget. The biggest cost factor between the two amounts is the set aside in the current fiscal year (FY08 cost estimate is \$4.2 million) for the retiree benefits for current active employees (actuarial term: normal cost). The City has increased its OPEB appropriation to \$250,000 during FY 2008, far short of the \$4.2 million in the new “normal cost” cost center.

The first actuarial report completed for the new OPEB GASB 45 requirement indicates an initial unfunded liability of \$78,395,542 as of 1/1/2006 if properly funded. This would allow the actuary to utilize a 7.75 % discount rate

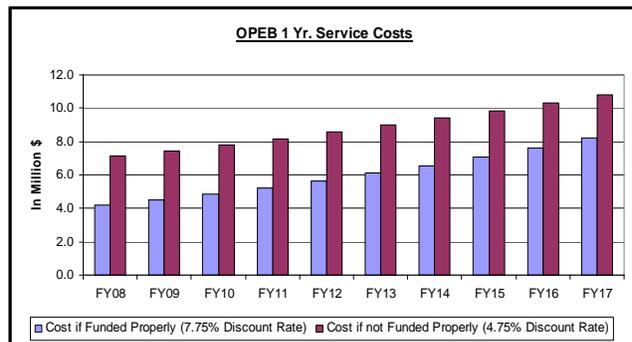
for the investment rate of return. For as long as the City does not properly fund this new requirement, the discount rate of only 4.75%, which inflates the OPEB unfunded liability as for 1/1/2006 to \$125,319,512.

Budget Chart 23



The City plans to complete another OPEB actuarial valuation prior to the FY 2009 implementation date. The City has negotiated with most unions to change the Employer/Employee health insurance premium for the Network Blue HMO product payment method from an 80/20 arrangement to a 75/25 payment plan. The City also implemented the same 75/25 Network Blue HMO arrangement for retiree’s. Pre-Medicare and non-Medicare retiree’s were impacted by this policy as of 7/1/07.

Budget Chart 24



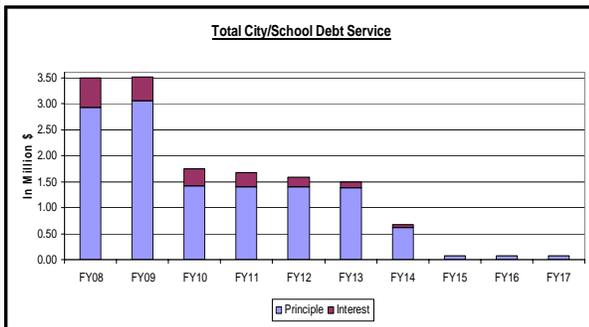
Executive Budget

Summary Continued

City of Leominster

The chart below illustrates total debt service over time for currently outstanding principle and interest payments for the General Fund.

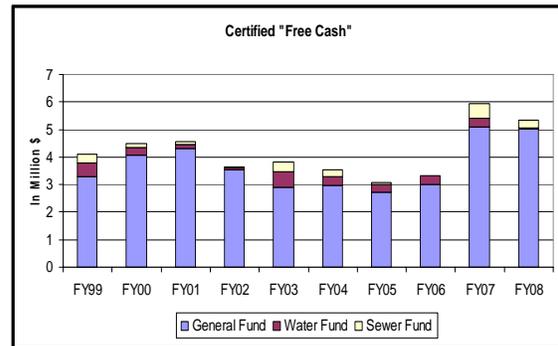
Budget Chart 25



was closed out to the General Fund in the amount of \$288,736. The remaining \$5,015,733 represents 4.57% of the total amount to be raised during FY 2008 of \$109,752,837.

The City strives to achieve a minimum of 5% of the total amount to be raised of the next fiscal year for a “Free Cash” certified amount.

Budget Chart 26



Reserves

Fiscal Reserves

The City of Leominster has established reserve policies which will assist the City during all phases of the business cycle. Adherence and compliance to the existing targets and even updated targets requires significant discipline and political will to maintain the course during difficult economic times. The long term benefits of successful execution of the adopted reserve policies far outweigh any temporary cost of foregoing adherence to the well thought-out and reasoned fiscal reserve policies.

Free Cash

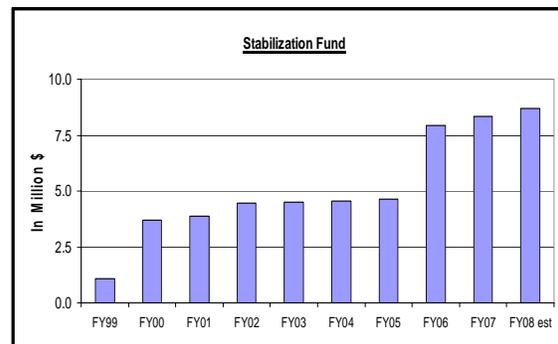
The State Certifies a portion of the City’s surplus revenues as legally available for spending. The General Fund Fiscal Year 2008 certified “Free Cash” amount certified by the State was \$5,366,994. Imbedded within this amount was a Water Surplus closed out to the General Fund in the amount of \$35,525. Additionally the Sewer fund surplus

Stabilization Fund

The City has wisely funded a Stabilization Fund to protect against the adverse ramifications associated with revenue deficits of prior years. The 6/30/07 balance of \$8,349,681 represents 7.6 % of the total amount to be raised during Fiscal Year 2008 (\$109,752,837).

The City has a fiscal goal to grow its Stabilization Fund balance to 10% of General Fund Revenues.

Budget Chart 27



Executive Budget

Summary Continued

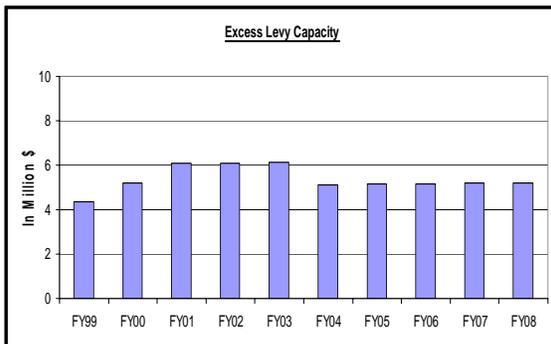
City of Leominster

Excess Levy Capacity

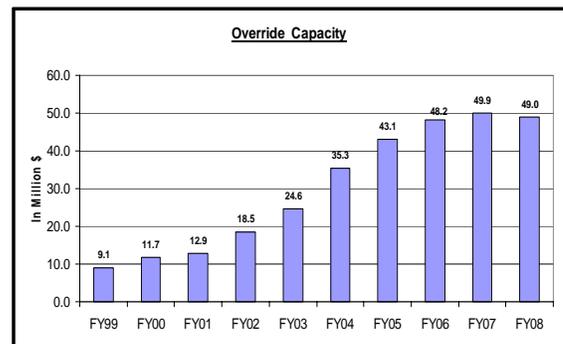
Excess Levy Capacity is the amount of a tax increase the City could raise through the tax levy in addition to the current year's Proposition 2 1/2 % increase before the need for an override. The cumulative excess levy capacity not levied on taxpayers during the past 10 years was \$53,711,487. The amount of Excess Levy Capacity for FY 2008 was \$5,209,133.

allowed Proposition 2 1/2 increase of \$1,191,225. The FY 2008 tax levy of \$44,368,616, along with excess tax levy capacity of \$5,209,133 equaled this FY 2008 Tax Levy Limit of \$49,577,749. The difference between the FY 2008 ultimate tax levy ceiling of \$98,596,925 and the FY 2008 tax levy limit of \$49,577,749 is equal to the FY 2008 tax override capacity of \$49,019,176. This override capacity also serves as a buffer of insulation against the City having to reduce the current year budget because of ultimate tax levy ceiling concerns (e.g. \$25.00 tax rate ; \$11.25 FY08 tax rate). The following chart shows the override capacity amounts for the past 10 years.

Budget Chart 28



Budget Chart 29



Override Capacity

The ultimate tax levy ceiling under Proposition 2 1/2, is equal to 2 1/2 % of the total assessed valuation of the City of Leominster which is calculated annually.

The total assessed valuation for the City of Leominster was \$3,943,877,000 for FY 2008 which translates to an \$98,596,925 ultimate tax levy ceiling. The FY 2008 Levy Limit of \$49,577,749 was calculated by taking the FY 2007 tax levy limit of \$47,649,013 and adding FY 2008 "Certified New Growth of \$737,511 along with the

This override capacity means that the voters of the City of Leominster could authorize permanent overrides, debt exclusions, or capital exclusions totaling \$49,019,176 for Fiscal Year 2008.

Executive Budget

Summary Continued

City of Leominster

Other Reserve Funds

Emergency Reserve Account

This account is part of the General Fund Budget. The Fiscal Year 2007 Budget included \$100,000 for this purpose. This account is used for unexpected costs that arise during the fiscal year. The City does also use this account for unforeseen needs prior to certification of "Free Cash".

Highway State Aid Reserved Account

The State Chapter 90 Program funds expenditures related to approved highway projects. Appropriation requests are made by the Highway Department once the projects are approved and the money is available to be drawn on the State Letter of Credit Authorization.

Gallagher Building Revolving Fund

The Gallagher Building collects rents which is deposited into the account for operating and maintenance of the building. A certain amount is also provided to help defray the principle and interest payments related to the loan taken out by the City to pay for capital improvements to the Gallagher Building.

Parking Meter Receipts

The City collects garage and meter fees for deposit into this fund. The proceeds are used for the expenses of the parking areas, the enforcement of parking regulations and for the collection process.

Wetland Fees Reserved

The Conservation Commission related fees collected are required to be placed into this fund. This fund has helped to pay for an administrator and administrative expenses related to the Conservation Commission.

Cemetery Perpetual Care Income

The purchase of a cemetery lot includes a fee for perpetual care of the lot. This fee is deposited into the Perpetual Care Trust Fund. Proceeds of this account are available to be used for cemetery operating purposes.

Cemetery Sale of Lots Income

The purchase price of a cemetery lot is deposited into the Cemetery Sale of Lots Trust Fund Principle Account. The investment income generated is available to be used for capital outlay purchases for cemetery related purposes.

General Fund Capital Investment Fund

The City of Leominster had special legislation passed to establish this fund for capital outlay purposes that would accumulate appropriations for multiple fiscal years in order to purchase a capital item. For instance, if a Fire Department engine was projected to cost \$400,000, the City could place \$100,000 per year into this fund for four years. The City has not recently utilized this fund but it is a good vehicle for capital outlay planning purposes.

The special legislation also allowed for the establishment of the same type of funds for both the Water and Waste Water Departments.

Other Post Employment Benefits (OPEB)

The City has begun to accumulate funds for OPEB related costs. The total accumulation through FY 2008 equals \$505,000. These funds will eventually be placed within an irrevocable trust for the purpose of offsetting the current \$78,395,542 OPEB unfunded liability calculated as of 1/1/2006.

Executive Budget

Summary Continued

City of Leominster

Weights & Measures

The Weights & Measures Department has recently become authorized to levy fines for violations. The payments collected from these fines are required to be deposited into this fund. The proceeds are required to be utilized for Weights & Measures Department purposes.

Sale of Real Estate Fund

The proceeds of City owned property are required to be deposited into this fund. The use of these funds are restricted by statute.

Library State Aid Reserved

The proceeds are legally restricted for library related expenses. The City qualifies for this aid by meeting expenditure and operating hours requirements established by the State Board of Library Commissioners.

Budget Table 5 Other Reserve Funds

Account	FY07 Beginning	FY07	FY07	FY07 End	FY08 Beginning
Emergency Reserve	100,000	0.00	(94,762)	5,238	100,000
Chapter 90	(221,013)	923,360	(735,200)	(32,835)	(32,835)
Gallagher Revolving	271,322	107,535	(283,860)	94,997	94,997
Parking Meter	6,507	32,230	(31,000)	7,737	7,737
Wetland Fees Reserved	14,814	14,496	(7,000)	23,310	23,310
Cemetery Perpetual Care	1,260,449	78,749	(54,209)	1,284,990	1,284,990
Cemetery Sale of Lots	533,077	0	46,936	580,013	580,013
General Fund Capital	375	0	0	375	375
Weights & Measures	6,116	1,950	4,327	3,739	3,739
Sale of Real Estate	19,027	1,950	4,327	3,739	3,739
Library State Aid	87,855	64,529	117,205	35,176	35,176
GAAP Undesignated Fund / General Fund Balance	7,685,189	430,442	0	8,115,931	8,115,631
Statutory Certified "Free Cash"	5,943,576	0	4,934,815	1,008,761	5,336,994
OPEB Appropriation	\$120,000	0	0	120,000	505,000

Executive Budget

Summary Continued

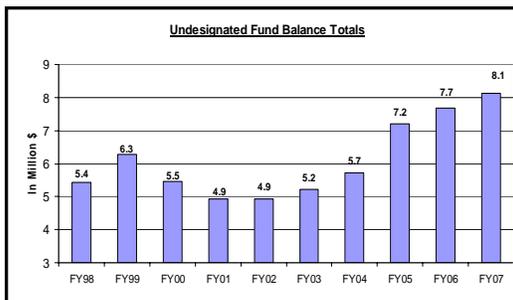
City of Leominster

General Fund

Undesignated Fund Balance

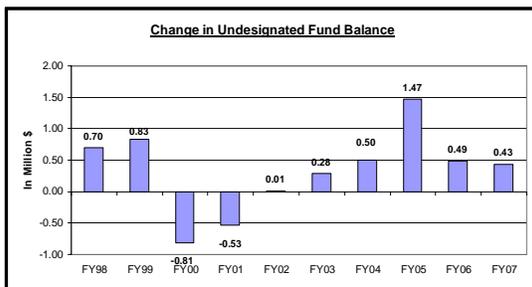
The increase or decrease to the Undesignated Fund balance is the result of the difference between the operating revenues and expenditures in a given year. It gives insight as to the General Fund ability to (1) balance its' budget on a current basis, (2) maintain reserves for operating emergencies, (3) have sufficient liquidity to pay its' bills on time, (4) have funds to make operating capital outlay expenditures not provided for in the operating budget.

Budget Chart 30



The changes to the Undesignated Fund Balance totals can be seen as follows:

Budget Chart 31



The table to the right summarizes how fund balance has been utilized during the past 5 year period.

Budget Chart 32

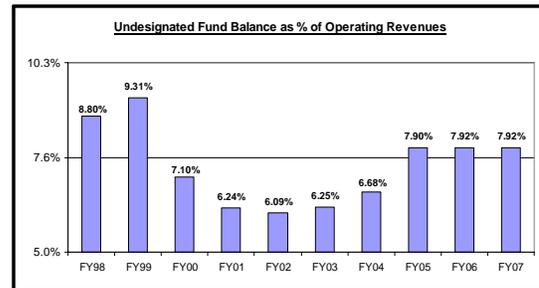


Table in Thousand \$

	FY07	FY06	FY05	FY04	FY03
Certified Free Cash	5,943.6	3,327.8	3,091.2	3,551.0	3,822.8
Water Capital Outlay	316.0	314.6	242.6	300.5	573.7
Sewer Capital Outlay	548.9	11.3	91.2	265.3	352.8
General Fund Capital	2,015	698.7	203.0	238.5	1,436.1
Operating Expense Emergencies	722.0	780.3	476.7	903.7	513.8
Snow & Ice Expenses	207.0	510.0	743.0	330.0	610.0
Debt Service (i.e. temp interest)	530.0	175.0	433.0	382.0	125.0
School Transportation	595.0	586.6	900.0	400.0	0.0
Transfer to Stabilization Fund	0.0	3,100.0	0.0	0.0	0.0
Court Judgments Settlements	0.0	0.0	0.0	585.0	175.0
Total Appropriations	4,934.8	6,176.6	3,089.6	3,401.9	3,786.4
Free Cash Balance	1008.8	251.2	1.6	149.1	36.4

Executive Budget

Summary Continued

City of Leominster

Budget Table 6

CITY OF LEOMINSTER					
Massachusetts					
GENERAL FUND					
Balance Sheet					
	June 30				
	2007	2006	2005	2004	2003
ASSETS					
Cash and Cash Investments	\$13,349,951	\$10,854,999	\$10,174,281	\$9,170,087	\$6,777,320
Investments	600,000	1,164,575	1,235,118	564,567	2,425,207
Receivables:					
Property Taxes	2,709,646	2,555,787	2,743,062	2,708,733	2,464,834
Tax Liens and Foreclosures		0	0	0	0
Excises	1,083,452	985,589	931,948	1,015,604	772,907
Other		0	0	516	0
Intergovernmental		0	169,023	0	0
Departmental, net	695,360	1,103,138	962,309	831,658	972,135
Total Assets	\$18,438,409	\$16,664,088	\$16,215,741	\$14,291,165	\$13,412,403
Liabilities and Fund Equity					
Liabilities:					
Warrants Payable	\$1,093,260	\$1,207,685	\$1,099,008	\$838,884	\$871,747
Accounts Payable	627,775	0	84,217	0	0
Deferred Revenue	4,201,658	4,333,251	4,566,107	4,199,273	4,075,392
Accrued Payroll and Withholding		619,596	699,027	297,940	474,850
Accrued Interest	64,786	42,226	21,920	375,718	383,773
Other Liabilities	145,030	110,397	73,928	73,009	72,183
Total Liabilities	\$6,132,509	\$6,313,155	\$6,544,207	\$5,784,824	\$5,877,945
Fund Equity:					
Fund Balances:					
Reserve for Encumbrances	\$4,190,269	\$2,665,744	\$2,478,662	\$2,782,013	\$2,307,441
Unreserved Undesignated	8,115,631	7,685,189	7,192,872	5,724,328	5,227,017
Total Fund Equity	\$12,305,900	\$10,350,933	\$9,671,534	\$8,506,341	\$7,534,458
Total Liabilities and Fund Equity	\$18,438,409	\$16,664,088	\$16,215,741	\$14,291,165	\$13,412,403

The history of the General Fund Balance sheet shows how the various Asset Liability and Fund Balance have changed as of 6/30/07 of the past 5 year period.

The General Fund income and expenditure 5 year history appears in Budget Table 7.

Executive Budget

Summary Continued

City of Leominster

Budget Table 7

CITY OF LEOMINSTER						
Massachusetts						
Combined Statement of Revenues, Expenditures and Changes in Fund Balances						
General Fund						
	2007 (2)	2006 (2)	2005 (1)	2004 (1)	2003 (1)	2002 (1)
Revenues:						
Property Taxes	\$41,883,181	\$40,664,528	\$37,742,016	\$36,060,951	\$33,147,645	\$31,713,889
Excises	4,348,967	4,585,822	4,783,395	4,016,172	4,228,571	4,135,587
Charges for Services	1,238,767	1,214,459	1,089,142	1,225,799	1,437,201	1,098,854
Interest, Penalties and Other Taxes	292,491	450,323	273,648	424,334	663,796	345,920
Licenses and Permits	915,988	877,473	669,927	450,122	479,912	552,559
Fines and Forfeitures	250,110	210,919	258,383	271,490	259,458	235,695
Intergovernmental	52,386,665	48,070,911	45,121,752	42,851,376	41,997,963	41,499,429
Interest Earnings	958,955	717,412	358,990	188,856	363,230	561,029
Miscellaneous	247,803	269,608	748,111	205,469	1,117,961	1,035,795
Total Revenue	\$102,522,927	\$97,061,455	\$91,045,364	\$85,694,569	\$83,695,737	\$81,178,757
Expenditures:						
General Government	\$3,016,930	\$3,084,092	\$2,768,834	\$2,394,747	\$2,496,874	\$2,242,635
Public Safety	13,476,449	13,357,627	11,957,205	11,512,092	12,268,613	11,884,228
Education	51,553,006	50,374,794	48,983,776	45,533,178	47,099,262	47,165,265
Public Works	6,131,285	5,761,061	5,267,704	5,773,341	5,739,007	7,328,930
Human Services	765,526	591,175	523,139	474,911	516,051	496,827
Culture and Recreation	1,692,859	1,341,475	1,332,587	1,287,741	1,688,768	1,894,110
Employee Benefits	18,017,004	15,301,665	13,141,777	12,560,904	11,194,183	10,184,742
Debt Service	4,179,760	4,087,890	3,998,643	4,428,535	3,625,689	3,572,710
Intergovernmental	2,242,403	2,114,900	2,184,070	2,154,063	601,220	587,895
Total Expenditures	\$101,075,222	\$96,014,679	\$90,157,735	\$86,119,512	\$85,229,667	\$85,357,342
Excess of Revenues ver (under) Expenditures	1,447,705	1,046,776	887,629	(424,943)	(1,533,930)	(4,178,585)
Other Financing Sources (Uses):						
Operating Transfers in	1,547,636	3,096,087	989,283	2,062,578	1,236,620	2,038,346
Operating Transfers out	(1,040,374)	(3,463,464)	(711,719)	(665,752)	(926,475)	(1,282,026)
Total Other Financing Sources (Uses)	507,262	(367,377)	277,564	1,396,826	310,145	756,320
Change in Fund Balance	1,954,967	679,399	1,165,193	971,883	(1,223,785)	(3,422,265)
Fund Equity, Beginning	10,350,933	9,671,534	8,506,341	7,534,458	8,758,243	12,180,508
Fund Equity, Ending	\$12,305,900	\$10,350,933	\$9,671,534	\$8,506,341	\$7,534,458	\$8,758,243

FY 2008 Estimates:

Management estimates that while the City has positioned itself well for FY 2008, the economy is experiencing a slowdown which will reflect itself in certain elastic revenue source contractions such as tax payments, building permits issued, motor vehicle excise and investment income. The slowdown is reflected in FY 2008 New Growth Certification. While net operation results are again expected to be relatively strong in the General Fund. The

Water and Sewer funds surplus is still expected to be positive and are closed to the General Fund at year end. Water rates have been increased in anticipation of debt service and operating expense increases and will show a temporary surplus that can be used for capital outlay investments in the short term.