

FINANCIAL MANAGEMENT SERVICES

FINANCE COMMITTEE

During 2006, the Finance Committee (FinCom) was chaired by Allan Tosti and assisted by vice-chairs Richard C. Fanning, Alan Jones, and Charles T. Fokkett. Peter B. Howard served as secretary. The FinCom has twenty-one positions, one for each precinct. The appointing authority (Moderator, Trust Fund Commissioners Chair, FinCom Chair) acted to reappoint all members whose terms had been completed and to fill vacant positions.

In January, the FinCom began its yearly effort to develop a comprehensive balanced budget recommendation for the Annual Town Meeting which begins in April. The budget of each department was reviewed with the department head by one of the subcommittees. The school budget subcommittee attended School Committee meetings in order to gain an understanding of the school budget. Hearings were held on all warrant articles which required an appropriation or had a financial impact. Twenty-six full committee meetings were held which, when combined with numerous subcommittee meetings, made for a busy winter schedule.

The FinCom's report was distributed at the third session of the Annual Town Meeting. In addition to recommending a budget for each department, the report recommended a vote on twenty-three articles. As in previous years, this year's report contained additional information of interest to Town Meeting members including a report from the Comptroller on funds related to the solid waste collection program, trash disposal and recycling information, and the five-year budget plan.

Although the improving economy allowed the State to increase state aid to Arlington, the reductions in state aid that had been made during the recession were not completely restored. Funds from the override passed in 2005, however, were used to maintain services to the residents. In addition, as called for in the five-year plan, some of the override money was set aside to be used in the last two years of the five-year plan.

The Finance Committee also continued to monitor other ongoing activities that could have a large financial impact. The FinCom followed the progress of the school renovation projects, the Peirce Field cleanup, and the Symmes project through regular reports by the responsible Town officials. Both the Town Manager and the Superintendent of Schools provided budget description documents which we hope will satisfy the request of some Town Meeting members for more descriptive material.

Although the five-year plan funded largely by the \$6 million override is a big step toward stabilizing the Town's finances, issues remain. One issue is the level of State aid. The five-year plan assumes that state aid will gradually be restored to pre-recession level. This will require continuous effort by our legislative delegation.

Other ongoing issues include funding for the final round of school renovations, the renovation of the Town's fire stations, the increasing costs of health insurance and pensions, and funding the liability for future health insurance for retired employees. The Finance Committee will continue to work with the Town to deal with these issues and will keep the Town Meeting informed.

OFFICE OF THE TREASURER

The citizen's of Arlington elected Stephen J. Gilligan as Treasurer & Collector of Taxes on April 1, 2006. He brings 30 years of Arlington government experience, 25 years Fortune 50 business and technology experience, and credentials in Economics, Business & Managerial Finance, and Public Management with him, in serving our community.



Treasurer & Collector of Taxes, Stephen J. Gilligan

Mission Statement

Responsible for the proper collecting, investing, safe-guarding, and managing of all funds and receipts belonging to the Town of Arlington.

Audit

Immediately upon taking office, the Treasurer conducted a Cash Audit of the Treasurer's Office and a Procedural Audit of the Payroll Division. These audits, which were performed by Powers & Sullivan, returned positive and favorable results. The audits included:

- Assessing schedule of Cash Balances.
- Inspecting Bank Reconciliation.
 - Determining clerical accuracy of Bank Reconciliation.
 - Inspecting schedules supporting reconciling items for accuracy.
 - Tracing random sample of deposits to clearing statements.
 - Tracing bank balances to Treasurer's statements.
 - Tracing reconciled balances to Quarterly

FINANCIAL MANAGEMENT SERVICES

Report of Reconciliation to Treasurer's Cash Report.

- Trace all the above to the Town Comptroller's general ledger.
- No exceptions or findings were found as a result of this audit .
- Procedures Audit of Payroll Division.

2006 Accomplishments

The many and varied accomplishments achieved for the 2006 calendar year include:

- Revamp Parking Clerk responsibilities and processes.
 - Commenced developing violations database and reporting tool.
- New Bond Issues attaining AA and AA2 bond rating from S&P and Moody's.
- Most recent general obligation bond issue receiving "AAA," with bond insurance.
- Aggressively sought and successfully obtained \$10.1M (as of 10/20/06) for elementary MSBA reimbursement dollars.
- Promulgated financing options for Thompson and Stratton Schools.
- Initiated tracking process for Treasurer Office technology projects.
- Established internal control procedures for payroll reconciliation.
- Initiated policy on Cash Management, Investment Management and Debt Mangement.
- Successful Cash Audit for Treasurer's Office and Payroll Division Procedural Audit.
- Installed new parking machines in Town's parking lots and acquired new service company for improved maintenance response.
- Executed an aggressive approach to short-term investing that yielded higher results in Town deposits.
- Arlington Citizen's Scholarship Fund presented \$107,000 to 92 students.

- The Town's scholarship program continues to be a success. Citizens have been active in establishing scholarship programs with the minimum contribution of \$10,000.
- Exceptional collection rate for Real Estate taxes, water, and motor vehicle excise.
- Continue to release all bills for Real Estate, Motor Excise, and Water & Sewer on time.
- Maintain the lowest outstanding real estate and personal property taxes of any community in the Commonwealth. Focused collection procedures insure that less than .02% of outstanding water bills are placed onto the real estate tax liens each year-\$68,676 in FY06. (see performance measurements for additional details)
- The creation of a website dedicated to Treasurer's office functions www.arlingtontreasurer.com where citizens can view bill information for all amounts due the Tax Collector.
- In 2006 the Office of the Treasurer was active borrowing funds for various purposes: Symmes development project, school construction, water & sewer bonds, general obligation bonds, and, most notably, refinancing an outstanding loan to create savings for the Town.
- Continued success in collaborating with the Board of Assessors' office in meeting tax commitments timely and efficiently.

Primary Responsibilities

- Responsible for the billing and collection of all Real Estate & Personal Property, Motor Excise, Water & Sewer accounts and miscellaneous departmental receivables.
- Receive deposits from all departments that charge fees or receive revenue. Assist all departments in the collection of delinquent accounts.

Treasurer's Performance Measurements					
	FY 2002	FY 2003	FY 2004	FY 2005	FY2006
Real Estate Bills Processed	60,000	60,000	60,000	60,000	60,000
Motor Excise Bills Processed	40,000	40,000	40,000	40,000	40,000
Water Sewer Bills Processed	25,000	25,000	25,000	25,000	25,000
Liens from Water Sewer delinquency (less than .02% of total commitment)	\$80,967	\$72,257	\$69,766	\$51,127	\$68,675
Lien Certificates processed	1,576	4,327	2,210	1,451	1,323
Lien Certificate revenue	\$40,000	\$108,000	\$55,250	\$36,500	\$33,075

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- Responsible for the Investment of all Town revenues, this includes the General Fund and Trust Funds.
- Determine cash management needs to meet vendor and payroll warrants.
- Supervise and direct all short and long-term borrowings.
- Manage relationships with finance professionals providing custodial, investment, and banking services to the Town.
- Administer all phases of the Arlington Dollars For Scholars tax check-off scholarship program.
- Provide quality customer service to all Town residents in the performance of the above-described duties.

New Initiatives for Fiscal Year 2007

- Expand Treasurer website to accommodate payments online for real estate, motor excise, water bills, and parking tickets.
 - On-line bill paying implementation is anticipated for May FY07.
- Redesign all tax bills to 8-1/2 x 11 to print in-house, saving outsourcing costs
- Develop an in-house application program to assist with managing and awarding scholarships.
- Investigate and evaluate investment strategy and management for Trust Funds and Pension Fund.
- Reorganize Treasurer's Office staff responsibilities.
- Develop and document Procedures Manuals for all staff and processes within the Office of the Treasurer.
- Develop business operations continuity strategies for all applications and staffing back-up.
- Rename the Scholarship Fund to: The John J. Bilafer Arlington Citizen's Scholarship Fund, to honor Mr. Bilafer's contribution in founding the program, and achieving it's incredible success over the past 25 years.

TOWN COMPTROLLER AND COORDINATOR OF DATA PROCESSING

In accordance with the general accounting standards board pronouncements, the Town now accounts for its fixed assets and infrastructure on its financial statements. For the fiscal year ending June 30, 2008 the Town will have to account for its other post employment benefits (OPEB) accrued liability. The total Actuarial Accrued Liability as of January 1, 2005 is \$109 million. Upgrades to the MUNIS Software System continue on an annual basis. The use of laser printing of payroll checks was completed in January 2006. Computerization of school purchasing is scheduled to be completed by the end of calendar 2007.

The following were processed for FY06: 91,274 journal entries, 5,334 purchase orders, and 905 accounts payable batches.

The Town's telephone call accounting system was upgraded to enable the Town to monitor both incoming and outgoing calls and to generate management reports of phone usage.

The data processing department continues to maintain the Town's Information Technology (IT) infrastructure, improve the systems performance and security while accommodating various departmental requests. The data processing department supports most of the Town's file and application servers, adding new ones as required and consolidating old servers onto newer servers. Improvements continue to the security infrastructure by upgrading anti-virus, anti-spy-ware and spam protection services. Most of the network switches have been upgraded and reconfigured to provide both better performance and more security. Software was added to all of the desktops to accommodate remote diagnostics and support by the IT staff. Desktop computers and printers are periodically upgraded with current models to replace aging and unreliable equipment. In fiscal year 2006, thirty-four computers were upgraded and eighteen printers were installed.

Based on the ever-growing scope of Information Technology, as it plays a vital role for all of the Town's departments, a new CTO (chief technology officer) position was created and is expected to be filled by the end of fiscal year 2007.

FINANCIAL MANAGEMENT SERVICES

BOARD OF ASSESSORS

At the annual election held in April of 2006, Kevin P. Feeley, Esquire, was re-elected for a three-year term to the Board of Assessors. At the organizational meeting of the Board of Assessors, James F. Doherty, MAA, was elected Chairman and Mary Winstanley O'Connor, Esquire, was elected Vice Chairman.

In 2006, the Board of Assessors successfully completed the triennial update of assessed values, meeting the requirements of the Department of Revenue and complying with MGL.

The Board of Assessors committed 14,928 real estate and personal property tax bills to the Tax Collector for collection for Fiscal Year 2007. These bills raised a total of \$76,778,350 in property and personal property taxes. The total assessed value of all taxable real estate and personal property for Fiscal Year 2007 was \$7,011,721,520, which resulted in a tax rate of \$10.95 per thousand dollars of assessed value. The board also committed over 41,000 automobile excise tax bills for collection of an estimated income of \$4,100,000.

The Board would like to thank all taxpayers for their cooperation and the Assessing Office staff for their continued support and for a job well done in 2006.

Tax Abatement Overlay

State law requires that the Assessors put aside funds from each tax levy in a reserve that is called an Overlay. This account is established in anticipation that a certain percentage of the tax levy may end up being abated. Individual tax abatements are paid out of this fund. The final amount of the overlay account is determined by the Assessors and added to the tax rate without appropriation and is usually set at anywhere from 1% to 2.5% of the tax levy. In revaluation years, which occur every three years, the overlay account is usually set at a higher amount in anticipation of an increased number of abatements. FY2007 is a revaluation year, so the overlay account is set at \$1,194,923. In other years, the overlay is set closer to \$600,000. In FY2008, the overlay is set at approximately \$600,000. Any surplus left in an overlay account is appropriated by Town Meeting in much the same manner as free cash. Below is a chart showing the disposition of Overlay funds for the last three years. Prior to FY2004, the reserve balance from all prior fiscal years is \$223,779.

Tax Abatement Overlay Funds			
	FY2004	FY2005	FY2006
Overlay Amount	\$937,031	\$584,602	\$902,675
Abate & Exemptions to Date	\$437,031	\$324,602	\$345,515
Declared Surplus to General Fund	\$450,000	\$200,000	\$100,000
Reserved For Additional Liability	\$50,000	\$60,000	\$457,160

FINANCIAL MANAGEMENT SERVICES

ASSESSMENT DATA

Valuation and Tax Levy			
Fiscal Year	Total Assessed Valuation	Tax Levy	Tax Rate*
2007	\$7,011,721,520	\$76,778,350	\$10.95
2006	\$6,483,756,733	\$73,578,994	\$11.34
2005	\$6,007,309,836	\$65,719,969	\$10.94
2004	\$5,990,614,666	\$63,740,140	\$10.64
2003	\$4,500,135,559	\$61,246,845	\$13.61
2002	\$4,266,984,229	\$59,097,731	\$13.85
2001	\$4,239,775,439	\$55,838,267	\$13.17
2000	\$3,063,254,230	\$54,097,069	\$17.66
1999	\$3,504,316,820	\$52,443,515	\$17.17
1998	\$2,955,114,603	\$49,439,067	\$16.73
1997	\$2,815,373,412	\$48,086,577	\$17.08
1996	\$2,816,605,462	\$46,586,654	\$16.54
<i>*Tax rate expressed in per thousand dollars of assessed value</i>			

Percent of Tax Levy by Class					
CLASS	TYPE	Fiscal Year			
		2007	2006	2004	2003
I	RESIDENTIAL	94.6310	94.067	93.9454	93.004
II	OPEN SPACE	.000	.000	.000	.002
III	COMMERCIAL	4.1305	4.496	4.5246	5.319
IV	INDUSTRIAL	.3107	.313	.3137	.376
V	PERSONAL PROPERTY	.9278	1.244	1.2167	1.299
Total		100.00	100.00	100.00	100.00

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Summary: Tax Rate Components FY2002-2007						
	2002	2003	2004	2005	2006	2007
Levy Base	\$11.96	\$11.74	\$9.13	\$9.44	\$9.03	\$9.53
2 1/2%	\$0.30	\$0.29	\$0.23	\$0.24	\$0.23	\$0.24
Growth	\$0.12	\$0.12	\$0.11	\$0.08	\$0.13	\$0.13
Override					\$0.93	\$0.00
Water/Sewer Debt Exclusion	\$1.00	\$1.00	\$0.84	\$0.85	\$0.84	\$0.80
School Debt Exclusion	\$0.47	\$0.46	\$0.33	\$0.34	\$0.18	\$0.25
Tax Rate*	\$13.85	\$13.61	\$10.64	\$10.94	\$11.34	\$10.95

*Tax Rate = Amount To Be Raised/Total Taxable Assessed Value *1000

FINANCIAL MANAGEMENT

Details of Summary						
	2002	2003	2004	2005	2006	2007
Max Levy Prior FY	\$51,042,116	\$52,838,686	\$54,703,728	\$56,720,544	\$58,597,089	\$66,906,029
2.50%	\$1,276,053	\$1,320,967	\$1,367,593	\$1,418,014	\$1,464,927	\$1,672,651
Growth	\$520,517	\$544,075	\$649,223	\$458,531	\$844,013	\$887,247
Override					\$6,000,000	\$0
Maximum Levy	\$52,838,686	\$54,703,728	\$56,720,544	\$58,597,089	\$66,906,029	\$69,465,927
Levy Increase %	3.52%	3.53%	3.69%	3.31%	14.18%	3.83%
Levy Increase \$	\$1,796,571	\$1,865,042	\$2,016,816	\$1,876,544	\$8,308,941	\$2,559,897
Water/ Sewer Debt Exclusion	\$4,255,691	\$4,516,649	\$5,033,997	\$5,103,729	\$5,475,486	\$5,593,112
Debt Exclusion	\$2,007,525	\$2,052,096	\$2,000,153	\$2,056,781	\$1,197,479	\$1,755,952
Max to be Raised	\$59,101,902	\$61,272,473	\$63,754,694	\$65,757,599	\$73,578,994	\$76,814,991
Actual Raised	\$59,097,731	\$61,246,844	\$63,740,140	\$65,719,969	\$73,525,801	\$76,778,350
Excess Levy	\$4,171	\$25,629	\$14,554	\$37,630	\$53,193	\$36,641
Total Taxable AV	\$4,266,984,229	\$4,500,135,559	\$5,990,614,666	\$6,007,309,836	\$6,483,756,733	\$7,011,721,520
Total Avg. % Increase	0.64%	5.46%	33.12%	0.28%	7.93%	8.14%
Tax Rate	\$13.85	\$13.61	\$10.64	\$10.94	\$11.34	\$10.95
Penny on Tax Rate	\$42,670	\$45,001	\$59,906	\$60,073	\$64,838	\$70,117
Avg. AV on Single Family	\$298,716	\$316,291	\$414,125	\$415,167	\$444,515	\$486,431
Avg. Taxes Single Family	\$4,137	\$4,305	\$4,406	\$4,542	\$5,041	\$5,326

* All numbers subject to rounding and final DOR certification.

FINANCIAL MANAGEMENT SERVICES

ASSESSMENT DATA (CONTINUED)

Results Summary of the Revaluation by State Class Code FY2007 Vs. FY2006						
	2007			2006		2007 Vs. 2006
Property Type	Parcels	FY 2007 AV		Parcels	FY 2006 AV	% (+/-)
Residential		6,635,259,255			6,122,484,385	8.38%
Open Space		0.00				
Commercial		289,620,695			269,489,678	7.47%
Industrial		21,784,000			20,197,900	7.85%
Total Real Est	14,453	6,946,663,950		14,295	6,412,171,963	8.34%
Personal Prop	477	65,057,570		448	71,584,770	-9.12%
Total Real & PP	14930	7,011,721,520		14743	6,483,756,733	
Exempt	340	374482100		342	337532300	
Grand Total	15270	7,386,203,620		15085	6,821,289,033	

AV = Assessed Value

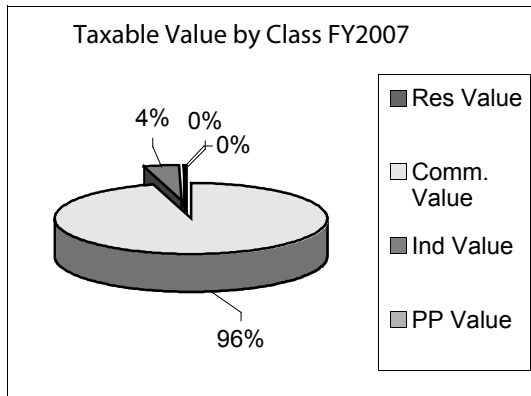
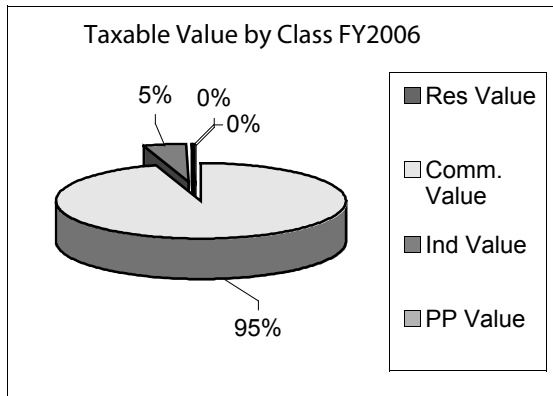
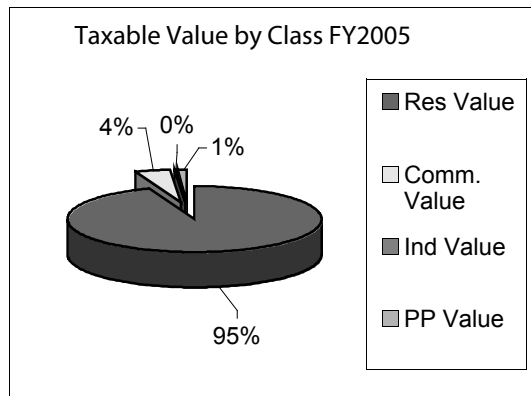
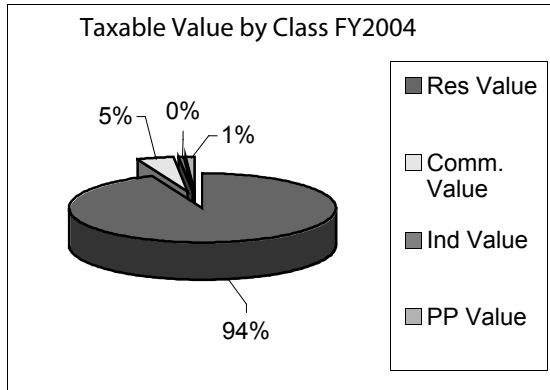
Summary Details									
	FY2007					FY2006			2007 Vs. 2006
Property Type	Parcels	FY 2007 AV	Avg. AV	Parcels (+/-)	Avg. AV (+/-)	Parcels	FY 2006 AV	Avg. AV	% (+/-)
Single Family	7,962	3,872,962,500	486,431	13	41,916	7,949	3,533,447,900	444,515	9.61%
Condominium	2,697	827,941,700	306,986	252	41,965	2,445	647,977,100	265,021	27.77%
Misc	12	9,091,100	757,592	-3	122,118	15	9,532,100	635,473	-4.63%
2 Family	2,566	1,479,016,460	576,390	-89	18,328	2,655	1,481,653,200	558,061	-0.18%
3 Family	226	141,245,700	624,981	-4	13,667	230	140,602,300	611,314	0.46%
Apartments	145	240,216,300	1,656,664	-5	-5,913	150	249,386,600	1,662,577	-3.68%
Res Land	351	27,320,100	77,835	-5	9,645	356	24,275,700	68,190	12.54%
Open Space						0			
Commercial	385	261,291,100	678,678	-2	50,619	387	243,058,900	628,059	7.50%
Industrial	23	21,784,000	947,130	0	68,961	23	20,197,900	878,170	7.85%
Ch 61 Land		0				0	0		
Ch 61A Land		0				0	0		
Ch 61B Land	2	289,290	144,645	0	28,414	2	232,463	116,232	24.45%
Mixed Use(Res)	84	37,465,395	779,830	1	35,157	83	35,609,485	744,672	5.98%
Mixed Use(Com)		28,040,305		0			26,198,315		
Per Prop 501	292	1,823,560	6,245	27	-3,457	265	2,571,090	9,702	-29.07%
Per Prop 502	172	4,281,400	24,892	2	-15,825	170	6,921,940	40,717	-38.15%
Per Prop 503	0	0		0		0	0		
Per Prop 504,550-552	2	39,264,110		0		2	36,592,740	18,296,370	7.30%
Per Prop 505	9	13,321,400	1,480,156	0	-738,222	9	19,965,400	2,218,378	-33.28%
Per Prop 506	2	6,367,100	3,183,550	0	416,750	2	5,533,600	2,766,800	15.06%
Totals	14,930	7,011,721,520				14,743	6,483,756,733		8.14%

FINANCIAL MANAGEMENT SERVICES

ASSESSMENT DATA (CONTINUED)

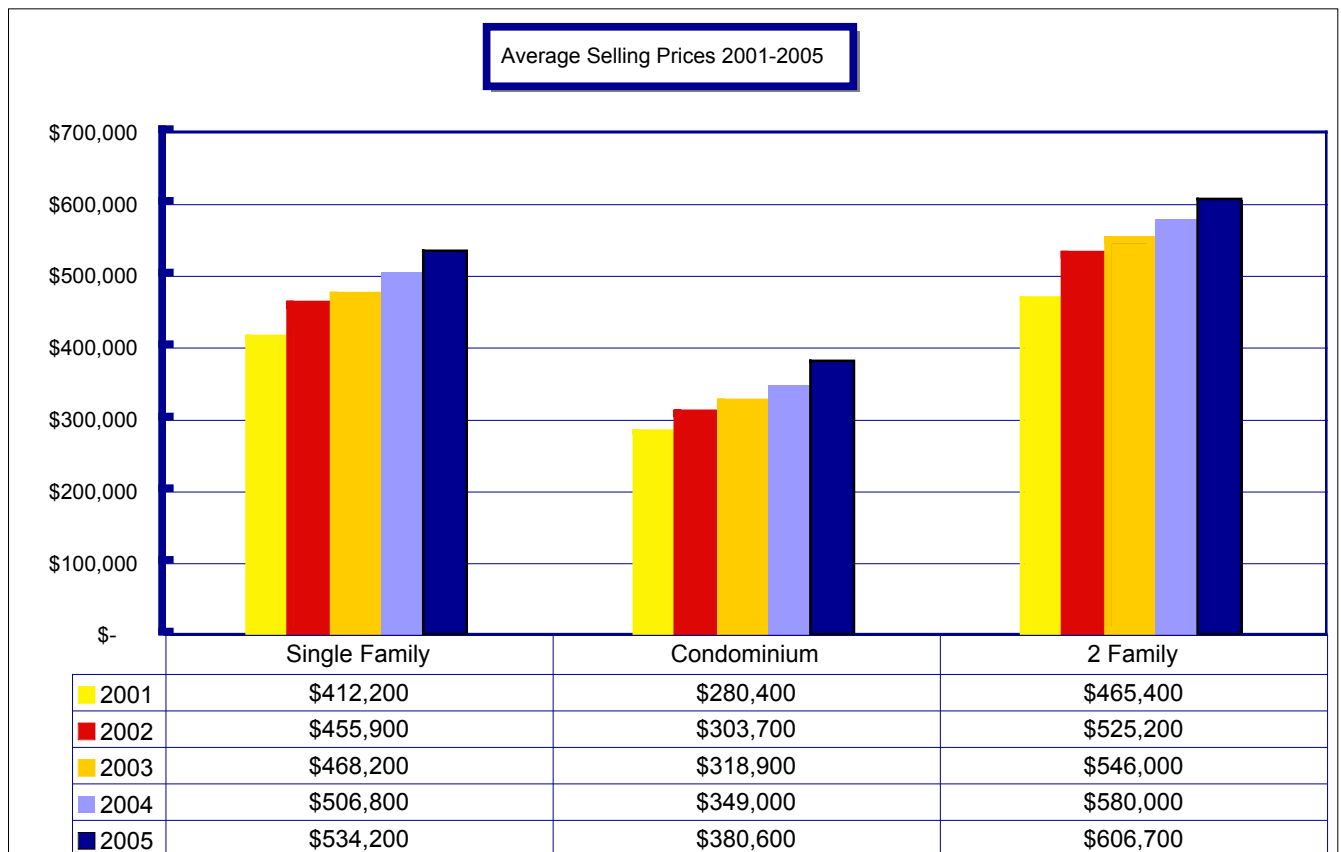
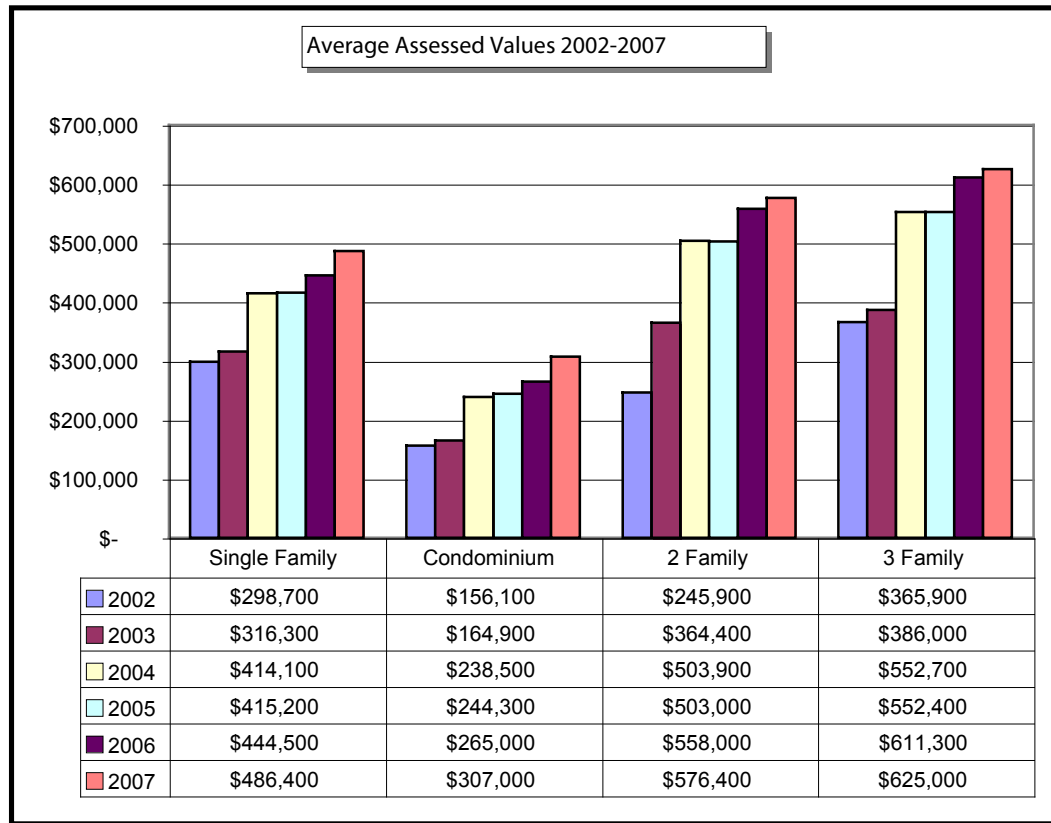
Taxable Percentages by Property Class					
Fiscal Year	Res Value	Comm. Value	Ind. Value	PP Value	Total Value
FY 2007	6,635,259,255	289,620,695	21,784,000	65,057,570	7,011,721,520
FY 2006	6,122,484,385	269,489,678	20,197,900	71,584,770	6,483,756,733
FY 2005	5,650,865,334	270,099,532	18,791,800	67,553,170	6,007,309,836
FY 2004	5,627,884,519	271,051,747	18,791,800	72,886,600	5,990,614,666

Res Value = Residential, Comm. Value = Commercial Value, Ind Value = Industrial, PP Value = Personal Property



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ASSESSMENT DATA (CONTINUED)



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BUDGETS

Department	Fiscal Year				
	2003	2004	2005	2006	2007
Executive Services					
Board of Selectmen Administration & Licensing	163,182	174,652	186,291	186,608	193,199
Annual Report	6,000	6,000	6,000	6,000	6,000
Audit	40,000	45,000	50,000	50,000	50,000
Town Manager	308,314	277,625	339,658	362,709	419,953
Sub-Total	517,496	503,277	581,949	605,317	669,152
Central Management Services					
Personnel	130,998	139,196	151,193	169,983	172,573
Legal & Worker's Compensation	693,368	605,697	723,458	771,295	821,695
Sub-Total	824,366	744,893	874,651	941,278	994,268
Financial Management Services					
Finance Committee	11,257	9,995	10,288	10,443	10,443
Treasurer / Collector	560,637	544,952	577,181	589,640	542,303
Parking	77,645	73,771	77,617	87,097	90,766
Postage	154,733	122,432	125,859	143,595	147,482
Comptroller / Data Processing / Telephone	875,836	768,457	820,912	839,255	933,611
Board of Assessors	267,702	270,956	282,815	288,444	284,569
Sub-Total	1,947,810	1,790,563	1,894,672	1,958,474	2,009,174
Human Services					
Human Services Administration	103,030	110,097	118,363	126,013	129,972
Youth Services Enterprise Fund	381,090	281,286	279,784	291,241	301,520
Council on Aging	139,767	104,604	118,370	130,496	136,827
COA Trans. Enterprise Fund	141,696	94,723	106,034	110,580	115,839
Board of Health	163,991	182,815	182,055	220,859	213,348
Veteran's Services	180,254	157,089	161,796	163,288	193,311
Recreation Enterprise Fund	375,188	367,935	434,842	604,103	585,668
Veterans' Memorial Rink	384,025	398,150	433,008	452,334	459,340
Sub-Total	1,869,041	1,696,699	1,834,252	2,098,914	2,135,825
Education and Libraries					
Libraries	1,616,142	1,483,953	1,578,339	1,734,262	1,766,163
Arlington Public Schools	32,000,100	30,645,435	32,337,667	34,280,901	35,319,943
Minuteman Regional High School	2,106,883	2,008,143	2,140,851	2,573,834	2,893,035
Sub-Total	35,723,125	34,137,531	36,056,857	38,588,997	39,979,141

FINANCIAL MANAGEMENT SERVICES

BUDGETS

Department	Fiscal Year				
	2003	2004	2005	2006	2007
Public Works and Environmental Quality					
Public Works	6,754,259	5,996,597	6,363,818	6,346,806	6,496,522
Water / Sewer Enterprise Fund	12,491,712	12,854,323	13,762,011	14,643,541	17,696,077
Sub-Total	19,245,971	18,850,920	20,125,829	20,990,347	24,192,599
Community Safety					
Police Services	4,856,628	4,675,146	4,964,635	5,161,334	5,247,987
Community Service Administration	291,028	299,627	320,869	337,747	339,459
Fire Services	4,757,069	4,506,366	4,726,829	4,921,763	4,927,298
Community Safety Support Services	728,035	611,153	655,961	671,020	645,355
Street Lighting	422,500	422,500	250,000	250,000	441,175
Sub-Total	11,055,260	10,514,792	10,918,294	11,341,864	11,601,274
Community Development					
Planning and Community Development	207,061	194,001	196,789	207,171	203,394
Redevelopment Board	340,727	329,780	394,671	407,851	407,751
Zoning Board of Appeals	19,570	20,632	21,812	22,922	21,968
Inspectional Services	301,852	298,315	318,500	329,713	324,790
Sub-Total	869,210	842,728	931,772	967,657	957,903
Town Clerk and Elections					
Town Clerk	192,594	195,177	207,549	211,728	220,914
Registrar of Voters	91,838	52,387	55,941	58,287	59,087
Elections and Town Meeting	94,861	75,163	112,042	46,970	115,300
Sub-Total	379,293	322,727	375,532	316,985	395,301
Fixed Costs					
Insurance	9,866,390	12,460,118	10,457,985	12,259,672	13,866,942
Pensions	5,093,726	5,872,043	5,936,350	6,345,069	6,496,453
Long Term Debt	6,552,441	6,199,555	6,781,130	7,238,346	7,420,652
Capital Budget	656,853	757,120	626,000	504,410	590,651
Reserve Fund	300,000	400,000	300,000	350,000	400,000
Sub-Total	22,469,410	25,688,836	24,101,465	26,697,497	28,774,698
TOTAL	94,900,982	95,092,966	97,695,273	104,507,330	111,709,335

FINANCIAL MANAGEMENT SERVICES

RECAPITULATION OF THE FISCAL YEAR 2007 TAX RATE

\$10.95 / \$1,000 of Assessed Value

DEBITS

Appropriations	\$114,669,334
Court Judgments	\$30,000
Cherry Sheet Offset	\$75,461
Revenue Deficits	\$121,199
State and County Charges	\$2,605,385
Snow and Ice Deficit	\$262,535
Allowance for Abatements & Exemptions	\$1,194,924

Total Debits

\$118,958,838

CREDITS

State Receipts	\$17,870,028
Local Receipts	\$20,989,654
Free Cash	\$1,939,695
Other Available Funds	\$981,110
Overlay Surplus	\$400,000

Total Credits

\$42,180,487

Amount to be Raised by Taxation

\$76,778,351

Town Property Valuation

\$7,011,721,520

Setting the Tax Rate: Divide the **Amount to be Raised by Taxation** by the **Town Property Valuation**, then multiply by 1,000

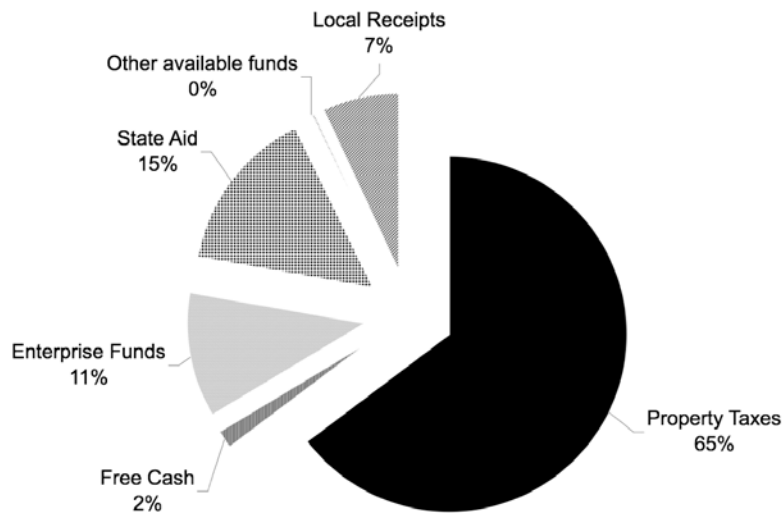
$$(\$76,778,351 \div \$7,011,721,520) \times 1,000 = \$10.95$$

Source: Tax Rate Recapitulation Sheet

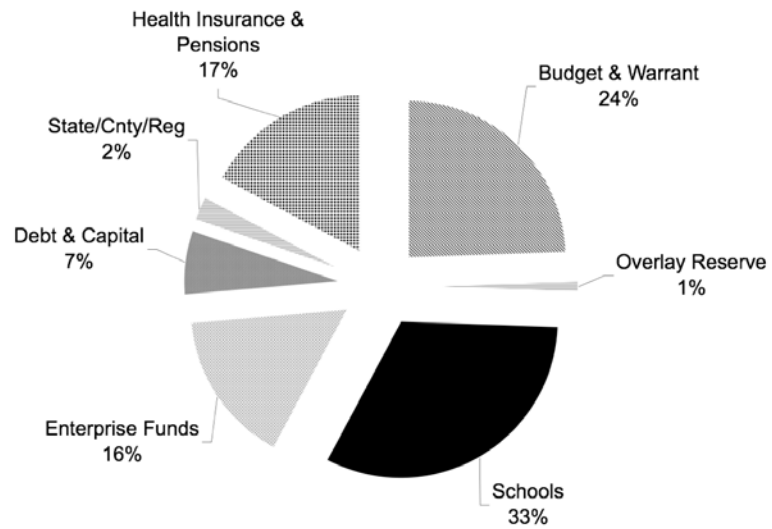
FINANCIAL MANAGEMENT SERVICES

REVENUES & EXPENDITURES Fiscal Year 2006

WHERE IT COMES FROM



WHERE IT GOES



FINANCIAL MANAGEMENT SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen Town of Arlington, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts, as of and for the fiscal year ended June 30, 2006 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2005), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Arlington, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts, as of June 30, 2006 (except for the Arlington Contributory Retirement System which is as of December 31, 2005), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2006, on our consideration of the Town of Arlington, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

September 1, 2006

FINANCIAL MANAGEMENT SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Arlington, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Arlington's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, property and natural resources, community development, human services, library, culture and recreation, pension benefits, employee benefits, claims and judgments, interest and state and county charges. The business-type activities include the activities of the water and sewer department, youth services, Council on Aging, Veterans' Rink and the recreation department.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Arlington adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison schedule is reported following the notes to the basic financial statements as required supplementary information.

FINANCIAL MANAGEMENT SERVICES

Proprietary funds. The Town maintains one type of propriety fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, youth services, Council on Aging, Veterans' Rink and recreation department activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For governmental activities, assets exceeded liabilities by \$111.8 million at the close of FY 2006.

The largest portion of the Town's net assets, \$77.8 million, (70%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$10 million, (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$23.9 million, (21%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities		Balance at	Balance at
		June 30,	June 30,
		2006	2005
Assets:			
Current assets.....	\$	61,278,505	\$ 57,526,449
Noncurrent assets (excluding capital).....		17,573,162	22,162,210
Capital assets.....		118,187,682	96,380,267
Total assets.....		197,039,349	176,068,926
Liabilities:			
Current liabilities (excluding debt).....		12,801,527	15,095,260
Noncurrent liabilities (excluding debt).....		2,653,466	2,854,673
Current debt.....		16,115,048	27,215,000
Noncurrent debt.....		53,695,952	44,460,000
Total liabilities.....		85,265,993	89,624,933
Net Assets:			
Capital assets net of related debt.....		77,810,867	59,467,493
Restricted.....		10,031,555	10,260,588
Unrestricted.....		23,930,934	16,715,912
Total net assets.....	\$	111,773,356	\$ 86,443,993

FINANCIAL MANAGEMENT SERVICES

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The governmental activities net assets increased by \$8.5 million during the current fiscal year. This is an indication that the Town's financial position has improved for Governmental Activities during the course of the year. This year's increase was higher than fiscal year 2005. This is partly due to increases in investment earnings, the reservation of part of the real estate revenue raised through a proposition 2 ½ override to establish a municipal stability fund of approximately \$2.1 million to be used over the next five years to offset budget deficits, and a decrease in the amount used from the Tip Fee Stabilization fund to cover current operations. Similarly to fiscal year 2005, the Town recognized approximately \$3.6 million in capital grants from the Massachusetts School Building Authority for the school construction projects which contributed to the increase in net assets.

Governmental Activities		June 30,	June 30,
		2006	2005
Program revenues:			
Charges for services.....	\$	6,805,064	\$ 8,382,130
Operating grants and contributions.....		28,457,512	25,196,840
Capital grants and contributions.....		3,594,436	3,387,413
General revenues:			
Real estate and personal property taxes.....		72,931,681	65,177,817
Tax liens.....		248,452	267,852
Motor vehicle and other excise taxes.....		4,110,104	4,196,715
Hotel/motel tax.....		116,403	113,104
Penalties and interest on taxes.....		143,972	138,005
Nonrestricted grants and contributions.....		8,955,375	8,809,989
Unrestricted investment income.....		1,367,230	637,008
Miscellaneous revenues.....		6,336	6,336
Total revenues.....		126,736,565	116,313,209
Expenses:			
General government.....		5,991,142	6,613,270
Public safety.....		18,975,313	18,321,869
Education.....		62,959,881	57,346,015
Public works.....		9,347,034	7,920,862
Property and natural resources.....		2,876,259	3,028,162
Community and economic development.....		3,969,824	4,788,634
Human services.....		1,110,780	1,032,764
Library.....		2,525,216	2,444,474
Culture and recreation.....		222,344	274,927
Claims and judgments.....		15,000	92,192
Interest.....		2,409,063	2,424,058
State and county charges.....		2,505,816	2,651,177
Total expenses.....		112,907,672	106,938,404
Transfers.....		(5,678,695)	(5,475,795)
Change in net assets.....	\$	8,150,198	\$ 3,899,010

FINANCIAL MANAGEMENT SERVICES

Business-Type Activities			
		Balance at June 30, 2006	Balance at June 30, 2005
Assets:			
Current assets.....	\$	7,153,025	\$ 6,298,023
Capital assets.....		9,439,584	7,815,141
Total assets.....		16,592,609	14,113,164
Liabilities:			
Current liabilities (excluding debt).....		285,646	245,156
Noncurrent liabilities (excluding debt).....		113,000	121,000
Current debt.....		237,973	111,877
Noncurrent debt.....		1,659,015	797,508
Total liabilities.....		2,295,634	1,275,541
Net Assets:			
Capital assets net of related debt.....		8,239,642	7,602,802
Restricted.....		(8,239,642)	(7,602,802)
Unrestricted.....		6,057,333	5,234,821
Total net assets.....	\$	14,296,975	\$ 12,837,623

There was a net increase of \$1.5 million in net assets reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in fiscal year 2006 by approximately \$5.5 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The majority of the increase (\$1.6 million) is a result of the operating activities of the water and sewer enterprise fund.

Business-Type Activities			
		June 30, 2006	June 30, 2005
Program revenues:			
Charges for services.....	\$	8,926,734	\$ 8,769,042
Operating grants and contributions.....		67,850	94,983
Capital grants and contributions.....		132,120	171,315
General revenues:			
Unrestricted investment income.....		52,186	15,509
Total revenues.....		9,178,890	9,050,849
Expenses:			
Water and Sewer.....		12,016,130	12,199,666
Youth Services.....		273,132	248,548
Council on Aging.....		96,909	92,942
Veterans' Rink.....		452,291	393,931
Recreation.....		560,176	494,217
Total expenses.....		13,398,638	13,429,304
Transfers.....		5,678,695	5,475,795
Change in net assets.....	\$	1,458,947	\$ 1,097,340

FINANCIAL MANAGEMENT SERVICES

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$23.3 million, an increase of \$7.1 million from the prior year. Of this increase, \$4.6 million was the result of the activity in the Town's capital borrowing fund, which is reported as a major fund. During fiscal year 2006, the Town recognized \$8.4 million in bond proceeds in this major fund to finance various capital projects. Current expenditures in this fund totaled \$7.4 million. The largest of the current projects are related to school construction and the Reeds Brook park project. These two major Town projects are more fully described under the Capital Asset and Debt Administration section of this report.

Of the remainder of the change in fund balance, (\$1.8 million) is in the results of operations of the general fund, and \$4.2 million is related to activities in other non-major governmental funds, which recognized \$4.3 million in transfers in. This consisted of a \$1.5 million increase in the Town's stabilization fund funded by the municipal building insurance fund, and \$2.1 million in increases to the Town's fiscal stability stabilization fund, approximately \$560,000 from the general fund to fund various capital projects and approximately \$169,000 in internal transfers within the Nonmajor funds.

The general fund budgeted to use \$2.3 million of reserves (\$1.6 million in available funds "free cash" and \$400,000 in prior reserves released by the board of assessors "overlay surplus") to balance the fiscal year 2006 budget. The actual result of operations collected approximately \$314,000 more than budgeted and departmental budgets turned back \$717,000. Consequently, on a budgetary (cash) basis, the general fund did not experience a material increase or decrease.

On June 11, 2005 the voters approved a \$6 million override of Proposition 2 ½. The purpose of the override was to fund the restoration of services that were lost due to state aid cuts in prior years. Two million dollars was placed in a fiscal stability stabilization fund to be used over a 5 year period to fund any budget shortfalls. The override was premised on a financial plan which consisted of the town not seeking another override for 5 years, spending limits for operating budgets at 4% annual increase, pensions at a 4% annual increase and health insurance at a 7% annual increase, and maintaining 5% of revenues in reserve funds.

The Town also maintains a stabilization fund and a tip fee stabilization fund, both classified within the nonmajor governmental funds. The stabilization fund has a year end balance of \$2.3 million which represents 2.3% of general fund expenditures. The Town transferred \$1.5 million from the municipal building insurance fund to the stabilization fund in fiscal year 2006. This fund may be used for general or capital purposes upon Town Meeting approval. Please refer to Note 8 for additional information on the Town's stabilization fund. The tip fee stabilization fund has a year end balance of \$4.2 million, which represents 4.2% of general fund expenditures. Please refer to Note 9 for additional information on the Town's tip fee stabilization fund.

General Fund Budgetary Highlights

The \$2,661 increase from the original budget and the final amended budget represents a voted transfer to the human services budget from the youth enterprise fund.

Intergovernmental revenues were below budgeted estimates by approximately \$524,000. This was partly due to the change in funding from the Massachusetts School Building Authority for school construction projects whose audits were completed and the remaining grant payments adjusted. Public works expenditures exceeded appropriations by \$198,000, due to expenditures for snow and ice removal exceeding the appropriation. The Town is allowed to exceed the budget related to snow and ice removal and to raise the difference in the subsequent year's tax levy.

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Other Post Employment Benefits (OPEB)

In 2004 the Arlington Town Meeting formed the Other Post Employment Benefits Committee. The committee's charge is to make recommendations on the potential funding mechanisms for the post employment medical benefits unfunded liability as required in Statement No. 45 of the Governmental Accounting Standards Board.

An actuarial study conducted in 2005 by Stone Consulting, Inc. indicated that Arlington's total Actuarial Accrued Liability as of January 1, 2005 (at 7.75% discount rate) is \$109,006,474. The Town is required to implement GASB 45 in fiscal year 2009. At the present time, there is no requirement that these liabilities be funded. However, the committee believes that it is prudent fiscal policy to begin funding as soon as possible. To that end, the committee requested the 2005 Town Meeting pass legislation which would set up a trust to hold any funding so appropriated. This legislation was enacted and signed by Governor Romney on December 8, 2005.

In 1997 the Town began capturing revenues to fund the liability. At the time, the town established a policy of appropriating the difference in the non-contributory pension appropriation and \$500,000. The balance at the end of Fiscal Year 2006 in that account is \$1,093,390. At the 2006 Annual Town Meeting an additional \$280,410 was appropriated to that fund. The Town anticipates that these funds will be used to satisfy the first year of our liability.

The committee has been looking at other potential revenue sources to continue funding our outstanding liability. The committee recommended to Town Meeting that the following sources of revenue be earmarked for that purpose:

1. Continue the practice of appropriating the difference in the non contributory pension and \$500,000.
2. Dedicate any revenue received from the Federal Government for Medicare Part "D" subsidy.
3. Dedicate any one-time revenues to this fund – If, in the future the Town has a source of funding that is unexpected and not designated for a specific purpose, the Town should consider dedicating it to this liability. An example of this is the Federal reimbursement of prescription drug costs through Medicare Part "D".
4. Determine the liability associated with the Enterprise funds and charge this amount in future appropriations.

The Town of Arlington is serious about addressing this liability within our financial ability and the OPEB Committee will continue to explore possible funding sources.

Capital Asset and Debt Administration

The Town Manager is responsible for submitting a five-year capital-planning program for all departments to the Board of Selectmen each year. The Capital Planning Committee was created to advise and make recommendations regarding the Capital Plan. Annually the first year of the Capital Plan is submitted to the Town Meeting as the Capital Budget for appropriation. The Capital Plan is reviewed and revised each year to make changes in priorities and to add an additional year to the planning process.

The goal of the Capital Planning Program is to provide a means of planning for the maintenance and/or improvement of the capital assets and infrastructure of the Town of Arlington. To that end, the policy is that approximately 5% of the projected revenue of the town is dedicated to capital expenditures including prior and future debt issuances. Generally this allows for an annual cash expenditure of \$600,000 and a new borrowing of \$1 million. The Town's outstanding long-term debt related to the general government, as of June 30, 2006, was \$52,951,952, for various CIP related projects.

The maintenance of the infrastructure and the capital assets of the Town are of vital importance to the delivery of the quality services that the Town has been known for. To this end, the Capital Planning Committee is dedicated to accomplishing the following objectives:

- To review, plan, and coordinate capital improvements so as to promote a systematic, organized replacement and acquisition schedule
- To insure that, given limited resources, the capital needs of the community are met
- To present a sound financial package so as to stabilize and level out the debt of the Town. It should assure timely planning for the most economical method of financing capital improvements
- To insure wider community participation in the planning of projects and to reduce the pressure to fund a project

FINANCIAL MANAGEMENT SERVICES

- which may not present as great a need as another project
- To promote a more effective administration and coordination of capital projects to reduce scheduling problems, and conflicting or overlapping projects not only among local departments but also among other local and state agencies and private enterprises such as the gas and electric companies.

In reviewing the requests of the operating departments the committee uses the following criteria for evaluation:

- Imminent threat to the health and safety of citizens/property.
- Maintenance of operations/necessary expenditure. This does not include ordinary maintenance but rather maintaining a current service level through improvement of a capital asset. These may be major expenditures that will avoid costly replacement in the future.
- Requirement of State or Federal Law/regulation.
- Improvement of infrastructure.
- Improvement of productivity.
- Alleviation of an overtaxed/overburdened situation.

The relationship of the project to other Town projects and needs is also considered in the review and prioritization.

The Town is a member of the Massachusetts Water Resources Authority (MWRA), which assesses member communities annually for their proportionate share of the MWRA's debt service. The Town has also adopted Chapter 59 Section 21C Paragraph N of the Massachusetts General Law, which allows for the shifting of the debt service for water and sewer to the tax rate above the limits of Proposition 2 ½. The Town shifted \$5.5 million in fiscal year 2006 from the MWRA assessment to the property taxes. During fiscal year 2006, the Town issued an additional \$1.1 million in MWRA water and sewer bonds.

The Town of Arlington passed a debt exclusion vote to raise the funds necessary to purchase the Symmes Site, home of the former Symmes Hospital, in March 2001. The Town Meeting then formed the broadly representative Symmes Advisory Committee (SAC) to assist with redevelopment plans and to ensure that the plans were consistent with community goals and desires. On January 7, 2002, the Arlington Redevelopment Board (ARB) adopted the Symmes Arlington Conservation and Improvement Project (the Plan) as an urban renewal project in accordance with the procedures and requirements of Massachusetts General Law, chapter 121B. The plan was subsequently approved by the Town Meeting and by the Commonwealth's Department of Housing and Community Development (DHCD). The Town Meeting voted at a Special Town Meeting on January 12, 2002 to appropriate up to \$14,000,000 to purchase and maintain the old Symmes Hospital property until Town Meeting could vote how to utilize the property in the best interest of the Town. The ARB acquired the Site in April 2002. During fiscal year 2004, the Arlington Redevelopment Board issued requests for proposals, and in February, 2004 chose E.A. Fish Associates to purchase and redevelop the property. The terms of the sale have been amended to allow the developer to postpone closing until August, 2007. Beginning in January, 2007, the developer will pay the expenses of the Town for holding the property for the extended time period. The terms of the sale have been revised several times, most significantly as a result of a settlement the developer made with residents who appealed the developer's special permit to construct the residential portion of the project. It is now expected that the property sale will close before the August, 2007 deadline. Town Meeting voted to devote all funds, including tax receipts, to repaying the debt on the project. It is now projected that the indebtedness will be repaid completely in 2013. Total net expenditures are expected to be almost \$12 million at the time of closing on the property sale. The site will be redeveloped to accommodate 200 residential units and a medical office building with more than half the land area remaining in open space all according to the urban renewal plan adopted by Town Meeting. Please refer to note 13 for further information on this project.

The Town of Arlington is in the process of renovating/replacing its middle school as well as all of its 7 elementary schools. To date six schools have been completed, and two are in the design stage. Funding for the schools is from debt exclusion and is predicated on a 63% reimbursement from the State's School Building Assistance program which is administered by the Massachusetts School Building Authority (MSBA). Four of the schools have begun receiving the state reimbursement and one received the state's share of the cost subsequent to year end.

The Reed's Brook project is a major renovation of a prior landfill site into a park and playing fields. This project, with a total cost of approximately \$7.4 million, has been funded from Community Development Block Grant, Federal Emergency Management Agency, State highway money and Town appropriations. The playing fields were opened for

FINANCIAL MANAGEMENT SERVICES

play in the spring of 2006.

The Town through its water/sewer enterprise funds appropriates money each year for rehabilitation of its infrastructure (water/sewer lines). Also the Town appropriates money in the Capital Plan for roadway construction, which is added to the Chapter 90 money that the Town receives each year from the Commonwealth of Massachusetts.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Arlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, 869 Massachusetts Avenue, Arlington, Massachusetts 02174.

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

ASSETS	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,700,505	\$ 5,987,280	\$ 14,286,060	\$ 34,973,845
Investments.....	1,807,419	-	11,026,153	12,833,572
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	9,796	-	-	9,796
Real estate tax deferrals.....	380,257	-	-	380,257
Tax liens.....	324,281	-	-	324,281
Motor vehicle excise taxes.....	248,473	-	-	248,473
Departmental and other.....	105,598	-	-	105,598
Intergovernmental.....	23,700,000	-	4,319,613	28,019,613
Loans.....	-	-	1,184,077	1,184,077
Tax foreclosures.....	396,784	-	-	396,784
TOTAL ASSETS.....	\$ 41,673,113	\$ 5,987,280	\$ 30,815,903	\$ 78,476,296
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 1,059,299	\$ 253,095	\$ 148,184	\$ 1,460,578
Accrued payroll.....	4,414,268	-	47,155	4,461,423
Health claims payable.....	1,434,871	-	-	1,434,871
Accrued interest on short-term debt.....	497,366	-	-	497,366
Liabilities due depositors.....	2,925	-	-	2,925
Payroll withholdings.....	107,968	-	-	107,968
Abandoned property.....	22,513	-	-	22,513
Other liabilities.....	157,703	-	-	157,703
Deferred revenues.....	25,165,193	-	5,026,421	30,191,614
Notes payable.....	-	12,939,048	3,920,000	16,859,048
TOTAL LIABILITIES.....	32,862,106	13,192,143	9,141,760	55,196,009
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	1,961,142	-	-	1,961,142
Loans.....	-	-	1,184,077	1,184,077
Perpetual permanent funds.....	-	-	3,031,184	3,031,184
Unreserved:				
Designated for municipal insurance.....	2,704,303	-	-	2,704,303
Designated for subsequent year's expenditures.....	2,339,695	-	-	2,339,695
Undesignated, reported in:				
General fund.....	1,805,867	-	-	1,805,867
Special revenue funds.....	-	-	10,870,206	10,870,206
Capital projects funds.....	-	(7,204,863)	1,837,633	(5,367,230)
Permanent funds.....	-	-	4,751,043	4,751,043
TOTAL FUND BALANCES.....	8,811,007	(7,204,863)	21,674,143	23,280,287
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 41,673,113	\$ 5,987,280	\$ 30,815,903	\$ 78,476,296