

# FINANCIAL MANAGEMENT SERVICES

## FINANCE COMMITTEE

During 2013 Chairman Allan Tosti led the Finance Committee (FinCom), assisted by Vice-Chairs Richard Fanning, Charles Foskett, and Alan Jones. Peter 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 all but one vacant position.

In February the FinCom began its yearly effort to develop a comprehensive balanced Fiscal Year 2014 (FY14) budget recommendation for the Annual Town Meeting, which begins in April. At least one of the Finance Committee subcommittees reviewed each departmental budget with the corresponding department head. The school budget subcommittee attended School Committee meetings in order to gain a better understanding of the school budget. Hearings were held on all Warrant Articles requiring an appropriation or having a financial impact. Twelve full committee meetings were held before Town Meeting and seven on Town Meeting nights. These meetings, when combined with numerous subcommittee meetings, made for a busy winter and spring schedule. The Committee's report was distributed to Town Meeting members at the first meeting.

FY14 is the third year of the current multi-year plan. Because of the savings from joining the State's Group Insurance Commission (GIC) and an increase in local aid over what had been predicted, the multi-year plan has been extended. Working with Town and School leaders, the FinCom developed a balanced budget and reserved much of the extra income from the last override to balance future years' budgets, thus eliminating the need for an additional override for several more years. Central to this budget is a 3.5% cap on budget increases by the appointing authorities. This budget maintained Town services at the FY13 level.

The FinCom supported the work of the Minute-man Tech Regional Agreement Amendment Subcommittee. This group crafted a proposal that would address the difficulties that the Town has with the present agreement. Whether it will be endorsed by all the member towns remains to be seen. Unless it is endorsed, approval of a large bond issue to rebuild the school is unlikely.

After hearings and extended discussion the Finance Committee proposed no action on the Manager's fiscal reorganization proposal. Subsequently, with a similar recommendation from the Board of Selectmen, the Town Meeting voted no action.

In June the FinCom was honored by the Board of Selectmen with the Samuel A. Wilson Award for service to Arlington.

The FinCom also continued to monitor other ongoing activities that could have a large financial impact through regular reports by Town officials. Possible federal spending reductions remain a concern. Other issues include development of Arlington's Master Plan, funding for the final round of school renovations, the renovation of the Town's fire stations, the increasing costs of pensions, and funding the liability for retired Town employee health insurance. The Finance Committee will continue to work with other Town officials and citizens to deal with these issues and will keep the Town Meeting informed of the Town's progress.

## OFFICE OF THE TREASURER & COLLECTOR OF TAXES

### Mission Statement

The Office of Treasurer & Collector of Taxes is responsible for the management, collection, and custodianship of all funds and receipts belonging to the Town of Arlington.



*Stephen J. Gilligan, Treasurer & Collector of Taxes*

### Overview

Under state law the Office of the Treasurer & Collector of Taxes is responsible for Treasury, Collector, and Payroll operations. Town bylaws have assigned postal operations to the Treasurer's office. The Payroll Division, through a Memorandum of Agreement established in 2002, reports directly to the Superintendent of Schools. The Treasurer also serves as Parking Clerk.

The elected Town Treasurer and Collector of Taxes is responsible for managing and directing the tax billing and collection process, receiving all monies from Town departments, securing and depositing Town monies, and in accordance with Massachusetts General Laws for managing, planning, and directing the Town's financial policies relating to cash management, investment management, and debt management. The Treasurer serves as Custodian of Funds for all Town monies. The Treasurer performs his fiduciary responsibility by de-

# FINANCIAL MANAGEMENT SERVICES

veloping investment and borrowing strategies based on financial best practices, consultations with financial advisors and investment institutions, and participating in government finance officer’s seminars and conferences. Mr. Gilligan is an active member of both the national Government Finance Officers Association of the US & Canada, and the Massachusetts Collectors & Treasurers Association. Mr. Gilligan is Certified as a Massachusetts Assessor. He also serves as a Member of the Board of Directors of the New England States Government Finance Officers Association.

**Program Description**

The Treasurer/Collector’s office is responsible for the proper handling and management of all monies belonging to the Town. Included within these responsibilities are the following:

- Responsible for the billing and collecting of all Real Estate Tax, Personal Property Tax, Motor Vehicle Excise Tax, Parking fines and Permit fees, Water & Sewer accounts, and collecting all Town and School Department(s) receipts. Payments are received directly in the Treasurer’s Office, through the mails, via on-line electronic transactions, and lock-box service.
- Receiving and reconciling all deposits from all departments and authorities that charge fees and/or receive monies. Supports and assists all departments in the collection of delinquent accounts.
- Enables, audits, and coordinates School, Recreation, Human Services, Fire/Ambulance, Library, and Inspections departments to make deposits directly into our depository bank; daily, overnight, and weekends.
- Responsible for deposits and investment of all Town funds.

- Determine cash management needs to meet vendor and payroll warrants.
- Provide quality customer service to all Town residents, employees, and vendors in the performance of the above-described duties.
- Manage and direct all short and long-term borrowings. Strategic goal is to maintain the highest possible Bond Rating, based on the Town’s debt management, current and future financial and budgetary projections.
- Manage Treasurer’s relationships with finance professionals and institutions that provide custodial, investment, and banking services.
- Responsible for directing, managing, and administering, the John J. Bilafer Arlington Citizens Scholarship Foundation/Dollars For Scholars Program

**Budget Statement/Future Outlook**

The Treasurer’s Office continues to scrutinize its current budget for any potential savings, while being mindful of the critical importance to maintain resources sufficient to collect, invest, and/or process over \$132,320,744 in Town revenues.,

Interest income on General Fund monies and Town Stabilization Funds is expected to experience a modest increase in the rate of return as compared to the previous 3 fiscal years.

**Objectives 2014**

- Issue RFP for Banking Services for Town government banking operations and depository.
- Convert Town’s Stabilization Funds from MMDT to fully collateralized deposits
- Select fully qualified Deputy Treasurer/Collector candidate for Board of Selectmen

<b>Office of Treasurer &amp; Collector of Taxes</b>					
<b>Performance Metrics Over 5 Years</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Real Estate Bills Processed</b>	59,988	60,084	60,119	* 63,000	* 63,700
<b>Motor Excise Bills Processed</b>	35,507	35,112	35,222	35,456	33,411
<b>Water &amp; Sewer Bills Processed</b>	24,817	24,849	24,965	24,973	25,046
<b>Subsequent Delinquent Bills and Notices</b>	17,381	22,324	22,604	14,831	12,944
<b>Liens - Revenue from Water &amp; Sewer Delinquencies</b>	\$126,419	\$140,465	\$134,180	\$183,273	\$161,334
<b>Lien Certificates Processed</b>	1,170	1,452	1,674	1,541	2,177
<b>Revenue from Lien Certificates</b>	\$57,873	\$72,600	\$83,700	\$77,093	\$108,874
<i>* Includes Personal Property</i>					

# FINANCIAL MANAGEMENT SERVICES

confirmation.

- Implement quarterly billing for Water & Sewer accounts in cooperation with Town Manager.

## Accomplishments 2013

- Treasurer's Office continues to achieve one of the best commitment-to-collection ratios of real estate and personal property taxes of any community in Massachusetts, by developing internal collection procedures with a focus on end-of-fiscal-year results. Real Estate Tax collections = 100%
- Attained a top rating of Triple-A ("AAA") from Standard & Poor's rating agency for the 9th consecutive borrowing. Arlington is a member of a group of less than 21 communities in Massachusetts attaining this highest rating.
- FY2013 Town Audit found Treasurer's operation in full compliance.
- Continue to manage Town of Arlington's relationship with Investment Advisor. Current net realized gain on all trust fund accounts is 19.10%.
- Managed successful annual borrowing of \$6,851,000 with a Bond interest rate of 2.595% and \$450,000 BAN at .45%, with a "AAA" rating for bonds and a SP-1+ BAN rating –both the highest possible ratings– from S&P.
- Implemented new procedures for abandoned property ("Tailings"), to proactively remit to Arlington residents.
- The Treasurer's Office administers the Arlington Citizens Scholarship Fund, which provides financial assistance to Arlington residents attending higher education. Increased both number of scholarships awarded to 102, and total amount awarded to \$140,000 in 2013.
- Implemented new online process for Arlington Citizen's Scholarship Foundation/Dollars-For-Scholars applications.
- Aggressively managed the on-time issuance of all billing and collections for Real Estate Tax, Motor **Vehicle** Excise Tax, Water & Sewer, and Parking, accurately and on time to avoid short-term borrowing.

## Performance / Workload Indicators

- Managed \$101,737,510 Real Estate Tax collections down to delinquent receivables of only **70** Tax Title accounts. Real Estate Tax collections = 100%
- Processed and issued 63,700 initial Real Estate & Personal Property bills, 35,049 initial Motor Excise bills, 25,046 initial Water

& Sewer bills; plus 12,944 delinquent real estate, excise tax, and water/sewer bills and notices. Total Bills issued and collected: 136,739. All bills mailed on time, meeting legal mandates.

- Advertised and filed tax title for all delinquent Real Estate tax accounts within the same fiscal year.
- Motor Vehicle Excise Tax
- FY11 Revenues – Initial billing: \$3,617,140. Total Excise Tax Collection FY11: \$3,438,728.
- FY12 Revenues – Initial billing: \$4,077,138. Total Excise Tax Collection FY12: \$4,021,599.
- FY13 Revenues – Initial billing: \$4,342,655. Total Excise Tax Collection FY13: \$4,064,778.
- Deputy Tax Collection program revenues: FY08– \$133,146; FY09– \$157,276; FY10– \$157,859; FY11 - \$197,534; FY12 - \$141,000; FY13 -\$162,046.
- Lien Certificates processed: FY08 – 1,170; FY09 – 1,603; FY10 – 1,452; FY 11 – 1,674; FY12 – 1,541; FY13 – 2,177.
- Revenue from Lien Certificates: FY08– \$29,250; FY09–\$57, 873, FY10–\$72,600; FY11 – \$83,700; FY12 –\$77,093; FY13 – \$108,874.
- Lien all delinquent water accounts onto real estate bills annually. Annual lien amounts: FY08–\$72,131, FY09–\$126,420, and FY10 –\$140,865, FY11–\$134,181, FY12– \$183,273; FY13–\$191,334.
- These amounts are less than 1.5% of Water & Sewer billing amounts committed.
- The Treasurer's office staff includes 3 positions in management, and 6.85 in clerical and administration.
- Preparation of financial material for receipts, deposits, investments, income, debt for annual Town audits.

## COMPTROLLER/TELEPHONE

The Comptroller's Office is responsible for the Town's books of account and financial records, verifying appropriations for all purchase orders, processing invoices for payment, approval of all payrolls and other warrants, balancing monthly appropriation reports, and other financial reporting as governed by Federal and State governments. The Comptroller is responsible for the direct management and supervision of the Telephone department.

The Telephone department is responsible for the

# FINANCIAL MANAGEMENT SERVICES

---

operations of the Town and School phone system, including maintaining the two PBX's and voicemail systems.

### Major Accomplishments for 2013

- Closed books on a timely basis and had Town audit and free cash certified on a timely basis.
- Enhanced quarterly report to the Board of Selectmen.
- Monthly meetings with the School CFO to review school finances.

Performance Metrics				
	FY2010	FY2011	FY2012	FY2013
General Ledger Entries	114,879	122,165	120,748	113,517
Purchase Orders Processed	7,054	4,953	5,084	5,317
Accounts Payable Batches Processed	1,181	1,192	976	875

### FY2015 Objectives

- Research the feasibility of electronically distributing payroll direct deposit stubs.
- Continue to expand and enhance financial reporting to Town Officials.
- Work with the IT department in the implementation of a VoIP phone system.
- Upgrade the MUNIS financial software.

## BOARD OF ASSESSORS

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

The Board of Assessors committed 15,220 real estate and personal property tax bills to the Tax Collector for collection for Fiscal Year 2014. These bills raised a total of \$101,737,509.72 in property and personal property taxes. The total assessed value of all taxable real estate and personal property for Fiscal Year 2014 was \$7,377,629,421, which resulted in a tax rate of \$13.79 per thousand dollars of assessed value. The Board also committed approximately 34,700 automobile excise tax bills for collection of an estimated income of \$4,340,000.

### 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 FY2014, the overlay account is set at \$1,019,663.19 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

# FINANCIAL MANAGEMENT SERVICES

Tax Abatement Overlay Funds			
	FY2011	FY2012	FY2013
Overlay Amount	\$670,330	\$808,924	\$1,454,204
Abatements & Exemptions To-Date	\$466,663	\$265,781	\$382,432
Declared Surplus to General Fund	\$80,000	\$100,000	\$200,000
Reserved for Additional Liability	\$123,667	\$443,173	\$871,772

## ASSESSMENT DATA

Valuation and Tax Levy			
Fiscal Year	Total Assessed Valuation	Tax Levy	Tax Rate*
2014	\$7,377,629,421	\$101,737,509	\$13.79
2013	\$7,201,277,082	\$98,009,381	\$13.61
2012	\$6,954,794,567	\$95,002,493	\$13.66
2011	\$6,926,589,397	\$85,958,974	\$12.41
2010	\$6,892,736,257	\$83,471,036	\$12.11
2009	\$6,790,772,343	\$80,946,006	\$11.92
2008	\$6,883,264,284	\$78,813,376	\$11.45
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

\* Tax rate expressed in per thousand dollars of assessed value

Percent of Tax Levy by Class					
CLASS	TYPE	FY2011	FY2012	FY2013	FY2014
I	Residential	93.9935	93.9521	93.7374	93.8614
II	Open Space	0	0	0	0
III	Commercial	4.2786	4.2740	4.6139	4.4905
IV	Industrial	.3028	.03015	0.2243	.2189
V	Personal Property	1.4251	1.4724	1.4244	1.4292
	Total	100	100	100.00	100.00

# FINANCIAL MANAGEMENT SERVICES

FINANCIAL MANAGEMENT

Tax Rate Components FY2010-FY2014					
	2010	2011	2012	2013	2014
Levy Base	\$10.78	\$11.10	\$11.42	\$12.28	\$12.38
2 1/2%	\$0.27	\$0.28	\$0.29	\$0.31	\$0.31
Growth	\$0.11	\$0.09	\$0.08	\$0.09	\$0.19
Override	\$0.00	\$0.00	\$0.93	\$0.00	\$0.00
W/S Debt Service	\$0.81	\$0.81	\$0.80	\$0.78	\$0.76
School Debt Exclusion	\$0.15	\$0.14	\$0.10	\$0.12	\$0.14
Symmes Debt Exclusion		\$0.00	\$0.04	\$0.04	\$0.02
Tax Rate*	\$12.11	\$12.41	\$13.66	\$13.61	\$13.79

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

Details of Tax Rate Calculation					
	FY2010	FY2011	FY2012	FY2013	FY2014
Max Levy Prior FY	\$74,281,565	\$76,865,559	\$79,443,949	\$88,442,215	\$91,310,473
2.50%	\$1,857,039	\$1,921,639	\$1,986,099	\$2,211,055	\$2,282,762
Growth	\$726,955	\$656,751	\$522,167	\$657,203	\$1,393,953
Override	\$0	\$0	\$6,490,000	\$0	\$0
Maximum Levy	\$76,865,559	\$79,443,949	\$88,442,215	\$91,310,473	\$94,987,188
Levy Inc. %	3.48%	3.35%	11.33%	3.24%	4.03%
Levy Inc. \$	\$2,583,994	\$2,578,390	\$8,998,266	\$2,868,259	\$3,676,715
W/S Debt Service	\$5,593,112	\$5,593,112	\$5,593,112	\$5,593,112	\$5,593,112
School Debt Exclusion	\$1,025,542	\$945,868	\$682,156	\$840,116	\$1,049,114
Symmes Debt Exclusion	\$0	\$0	\$307,130	\$278,540	\$150,000
Max to be Raised	\$83,484,213	\$85,982,929	\$95,024,613	\$98,022,241	\$101,779,414
Actual Raised	\$83,471,036	\$85,958,974	\$95,002,494	\$98,009,381	\$101,737,510
Excess Levy	\$13,177	\$23,955	\$22,119	\$12,860	\$41,904
Total Taxable Assessed Value	\$6,892,736,257	\$6,926,589,397	\$6,954,794,567	\$7,201,277,082	\$7,377,629,421
Total Avg. % Increase	1.50%	0.49%	0.41%	3.54%	2.45%
Tax Rate	\$12.11	\$12.41	\$13.66	\$13.61	\$13.79
Penny of Tax Rate	\$68,927	\$69,266	\$69,548	\$72,013	\$73,776
Avg. Assessed Value Single Family	\$477,218	\$479,345	\$480,598	\$502,752	\$514,808
Avg. Taxes Single Family	\$5,779	\$5,949	\$6,565	\$6,842	\$7,099

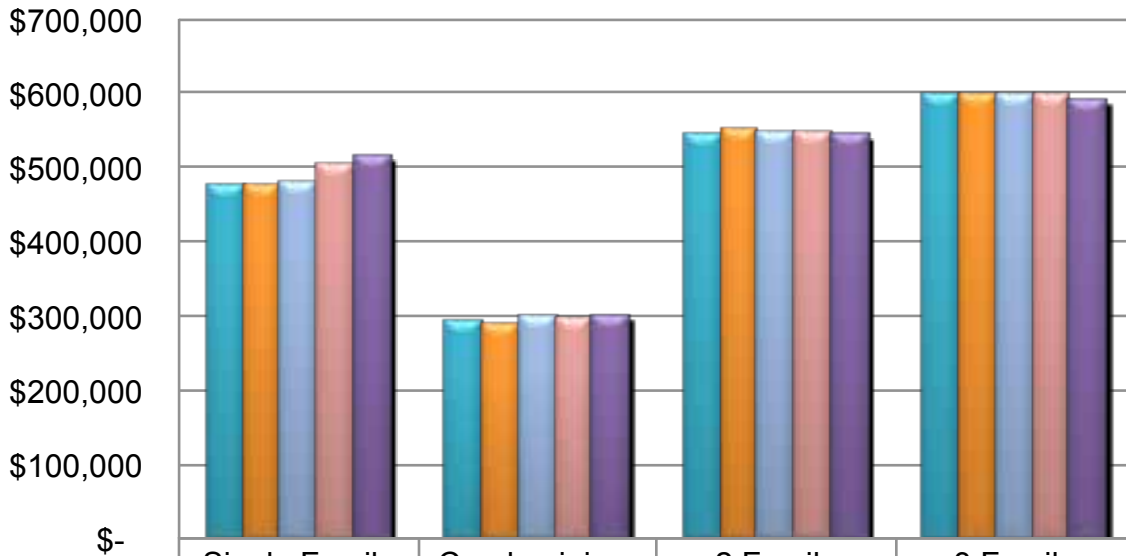
\*All numbers subject to rounding and final DOR Certification

# FINANCIAL MANAGEMENT SERVICES

State Class Code FY14-FY13 Comparison									
Type	FY2014			FY2013			FY14 vs FY13		
	Parcels	Assessed Value	Avg. Assessed Value	Parcels	Assessed Value	Avg. Assessed Value	Parcel (+/-)	Percent (+/-)	Avg. Assessed Value (+/-)
Single Family	7,984	4,110,229,200	514,808	7,984	4,013,979,200	502,753	0	2.40%	12,055
Condominium	3,304	993,501,200	300,696	3,242	963,468,700	297,183	62	3.12%	3,513
Misc	13	11,119,800	855,369	13	10,783,600	829,508	1	3.12%	25,862
2 Family	2,331		543,433	2,352	1,285,836,160	546,699	-21	-1.48%	-3,266
3 Family	201	118,859,900	591,343	207	123,485,900	596,550	-6	-3.75%	-5,207
Apartments	146	362,494,300	2,482,838	145	292,347,500	2,016,190	1	23.99%	466,648
Res Land	327	24,261,700	74,195	326	23,080,700	70,800	1	5.12%	3,395
Open Space	0			0			0		
Commercial	386	290,983,000	753,842	388	292,211,400	753,122	-2	-0.42%	720
Industrial	22	16,149,400	734,064	22	16,149,400	734,064	0	0.00%	0
Ch Land/61	0	0	0	0	0	0	0		
Ch Land/61A	0	0	0	0	0	0	0		
Ch Land/61B	4	1,349,381	337,345	4	1,328,972	332,243	0	1.54%	5,102
Mixed Use(Res)	76	37,535,317	493,886	76	37,310,069	490,922	0	0.60%	2,964
Mixed Use(Com)	0	38,961,043		0	38,718,831		0	0.63%	
Per Prop/501	235	3,600,490	15,321	369	4,013,930	10,878	-134	-10.30%	4,443
Per Prop/502	174	7,795,870	44,804	261	8,633,640	33,079	-87	-9.70%	11,725
Per Prop/503	0	0		0	0		0		
Per Prop/504,550-2	2	59,907,990	29,953,995	2	54,430,380	27,215,190	0	10.06%	2,738,805
Per Prop/505	7	24,129,200	3,447,029	7	25,359,500	3,622,786	0	-4.85%	-175,757
Per Prop/506	2	7,852,100	2,926,050	2	7,951,200	3,975,600	0	-1.25%	-49,550
Per Prop/508	6	2,157,570	359,595	7	2,188,000	312,571	-1	-1.39%	47,024
<b>Total</b>	<b>15,220</b>			<b>15,407</b>	<b>7,201,277,082</b>			<b>2.45%</b>	

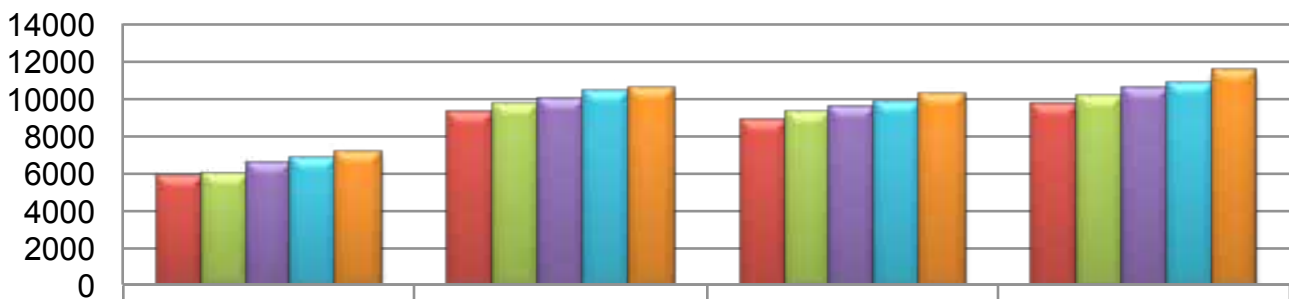
## FINANCIAL MANAGEMENT SERVICES

### Average Assessed Values FY2010-FY2014



	Single Family	Condominium	2 Family	3 Family
2010	\$477,200	\$294,300	\$545,500	\$598,500
2011	\$476,700	\$287,300	\$553,000	\$598,500
2012	\$480,600	\$298,600	\$546,500	\$598,400
2013	\$502,800	\$297,200	\$546,700	\$596,600
2014	\$514,800	\$300,700	\$543,400	\$591,300

### Average Taxes FY2010-FY2014



	Arlington	Belmont	Winchester	Lexington
2010	5779	9216	8771	9584
2011	5916	9676	9167	10032
2012	6565	9964	9557	10441
2013	6842	10358	9838	10830
2014	\$7,099	\$10,566	\$10,191	\$11,480





# FINANCIAL MANAGEMENT SERVICES

State Tax Form 31C

**THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
TAX RATE RECAPITULATION**

FISCAL 2014

**OF  
ARLINGTON**

City / Town / District

**I. TAX RATE SUMMARY**

Ia. Total amount to be raised (from IIe)	\$	<u>149,264,898.72</u>
Ib. Total estimated receipts and other revenue sources (from IIIe)		<u>47,527,389.00</u>
Ic. Tax levy (Ia minus Ib)	\$	<u>101,737,509.72</u>
Id. Distribution of Tax Rates and levies		

CLASS	(b) Levy percentage (from LA - 5)	(c) IC above times each percent in col (b)	(d) Valuation by class (from LA - 5)	(e) Tax Rates (c) / (d) x 1000	(f) Levy by class (d) x (e) / 1000
Residential	93.8614%	95,492,250.95	6,924,743,377	13.79	95,492,211.17
Net of Exempt					0.00
Open Space	0.0000%	0.00	0		0.00
Commercial	4.4905%	4,568,522.87	331,293,424	13.79	4,568,536.32
Net of Exempt					0.00
Industrial	0.2189%	222,703.41	16,149,400	13.79	222,700.23
<b>SUBTOTAL</b>	98.5708%		7,272,186,201		100,283,447.72
Personal	1.4292%	1,454,032.49	105,443,220	13.79	1,454,062.00
<b>TOTAL</b>	100.0000%		7,377,629,421		101,737,509.72

Board of Assessors of ARLINGTON  
City / Town / District


MUST EQUAL IC

**NOTE : The information was Approved on 12/06/2013.**

<u>John Speidel, Dir Of Assessments, Arlington, 781-316-3061</u>	<u>12/3/2013 8:27 AM</u>	<u>Signed on behalf of the BOA with signed hard...</u>
Assessor	Date	(Comments)

**Do Not Write Below This Line --- For Department of Revenue Use Only**

<b>Reviewed By</b>	<b>Maura O'Neil</b>
<b>Date :</b>	<b>06-DEC-13</b>
<b>Approved :</b>	<b>Dennis Mountain</b>
<b>Director of Accounts</b>	

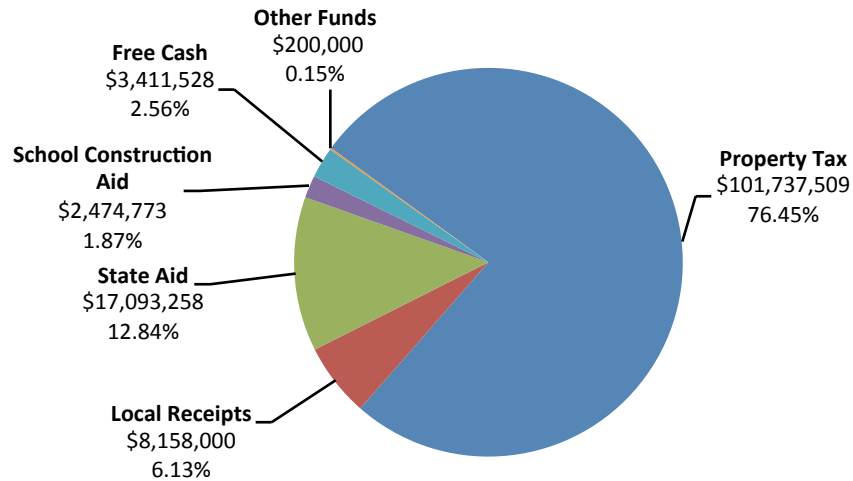
  
 (Gerard D. Perry)

# FINANCIAL MANAGEMENT SERVICES

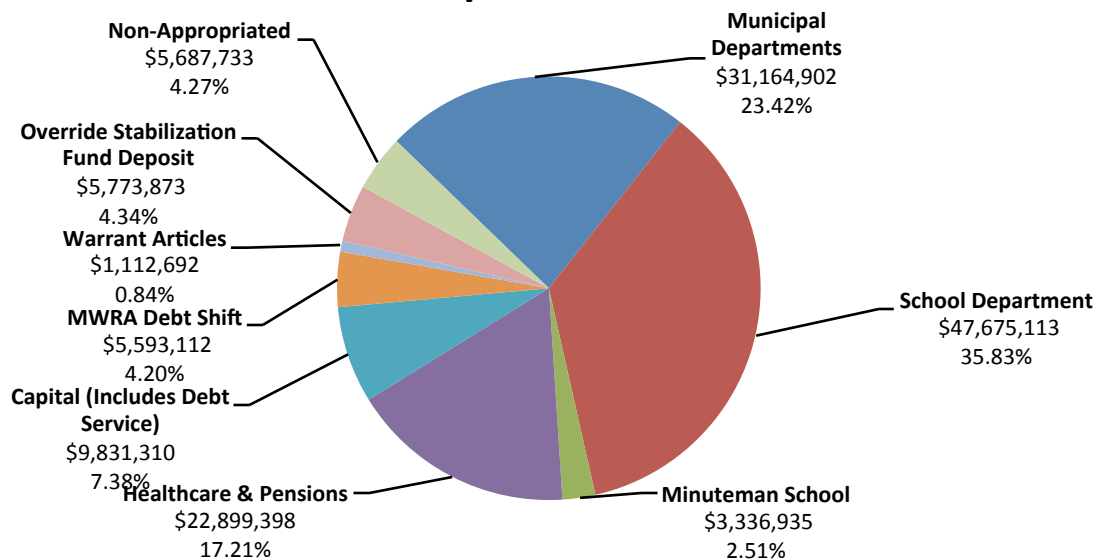
## FISCAL YEAR 2014

Total \$133,075,068

### Revenue



### Expenditures



# FINANCIAL MANAGEMENT SERVICES

**Powers & Sullivan, LLC**

Certified Public Accountants



100 Quannapowitt Parkway

Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

[www.powersandsullivan.com](http://www.powersandsullivan.com)

## **Independent Auditor's Report**

To the Board of Selectmen  
Town of Arlington, Massachusetts

## **Report on the Financial Statements**

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 year ended June 30, 2013 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, 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, 2013 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2012), and the respective

# FINANCIAL MANAGEMENT SERVICES

---

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, on our consideration of the Town of Arlington, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Arlington, Massachusetts' internal control over financial reporting and compliance.



September 19, 2013

# 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, 2013. 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 are comprised of 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 position* presents information on all assets and liabilities, and deferred inflows/outflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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, community development, human services, library, culture and recreation, and interest. 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.

# FINANCIAL MANAGEMENT SERVICES

---

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.

**Proprietary funds.** The Town maintains one type of proprietary 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 proprietary funds. The Town maintains three different fiduciary funds. The pension trust fund is used to account for resources held in trust for members of the Arlington Contributory Retirement System. The other postemployment benefit trust fund is used to account for resources held in trust to fund the Town's portion of health benefits for retirees and beneficiaries. The private purpose trust fund is used to account for resources held in trust which principle and investment income exclusively benefit individuals, private organizations, or other governments.

**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 position may serve over time as a useful indicator of a government's financial position. For governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$119.2 million at the close of fiscal year 2013.

The largest portion of the Town's net position, \$98 million (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of 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 net position \$14.4 million (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6.9 million, (6%) may be used to meet the government's ongoing obligations to citizens and creditors.

# FINANCIAL MANAGEMENT SERVICES

## Governmental Activities

	Balance at June 30, 2013	Balance at June 30, 2012	Increase (Decrease)
<b>Assets:</b>			
Current assets.....	\$ 74,092,856	\$ 64,451,958	\$ 9,640,898
Noncurrent assets (excluding capital).....	11,062,362	13,524,499	(2,462,137)
Capital assets.....	139,096,036	125,087,655	14,008,381
<b>Total assets.....</b>	<b>224,251,254</b>	<b>203,064,112</b>	<b>21,187,142</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	14,344,285	11,169,076	3,175,209
Noncurrent liabilities (excluding debt).....	35,368,652	25,066,621	10,302,031
Current debt.....	9,895,843	12,670,664	(2,774,821)
Noncurrent debt.....	45,442,415	39,810,000	5,632,415
<b>Total liabilities.....</b>	<b>105,051,195</b>	<b>88,716,361</b>	<b>16,334,834</b>
<b>Net Position:</b>			
Net investment in capital assets.....	97,950,516	92,844,805	5,105,711
Restricted.....	14,380,013	12,466,608	1,913,405
Unrestricted.....	6,869,530	9,036,338	(2,166,808)
<b>Total net position.....</b>	<b>\$ 119,200,059</b>	<b>\$ 114,347,751</b>	<b>\$ 4,852,308</b>

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, 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. Within the business-type activities, the Town reported a \$64,000 deficit balance for the youth services enterprise fund which is the result of recording a \$106,000 other postemployment benefits liability. The Veterans' Rink and recreation enterprise funds reported deficit unrestricted net positions of \$17,000 and \$81,000, respectively. These deficits can also be attributed to the liability recorded for other postemployment benefits.

The governmental activities net position increased by \$4.8 million during the current fiscal year. Increases in net position were partially derived from the recognition of MSBA capital grants for school improvements of approximately \$6 million, unspent proceeds from the sale of the fully depreciated Crosby school building of \$2.9 million, better than anticipated results in the general fund, and additional taxes raised for the Fiscal Stability fund to be used to offset future budgets. Offsetting these increases was an increase of \$10.2 million in the Town's other postemployment benefit obligation and a \$548,000 payment to the other postemployment benefits trust fund which is reported as a fiduciary fund and, accordingly, is not included in the government-wide financial statements.

The Town voted a tax override of \$6.5 million in fiscal year 2012 that resulted in an increase in real estate and personal property tax revenue above the usual 2 ½ % increase allowed by Massachusetts General Laws. The override was approved by voters to prevent otherwise projected decreases in municipal services. The Town has reserved a portion of the additional tax funds in fiscal years 2012 and 2013 to be used to stabilize future operating budgets and has approved additional transfers of unspent health insurance appropriations to add to this balance. As of June 30, 2013, approximately \$7.9 million is reserved for this purpose which is reported within the unrestricted net position.

The \$2.5 million decrease in noncurrent assets (excluding capital) is primarily due to the reduction in the intergovernmental receivable from the Massachusetts School Building Association, as school construction funds are received annually which are used to retire debt outstanding for school construction projects.



# FINANCIAL MANAGEMENT SERVICES

The \$14 million increase in capital assets is mainly from the renovations to the Thompson school.

## **Governmental Activities**

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
<b>Program revenues:</b>			
Charges for services.....	\$ 10,668,650	\$ 12,681,923	\$ (2,013,273)
Operating grants and contributions.....	33,458,295	31,877,615	1,580,680
Capital grants and contributions.....	6,800,967	2,852,994	3,947,973
<b>General revenues:</b>			
Real estate and personal property taxes.....	97,180,236	94,167,638	3,012,598
Tax liens.....	510,933	459,150	51,783
Motor vehicle excise taxes.....	4,066,173	3,921,568	144,605
Hotel/motel tax.....	283,497	262,094	21,403
Meals tax.....	326,726	307,037	19,689
Penalties and interest on taxes.....	352,869	252,493	100,376
Nonrestricted grants and contributions.....	7,046,868	6,939,154	107,714
Unrestricted investment income.....	1,291,139	239,339	1,051,800
Gain on sale of capital assets.....	2,873,618	-	2,873,618
Miscellaneous revenues.....	14,419	13,973	446
<b>Total revenues.....</b>	<b>164,874,390</b>	<b>153,974,978</b>	<b>10,899,412</b>
<b>Expenses:</b>			
General government.....	10,813,564	10,355,512	458,052
Public safety.....	25,861,607	23,275,317	2,586,290
Education.....	90,812,950	80,540,822	10,272,128
Public works.....	12,993,064	11,598,855	1,394,209
Community and economic development.....	5,683,462	5,029,219	654,243
Human services.....	2,023,675	1,792,014	231,661
Library.....	3,375,967	3,352,988	22,979
Culture and recreation.....	795,686	652,529	143,157
Interest.....	1,802,643	1,361,552	441,091
<b>Total expenses.....</b>	<b>154,162,618</b>	<b>137,958,808</b>	<b>16,203,810</b>
<b>Transfers.....</b>	<b>(5,859,464)</b>	<b>(6,282,301)</b>	<b>422,837</b>
<b>Change in net position.....</b>	<b>\$ 4,852,308</b>	<b>\$ 9,733,869</b>	<b>\$ (4,881,561)</b>

The decrease in charges for services is primarily due to the Town's discontinuation of the charge for the all-day kindergarten program in fiscal year 2013. This program took in approximately \$1.4 million in fiscal year 2012. Also, building permits related to the redevelopment of the Symmes Property of approximately \$666,000 were collected in fiscal year 2012 resulting in a spike in this category of revenue for fiscal year 2012.

The increase in capital grants is primarily related to the MSBA reimbursements for a percentage of the construction costs on the Thompson school project. The gain on sale of capital assets represents the proceeds from the sale of the fully depreciated Crosby school building.

The increases in expenses represent both budgetary increases and an increase in the Town's liability for other postemployment benefits. The largest expense increase was in education. Of this \$10.3 million increase,

## FINANCIAL MANAGEMENT SERVICES

\$5 million is a direct result of budgetary increases and approximately \$4 million represents increases in the allocation of pension and opeb expenses to this function.

### **Business-Type Activities**

	Balance at June 30, 2013	Balance at June 30, 2012	Increase (Decrease)
<b>Assets:</b>			
Current assets.....	\$ 10,947,984	\$ 10,170,937	\$ 777,047
Capital assets.....	22,029,278	20,471,906	1,557,372
<b>Total assets.....</b>	<b>32,977,262</b>	<b>30,642,843</b>	<b>2,334,419</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	305,308	164,066	141,242
Noncurrent liabilities (excluding debt).....	996,272	720,199	276,073
Current debt.....	1,301,578	1,163,295	138,283
Noncurrent debt.....	6,580,772	5,851,350	729,422
<b>Total liabilities.....</b>	<b>9,183,930</b>	<b>7,898,910</b>	<b>1,285,020</b>
<b>Net Position:</b>			
Net investment in capital assets.....	14,827,000	14,543,666	283,334
Unrestricted.....	8,966,332	8,200,267	766,065
<b>Total net position.....</b>	<b>\$ 23,793,332</b>	<b>\$ 22,743,933</b>	<b>\$ 1,049,399</b>
	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
<b>Program revenues:</b>			
Charges for services.....	\$ 14,462,642	\$ 12,030,535	\$ 2,432,107
Operating grants and contributions.....	91,703	107,968	(16,265)
<b>General revenues:</b>			
Unrestricted investment income.....	39,218	46,339	(7,121)
<b>Total revenues.....</b>	<b>14,593,563</b>	<b>12,184,842</b>	<b>2,408,721</b>
<b>Expenses:</b>			
Water and Sewer.....	17,587,856	16,430,637	1,157,219
Youth Services.....	465,735	387,042	78,693
Council on Aging.....	121,014	100,544	20,470
Veterans' Rink.....	601,659	603,557	(1,898)
Recreation.....	627,364	587,327	40,037
<b>Total expenses.....</b>	<b>19,403,628</b>	<b>18,109,107</b>	<b>1,294,521</b>
<b>Transfers.....</b>	<b>5,859,464</b>	<b>6,282,301</b>	<b>(422,837)</b>
<b>Change in net position.....</b>	<b>\$ 1,049,399</b>	<b>\$ 358,036</b>	<b>\$ 691,363</b>

There was a net increase of \$1 million in net position 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 2013 by approximately \$5.6 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The increase in net position of \$1 million was related to the activity in

# FINANCIAL MANAGEMENT SERVICES

---

the water and sewer enterprise fund which reported an increase in charges for services as a result of increased water usage. The increase in water and sewer expenses was primarily made up of the \$800,000 increase in the MWRA assessment. This assessment comprises 70% of the fund's expenses.

The increase in capital assets consists of the water and sewer enterprise fund's investment in water and sewer lines and water meters, totaling approximately \$2.1 million in fiscal year 2013, which was funded through available funds and \$174,000 in improvements in the Veterans' Rink enterprise fund.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$54.4 million, an increase of \$4.4 million from the prior year.

The general fund reported a \$2.3 million increase in fund balance in the fund based financial statements. This includes the activity of the Town's stabilization funds and insurance trust funds which are reported within the general fund. The Town's stabilization funds totaled \$10.7 million at year end and reported an increase of \$3.6 million from fiscal year 2012, which was primarily the result of funds generated by the fiscal year 2012 tax override. The insurance trust funds reported a decrease of \$260,000, and the operating general fund accounted for the remaining \$995,000 decrease.

The Town's capital borrowing major fund had reported a fund balance of \$742,000, a decrease of \$4.2 million from the prior year. During fiscal year 2013, the Town recognized \$5.8 million in bond proceeds in this major fund which represents long-term borrowing used to finance various capital projects identified in the Town's capital improvement plan. Current expenditures in this fund totaled \$17.2 million and related mainly to improvements to the Thompson elementary school, the community safety building and fire stations. Capital expenditures have been partially funded through \$2.4 million in short-term BANs which are not recorded as funding sources on the fund based financial statements. Additionally, the Thompson school project costs are partially funded through the Massachusetts School Building Authority (MSBA). The fund reported \$6.8 million in MSBA reimbursements in fiscal year 2013.

There was a \$6.2 million increase in the nonmajor governmental funds, which reported \$21.0 million in revenues, \$20.4 million in expenditures, and \$5.6 million in other financing sources and uses. Of this increase, \$1.1 million was due to a premium on the sale of bonds, \$2.9 million was the gain on the sale of the Crosby School, \$1.1 million was from investment income in the permanent trust funds, and \$828,000 was from contributions to the Permanent Funds.

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

Changes between the original and final budget were primarily comprised of \$970,000 in additional appropriations from free cash for the school department and transfers between functional line items. The reserve fund and collective bargaining appropriations are initially budgeted under general government. The budget is adjusted as reserve fund transfers are voted by the finance committee or as collective bargaining settlements are made.

# FINANCIAL MANAGEMENT SERVICES

---

In the final budget, the Town budgeted to use \$1.8 million of available reserves to balance the fiscal year 2013 budget. The reserves were from available funds “free cash” totaling \$1.6 million, and prior reserves released by the board of assessors “overlay surplus” totaling \$200,000. However, actual results from operations were better than anticipated as the Town collected approximately \$2.6 million more than budgeted and departments expended \$1.0 million less than budgeted.

By category, all actual revenues came in over budget. The largest revenue variance was from building permits classified within departmental and other revenues. Expenditures for employee benefits came in under budget by almost \$800,000, significantly contributing to the surplus. Expenditures exceeded the budget for snow and ice removal (public works) and for state and county assessments. The Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent fiscal year. State assessments are withheld directly from state distributions to the Town.

## ***Other Postemployment Benefits (OPEB)***

In 2006 the Arlington Town Meeting formed the Other Postemployment Benefits Committee. The committee’s charge is to make recommendations on the potential funding mechanisms for the postemployment medical benefits unfunded liability as required in Statement No. 45 of the Governmental Accounting Standards Board, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45).

The Town began partially funding this liability in an internally created healthcare trust fund established by Chapter 12 of the Acts of 1998. Upon the implementation of GASB 45, the Town transferred the balance of the healthcare trust fund, as well as all new appropriations for the same purpose, into a newly created Other Postemployment Benefits (OPEB) Trust Fund, as established by Chapter 161 of the Acts of 2005, which is under the supervision and management of the Town’s contributory retirement board. The Town Treasurer is the custodian of the OPEB Trust Fund.

The Town began capturing revenues to fund the OPEB liability in 1997. At that time, the Town established a policy of appropriating the difference between the non-contributory pension appropriation and \$500,000 to the OPEB fund. The Town has subsequently appropriated Medicare Part D reimbursements, as well as certain increases in the share of retiree HMO contributions to be transferred to this fund.

An actuarial study determined that Arlington’s total Actuarial Accrued Liability as of January 1, 2012, at a 4.20% partially funded discount rate, totaled \$174.1 million. As of June 30, 2013, the Town has recognized a liability for other postemployment benefits totaling \$34.1 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$17.3 million and the Town’s actual contribution of \$6.8 million which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in the amounts of \$6.2 million and \$548,000, respectively. The assets set aside in trust for future benefits amounted to \$5.6 million at fiscal year-end.

The Town of Arlington is serious about addressing this liability within its financial ability and the OPEB Committee will continue to monitor this liability and explore possible additional 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.

# FINANCIAL MANAGEMENT SERVICES

---

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. For the fiscal year 2014 budget, this allowed for an annual cash expenditure of \$1.45 million and a new borrowing of \$3.58 million. The Town's outstanding long-term debt related to the general government, as of June 30, 2013, was \$52 million 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 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 \$5,593,112 million in fiscal year 2013 from the MWRA assessment to the property taxes. During fiscal year 2013, the Town issued an additional \$1.2 million in MWRA sewer bonds.

The Town has voted to cap the amount of future MWRA debt that will be shifted to the tax rate at \$5,593,112 million and correspondingly increase water rates.

The Town of Arlington opened the newly constructed Thompson Elementary School in August of 2013. The final cost of construction and equipment was approximately \$20 million, 50.42% of which will be paid by the Massachusetts School Building Authority. This represents the last of the seven elementary schools of which six were fully renovated or rebuilt and one was partially renovated during the past decade.

## FINANCIAL MANAGEMENT SERVICES

---

The construction of apartments and condominiums at the Symmes Hospital site is expected to be complete by the winter of 2014.

The Town is expected to complete Phase 2 of the Community Safety Building renovation in October of 2013. The approximate cost of Phase 2 was \$2.7 million. The final phases of the Community Safety Building project are expected to be completed in the next five years.

During FY 2014, the Town will begin and complete design and engineering for the renovation of the Central Fire Station. The construction is scheduled to begin in July 2014 and the expected cost is \$5.5 million. This will complete the renovation of each of the Town's three fire stations.

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 02476.