



Fund Balances

The Town defines a **fund balance** as the difference between assets and liabilities reported in a government fund. This is also known as fund equity. The Town classifies the funds as follows: General Fund, Enterprise Funds, Reserve Funds and Revolving Funds.

General Fund – The fund used to account for most financial resources and activities governed by the normal Town Meeting appropriation process.

Free Cash – “Free Cash” is a revenue source that results from the calculation, as of July 1, of a community’s remaining, unrestricted funds from operations of the previous fiscal year, based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line-items for the year just ending, plus unexpended free cash from the previous year. Consistent with current practice, the Town appropriates up to 50% of its Free Cash balance from the prior year to as an operating revenue.

Enterprise Fund – An enterprise fund, authorized by MGL Ch. 44 Sec.53F ½ is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered user charges and the portion that is subsidized by the tax levy, if any.

Revolving Fund – A revolving fund allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For department revolving funds, MGL Ch. 44 Sec. 53E ½ stipulates that each fund must be reauthorized each year at annual Town Meeting and that a limit on the total amount that may be spent from each fund must be established at that time.

Urban Renewal Fund – An urban renewal fund is a fund set up to help a community meet the planning and implementation costs of urban revitalization and development projects.



Reserve Fund – An amount set aside annually within the budget of a town to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for “extraordinary or unforeseen” expenditures. Other uses of the fund require budgetary transfers by Town Meeting.

Tip Fee Stabilization Fund – The Town of Arlington participated in a regional solid waste consortium, the North East Solid Waste Committee. Upon leaving the consortium in September of 2005, the Town was entitled to revenue derived from the regional agreement. Since then, the Town uses funds from the Tip Fee Stabilization Fund to offset solid waste disposal costs. The Town appropriated \$164,000 from the fund in FY2014.

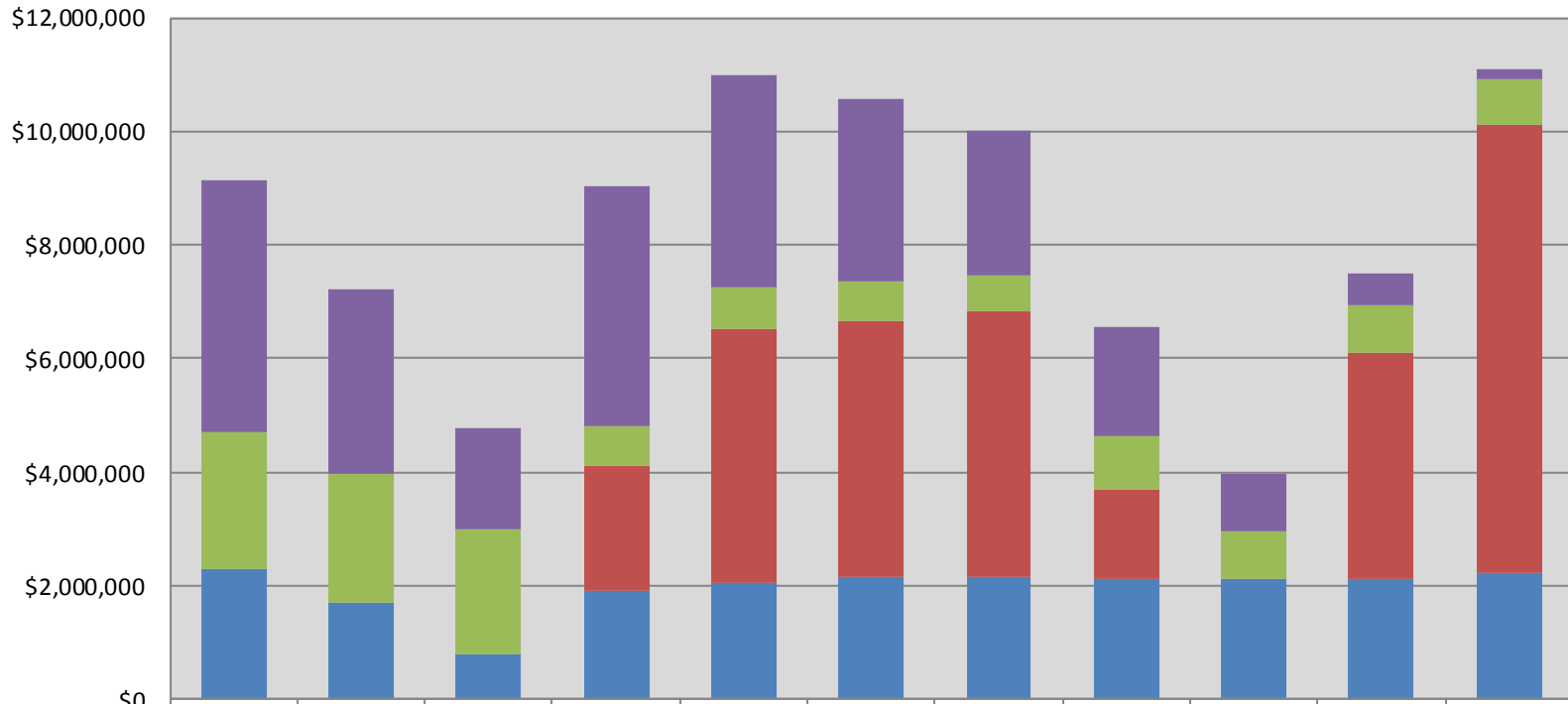
Municipal Buildings Trust Fund – In accordance with Massachusetts General Law, Chapter 40, Section 13, the Town established a Municipal Buildings Trust Fund for the purposes of offsetting the costs associated with significant property loss.

Override Stabilization Fund – The Override Stabilization Fund was created as a result of the 2005 Proposition 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the general fund budget. As the graph illustrates on page 205, the first appropriation to the fund was in FY2006 after the passage of an operating override and was depleted in FY2011. The Town passed another override leading into FY2012 which explains the increase of \$3,993,618. The Town does not expect to recommend an appropriation out of the fund until FY2016.

Long Term Stabilization Fund – In accordance with Massachusetts General Law, Chapter 40, Section 5B, the Town may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year’s tax levy. The Town may appropriate funds from the Long Term Stabilization Fund for any lawful purpose with a two-thirds vote of Town Meeting.



Reserve Fund Balances



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Tip Fee Stabilization	\$4,435,465	\$3,263,420	\$1,807,932	\$4,207,248	\$3,723,911	\$3,187,031	\$2,559,441	\$1,888,492	\$1,012,094	\$563,769	\$164,260
Municipal Trust Fund	\$2,410,771	\$2,263,962	\$2,187,797	\$714,029	\$736,575	\$702,689	\$613,717	\$963,451	\$853,710	\$835,406	\$816,559
Override Stabilization	-	-	-	\$2,180,289	\$4,479,519	\$4,531,174	\$4,687,515	\$1,581,292	-	\$3,993,618	\$7,888,721
Long Term Stabilization	\$2,294,235	\$1,709,454	\$788,805	\$1,924,215	\$2,052,009	\$2,138,449	\$2,157,451	\$2,105,456	\$2,114,858	\$2,121,897	\$2,227,631

For more information, please see fund descriptions beginning on page 201.



Revolving Fund Balances											
	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Ambulance/Life Support	\$124,871	\$194,253	\$299,910	\$73,325	\$109,742	\$264,069	\$376,291	\$446,194	\$396,176	\$256,610	\$298,672
Board of Health					\$38,162	\$41,927	\$45,106	\$79,163	\$91,253	\$103,800	\$86,284
Cemetery Chapel Rental											
Conservation Commission	\$3,060	\$2,106	\$2,106	\$2,726	\$2,937	\$2,937	\$2,847	\$2,897	\$2,907	\$3,221	\$3,312
Council on Aging Program											
Field User Fees			\$5,174	\$21,539	\$10,769	\$76,974	\$52,865	\$88,845	\$62,975	\$49,757	\$72,820
Fox Library	\$2,443	\$798	\$3,262	\$6,365	\$8,978	\$12,347	\$14,241	\$13,463	\$16,523	\$17,891	\$13,690
Gibbs School Energy										\$25,688	\$27,730
Library PC Vendor								\$6,971	\$12,711	\$13,361	\$14,315
Private Way Repair	\$33,444	\$33,489	\$30,619	\$27,790	\$24,148	\$37,396	\$13,305	\$13,305	\$13,305	\$1,305	\$13,305
Public Way Repair	\$1,099	\$1,098	\$1,559	\$1,559	\$1,559	\$1,559	\$168	\$168	\$168	\$168	\$168
Robbins House Rental							(\$4,117)	\$19,927	\$22,958	\$33,938	\$35,312
Robbins Library Rental							\$6,492	\$9,187	\$11,658	\$17,892	\$16,751
Town Hall Rental					\$2,275	\$6,989	\$3,456	\$8,601	\$29,904	\$42,735	\$22,163
Uncle Sam							\$334	\$334	\$344	\$319	\$411
White Good Recycling								\$27,887	\$44,369	\$38,202	\$16,755
TOTAL	\$164,917	\$231,744	\$342,630	\$133,304	\$198,570	\$444,198	\$510,988	\$716,942	\$705,251	\$604,887	\$621,688

Urban Renewal Fund Balance											
	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Urban Renewal Fund	\$240,499	\$311,685	\$299,909	\$308,043	\$226,273	\$215,906	\$98,056	\$249,860	\$290,665	\$377,193	\$393,955



Fund Balances													
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
General Fund	4,934,569	3,548,683	2,829,606	3,228,310	3,179,389	2,509,471	3,637,574	2,995,814	1,164,101	770,498	4,378,542	7,793,055	6,085,848
Enterprise Funds													
Water/Sewer Enterprise	(1,190,892)	3,163,996	1,129,935	759,501	984,115	2,377,515	5,110,456	4,718,828	5,550,844	3,117,257	4,422,651	2,551,390	2,497,966
Youth Enterprise	(6,163)	(3,942)	(2,867)	(16,219)	(13,208)	(33,228)	27,417	(20,345)	53,598	42,184	50,000	67,661	45,315
Council on Aging Enterprise	43,843	41,657	46,218	101,493	93,511	66,241	12,595	30,686	44,318	50,448	97,152	112,520	114,489
Rink Enterprise	104,153	54,537	N/A	(75,101)	13,043	(16,297)	13,690	38,620	58,412	27,702	91,325	78,992	90,435
Recreation Enterprise	35,129	3,312	N/A	(34,899)	(9,629)	(71,674)	78,221	85,392	68,360	77,200	101,380	105,452	120,887



Town of Arlington Standing Financial Policies & Practices

Balanced Budget: The Town defines a balanced budget as a budget in which receipts are greater than (or equal to) expenditures. The Commonwealth of Massachusetts requires all municipalities to present a balanced budget each year as a basic budgetary constraint intended to ensure that a government does not spend beyond its means and its use of resources for operating purposes does not exceed available resources over a defined period of time.

Free Cash Practice: The Town of Arlington appropriates up to 50% of the prior year's Certified Free Cash Balance as an operating revenue with a majority vote of Town Meeting.

Capital Budget: The Town Manager shall present a Capital Budget equal to 5% of projected revenues. The Town has followed this practice since 1986.

Town of Arlington Override Policies & Commitments

As part of the Town's Proposition 2 ½ Override campaign in 2011, the Town made several financial commitments that would guide the Town's financial planning for future years. Below are those original commitments with updates in bold.

- Override funds will be made to last at least three years (FY2012-FY2014). No general override will be sought during this period. – **Current projections have extended the plan to cover FY2012-FY2018.**
- Town and School operating budget increases will be capped at 3.5% per year. An additional allowance of up to 7% shall be allowed for documented special education cost increases. Should actual special education cost increases exceed this amount, the remaining School budget shall be decreased by the difference. – **This commitment has been maintained and this year's Town operating budget is being held to the 3.5%.**
- Health care cost increases will be programmed at 7%. Should actual increases exceed this amount, the Town and School budget totals shall be proportionately decreased by the excess amount. Should actual increases be less than this amount as a result of negotiated health care savings, the extra savings will be:
 - ◊ Deposited into the override stabilization fund to extend the three year override period;
 - ◊ Used to preserve services; and
- The Town of Arlington's Reserve Policy states that the Town must have an amount equal to 5% of revenues that is kept in reserves and available for appropriation in any given year.



- ◇ To satisfy any and all negotiated items between the Town Manager, its employees, and its retirees. – **The override period has been extended to six years from the original three-year period based to a large degree on health care savings. The first year health care savings also supported FY2012 wage settlements with employee bargaining units. Actual health care cost increases will be approximately 3.5% in FY14. The difference between the initial projections and the actual cost will be deposited into the override stabilization fund.**
- An additional \$600,000 shall be appropriated for the School Department in FY2012 and \$400,000 shall be appropriated each year in addition to the amount currently appropriated in the capital budget for road improvements. – **This commitment has been met.**
- Reserves shall be maintained in an amount equivalent to at least 5% of the budget. – **This commitment is being maintained.**



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