

FINANCIAL MANAGEMENT SERVICES

FINANCE COMMITTEE

During 2007, the Finance Committee was chaired by Allan Tosti assisted by vice-chairs Richard C. Fanning, Alan Jones, and Charles T. Foskett. Peter B. Howard served as secretary. The Finance Committee has twenty-one positions, one for each precinct. The appointing authority (Moderator, Trust Fund Commissioners Chair, Finance Committee Chair) acted to reappoint all members whose terms had been completed and to fill vacant positions.

In January, the Finance Committee 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 requiring an appropriation or having a financial impact. Twenty-four full committee meetings were held which, when combined with numerous subcommittee meetings, made for a busy winter schedule.

The Finance Committee's report was distributed at the first session of the annual Town Meeting. In addition to recommending a budget for each department, the report recommended a vote on twenty-six articles. As in previous years, this year's report contained additional information of interest to Town Meeting members including a five year revenue and expenditure projection, details on the town's solid waste program, and a discussion of the town's OPEB liability.

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, now in its third year, some of the override money was set aside to be used in the last two years of the plan. The Town is currently on target to complete, as promised, the five-year plan without an additional override. As town budgets have grown tighter, the Finance Committee has continued to recommend increases in the Town Reserve Fund to prepare for extraordinary and unforeseen events.

This year the town celebrated its 200th anniversary. The 200th Anniversary Committee, in conjunction with numerous other town organizations, organized many successful special events. The Finance Committee was pleased that, as it had recommended, these events were funded substantially from private sources.

The Finance Committee also continued to monitor other ongoing activities that could have a

large financial impact through regular reports by the responsible Town officials. The Superintendent of Schools again provided a detailed budget description document for the operating budget as well as updates on the school renovation projects. The new Minuteman Tech Superintendent attended a Finance Committee meeting and promised an energetic effort to restructure the school to be more affordable. The need for some change at Minuteman is urgent as the Arlington assessment for FY2008 increased 13%. Although the five-year plan, funded largely by the \$6m override in 2005, was a big step toward stabilizing the Town's finances, long term financial issues remain. One critical issue is the level of State aid. The five-year plan assumes that State aid will gradually be restored to the pre-recession level. This will require continuous effort by the State Legislature and the Governor. A recession on the horizon will make this effort even more challenging. 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 Town employee retiree 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.

OFFICE OF THE TREASURER & COLLECTOR OF TAXES



Treasurer & Collector of Taxes, Stephen J. Gilligan

The citizen's of the Town 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, to serve our community.

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Mission Statement

The Office of Treasurer & Collector of Taxes is responsible for the proper collecting, investing, safeguarding and managing of all funds and receipts belonging to the Town of Arlington.

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.
- 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 the relationship 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.

Audit

The Town Audit for FY 2007, performed by Powers & Sullivan, returned positive and favorable results regarding the Office of Treasurer & Collector of Taxes. The audit included:

- Cash Balances
- 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 Report of Reconciliation to Treasurer's Cash Report
 - Tracing all the above to the Town Comptroller's general ledger
- No exceptions or findings were found as a result of this audit

2007 Accomplishments

The many and varied accomplishments achieved by the Treasurer's Office for the 2007 calendar year

include:

- Borrowing funds for various purposes: Symmes development project, school construction, water & sewer improvements, capital projects, and refinancing prior borrowings
- Paid-down \$6.2M of debt and precluded \$12.2M being added to tax rate on the Symmes Project by aggressively coordinating special legislation passage
- Completed audit, filing, and scheduled receipt of all un-recovered school MSBA reimbursements; an additional \$5,046,728.71 lump sum, additional \$810,060.00 in annual payments, and \$20,203.00 in recovered legal expense; enabling substantial savings in borrowing cost
- Refinancing previous borrowings to gain a \$648,290.00 savings for taxpayers
- Saved additional \$61,000 for the school operating budget through refinancing prior borrowing
- Developed financing plan to fully fund pensions for retirees
- New Bond Issues attaining "AA" and "AA2" bond rating from S&P and Moody's (2006 issue "AAA")
- Monitoring internal control procedures for payroll reconciliation
- Prepared Cash Management, and Investment Management policies—a "positive" on audit management letter
- Aggressive approach to short-term investing yielding higher results in Town short-term deposits
- Arlington Citizen's Scholarship Fund – awarded \$113,000 to 103 students
- Exceptional collection rate for Real Estate Tax, Personal Property Tax, Water, and Motor Vehicle Excise at 99.98% within the current fiscal year
- Continue to issue all bills for Real Estate, Motor Excise, and Water & Sewer on time
- Maintaining and continuing the lowest outstanding/uncollected 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
- The updating of the website dedicated to Treasurer's office functions: (<http://www.arlingtontreasurer.com/>) where citizens can view bill information for all amounts due the Tax Collector

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Office of Treasurer & Collector of Taxes					
Performance Metrics					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 - Revenue from Water & Sewer Delinquencies	\$ 72,257.00	\$ 69,766.00	\$ 51,127.00	\$ 68,675.00	\$ 104,758.00
Lien Certificates Processed	4,327	2,210	1,451	1,323	2,211
Revenue from Liens	\$ 108,000.00	\$ 55,250.00	\$ 36,500.00	\$ 33,075.00	39600
Deputy Tax Collection Program - Revenues	\$ 87,785.00	\$ 104,763.00	\$ 118,529.00	\$ 105,732.00	\$ 115,573.00

- Continued success in collaborating with the Office of the Board of Assessors: board members and staff, in meeting tax commitments, timely and efficiently
- Developed and documented Procedures Manuals for all staff and processes within the Office of the Treasurer
- Developed business operations continuity strategies and procedures for operations, applications and staffing
- Parking Clerk processes - developing violations database and reporting tool
- Acquired new service company for improved parking machine maintenance response

- Research the feasibility of moving the Town's phone system to a network based voice over IP phone system and determining the cost for implementation.
- Review and enhance various reports for town department heads and officials.
- Upgrade printing of purchase orders from band printers to laser printers and implementing electronic signatures on the forms.

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

Major Accomplishments for 2007

- Continued to work with Community Safety on telecommunications in conjunction with their renovation.
- Closed books on a timely basis and had town audit and free cash certified by September 1st.
- Implemented a new call accounting system.
- Processed 91,349 general ledger entries.
- Processed 5,452 purchase orders.
- Processed 982 accounts payable batches.

FY2009 Objectives

- Upgrade the telephone voicemail system.

INFORMATION TECHNOLOGY DEPARTMENT

Overview

Effective July 2007, the Annual Town Meeting voted to establish a consolidated town-wide Information Systems and Technology Department under the general supervision of the Town Manager. The functions of the department fall into three broad categories:

- Town and School hardware, networking, telecommunications and software infrastructure support;
 - Town and School administrative applications, implementation, training and support; and
 - School Academic applications implementation, training and support.
- The first two categories shall be under the management of the Town Manager, and the third category shall be under the management of the Superintendent of Schools.

As a result of the restructuring of the department and based on the ever-growing scope of Information Technology, and the vital role it plays for all of the Town's departments, a new Chief Technology Officer was hired in July.

Initiatives

In 2007, the Information Technology department continued to maintain the Town's information technology infrastructure, improve the systems performance and security, while accommodating various departmental requests. The department supports the Town's file, application, and database servers, adding new equipment as needed and consolidating old systems.

Improvements were made to the security infrastructure by upgrading anti-virus, anti-spy-ware and

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spam protection services. All network switches have been upgraded and reconfigured to provide both better performance and greater security. Sixty-seven computers, five servers and fifteen printers were installed.

Department Assessment

Meetings were held with departments to get a better sense of their technology needs and to open lines of communication. Future meetings will center on addressing issues outlined in the needs assessment developed by Information Technology Advisory Committee (ITAC) last year.

System Hardware and Software Migration

In order to assure system availability, speed, and interoperability with other databases, a plan was developed to migrate both MUNIS and ICS from the current SCO/UNIX operating system to the LINUX operating system. The new operating system is widely used, supported by more technology vendors, and is compatible with many other systems and technologies. Part of this migration included the addition of faster server hardware, which will contribute to greater system stability and availability. MUNIS was migrated in December and ICS will be migrated in late February 2008.

MUNIS/Integrated Collection System Continuity: An important part of any system is the ability to recover from a hardware or software failure. Regular nightly database backups protect against substantial data loss. However, if a system experiences a critical hardware failure, such as a faulty power supply, a delay of more than a day can occur. To reduce the loss of services due to a hardware failure, a hot swap system was initiated. This system, to be located in the Community Safety building as part of a disaster recovery plan, will be populated daily with both the MUNIS and ICS databases and, if needed, can be activated in about 3 hours.

Network Stability

An important part of delivering technology services is a fast, reliable network infrastructure. Infrastructure components include switches, routers, cabling, servers, and redundant power.

A reorganization of network wiring was completed in August. This included eliminating old or redundant wiring, updating fiber optic connections, and documenting network specifications. New switches replaced older switching technology that contributed to data bottlenecks, reduced network speeds, and limited the implementation of new technology.

An associated server hardware consolidation plan is reducing the number of servers from seventeen to ten, simplifying network management, introducing power saving technology, and reducing cooling costs. The first consolidation occurred with the installation of the new FireHouse software program on an existing and

underutilized server. This alone saved the cost of a new server and its associated power and operating system licensing costs. Additional consolidations will occur in 2008.

E-Mail blacklist/SPAM

A sophisticated system was installed which screens e-mail and determines which is SPAM. In cases where e-mail is identified as SPAM, it is either rejected outright or sent to quarantine for examination by technology staff. The system learns, over time, to identify SPAM more accurately.

New E-Mail System

After a survey of town staff, there was a general consensus the current e-mail system needed to be upgraded with additional features such as web access and common address books. A test system is now in place and will be put into service in early 2008.

HelpDesk

A crucial part of any technology department is the ability to improve customer service. Improvement can be achieved on several levels by fine-tuning the delivery of services. A help desk installed this year provides the means to accept, organize, track, and coordinate technology issues while reducing costs through improved communication among the technology staff and also with technology users. It can be used to run reports, to highlight areas with a significant number of repeat or similar problems, and to recognize where technology department practices should be changed or identify areas for training.

Internet Access

With an increase in network traffic and a move towards web-based systems, it became necessary to increase internet access capacity. A new internet line, capable of a 10MB x 10MB/second data transfer speeds, was installed in December.

Lock Box Integration

Worked closely with the Treasurer's office to implement lock box system integration. This project involved modifying the Integrated Collection System to accept and process batch files from banking sources.

Community Television System Upgrade

Worked with Arlington Community Media to transition programming from a broadband platform to an IP based transmission for greatly improved picture and sound quality.

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Integrated Address Verification System

Work was completed on the AccuMail system to better identify and barcode town street addresses, thus reducing postage and handling costs.

Upgraded Motor Vehicle Excise Reporting

System work was completed to better handle data from the State on vehicle excise information.

Upgraded Water Department's Meter System Interface

Redesigned the water meter work order system for improved integration with the Integrated Collection System.

Completed on-demand report delivery

Developed a report writer for the Integrated Collection System, which allows for on-demand reports, conversion to a PDF, and automatically e-mailed to the requestor. This not only speeds access to various reports, but also eliminates the need for printing and mailing reports; saving energy, staff and paper costs.

FY2009 Objectives:

- Continue development and implementation of a multi-year disaster recovery program.
- Develop and institute an annual security audit program.
- Investigate strategies and systems for archiving paper records.
- Complete server upgrades and consolidation.
- Implement the use of software imaging and deployment solutions to reduce operation costs.
- Implement a facilities maintenance helpdesk to improve provisioning and tracking of work requests.
- Implement a facilities booking program to coordinate the reservation and use of town facilities.
- Refine department operations in alignment with the town's customer service program.
- Reconfigure and upgrade the town's network domain structure to provide better network services and reliability.

BOARD OF ASSESSORS

At the annual election held in April of 2007, James F. 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, Esquire, was elected Chairman and Kevin P. Feeley, Esquire, was elected Vice Chairman.

In 2007, 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 14,994 real estate and personal property tax bills to the Tax Collector for collection for Fiscal Year 2008. These bills raised a total of \$78,813,376 in property and personal property taxes. The total assessed value of all taxable real estate and personal property for Fiscal Year 2008 was \$6,883,264,284, which resulted in a tax rate of \$11.45 per thousand dollars of assessed value. The board also committed over 40,000 automobile excise tax bills for collection of an estimated income of \$4,000,000.

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 2007.

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. FY2008, a non revaluation year, the overlay account is set at \$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 FY2005, the reserve balance from all prior fiscal years is \$223,779.

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Tax Abatement Overlay Funds			
	FY2005	FY2006	FY2007
Overlay Amount	\$ 584,602	\$ 902,675	\$ 1,194,924
Abatements & Exemptions To-Date	\$ 300,067	\$ 406,181	\$ 338,588
Declared Surplus to General Fund	\$ (200,000)	\$ (300,000)	\$ (300,000)
Reserved for Additional Liability	\$ 84,535	\$ 196,494	\$ 556,336

VALUATION AND TAX LEVY			
Fiscal Year	Total Assessed Valuation	Tax Levy	Tax Rate*
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
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

* Tax rate expressed in per thousand dollars of assessed value

PERCENT OF TAX LEVY BY CLASS					
CLASS	TYPE	FISCAL YEAR			
		2008	2007	2006	2005
I	RESIDENTIAL	94.3933	94.6310	94.067	94.0665
II	OPEN SPACE	.000	.000	.000	.0000
III	COMMERCIAL	4.2688	4.1305	4.496	4.4962
IV	INDUSTRIAL	.3158	.3107	.313	.3128
V	PERSONAL PROPERTY	1.0221	.9278	1.244	1.1245
TOTAL		100.00	100.00	100.00	100.00

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TAX RATE COMPONENTS FY2003 - FY2008						
	2003	2004	2005	2006	2007	2008
Levy Base	\$11.74	\$9.13	\$9.44	\$9.03	\$9.53	\$9.53
2 1/2%	\$0.29	\$0.23	\$0.24	\$0.23	\$0.24	\$0.25
Growth	\$0.12	\$0.11	\$0.08	\$0.13	\$0.13	\$0.09
Override				\$0.93	\$0.00	\$0.00
Water/Sewer Debt Exclusion	\$1.00	\$0.84	\$0.85	\$0.84	\$0.80	\$0.81
School Debt Exclusion	\$0.46	\$0.33	\$0.34	\$0.18	\$0.25	\$0.21
Tax Rate*	\$13.61	\$10.64	\$10.94	\$11.34	\$10.95	\$11.45

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

Details of Tax Rate Calculation						
	2003	2004	2005	2006	2007	2008
Max Levy Prior Fiscal Year	\$52,838,686	\$54,703,728	\$56,720,544	\$58,597,089	\$66,906,029	\$69,465,927
2.50%	\$1,320,967	\$1,367,593	\$1,418,014	\$1,464,927	\$1,672,651	\$1,736,648
Growth	\$544,075	\$649,223	\$458,531	\$844,013	\$887,247	\$640,013
Override				\$6,000,000	\$0	\$0
Maximum Levy	\$54,703,728	\$56,720,544	\$58,597,089	\$66,906,029	\$69,465,927	\$71,842,588
Levy Increase %	7.17%	3.69%	3.31%	14.18%	3.83%	3.42%
Levy Increase \$	\$3,661,613	\$2,016,816	\$1,876,544	\$8,308,941	\$2,559,897	\$2,376,661
Water/Sewer Debt Exclusion	\$4,516,649	\$5,033,997	\$5,103,729	\$5,475,486	\$5,593,112	\$5,593,112
Debt Exclusion	\$2,052,096	\$2,000,153	\$2,056,781	\$1,197,479	\$1,755,952	\$1,436,024
Max to be Raised	\$61,272,473	\$63,754,694	\$65,757,599	\$73,578,994	\$76,814,991	\$78,871,724
Actual Raised	\$61,246,844	\$63,740,140	\$65,719,969	\$73,525,801	\$76,778,350	\$78,813,376
Excess Levy	\$25,629	\$14,554	\$37,630	\$53,193	\$36,641	\$58,348
Total Taxable Assessed Value	\$4,500,135,559	\$5,990,614,666	\$6,007,309,836	\$6,483,756,733	\$7,011,721,520	\$6,883,264,284
Total Assessed Value Increase	6.14%	33.12%	0.28%	7.93%	8.14%	-1.83%
Tax Rate	\$13.61	\$10.64	\$10.94	\$11.34	\$10.95	\$11.45
Penny on Tax Rate	\$45,001	\$59,906	\$60,073	\$64,838	\$70,117	\$68,833
Ave Assessed Val - Single Family	\$316,291	\$414,125	\$415,167	\$444,515	\$486,431	\$475,289
Ave Taxes Single Family	\$4,305	\$4,406	\$4,542	\$5,041	\$5,326	\$5,442

** All numbers subject to rounding and final DOR Certification*

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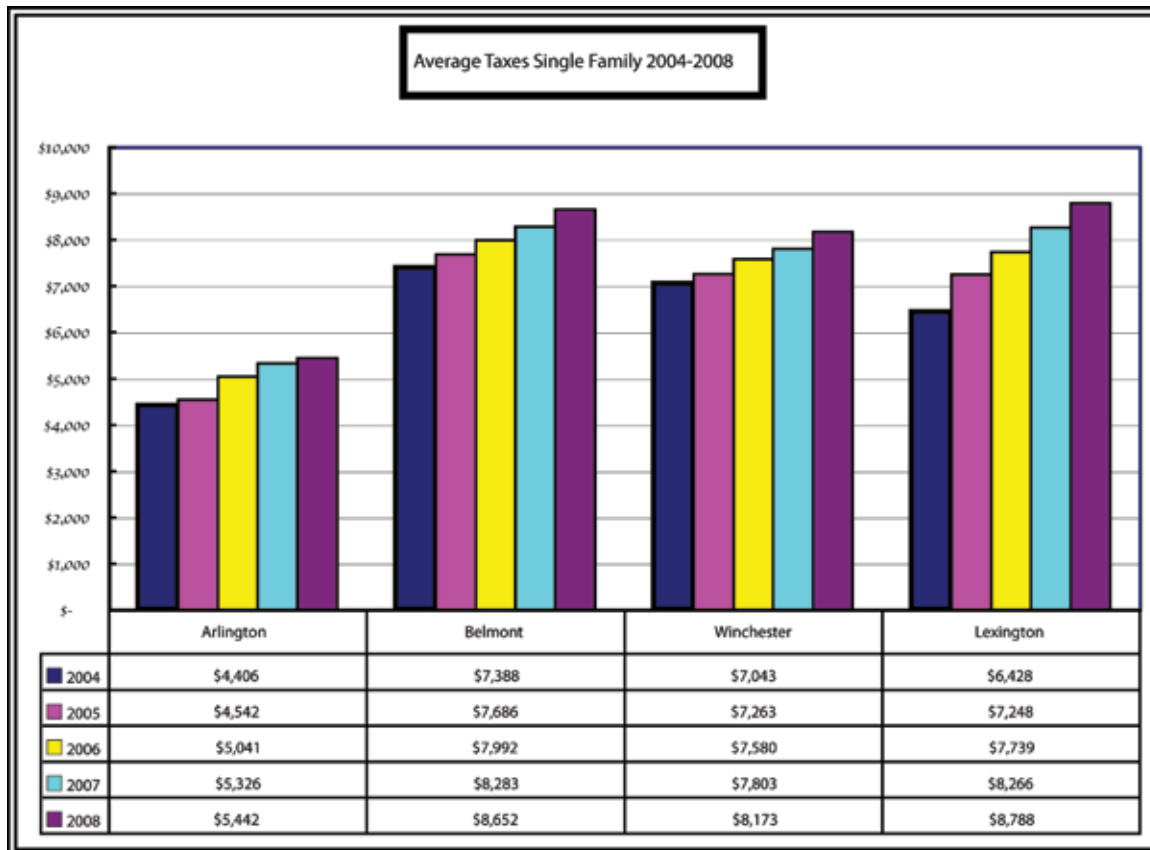
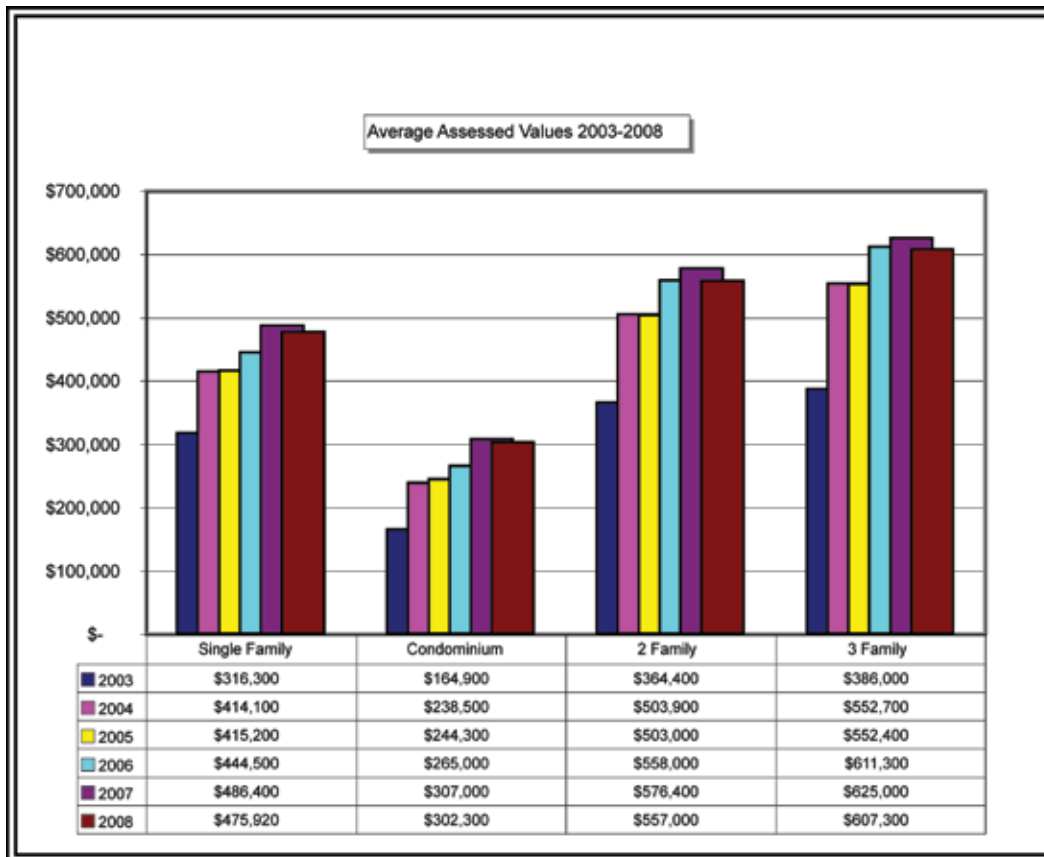
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Summary of Revaluation by State Class Code FY2008 VS FY2007					
Property Type	FY 2008		FY 2007		2008 VS 2007
	Parcels	Assessed Value	Parcels	Assessed Value	%(+/-)
Residential		6,497,342,842		6,635,259,255	-2.08%
Open Space		0.00		0.00	
Commercial		293,832,142		289,620,695	1.45%
Industrial		21,739,500		21,784,000	-0.20%
Total Real Est	14,542	6,812,914,484	14,453	6,946,663,950	-1.93%
Personal Prop	452	70,349,800	477	65,057,570	8.13%
Total Real & P	14,994	6,883,264,284	14,930	7,011,721,520	-1.83%
Exempt	333	419,079,000	340	374,482,100	
Grand Total	15,327	7,302,343,284	15,270	7,386,203,620	

Summary Details									
Property Type	FY 2008					FY 2007			2008 VS 2007
	Parcels	FY2008 Assessed Value	Ave Assessed Value	Parcels (+/-)	Ave Assessed Value (+/-)	Parcels	FY2007 Assessed Value	Ave Assessed Value	Percent (+/-)
Single Family	7,960	3,783,307,400	475,290	-2	-11,141	7,962	3,872,962,500	486,431	-2.31%
Condominium	2,858	863,996,400	302,308	161	-4,678	2,697	827,941,700	306,986	4.35%
Misc	13	9,981,600	767,815	1	10,224	12	9,091,100	757,592	9.80%
2 Family	2,500	1,392,434,960	556,974	-66	-19,416	2,566	1,479,016,460	576,390	-5.85%
3 Family	221	134,216,000	607,312	-5	-17,669	226	141,245,700	624,981	-4.98%
Apartments	147	249,059,400	1,694,282	2	37,617	145	240,216,300	1,656,664	3.68%
Res Land	350	26,516,800	75,762	-1	-2,073	351	27,320,100	77,835	-2.94%
Open Space									
Commercial	384	265,454,900	691,289	-1	12,611	385	261,291,100	678,678	1.59%
Industrial	23	21,739,500	945,196	0	-1,935	23	21,784,000	947,130	-0.20%
Ch Land	0	0	0	0	0	0	0	0	0
CH 61A Land	0	0	0	0	0	0	0	0	0
CH 61B Land	2	274,824	137,412	0	-7,233	2	289,290	144,645	-5.00%
Mixed Use(Res)	84	37,830,282	784,913	0	5,083	84	37,465,395	779,830	0.65%
Mixed Use(Com)		28,102,418		0			28,040,305		
Per Prop 501	274	1,724,950	6,295	-18	50	292	1,823,560	6,245	-5.41%
Per Prop 502	162	3,921,780	24,209	-10	-683	172	4,281,400	24,892	-8.40%
Per Prop 503	0	0	0	0	0	0	0	0	0
Per Prop 504,550-552	2	41,620,370	20,810,185	0	1,178,130	2	39,264,110	19,632,055	6.00%
Per Prop 505	12	17,340,300	1,445,025	3	-35,131	9	13,321,400	1,480,156	30.17%
Per Prop 506	2	5,742,400	2,871,200	0	-312,350	2	6,367,100	3,183,550	-9.81%
TOTAL	14,994	6,883,264,284				14,930	7,011,721,520		-1.83%

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Fiscal Year 2000 - 2008 New Growth Analysis								
Municipality	FY	Residential New Growth Assessed Value	Residential Growth Applied to Levy Limit \$\$\$	Total New Growth Assessed Value	Total New Growth Applied to the Limit \$\$\$	Res Value of NG as % of Total NG Value	Prior Year's Levy Limit	Total Growth Applied to Limit as a % of Prior Year Levy Limit
ARLINGTON	2000	7,415,800	127,329	16,465,830	282,718	45.04	47,985,219	0.59
	2001	10,090,462	178,198	19,131,347	337,860	52.74	49,467,567	0.68
	2002	35,482,900	467,310	39,522,860	520,517	89.78	51,042,116	1.02
	2003	24,853,500	344,221	39,283,410	544,075	63.27	52,838,686	1.03
	2004	30,450,900	414,437	47,701,900	649,223	63.84	54,703,728	1.19
	2005	35,504,300	377,766	43,094,940	458,531	82.39	56,720,544	0.81
	2006	70,926,800	775,939	77,149,270	844,013	91.93	58,597,089	1.44
	2007	66,867,500	758,277	78,240,510	887,247	85.46	66,906,029	1.33
	2008	44,065,700	482,519	58,448,680	640,013	75.39	69,465,927	0.92
BELMONT	2000	24,584,131	338,278	31,675,827	435,860	77.61	35,717,014	1.22
	2001	24,402,451	300,638	27,983,051	344,751	87.20	37,045,799	0.93
	2002	35,380,900	419,617	39,220,576	465,155	90.21	38,316,695	1.21
	2003	50,941,850	570,039	58,486,400	654,463	87.10	42,739,767	1.53
	2004	61,100,800	658,667	66,363,591	715,400	92.07	46,863,964	1.53
	2005	48,774,350	522,373	52,753,400	564,989	92.46	48,750,963	1.16
	2006	53,070,828	567,327	64,242,528	686,753	82.61	50,536,030	1.36
	2007	59,536,032	619,770	65,335,282	680,140	91.12	52,486,184	1.30
	2008	79,646,400	821,154	84,488,120	871,072	94.27	54,478,479	1.60
LEXINGTON	2000	27,676,000	353,976	93,689,620	1,970,649	29.54	57,904,293	3.40
	2001	50,748,000	621,663	95,563,490	1,535,451	53.10	61,322,549	2.50
	2002	58,679,000	710,603	98,030,980	1,573,592	59.86	67,831,893	2.32
	2003	78,888,000	889,857	101,044,540	1,350,048	78.07	71,101,282	1.90
	2004	76,369,000	836,241	127,328,940	1,915,573	59.98	74,230,931	2.58
	2005	82,725,000	866,131	121,340,670	1,692,120	68.18	78,002,277	2.17
	2006	91,473,000	1,037,304	127,057,590	1,854,326	71.99	85,868,794	2.16
	2007	98,473,000	1,094,035	141,460,530	2,037,181	69.61	89,869,840	2.27
	2008	101,951,000	1,156,124	162,882,540	2,485,650	62.59	96,012,202	2.59
WINCHESTER	2000	29,746,167	435,484	33,260,866	483,530	89.43	32,491,850	1.49
	2001	36,779,128	508,288	41,690,840	571,747	88.22	33,787,676	1.69
	2002	35,498,131	465,380	41,303,725	535,395	85.94	35,204,115	1.52
	2003	45,879,470	507,427	49,045,960	539,852	93.54	36,619,613	1.47
	2004	61,376,134	698,460	67,603,552	764,470	90.79	42,649,083	1.79
	2005	64,649,675	735,713	75,903,502	855,115	85.17	44,479,780	1.92
	2006	53,416,085	556,596	62,126,060	641,605	85.98	46,446,890	1.38
	2007	50,740,256	526,176	56,544,307	582,418	89.74	48,262,068	1.21
	2008	41,598,498	429,712	49,828,822	509,052	83.48	50,058,088	1.02

FINANCIAL MANAGEMENT SERVICES

Recapitulation of the Fiscal Year 2008 Tax Rate \$11.45 / \$1,000 of Assessed Value

DEBITS

Appropriations	\$	116,075,242
Court Judgments	\$	106,000
Cherry Sheet Offset	\$	79,064
Revenue Deficits	\$	-
State and County Charges	\$	2,629,142
Snow and Ice Deficit	\$	100,000
Allowance for Abatements & Exemptions	\$	651,772
Total Debits	\$	119,641,220

CREDITS

State Receipts	\$	18,519,025
Local Receipts	\$	19,909,657
Free Cash	\$	954,736
Other Available Funds	\$	944,426
Overlay Surplus	\$	500,000
Total Credits	\$	40,827,844

Amount to be Raised by Taxation	\$	78,813,376
Town Property Valuation	\$	6,883,264,284

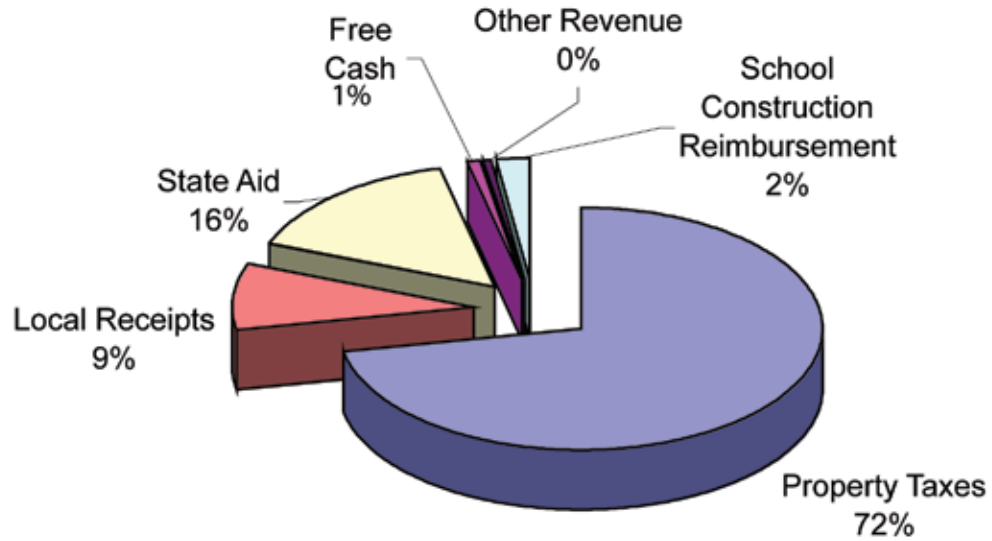
Setting the Tax Rate: Divide the **Amount to be Raised by Taxation** by the **Town Property Valuation**, then multiply by 1,000

$$(\$78,813,376 \div \$6,883,264,284) \times 1,000 = \$11.45$$

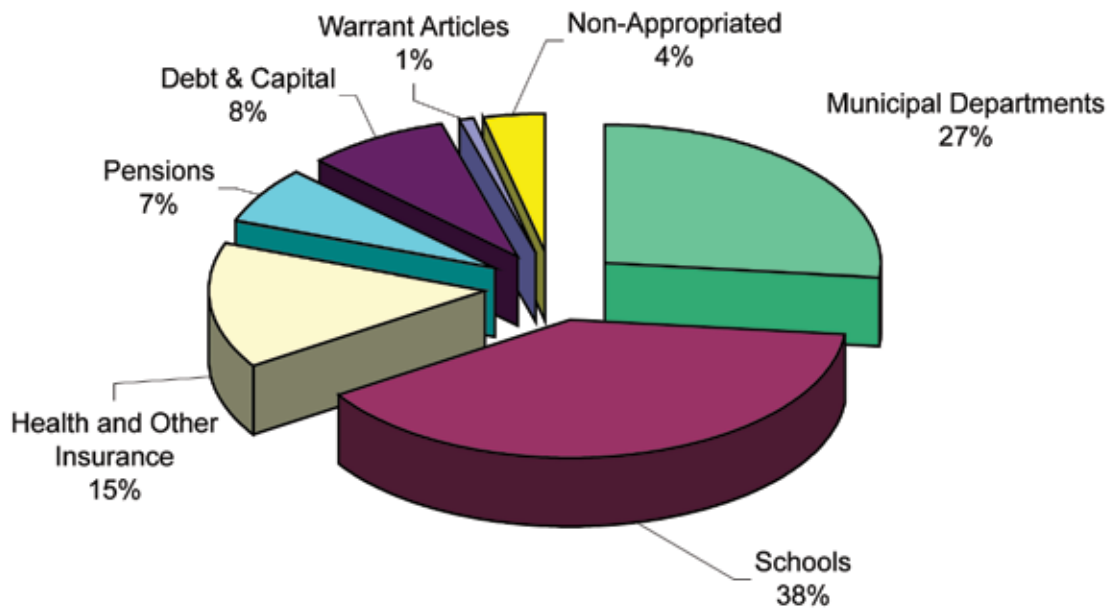
Source: Tax Rate Recapitulation Sheet

FINANCIAL MANAGEMENT SERVICES

REVENUES



EXPENDITURES



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, 2007 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2006), 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, 2007 (except for the Arlington Contributory Retirement System which is as of December 31, 2006), 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 October 31, 2007, 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.



October 31, 2007

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, 2007. 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 used 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 \$126.3 million at the close of FY 2007.

The largest portion of the Town's net assets, \$85.7 million, (68%), 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 \$11.6 million, (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$29 million, (23%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

	Balance at June 30, 2007	Balance at June 30, 2006
Assets:		
Current assets.....	\$ 62,850,507	\$ 61,278,505
Noncurrent assets (excluding capital).....	24,417,976	17,573,162
Capital assets.....	116,821,063	118,187,680
Total assets.....	204,089,546	197,039,347
Liabilities:		
Current liabilities (excluding debt).....	12,581,154	12,801,527
Noncurrent liabilities (excluding debt).....	2,359,066	2,653,466
Current debt.....	17,650,000	16,115,048
Noncurrent debt.....	45,220,000	53,695,952
Total liabilities.....	77,810,220	85,265,993
Net Assets:		
Capital assets net of related debt.....	85,723,664	77,810,865
Restricted.....	11,554,699	10,031,555
Unrestricted.....	29,000,963	23,930,934
Total net assets.....	\$ 126,279,326	\$ 111,773,354

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 \$14.5 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 2006. 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 \$4.5 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. The Town recognized approximately \$14 million in capital grants of which approximately 7.3 million was from the Massachusetts School Building Authority for the school construction projects and approximately \$6.7 million was from the Symmes Property developer which contributed to the increase in net assets.

Governmental Activities

	June 30, 2007	June 30, 2006
Program revenues:		
Charges for services.....	\$ 7,554,154	\$ 6,805,064
Operating grants and contributions.....	27,764,578	28,457,512
Capital grants and contributions.....	13,976,389	3,594,436
General revenues:		
Real estate and personal property taxes.....	76,116,694	72,931,681
Tax liens.....	234,052	248,452
Motor vehicle and other excise taxes.....	4,001,015	4,110,104
Hotel/motel tax.....	130,278	116,403
Penalties and interest on taxes.....	157,047	143,972
Nonrestricted grants and contributions.....	9,618,762	8,965,375
Unrestricted investment income.....	1,652,471	1,367,230
Gain on sale of capital assets.....	210,861	-
Miscellaneous revenues.....	7,710	6,336
Total revenues.....	141,424,011	126,736,565
Expenses:		
General government.....	6,755,437	5,991,142
Public safety.....	20,045,159	18,975,313
Education.....	68,705,088	62,959,881
Public works.....	8,579,295	9,347,034
Property and natural resources.....	2,982,440	2,876,259
Community and economic development.....	4,828,856	3,969,824
Human services.....	1,271,036	1,110,780
Library.....	2,755,354	2,525,216
Culture and recreation.....	284,888	222,344
Claims and judgments.....	96,000	15,000
Interest.....	2,075,794	2,409,063
State and county charges.....	2,579,291	2,505,816
Total expenses.....	120,958,638	112,907,672
Transfers.....	(5,959,403)	(5,678,695)
Change in net assets.....	\$ 14,505,970	\$ 8,150,198

FINANCIAL MANAGEMENT SERVICES

Business-Type Activities

	<u>Balance at June 30, 2007</u>	<u>Balance at June 30, 2006</u>
Assets:		
Current assets.....	\$ 9,400,144	\$ 7,153,025
Capital assets.....	10,054,655	9,439,584
Total assets.....	19,454,799	16,592,609
Liabilities:		
Current liabilities (excluding debt).....	244,403	285,646
Noncurrent liabilities (excluding debt).....	14,000	113,000
Current debt.....	553,143	237,973
Noncurrent debt.....	3,681,722	1,659,015
Total liabilities.....	4,493,268	2,295,634
Net Assets:		
Capital assets net of related debt.....	8,126,486	8,239,642
Unrestricted.....	6,835,045	6,057,333
Total net assets.....	\$ 14,961,531	\$ 14,296,975

There was a net increase of \$665,000 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 2007 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 majority of the increase (\$520,000) is a result of the operating activities of the water and sewer enterprise fund.

Business-Type Activities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Program revenues:		
Charges for services.....	\$ 9,022,726	\$ 8,926,734
Operating grants and contributions.....	719,860	67,850
Capital grants and contributions.....	-	132,120
General revenues:		
Unrestricted investment income.....	128,203	52,186
Total revenues.....	9,870,789	9,178,890
Expenses:		
Water and Sewer.....	13,543,859	12,016,130
Recreation.....	602,341	560,176
Youth Services.....	436,493	273,132
Veterans' Rink.....	482,505	452,291
Council on Aging.....	100,438	96,909
Total expenses.....	15,165,636	13,398,638
Transfers.....	5,959,403	5,678,695
Change in net assets.....	\$ 664,556	\$ 1,458,947

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 \$35.7 million, an increase of \$12.4 million from the prior year. Of this increase, \$5.4 million was the result of the activity in the Town's capital borrowing fund, which is reported as a major fund. During fiscal year 2007, the Town recognized \$2.8 million in bond proceeds in this major fund to finance various capital projects. Current expenditures in this fund totaled \$3 million. The largest of the current projects are related to the Park Circle fire station, school construction and the Reeds Brook park project. These 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 million is in the results of operations of the general fund, and \$6 million is related to activities in other non-major governmental funds, which recognized \$3 million in transfers in. This consisted of a \$2.1 million increase in the Town's fiscal stability stabilization fund, \$624,000 in increases to the Town's retiree healthcare trust fund, approximately \$280,000 from the general fund to fund various capital projects and approximately \$70,000 in internal transfers within the Nonmajor funds.

The general fund budgeted to use \$2.3 million of reserves (\$1.9 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 2007 budget. The actual result of operations collected approximately \$2.2 million more than budgeted and departmental budgets turned back \$747,000. 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 \$2.5 million which represents 2.4% of general fund expenditures. 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 \$3.7 million, which represents 3.5% of general fund expenditures. Please refer to Note 9 for additional information on the Town's tip fee stabilization fund.

General Fund Budgetary Highlights

Intergovernmental revenues were greater than budgeted estimates by approximately \$353,000. 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 \$82,000, 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 2007 in that account is \$1,799,675. At the 2007 Annual Town Meeting an additional \$465,223 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, 2007, was \$50,670,000, 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

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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 \$5.6 million in fiscal year 2007 from the MWRA assessment to the property taxes. During fiscal year 2007, the Town issued an additional \$576,000 in MWRA 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). The MSBA completed their final audits of all completed projects which resulted in a significant increase in the funding level over original estimates.

In September 2006 the Town started construction of the new Park Circle fire station. This project is scheduled to be completed in the fall of 2007. As of June 30, 2007, the Town had expended approximately \$985,000 on this

FINANCIAL MANAGEMENT SERVICES

project.

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 \$7.5 million, has been funded from Community Development Block Grant, Federal Emergency Management Agency, State highway money and Town appropriations.

The Town through its water/sewer enterprise funds expends 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.