

# FINANCIAL MANAGEMENT SERVICES

## FINANCE COMMITTEE

During 2009 Chairman Alan Tosti led the Finance Committee (FinCom) assisted by vice-chairs Richard C. Fanning, Charles Foskett, and Alan Jones. Peter B. Howard served as secretary. The FinCom has twenty-one positions, one for each precinct. The appointing authority (Moderator, Trust Fund Commissioners Chair, and FinCom Chair) acted to reappoint all members whose terms had been completed and to fill all but one vacant position.

In January the FinCom began its yearly effort to develop a comprehensive balanced FY2010 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 department head. 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-one full committee meetings were held which, when combined with numerous subcommittee meetings, made for a busy winter and spring schedule.

Because of the recession budget decisions were more difficult than usual. In the fall the governor reduced State aid to Arlington by \$2.6 million. The Town was able to absorb the shortfall with a hiring freeze, by reducing the pension budget to the minimum required by the State, and with a \$100,000 reduction in the school budget. The State was unable to provide a firm estimate of the revenue the Town could expect in FY2010 until after Town Meeting began. Consequently the Town Meeting acted on all non-financial articles and then adjourned. Relying on the best information available during the adjournment, the FinCom worked with the Town Manager and the Superintendent of Schools to craft a budget. The FinCom Report was provided to Town Meeting Members before the Meeting reconvened in early June.

Eventually the legislature approved most of the governor's proposals to help local governments. At a Special Meeting in the fall Town Meeting Members accepted two new local option taxes (meals & hotel). A third option, to join the State health insurance plan, would have reduced this expense significantly, but required agreement with the employee unions. No agreement was reached.

The Finance Committee also continued to monitor other ongoing activities that could have a large financial impact through regular reports by 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 Minuteman Tech assessment again decreased as the superintendent continued to adjust the school's offerings. FY2010 is the last year of the Five-

Year Plan, funded largely by the \$6M override voted in 2005. Though this plan was a big step toward stabilizing the Town's finances, long term financial issues remain. One critical issue is the level of State aid. Arlington is one of very few municipalities in the State for which the state has failed to restore local aid to FY2002 levels. 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 pension and 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 collecting and custodianship of all funds and receipts belonging to the Town of Arlington.



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

### Overview

The Office of the Treasurer & Collector of Taxes consists of four divisions under the Treasurer/Collector. The four divisions are: Treasury, Collector, Payroll, and Postal. The Treasurer also serves as Parking Clerk.

The Town Treasurer and Collector of Taxes is responsible for managing and directing the tax collection process, receiving all monies from Town departments, securing and depositing Town monies, and for managing, planning, and directing the Town's financial policies relating to cash management, investment management, and debt management in accordance with Massachusetts General Laws. The Treasurer serves as Custodian of Funds for all Town monies. The Treasurer performs his fiduciary responsibility by developing investment and borrowing strategies based on financial best practices, consultations with financial advisors and investment institutions, and participating in government

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finance officer's seminars and conferences, as well as being an active member of the Massachusetts Collectors & Treasurers Association, and the national Government Finance Officers Association. Mr. Gilligan is a Member of the Board of the New England States Government Finance Officers Association.

## Program Description

The Treasurer/Collectors 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, Personal Property, Motor Vehicle Excise, Parking, Water & Sewer accounts, and collecting all Town and School Department(s) receivables. Payments are received directly in the Treasurer's Office, through the mails, via on-line electronic checking transactions, and lock-box.
- 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.
- Enable School, Recreation, and Human Services departments to make deposits directly into our depository bank.
- Responsible for deposits and investment of all Town funds.
- Determine cash flow to meet vendor and payroll warrants.
- Supervise and direct all short and long-term borrowings. Strategic goal is to maintain "AAA" Bond Rating.
- Manage the relationship with finance professionals providing custodial, investment and banking services.
- Manage and administer all phases of the Arlington Citizens Scholarship Foundation/ Dollars For Scholars Program.
- Provide quality customer service to all Town

residents in the performance of the above-described duties.

## 2009 Highlights

- Recovered \$1,135,154 from State Street Global Advisors (SSgA). These funds were due the Town of Arlington's trust fund portfolio and stabilization funds. Of that amount, \$693,850 will be apportioned to the individual charitable accounts (trust funds) of the Trust Fund portfolio and \$441,304 to the appropriate stabilization accounts.
- Attained a top rating of Triple-A ("AAA") from Standard & Poor's rating agency for the fourth consecutive borrowing. Arlington is a member of a group of less than 20 communities in Massachusetts attaining this highest designation.
- Successful borrowing of \$5,262,000 at 2.3684% in tax-exempt Urban Renewal Bonds (Symmes site), and \$3,482,000 at 2.2069% in General Obligation Bonds, in Fiscal year 2010, both with a "AAA" rating from Standard and Poor's.
- Managed a successful Request For Information (RFI) project, for Investment Advisory services, which included completely researching Government Finance Officers Association recommended practices and guidelines, internally writing the RFI document and selecting a top rated investment firm, Boston Advisors, to serve as the Town's investment advisor and investment manager.
- 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.
- Continue to issue all Real Estate, Motor Excise, Parking, and Water & Sewer bills, accurately and on time.

Office of Treasurer & Collector of Taxes	Performance Metrics Over 5 Years				
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>Real Estate Bills Processed</b>	60,000	60,000	60,000	60,000	59,988
<b>Motor Excise Bills Processed</b>	40,000	40,000	40,000	40,000	35,507
<b>Water &amp; Sewer Bills Processed</b>	25,000	25,000	25,000	25,000	24,817
<b>Liens - Revenue from Water &amp; Sewer Delinquencies</b>	\$51,127	\$68,675	\$104,758	\$126,419	\$140,465
<b>Lien Certificates Processed</b>	1,451	1,323	2,211	1,603	1,170
<b>Revenue from Lien Certificates</b>	\$36,500	\$33,075	\$39,600	\$29,250	\$57,873

*Bills processed excludes subsequent delinquent bills and notices.*

# FINANCIAL MANAGEMENT SERVICES

## Performance / Workload Indicators

- Issuing, processing, and collecting 59,988 Real Estate bills, 35,507 Motor Excise bills, and 24,817 Water & Sewer bills, plus subsequent delinquency bills and notices during the year. Total bills issued: 120,312 (excluding delinquent bills and notices). All bills mailed on time, meeting legal mandates.
- Advertise delinquent Real Estate accounts within the same fiscal year.
- Lien certificates Processed: 1,451-FY05; 1,323-FY06; 1,584 -FY 07; 1,170 -FY 08; 1,603 -FY09.
- Revenue from lien certificates: \$36,500 -FY05; \$33,075 -FY06; \$39,600 -FY07; \$29,250 -FY08; \$57,873 -FY09. Increased Municipal Lien Certificate fee from \$25 to \$50.
- Lien all delinquent water accounts onto real estate bills annually. Total annual amounts:
- FY05 - \$51,127, FY06 - \$68,675, FY07 - \$104,758, FY08 - \$126, 419, and FY09 - \$140,465. Utilizing management best practices enables the Treasurer's office to reduce these amounts to less than 2% of the annual Water & Sewer amounts committed.
- Preparation of financial material for annual Town audits.

## 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 and/or process over \$100 million in Town revenues.

The Office continues to achieve one of the best commitment-to-collection ratios of real estate and personal property taxes of any community in Massachusetts.

Given the current economy interest income revenue will be significantly lower than previous years.

## 2010 Initiatives & Objectives

- Issue a Banking Services RFP for Town banking and transaction services. Release and response planned for 4QFY10.
- Requested Disaster Recovery planning with the Town Manager in FY2009, for operations continuity. Agreement reached that the Treasurer's Office would be implemented first and used as a template for Town departments.
- The Treasurer's office continues to work with the IT department to ensure the applications programs and information technology requirements of the Treasurer's Office are managed effectively.

- Requested IT department review the long-term viability of the Town's billing, collection, and cash management system.
- Requested IT department analyze interoperability issues with specific applications.

## 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 2009

Closed books on a timely basis and had Town audit and free cash certified by September 9th.

Added 6 VOIP phones to the system.

Implemented laser purchase orders and distributed the printing of purchase orders.

Consolidated journal entries with the School Department.

Performance Metrics				
	2009	2008	2007	2006
General Ledger Entries	101,989	99,138	91,349	91,274
Purchase Orders Processed	5,150	5,381	5,452	5,334
Accounts Payable Batches Processed	1,000	1,007	982	905

## FY2010 Objectives

- Research the feasibility of electronically distributing purchase orders and payroll direct deposit.
- Hire a telecommunication consultant to review the Town's phone system and make recommendations for future operations of the phone system.
- Review and enhance Town quarterly report to the Selectmen.
- Consolidate some of the Town/School financial operations.

# FINANCIAL MANAGEMENT SERVICES

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## BOARD OF ASSESSORS

In 2009 the Board of Assessors completed their re-inspection program by Patriot Properties Inc. to meet the requirements of the Department of Revenue, in compliance with Massachusetts General Law (MGL).

The Board of Assessors committed 15,647 real estate and personal property tax bills to the Tax Collector for collection for Fiscal Year 2010. These bills raised a total of \$83,471,036 in property and personal property taxes. The total assessed value of all taxable real estate and personal property for Fiscal Year 2010 was \$6,892,736,257, which resulted in a tax rate of \$12.11 per thousand dollars of assessed value. The board also committed over 40,000 automobile excise tax bills for collection of an estimated income of \$3,775,000.

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

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 2009.

### **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. It 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. FY2010, a revaluation year, the overlay account is set at \$1,153,427. 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 FY2007, the reserve balance from all prior fiscal years is \$100,095.

# FINANCIAL MANAGEMENT SERVICES

## ASSESSMENT DATA

Tax Abatement Overlay Funds			
	FY2009	FY2008	FY2007
Overlay Amount	\$566,772	\$651,772	\$1,194,924
Abatements & Exemptions To-Date	\$487,858	\$498,800	\$382,311
Declared Surplus to General Fund	\$0	\$65,401	\$775,000
Reserved for Additional Liability	\$79,050	\$87,569	\$37,612

Valuation and Tax Levy			
Fiscal Year	Total Assessed Valuation	Tax Levy	Tax Rate*
<b>2010</b>	<b>\$6,892,736,257</b>	<b>\$83,471,036</b>	<b>\$12.11</b>
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
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

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

Percent of Tax Levy by Class					
Class	Type	Fiscal Year			
		2010	2009	2008	2007
I	Residential	94.0546		94.3933	
II	Open Space	.000	.000	.000	.000
III	Commercial	4.2661	4.4889	4.2688	4.1305
IV	Industrial	.3042	.3208	.3158	.3107
V	Personal Property	1.3751	1.2071	1.0221	.9278
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

# FINANCIAL MANAGEMENT SERVICES

## ASSESSMENT DATA

<b>Tax Rate Components FY2006 - FY2010</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Levy Base	\$9.04	\$9.54	\$10.09	\$10.58	\$10.78
2 1/2%	\$0.23	\$0.24	\$0.25	\$0.26	\$0.27
Growth	\$0.13	\$0.13	\$0.09	\$0.09	\$0.11
Override		\$0.00	\$0.00	\$0.00	\$0.00
Water/Sewer Debt Exclusion	\$0.84	\$0.80	\$0.81	\$0.82	\$0.81
School Dept Exclusion	\$0.18	\$0.25	\$0.21	\$0.16	\$0.15
<b>Tax Rate *</b>	<b>\$11.34</b>	<b>\$10.95</b>	<b>\$11.45</b>	<b>\$11.92</b>	<b>\$12.11</b>

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

<b>Details of Tax Rate Calculation</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Max Levy Prior FY	\$58,597,089	\$66,906,029	\$69,465,927	\$71,842,588	\$74,281,565
2.50%	\$1,464,927	\$1,672,651	\$1,736,648	\$1,796,065	\$1,857,039
Growth	\$844,013	\$887,247	\$640,013	\$642,912	\$726,955
Override	\$6,000,000	\$0	\$0	\$0	\$0
Maximum Levy	\$66,906,029	\$69,465,927	\$71,842,588	\$74,281,565	\$76,865,559
Levy Inc %	17.96%	3.83%	3.42%	3.39%	3.48%
Levy Inc \$	\$10,185,485	\$2,559,897	\$4,936,559	\$4,815,638	\$2,583,994
Water/Sewer Debt Exclusion	\$5,475,486	\$5,593,112	\$5,593,112	\$5,593,112	\$5,593,112
Debt Exclusion	\$1,197,479	\$1,755,952	\$1,436,024	\$1,119,201	\$1,025,542
Max to be Raised	\$73,578,994	\$76,814,991	\$78,871,724	\$80,993,878	\$83,484,213
Actual Raised	\$73,525,801	\$76,778,350	\$78,813,376	\$80,946,006	\$83,471,036
Excess Levy	\$53,193	\$36,641	\$58,348	\$47,872	\$13,177
Total Taxable Assessed Value	\$6,483,756,733	\$7,011,721,520	\$6,883,264,284	\$6,790,772,343	\$6,892,736,257
Total Avg. % Increase	8.23%	8.14%	-1.83%	-1.34%	1.50%
<b>Tax Rate</b>	<b>\$11.34</b>	<b>\$10.95</b>	<b>\$11.45</b>	<b>\$11.92</b>	<b>\$12.11</b>
Penny on Tax Table	\$64,838	\$70,117	\$68,833	\$67,908	\$68,927
Avg. Assessed Val Single Family	\$444,515	\$486,431	\$475,289	\$465,952	\$477,218
Avg. Taxes Single Family	\$5,041	\$5,326	\$5,442	\$5,554	\$5,779

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

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## ASSESSMENT DATA

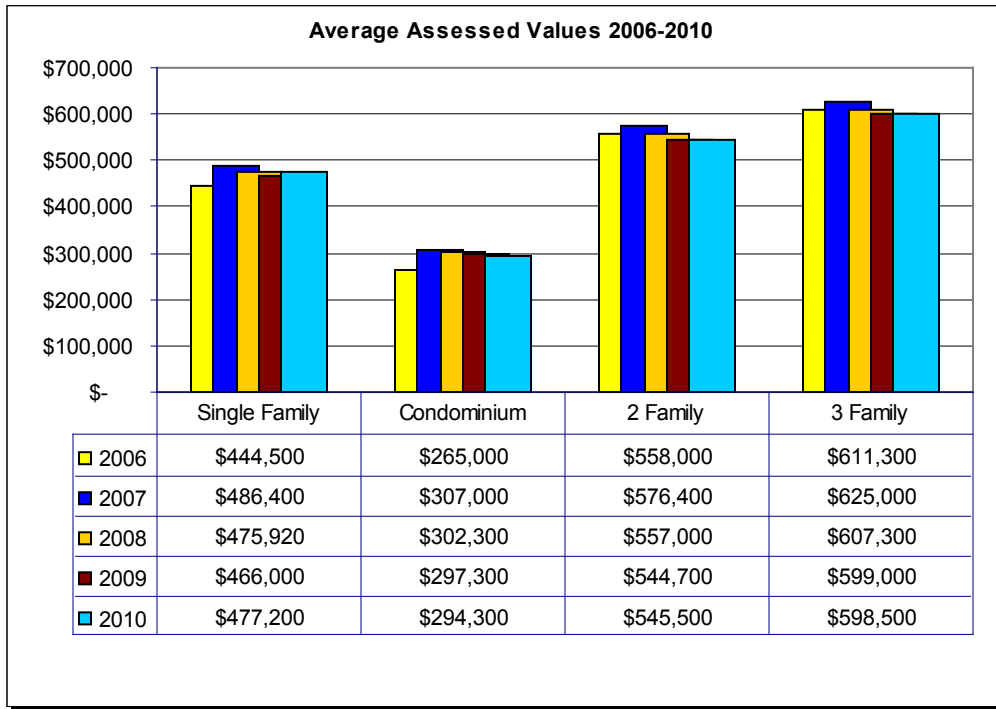
Summary of Revaluation by State Class Code FY2010 vs FY2009					
Property Type	FY2010		FY2009		FY10 vs FY09
	Parcels	Assessed Value	Parcels	Assessed Value	Percent (+/-)
Residential		6,482,861,607		6,382,182,512	1.58%
Open Space		0.00		0.00	
Commercial		293,960,550		304,834,211	-3.57%
Industrial		20,969,800		21,787,300	-3.75%
Total Real Est	14,650	6,797,791,957	14,594	6,708,804,023	1.33%
Personal Prop	669	94,783,100	425	81,968,320	15.63%
Total Real & PP	15,319	6,892,575,057	15,019	6,790,772,343	1.50%
Exempt	331	422,236,000	333	422,236,000	
<b>Grand Total</b>	<b>15,650</b>	<b>7,314,811,057</b>	<b>15,352</b>	<b>7,213,008,343</b>	

Summary Details									
Property Type	FY2010					FY2009			FY10 vs FY09
	Parcels	Assessed Value	Avg. Assessed Value	Parcels (+/-)	Avg. Assessed Value (+/-)	Parcels	Assessed Value	Avg. Assessed Value	Percent (+/-)
Single Family	7,978	3,807,210,300	477,214	11	11,261	7,967	3,712,241,500	465,952	2.56%
Condominium	3,033	892,498,700	294,263	93	-3,048	2,940	874,094,700	297,311	2.11%
Misc	13	9,639,100	741,469	1	-4,622	12	8,953,100	746,092	7.66%
2 Family	2,433	1,327,263,560	545,526	-41	790	2,474	1,347,675,260	544,735	-1.51%
3 Family	215	128,672,000	598,474	-1	-485	216	129,375,300	598,960	-0.54%
Apartments	147	255,910,000	1,740,884	0	46,427	147	249,085,300	1,694,458	2.74%
Res Land	337	24,890,600	73,859	-6	672	343	25,103,200	73,187	-0.85%
Open Space	0					0			
Commercial	389	255,873,300	657,772	1	-31,039	388	267,258,500	688,811	-4.26%
Industrial	23	20,969,800	911,730	0	-35,543	23	21,787,300	947,274	-3.75%
Ch Land	0	0	0	0		0	0	0	
Ch Land	0	0	0	0		0	0	0	
Ch Land	3	4,139,397	1,379,799	1	-628,783	2	4,017,163	2,008,582	3.04%
Mixed Use(Res)	79	36,777,347	895,256	-3	51,198	82	35,654,152	844,057	2.19%
Mixed Use(Com)	0	33,947,853		0		0	33,558,548		
Per Prop	425	4,531,010	10,661	169	4,695	256	1,527,270	5,966	196.67%
Per Prop	228	6,449,880	28,289	75	-835	153	4,455,940	29,124	44.75%
Per Prop	0	0		0		0	0		
Per Prop	2	44,204,750	22,102,375	0	553,720	2	43,097,310		2.57%
Per Prop	7	30,536,900	4,362,414	0	1,058,829	7	23,125,100	3,303,586	32.05%
Per Prop	2	7,123,600	3,561,800	0	66,850	2	6,989,900	3,494,950	1.91%
Per Prop	5	1,936,960	387,392	0	-167,168	5	2,772,800	554,560	-30.14%
<b>Total</b>	<b>15,319</b>	<b>6,892,575,057</b>				<b>15,019</b>	<b>6,790,772,343</b>		<b>1.50%</b>

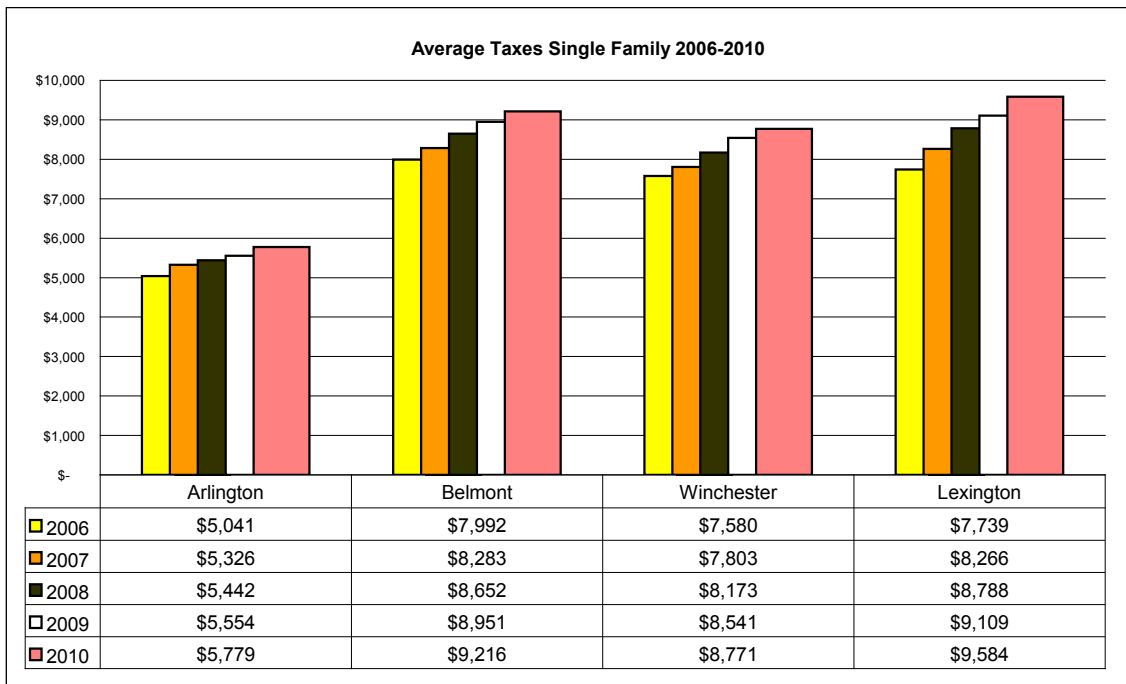
FINANCIAL MANAGEMENT

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## ASSESSMENT DATA



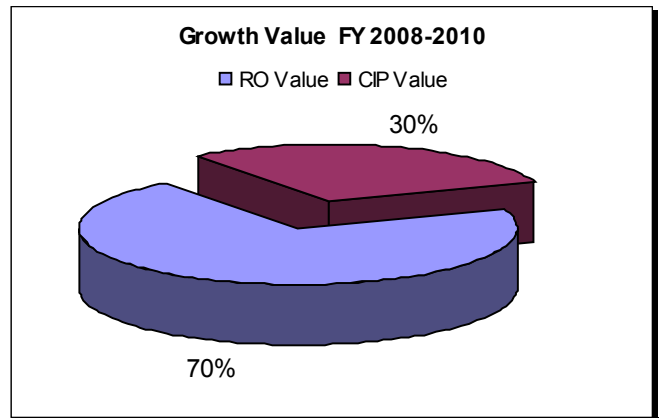
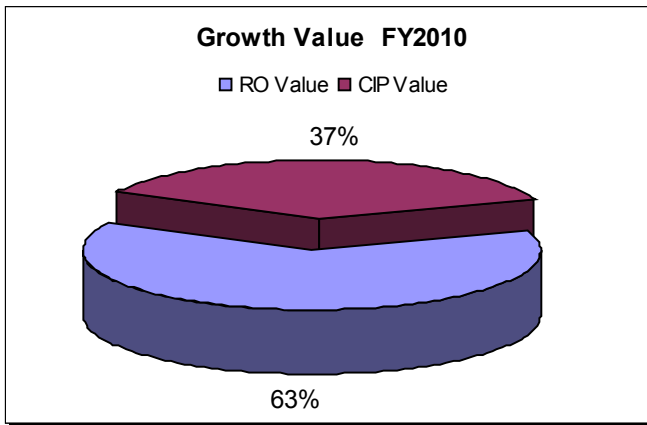
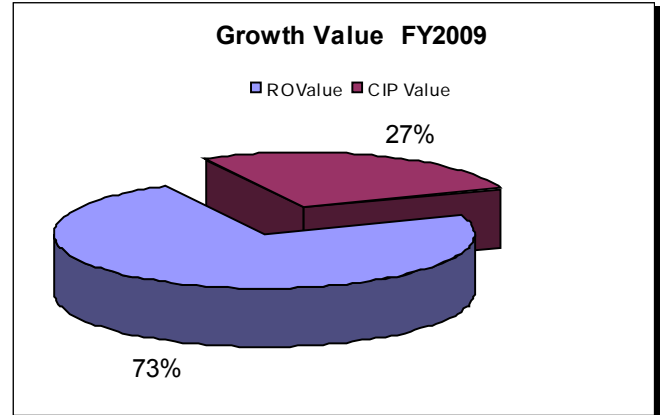
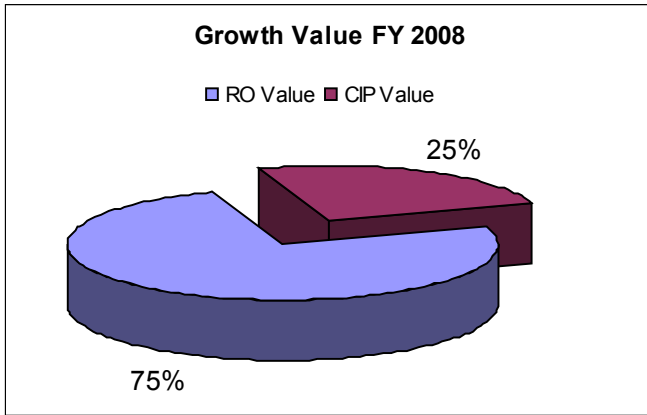
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# FINANCIAL MANAGEMENT SERVICES

## ASSESSMENT DATA



Fiscal Year 2008 - 2010 Growth Valuation RO & CIP			
	RO Value	CIP Value	Total Growth Value
2008	44,065,700	14,382,980	58,448,680
2009	40,919,200	15,230,260	56,149,460
2010	38,507,400	22,478,790	60,986,190
<b>Total</b>	<b>123,492,300</b>	<b>52,092,030</b>	<b>175,584,330</b>

# FINANCIAL MANAGEMENT SERVICES

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## Recapitulation of the Fiscal Year 2010 Tax Rate

**\$12.11 / \$1,000 of Assessed Value**

### DEBITS

Appropriations	\$119,939,016
Court Judgments	\$44,999
Cherry Sheet Offset	\$61,490
Revenue Deficits	\$117,065
State and County Charges	\$2,640,512
Snow and Ice Deficit	\$1,308,709
Allowance for Abatements & Exemptions	\$1,153,427

### **Total Debits**

**\$125,265,218**

### CREDITS

State Receipts	\$15,832,818
Local Receipts	\$20,117,856
Free Cash	\$1,497,907
Other Available Funds	\$1,103,225
Overlay Surplus	\$3,242,376

### **Total Credits**

**\$41,794,182**

**Amount to be Raised by Taxation**

**\$83,471,036**

**Town Property Valuation**

**\$6,892,736,257**

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

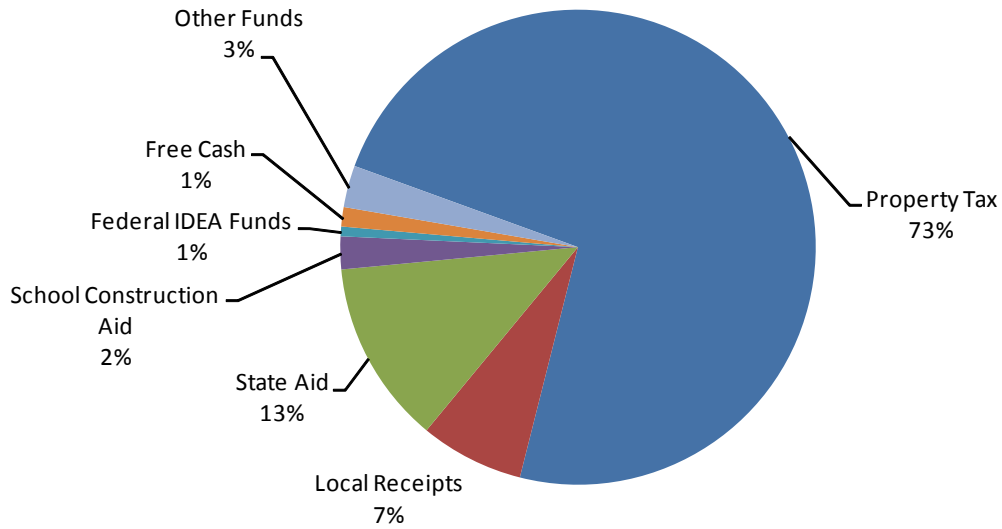
$$(\$83,471,036 \div \$6,892,736,257) \times 1,000 = \$12.11$$

*Source: Tax Rate Recapitulation Sheet*

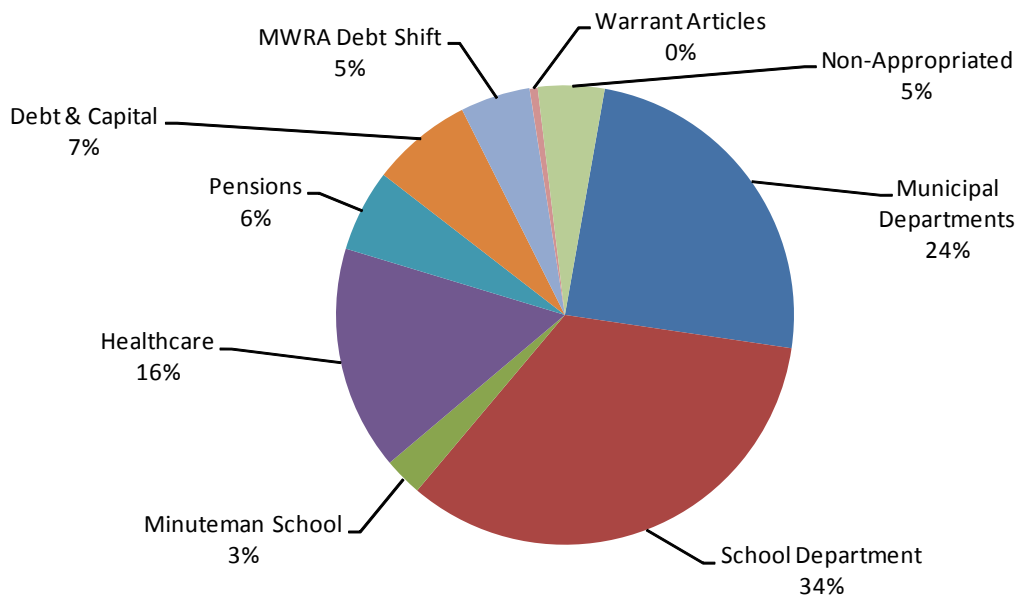
# FINANCIAL MANAGEMENT SERVICES

## FISCAL YEAR 2010

### Revenues



### Expenditures



# FINANCIAL MANAGEMENT SERVICES

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## 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, 2009 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2008), 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.

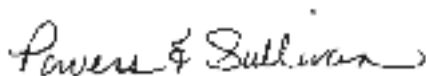
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2009 (except for the Arlington Contributory Retirement System which is as of December 31, 2008), 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 November 11, 2009, 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 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* 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, other post-employment benefits schedule of funding progress and other post-employment benefits actuarial methods and assumptions, 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.



Wakefield, Massachusetts, November 11, 2009

# FINANCIAL MANAGEMENT SERVICES

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## 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, 2009. 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, claims and judgments, 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.

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

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## Proprietary funds

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

## Fiduciary funds

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

## Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For governmental activities, assets exceeded liabilities by \$111.9 million at the close of fiscal year 2009.

The largest portion of the Town's net assets, \$87.2 million, 78%, 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 \$8.7 million, 8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$16 million, 14% may be used to meet the government's ongoing obligations to citizens and creditors.

### Governmental Activities

	<u>Balance at June 30, 2009</u>	<u>Balance at June 30, 2008</u>	<u>Increase (Decrease)</u>
<b>Assets:</b>			
Current assets.....	\$ 48,995,314	\$ 54,812,295	\$ (5,816,981)
Noncurrent assets (excluding capital).....	20,359,711	22,875,430	(2,515,719)
Capital assets.....	115,212,571	117,137,287	(1,924,716)
<b>Total assets.....</b>	<b>184,567,596</b>	<b>194,825,012</b>	<b>(10,257,416)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	12,894,340	13,732,013	(837,673)
Noncurrent liabilities (excluding debt).....	6,156,651	2,597,274	3,559,377
Current debt.....	5,810,000	5,502,000	308,000
Noncurrent debt.....	47,785,000	49,720,000	(1,935,000)
<b>Total liabilities.....</b>	<b>72,645,991</b>	<b>71,551,287</b>	<b>1,094,704</b>
<b>Net Assets:</b>			
Capital assets net of related debt.....	87,212,587	89,599,804	(2,387,217)
Restricted.....	8,734,994	10,210,306	(1,475,312)
Unrestricted.....	15,974,024	23,463,615	(7,489,591)
<b>Total net assets.....</b>	<b>\$ 111,921,605</b>	<b>\$ 123,273,725</b>	<b>\$ (11,352,120)</b>

## 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 decreased by \$11.4 million during the current fiscal year. The primary reasons for this decrease were the recognition of the other post-employment benefit obligation of approximately \$3.7 million; a \$3.1 million transfer from the general government to the other post-employment benefits trust fund which is reported as a Fiduciary Fund and, accordingly, is not included in the Government-Wide financial statements; a decrease in the operation of the general fund, which included a budgeted use of reserves of \$2.7 million and a current year snow and ice deficit of \$1.3 million; and a decrease of approximately \$3 million in the operations of the Town's special revenue and permanent funds, which represents the timing of receipts and expenditures of funds on Town programs as well as decreases in the market value of investments for the permanent funds.

### Governmental Activities

	June 30, 2009	June 30, 2008	Increase (Decrease)
<b>Program revenues:</b>			
Charges for services.....	\$ 9,047,461	\$ 8,077,564	\$ 969,897
Operating grants and contributions.....	27,903,309	26,472,486	1,430,823
Capital grants and contributions.....	1,261,570	-	1,261,570
<b>General revenues:</b>			
Real estate and personal property taxes.....	80,231,602	78,126,629	2,104,973
Tax liens.....	195,242	219,611	(24,369)
Motor vehicle and other excise taxes.....	3,775,636	3,951,799	(176,163)
Hotel/motel tax.....	136,490	123,522	12,968
Penalties and interest on taxes.....	172,006	186,195	(14,189)
Nonrestricted grants and contributions.....	8,937,673	9,756,787	(819,114)
Unrestricted investment income.....	(1,541,229)	(250,463)	(1,290,766)
Miscellaneous revenues.....	10,967	23,969	(13,002)
<b>Total revenues.....</b>	<b>130,130,727</b>	<b>126,688,099</b>	<b>3,442,628</b>
<b>Expenses:</b>			
General government.....	10,522,085	9,674,926	847,159
Public safety.....	22,816,248	19,974,263	2,841,985
Education.....	77,464,198	70,688,522	6,775,676
Public works.....	10,631,214	9,788,561	842,653
Property and natural resources.....	2,044,335	2,624,450	(580,115)
Community and economic development.....	4,268,507	4,169,059	99,448
Human services.....	1,376,459	1,294,867	81,592
Library.....	3,187,101	2,916,575	270,526
Culture and recreation.....	897,563	216,814	680,749
Claims and judgments.....	25,000	106,500	(81,500)
Interest.....	1,910,994	2,217,666	(306,672)
<b>Total expenses.....</b>	<b>135,143,704</b>	<b>123,672,203</b>	<b>11,471,501</b>
<b>Transfers.....</b>	<b>(6,339,143)</b>	<b>(6,021,497)</b>	<b>(317,646)</b>
<b>Change in net assets.....</b>	<b>\$ (11,352,120)</b>	<b>\$ (3,005,601)</b>	<b>\$ (8,346,519)</b>

## FINANCIAL MANAGEMENT SERVICES

### *Business-Type Activities*

	Balance at June 30, 2009	Balance at June 30, 2008	Increase (Decrease)
<b>Assets:</b>			
Current assets.....	\$ 11,851,727	\$ 9,997,123	\$ 1,854,604
Capital assets.....	12,376,160	11,166,218	1,209,942
<b>Total assets.....</b>	<b>24,227,887</b>	<b>21,163,341</b>	<b>3,064,546</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	335,988	360,124	(24,136)
Noncurrent liabilities (excluding debt).....	316,950	39,000	277,950
Current debt.....	869,598	624,060	245,538
Noncurrent debt.....	4,697,839	3,412,247	1,285,592
<b>Total liabilities.....</b>	<b>6,220,375</b>	<b>4,435,431</b>	<b>1,784,944</b>
<b>Net Assets:</b>			
Capital assets net of related debt.....	8,515,544	7,129,911	1,385,633
Unrestricted.....	9,491,968	9,597,999	(106,031)
<b>Total net assets.....</b>	<b>\$ 18,007,512</b>	<b>\$ 16,727,910</b>	<b>\$ 1,279,602</b>

There was a net increase of \$1.3 million in net assets reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in fiscal year 2009 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 (\$965,000) is a result of the operating activities of the water and sewer enterprise fund, which includes the subsidy from the general fund. The business-type activities also recognized their share of the current cost and amortization of the unfunded other post-employment benefit obligation of approximately \$276,000.

### *Business-Type Activities*

	June 30, 2009	June 30, 2008	Increase (Decrease)
<b>Program revenues:</b>			
Charges for services.....	\$ 10,838,013	\$ 10,917,691	\$ (79,678)
Operating grants and contributions.....	267,723	164,234	103,489
<b>General revenues:</b>			
Unrestricted investment income.....	55,196	93,272	(38,076)
<b>Total revenues.....</b>	<b>11,160,932</b>	<b>11,175,197</b>	<b>(14,265)</b>
<b>Expenses:</b>			
Water and Sewer.....	14,510,909	13,863,832	647,077
Youth Services.....	523,919	471,096	52,823
Council on Aging.....	103,857	95,907	7,950
Veterans' Rink.....	519,886	452,795	67,091
Recreation.....	561,902	546,685	15,217
<b>Total expenses.....</b>	<b>16,220,473</b>	<b>15,430,315</b>	<b>790,158</b>
<b>Transfers.....</b>	<b>6,339,143</b>	<b>6,021,497</b>	<b>317,646</b>
<b>Change in net assets.....</b>	<b>\$ 1,279,602</b>	<b>\$ 1,766,379</b>	<b>\$ (486,777)</b>



# FINANCIAL MANAGEMENT SERVICES

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## 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 \$32.2 million, a decrease of \$6.8 million from the prior year. Of this decrease, \$5 million was the result of the operations in the general fund.

The general fund budgeted to use \$2.7 million of reserves, of which \$2.2 million was from available funds "free cash" and \$500,000 in prior reserves released by the board of assessors "overlay surplus" to balance the fiscal year 2009 budget. The state fiscal stabilization fund grant of \$655,099 remained in the general fund as a budgeted revenue and appropriation in accordance with the grant instructions from the commonwealth. This contributed to a deficit revenue variance, and a positive appropriation variance of \$655,099. Not including the impact of the state fiscal stabilization fund activity, the actual result of operations collected approximately \$620,000 less than budgeted and departmental budgets expended \$545,000 more than budgeted. The appropriation deficits in public works and claims and judgments stem from approximately \$1.3 million and \$25,000 for snow and ice deficits and court judgment payments which are allowed to be expended without appropriation and raised on the subsequent tax recapitulation sheet. Additionally, transfers in exceeded the final budget by \$117,000 to recognize a transfer for funds received in prior years in another fund that were transferred to the general fund in fiscal year 2009 when the error was identified.

The Town's stabilization major fund is used to account for activities of the Town's three stabilization funds. The first is the Town's stabilization fund, which had a year end balance of \$2.5 million. This fund can be used for general or capital purposes with Town Meeting's approval. The second is the Tip Fee Stabilization fund. This fund was initially created with proceeds from the sale of recycled materials and the sale of excess tonnage capacity at the facility of Wheelabrator North Andover, Inc., and other receipts arising from the sale of disposal of solid waste. This fund had a year end balance of \$2.6 million which can be used for any lawful purpose with the approval of Town meeting. The third stabilization fund is referred to as the Town's fiscal stability stabilization fund which was created after a 2005 tax override to stabilize future Town budgets. The Town's fiscal stability stabilization fund, which is used exclusively for the general fund, had a year end balance of \$4.1 million. Of this amount, \$2.7 million was voted during fiscal year 2009 to balance the Town's fiscal year 2010 operating budget. Please refer to Notes 8, 9 and 10 for additional information on the Town's stabilization funds.

The state fiscal stabilization major fund is used to account for the Town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 funding by 10% and replaced the amount with federal amounts. During fiscal year 2009, the Town received and spent \$655 thousand of state fiscal stabilization funds.

The Town's capital borrowing major fund had an ending fund balance of \$4.8 million, an increase of \$947,000 from the prior year. During fiscal year 2009, the Town recognized \$3.9 million in bond proceeds in this major fund which represents long-term borrowing used to finance various capital projects from the Town's capital improvement plan. Current expenditures in this fund totaled \$2.7 million.

Of the remainder of the change in fund balance, a \$1.8 million decrease relates to activities in other non-major governmental funds, which recognized \$1.2 million in transfers in, \$356,000 in transfers out, \$14.2 million in revenues, \$17 million in expenditures, and \$130,000 in bond premiums. Approximately \$1.7 million of the decrease is in the Town's non-major special revenue funds, and includes a \$150,000 transfer from the Cemetery Perpetual Care fund voted to fund the operating budget. The nonmajor special revenue funds also recognized a \$912,000 decrease in the value of investments. Another \$1.3 million of the decrease took place in the Town's permanent funds, and includes net decreases in the value of the trust fund investments of approximately \$708,000. The nonmajor capital projects funds

# FINANCIAL MANAGEMENT SERVICES

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increased by approximately \$256,000 which is the net result of capital expenditures of approximately \$619,000, and net transfers in from the general fund of approximately \$863,000.

## **General Fund Budgetary Highlights**

The net difference between the original general fund budgeted appropriations and the final budget of approximately \$110.6 million is due to a Special Town Meeting vote to reduce the Town's budget by \$920 thousand in response to mid-year state budget reductions which reduced the state's annual payments to the Town (referred to as 9c cuts). The budget reductions were made in general government, pension benefits, education, public works, liability insurance, and health insurance.

Subsequently, the state reduced the fourth quarter payment to the Town by an additional \$655 thousand. This reduction was offset by federal state fiscal stabilization funds which are recorded as a major governmental fund. This reduction was not voted as a budget reduction in the general fund. The expenditures were reclassified to the state fiscal stabilization major governmental fund to be recorded against the federal grant revenue, and the intergovernmental revenue was under-budget by the \$655 thousand, and the education expenditures in the general fund were less than the appropriation by the same amount, resulting in no net impact on the general fund's results of operations.

Other changes between the original and final budget were primarily comprised of reserve fund transfers and reclassifications from appropriations for collective bargaining. Both the reserve fund and collective bargaining appropriations are initially budgeted under general government. The budgets are adjusted as transfers are approved and as bargaining agreements are settled.

Additionally, actual revenues were less than budgeted for real estate and personal property taxes, excise taxes, other intergovernmental revenues, departmental and other revenues, and investment income. This resulted in a net revenue variance of \$620 thousand in addition to the \$655 thousand from the state budget reductions that were offset by grant funds.

Public works expenditures exceeded appropriations by approximately \$1.3 million, 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. Claims and judgment payments of \$25,000 were made, as allowed, without appropriation. This amount will also be raised in the subsequent year's tax levy. Transfers in exceeded the budget by approximately \$117 thousand, which reflects an unbudgeted transfer from the capital projects nonmajor funds.

## **Other Post Employment Benefits (OPEB)**

In 2006 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, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB 45).

The Town has been partially funding this liability in an internally created healthcare trust fund established by Chapter 12 of the Acts of 1998. During fiscal year 2009, in compliance with 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 Post-Employment 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 in the non-contributory pension appropriation and \$500,000. 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.

Fiscal year 2009 is the initial year that the Town has implemented GASB 45. An actuarial study determined that Arlington's total Actuarial Accrued Liability as of January 1, 2008, at a 5.25% partially funded discount rate, totaled \$142,348,809. As of June 30, 2009, the Town has recognized a liability for other post-employment liabilities based on its Annual Required Contribution (ARC) in the amount of \$3,966,939. The ARC amounted to \$12,728,760 and the Town contributed \$8,761,821 through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in

# FINANCIAL MANAGEMENT SERVICES

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the amounts of \$5,699,655 and \$3,062,166, respectively. The assets set aside in trust for future benefits amounted to \$2,594,771 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.

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, 2009, was \$47,100,000, 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 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 2009 from the MWRA assessment to the property taxes. During fiscal year 2009, the Town issued an additional \$2,155,190 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 of 2001. The Town Meeting then formed the broadly representative

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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 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. The property sale was postponed and eventually closed in June of 2008. Town Meeting voted to devote all funds, including tax receipts, to repaying the debt on the project. Net expenditures totaled \$12.2 million at the time of closing on the property sale. The site is schedule to 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 14 for further information on this project.

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

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

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

## Requests for Information

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