



Town of Arlington, Massachusetts Public Annual Financial Report

Fiscal Year Ending June 30, 2014

As part of Arlington's commitment to keeping you informed of how your tax dollars are being spent, the Town is providing you with this Public Annual Financial Report (PAFR). We are hopeful that it will provide you with financial information that you find both useful and easy to access.

All data and financial information found in this report is drawn from the most up-to-date information available from the Town's Annual Report, the Town Manager's Financial Plan, the Finance Committee's report to Town Meeting, and the State's Division of Local Services (mass.gov/dor).

The PAFR does not present the same level of detail as any of the reports listed above and contains reports and statements that do not present the entire financial reporting entity and may not conform to GAAP and governmental reporting standards. However, it does provide information such as relevant summarized financial schedules and tables so residents can more easily understand the Town's financial conditions and trends.

Town budget reports can be found at arlingtonma.gov/financial.

THE TOWN OF ARLINGTON

The Town of Arlington was originally settled in 1635 as the Village of Menotomy. It was incorporated as West Cambridge in 1807, and finally named Arlington in 1867. Arlington is home to approximately 43,000 residents and is contained within 5.5 square miles.

The Town is currently governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a popularly elected, five member Board of Selectmen appoint a professional manager to administer the daily operation of the Town.

The Town's legislative body is a representative Town Meeting, which consists of 252 elected members elected from their home precincts.

The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments. These departments include: Public Works, Police, Fire, Libraries, Legal, Planning, Human Resources, Information Technology, Inspectional Services, Health and Human Services, Recreation, and the Ed Burns Arena.

Under independent authority are the Board of Selectmen, Board of Assessors, Treasurer & Collector, and the Town Clerk. The Comptroller is appointed by the Board of Selectmen. The School Committee handles school administration and appoints the Superintendent. All departments consist of approximately 800 full-time employees.



IN THIS REPORT

The data contained herein is meant to be a snapshot of the Town's basic financial condition. This includes a summary of where Arlington is right now and how it presently compares to other, similar communities.

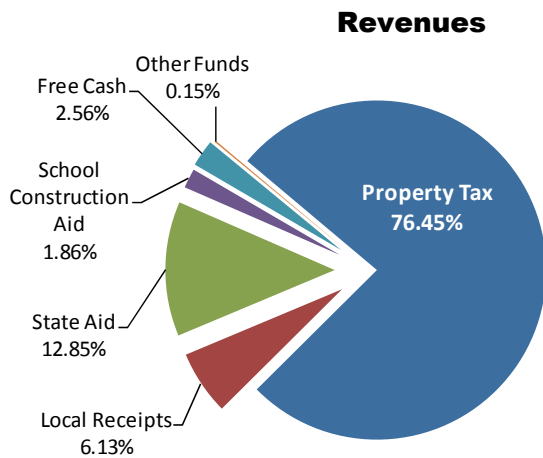
On **Page 2** you will find a breakdown of Arlington's revenues and expenditures. As you will see, Arlington's primary source of revenue is the Property Tax, followed by State Aid. Also on Page 2 is a budget summary and projection for FY2015 that provides more detail on the year-to-year growth of the Town budget.

Information on understanding your tax dollars, facts on property taxes in Arlington, and detailed information on the Town's Capital Improvement Program can be found on **Page 3**.

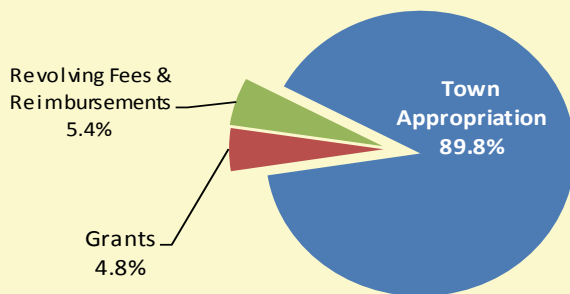
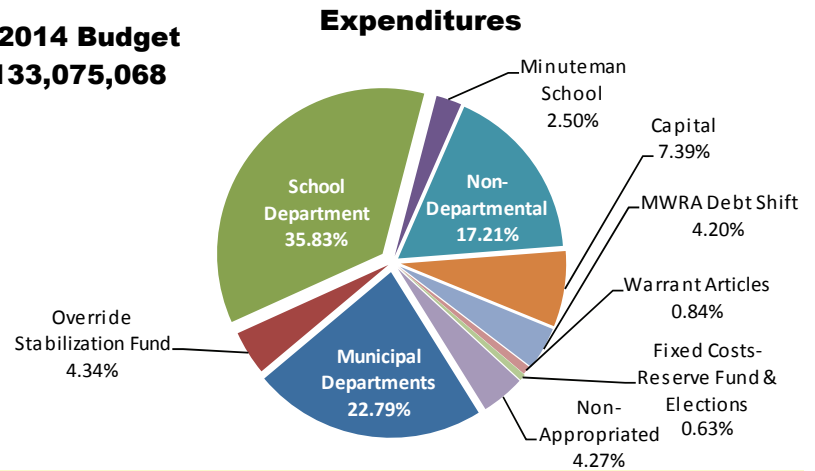
Page 4 compares Arlington's Average Single Family Tax Bill, Average New Growth, and Total Per Capita Spending with other, comparable communities, as well as the state average. These communities provide a reference point from which to understand Arlington's financial situation.

Where the Money Comes From

...and Where it Goes



FY2014 Budget
\$133,075,068



School Budget Funding

The School Budget is the largest department budget in the Town. In addition to Town contribution to this budget, some funding comes direct from outside revenue sources. This chart provides an overview of total funding. Details on the school budget may be found at: arlington.k12.ma.us/administration/budget

Budget Summary & FY2015 Projection

The summary provided below demonstrates the year-to-year growth between Fiscal Year 2014 and Fiscal Year 2015. This growth is consistent with the tenets of the long range financial plan. More detailed information and a glossary of terms, including the Town's long range financial plan can be found at: www.arlingtonma.gov/financial

	FY2014	FY2015	Change	
			\$	%
Revenue				
Property Tax	\$ 101,737,509	\$ 105,285,021	\$ 3,547,512	3.5%
Local Receipts	\$ 8,158,000	\$ 8,540,842	\$ 382,842	4.7%
State Aid	\$ 17,093,258	\$ 17,462,884	\$ 369,626	2.2%
School Construction Aid	\$ 2,474,773	\$ 2,906,266	\$ 431,493	17.4%
Free Cash	\$ 3,411,528	\$ 3,042,925	\$ (368,604)	-10.8%
Other Funds	\$ 200,000	\$ 350,000	\$ 150,000	75.0%
TOTAL REVENUES	\$ 133,075,068	\$ 137,587,937	\$ 4,512,869	3.4%
Expenditures				
Municipal Departments	\$ 30,330,987	\$ 31,392,491	\$ 1,061,504	3.5%
School Department	\$ 47,675,113	\$ 50,729,968	\$ 3,054,855	6.4%
Minuteman School	\$ 3,336,935	\$ 3,788,615	\$ 451,680	13.5%
Non-Departmental (Healthcare & Pensions)	\$ 22,899,398	\$ 24,050,099	\$ 1,150,701	5.0%
Capital (Includes Debt Service)	\$ 9,831,310	\$ 9,918,358	\$ 87,048	0.9%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ -	0.0%
Warrant Articles	\$ 1,112,692	\$ 805,433	\$ (307,259)	-27.6%
Fixed Costs- Reserve Fund & Elections	\$ 833,915	\$ 1,131,005	\$ 297,090	35.6%
Override Stabilization Fund Deposit	\$ 5,773,873	\$ 4,310,362	\$ (1,463,511)	-25.3%
TOTAL EXPENDITURES	\$ 127,387,335	\$131,719,443	\$4,332,108	3.4%
Non-Appropriated Expenses	\$ 5,687,733	\$5,868,494	\$180,761	3.2%
Surplus / (Deficit)	\$ -	\$ -	\$ -	0.0%

Understanding Your Tax Dollars

In Fiscal Year 2014, approximately 76% of all revenue used to fund Town operations, the school department, and capital improvements came from the property tax. In Fiscal Year 2014 the tax rate was \$13.79 per assessed thousand and the average single family tax bill was \$7,099 based on the average assessed single family home value of \$514,808. The chart below shows the components of the tax rate for Fiscal Year 2014.

FACTS ABOUT PROPERTY TAXES IN ARLINGTON

- Massachusetts General Law allows the Town to raise its **Tax Levy**, the total amount that can be raised from assessed property values, by 2 1/2 percent each year. This law is referred to as **Proposition 2 1/2**. In FY2014, the Town raised the tax levy by the full 2 1/2 percent or \$2,282,762.
- The Town raised \$1,393,953 from **New Growth** in FY2014. New Growth is generated by new development or through improvements to one's property. As a result, this increases the property's assessed value.
- The Town raised \$1,049,114 in order to offset the debt associated with previously approved and completed school building projects. Funding these types of capital projects require approval from Arlington voters in the form of a "**debt exclusion**."
- Arlington generates \$5,593,112 from property taxes to offset debt incurred by the Town's Water & Sewer Enterprise Fund. This allows Arlington to maintain lower water/sewer rates than if the Enterprise Fund assumed all of the debt associated with the assessments from the Massachusetts Water Resources Authority (MWRA). This funding mechanism is referred to as the **MWRA Debt Shift**.

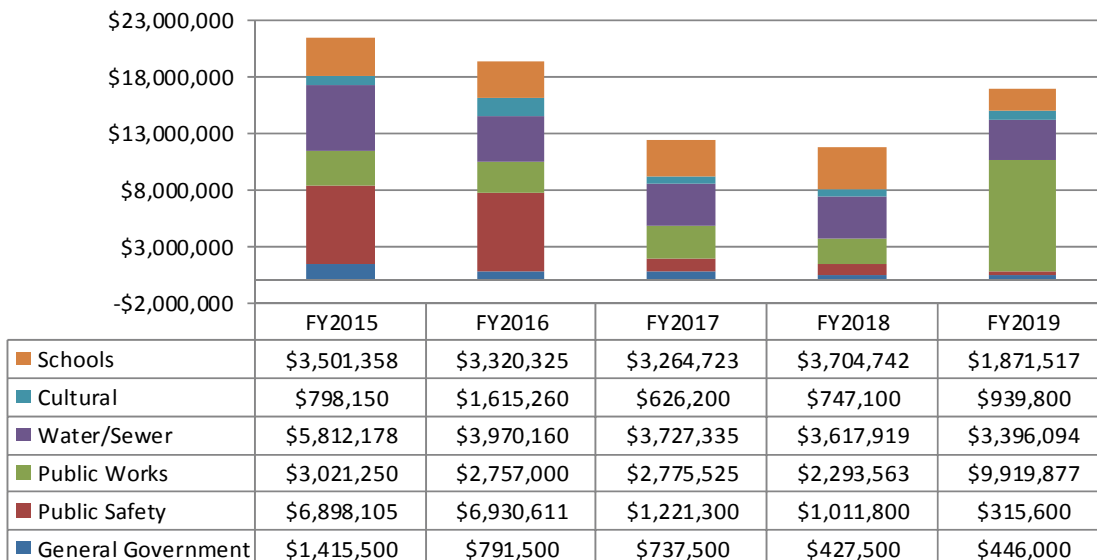
TAX RATE COMPONENTS FY2014	
Levy Base	\$12.37
Prop. 2 1/2 increase	\$0.31
Growth	\$0.19
Override	\$0.00
Water/Sewer Debt Exclusion	\$0.76
School Debt Exclusion	\$0.14
Symmes Debt	\$0.02
TAX RATE	\$13.79

A full glossary of financial terms can be found at www.arlingtonma.gov/financial

Capital Improvement Program

Through the Town's Capital Improvement Program, Arlington remains committed to investing in its infrastructure, facilities, and equipment. Each year the Town appropriates an amount equal to approximately 5% of revenues for capital improvements. Below is a graph that illustrates projected capital expenditures by service area. You will notice public safety capital spending is high in FY2015 and FY2016 which represents the Town's renovation of the Central Fire Station. In FY2019, Public Works capital spending is high due to Town improvements to the DPW facility. For a more detailed report, please refer to the Capital Planning Committee's report to Town Meeting which can be found online at www.arlingtonma.gov/financial.

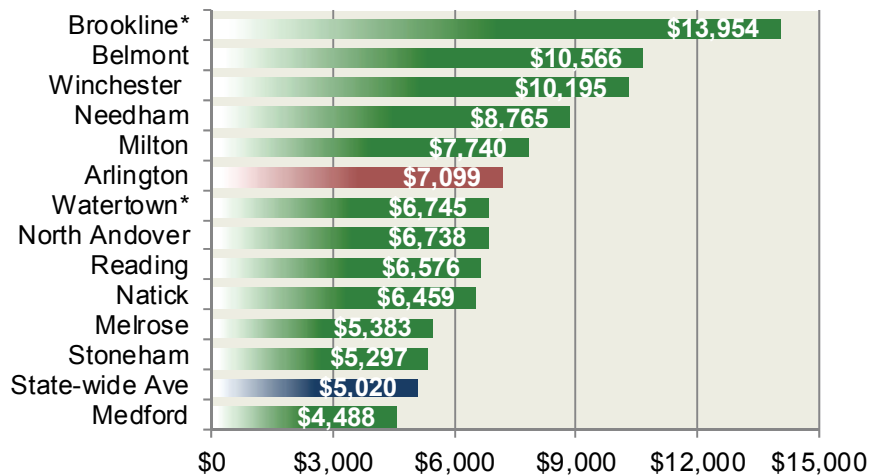
Projected Capital Spending



The **Average Single Family Tax Bill** is the average home value in a community multiplied by that community's property tax rate. While individual tax bills may vary according to individual home value, the Average Tax Bill is a good indicator of what the property tax burden is on residential taxpayers.

Due to relatively high home values, Arlington residents tend to pay a higher tax bill than the state average. While this places Arlington near the middle in terms of its comparable communities, it is still significantly below neighbors Belmont and Winchester.

Average Single Family Tax Bill FY14

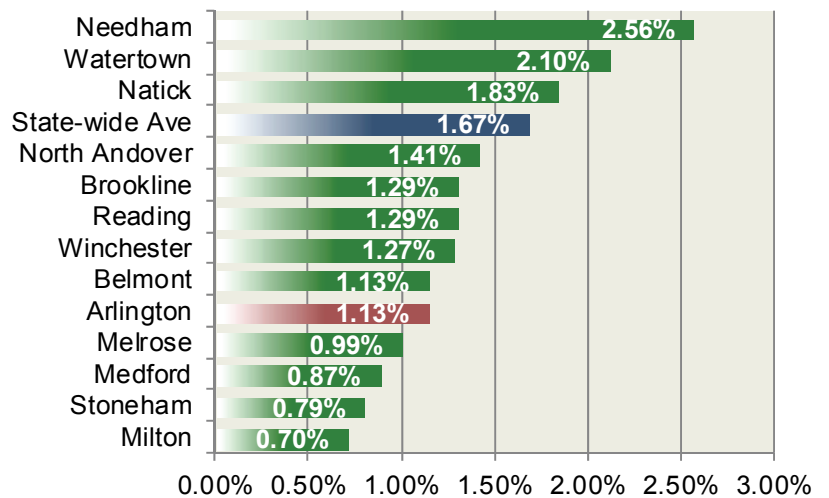


* Denotes these communities have a single family tax exemption included in the figure above.

Average New Growth: Under Proposition 2½ local property taxes cannot be increased by more than 2.5% plus tax revenues from new construction added to the tax base. Consequently, for many communities, **New Growth** is an important revenue source.

Arlington's New Growth has not kept pace with the majority of its comparable communities and falls short of the state-wide average.

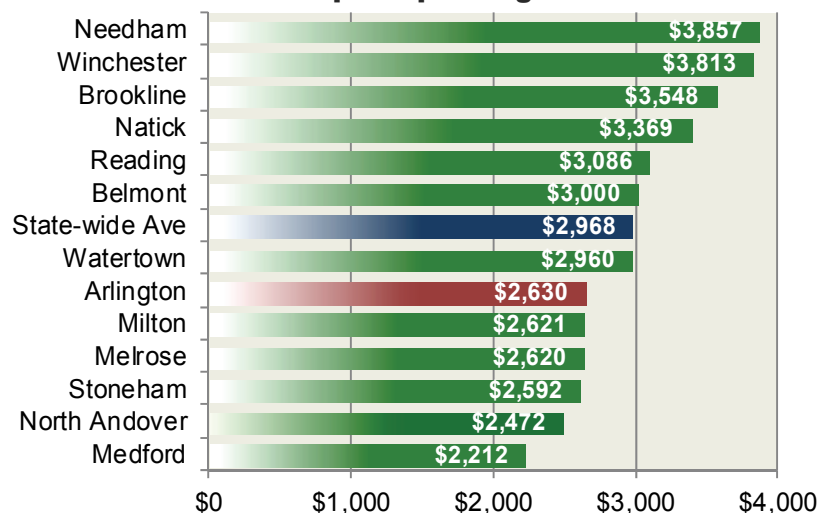
Average New Growth FY12 - FY14



Per Capita Spending is calculated from the Town's total expenditures divided by its population, which provides a point of comparison for how much the Town spends proportionate to its size. This makes it possible to compare spending between Towns while accounting for population.

Arlington is in the bottom half of per capita spending relative to its comparable communities. It is also below the state average of \$2,968.

Total Per Capita Spending FY13



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