

TOWN OF ARLINGTON, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2015

TOWN OF ARLINGTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

To the Board of Selectmen
Town of Arlington, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts as of and for the year ended June 30, 2015 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts, as of June 30, 2015 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, on our consideration of the Town of Arlington, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Arlington, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

February 3, 2016

Management's Discussion and Analysis

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 year ended June 30, 2015. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Arlington's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, human services, library, culture and recreation, and interest. The business-type activities include the activities of the water and sewer department, youth services, Council on Aging, Ed Burns Arena 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 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.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains three different fiduciary funds. The pension trust fund is used to account for resources held in trust for members of the Arlington Contributory Retirement System. The other postemployment benefit trust fund is used to account for resources held in trust to fund the Town's portion of health benefits for retirees and beneficiaries. The private purpose trust fund is used to account for resources held in trust which principle and investment income exclusively benefit individuals, private organizations, or other governments.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27.7 million at the close of 2015.

The largest portion of the Town's net position, \$122.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$17.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$112 million. The deficit is the result of the implementation of GASB #68 which required the Town to record its net pension liability of \$119.1 million for the first time this year along with the other postemployment benefits liability of \$54.2 million. These are long term unfunded liabilities that will not require significant short term resources.

Governmental Activities

	<u>2015</u>	<u>2014</u> (as revised/restated)
Assets:		
Current assets.....	\$ 85,975,556	\$ 80,638,836
Noncurrent assets (excluding capital).....	6,204,088	8,655,461
Capital assets.....	<u>147,526,062</u>	<u>142,008,196</u>
Total assets.....	<u>239,705,706</u>	<u>231,302,493</u>
Deferred Outflows of Resources.....	<u>61,770</u>	<u>99,266</u>
Liabilities:		
Current liabilities (excluding debt).....	11,533,018	10,276,587
Noncurrent liabilities (excluding debt).....	167,681,845	158,465,653
Current debt.....	8,164,434	7,913,295
Noncurrent debt.....	<u>47,296,114</u>	<u>43,531,862</u>
Total liabilities.....	<u>234,675,411</u>	<u>220,187,397</u>
Deferred Inflows of Resources.....	<u>93,740</u>	<u>1,782,621</u>
Net Position:		
Net investment in capital assets.....	104,863,992	104,460,350
Restricted.....	17,656,840	16,661,963
Unrestricted.....	<u>(117,522,507)</u>	<u>(111,690,572)</u>
Total net position.....	<u>\$ 4,998,325</u>	<u>\$ 9,431,741</u>

The governmental activities net position decreased by \$4.4 million during the current year. Key decreases are the recognition of an additional \$8.4 million in the Town's other postemployment benefit obligation, reported in noncurrent liabilities, and an \$868,000 payment to the other postemployment benefits trust fund which is reported as a fiduciary fund and, accordingly, is not included in the government-wide financial statements. Offsetting these was \$2.4 million received from the MSBA for completed projects and \$4.3 million the Town raised to be transferred to the fiscal stability and long-term stabilization funds.

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

The net \$5.5 million increase in capital assets is mainly from central fire station renovations and street improvements.

Governmental Activities

	2015	2014 (as revised/restated)
Program revenues:		
Charges for services.....	\$ 12,076,378	\$ 11,695,114
Operating grants and contributions.....	26,792,498	34,748,457
Capital grants and contributions.....	336,181	2,633,477
General revenues:		
Real estate and personal property taxes.....	104,296,793	100,765,625
Tax liens.....	609,501	220,270
Motor vehicle excise taxes.....	4,668,133	4,560,606
Hotel/motel tax.....	330,739	300,875
Meals tax.....	401,870	413,163
Penalties and interest on taxes.....	420,679	294,295
Nonrestricted grants and contributions.....	7,133,944	7,502,207
Unrestricted investment income.....	940,814	2,122,915
Gain on sale of capital assets.....	65,000	-
Miscellaneous revenues.....	24,750	77,981
Total revenues.....	158,097,280	165,334,985
Expenses:		
General government.....	11,994,175	11,362,970
Public safety.....	26,530,179	25,960,607
Education.....	92,752,859	95,698,115
Public works.....	13,783,618	13,073,357
Community and economic development.....	3,235,477	3,658,595
Human services.....	2,112,859	1,880,010
Library.....	3,655,453	3,605,979
Culture and recreation.....	1,085,309	926,550
Interest.....	1,544,213	1,231,900
Total expenses.....	156,694,142	157,398,083
Transfers.....	(5,836,554)	(5,909,465)
Change in net position.....	(4,433,416)	2,027,437
Net position, beginning of year, as revised/restated.....	9,431,741	7,404,304
Net position, end of year.....	\$ 4,998,325	\$ 9,431,741

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71 and restated to reclass the OPEB liability. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014, balance of the governmental activities by \$111,279,438. The Town restated other postemployment benefit obligations between governmental and business type activities by \$516,317. Previously reported net position of \$121,227,496 has been revised/restated to \$9,431,741.

The decrease in operating grants is related to the Massachusetts Teachers Retirement System's implementation of GASB #67, #68 and #71 which decreased the revenue and corresponding expense by \$7.2 million.

The decrease in capital grants is primarily related to MSBA reimbursements for a percentage of the construction costs on the Thompson school project which concluded in 2014. There was also a decrease in revenue received for highway projects which is a reimbursement of the expenditures.

Most categories of expenses increase as a result of standard budgetary increases. The increase in public safety was from an increase in salaries from contract negotiations. The decrease in education is net of an increase in salaries from contract negotiations offset with a decrease from the Massachusetts Teachers Retirement System's implementation of GASB #67, #68 and #71. The decrease in Community Development is the result of a decrease in federal and state funding for the Town's Weatherization program.

Business-Type Activities	2015	2014 (as revised/restated)
Assets:		
Current assets.....	\$ 16,337,800	\$ 12,776,652
Capital assets.....	23,736,895	22,865,270
Total assets.....	40,074,695	35,641,922
Deferred Outflows of Resources.....	195	-
Liabilities:		
Current liabilities (excluding debt).....	182,820	145,649
Noncurrent liabilities (excluding debt).....	7,931,630	7,735,296
Current debt.....	1,495,316	1,361,540
Noncurrent debt.....	7,723,916	7,069,232
Total liabilities.....	17,333,682	16,311,717
Net Position:		
Net investment in capital assets.....	17,203,440	16,204,401
Unrestricted.....	5,537,768	3,125,804
Total net position.....	\$ 22,741,208	\$ 19,330,205
	2015	2014 (as revised/restated)
Program revenues:		
Charges for services.....	\$ 17,002,973	\$ 15,906,693
Operating grants and contributions.....	199,514	147,512
Capital grants and contributions.....	600,000	-
General revenues:		
Unrestricted investment income.....	53,942	39,822
Total revenues.....	17,856,429	16,094,027
Expenses:		
Water and Sewer.....	18,305,620	18,010,392
Youth Services.....	590,265	582,744
Council on Aging.....	109,930	120,856
Ed Burns Arena.....	610,885	646,235
Recreation.....	665,280	671,791
Total expenses.....	20,281,980	20,032,018
Transfers.....	5,836,554	5,909,465
Change in net position.....	3,411,003	1,971,474
Net position, beginning of year, as revised/restated.....	19,330,205	17,358,731
Net position, end of year.....	\$ 22,741,208	\$ 19,330,205

The beginning net position of business-type activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71 and restated to reclass the OPEB liability. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014, balance of the business-type activities by \$6,950,918. The Town restated other postemployment benefit obligations between governmental and business type activities by \$516,317. Previously reported net position of \$25,764,806 has been revised/restated to \$19,330,205.

There was a net increase of \$3.4 million in net position reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in 2015 by approximately \$5.6 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The increase in net position of \$3.4 million was related to the activity in the water and sewer enterprise fund which reported an increase in charges for services as a result of increased water rates and usage. The increase in water and sewer expenses was primarily made up of increases in salaries from contract negotiations and a \$67,000 increase in the MWRA assessment. This assessment comprises 68% of the fund's expenses.

The increase in capital assets consists of the water and sewer enterprise fund's investment in water and sewer lines and water meters, totaling approximately \$1.8 million in 2015, which was funded through available funds.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$72 million, an increase of \$6.7 million from the prior year.

The general fund reported a \$5.8 million increase in fund balance in the fund based financial statements. This includes the activity of the Town's stabilization funds and insurance trust funds which are reported within the general fund. The Town's stabilization funds totaled \$20.9 million at year end and reported an increase of \$4.4 million from 2014, which was primarily the result of funds generated by the 2012 tax override. The operating general fund accounted for the remaining \$1.4 million increase which was due to \$2.2 million in premiums from issuance of bonds received and transferred in from nonmajor funds offset with the planned use of reserves and snow and ice expenses.

The Town's capital borrowing major fund had reported a fund balance of \$5 million, an increase of \$1.4 million from the prior year. During 2015, the Town recognized \$11 million in bond proceeds in this major fund which represents long-term borrowing used to finance various capital projects identified in the Town's capital improvement plan. Current expenditures in this fund totaled \$9.7 million and related mainly to improvements to the community safety building and fire stations.

There was a \$514,000 thousand decrease in the nonmajor governmental funds, which reported \$20.2 million in revenues, \$21.1 million in expenditures, and \$467,174 thousand in net other financing sources (uses).

General Fund Budgetary Highlights

The change between the original and final budget of \$486,000 was primarily comprised of additional appropriations to the Symmes property and capital projects as well as various transfers between functional line items and the release of prior year carryover budgets. In the final budget, the Town budgeted to use \$3 million of available reserves “free cash” to balance the 2015 budget. However, actual results from operations were better than anticipated as the Town collected approximately \$2.8 million more than budgeted and departments expended \$304,000 less than budgeted.

By category, all actual revenues came in over budget. The largest revenue variance was in the motor vehicle excise taxes category where estimated revenue is budgeted conservatively and revenues increased from prior year. Other significant revenue surpluses were in real estate and personal property taxes and departmental and other which came in over budget by approximately \$702,000 and \$388,000, respectively. Expenditures for education came in under budget by approximately \$249,000 partly due to the close out of prior year encumbrances. General government expenditures and carryforwards were under budget by approximately \$216,000. This was mainly due to the Town’s workers compensation reserve which turned back \$151,000 and the unused portion of the reserve fund which was approximately \$19,000. Expenditures exceeded the budget for snow and ice removal (public works). The Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent year.

Additionally, net transfers in were \$1.7 million greater than budgeted, mainly from bond premiums of \$1.3 million closed to the general fund along with funds transferred from the Symmes property and from federal emergency management funds. The Town also received \$911,000 from the premium from issuance of bonds in 2015.

Other Postemployment Benefits (OPEB)

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

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

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

An actuarial study determined that Arlington’s total Actuarial Accrued Liability as of January 1, 2014, at a 4.0% partially funded discount rate, totaled \$192.5 million. As of June 30, 2015, the Town has recognized a liability for other postemployment benefits totaling \$54.2 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$16.3 million and the Town’s actual contribution of \$7.7 million which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in

the amounts of \$6.8 million and \$868,000, respectively. The assets set aside in trust for future benefits amounted to \$8.4 million at 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. For the 2015 budget, this allowed for an annual cash expenditure of \$1.55 million and a new borrowing of \$13.2 million (including Water & Sewer). The Town's outstanding long-term debt related to the general government and water & sewer enterprise, as of June 30, 2015, was \$64 million for various CIP related projects.

The maintenance of the infrastructure and the capital assets of the Town are of vital importance to the delivery of the quality services that the Town has been known for. To this end, the Capital Planning Committee is dedicated to accomplishing the following objectives:

- To review, plan, and coordinate capital improvements so as to promote a systematic, organized replacement and acquisition schedule.
- To insure that, given limited resources, the capital needs of the community are met.
- To present a sound financial package so as to stabilize and level out the debt of the Town. It should assure timely planning for the most economical method of financing capital improvements.
- To insure wider community participation in the planning of projects and to reduce the pressure to fund a project which may not present as great a need as another project.
- To promote a more effective administration and coordination of capital projects to reduce scheduling problems, and conflicting or overlapping projects not only among local departments but also among other local and state agencies and private enterprises such as the gas and electric companies.

In reviewing the requests of the operating departments the committee uses the following criteria for evaluation:

- Imminent threat to the health and safety of citizens/property.
- Maintenance of operations/necessary expenditure. This does not include ordinary maintenance but rather maintaining a current service level through improvement of a capital asset. These may be major expenditures that will avoid costly replacement in the future.
- Requirement of State or Federal Law/regulation.
- Improvement of infrastructure.
- Improvement of productivity.
- Alleviation of an overtaxed/overburdened situation.

The relationship of the project to other Town projects and needs is also considered in the review and prioritization.

The Town is a member of the Massachusetts Water Resources Authority (MWRA), which assesses member communities annually for their proportionate share of the MWRA's debt service. The Town has also adopted Chapter 59 Section 21C Paragraph N of the Massachusetts General Law, which allows for the shifting of the debt service for water and sewer to the tax rate above the limits of Proposition 2 ½. The Town shifted \$5,593,112 in 2015 from the MWRA assessment to the property taxes. During FY 2015, the Town issued an additional \$200,000 million in MWRA sewer bonds and \$750,000 in MWRA water bonds.

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

As of June 30, 2015, the Town was entering the initial stages of Phase 3 of the Community Safety Building renovation. Phase 2 had been delayed as a result of unforeseen conditions and the approximate cost of Phase 2 had increased to \$3 million. However, Phase 2 was successfully completed as of March 2015. During 2015, the Town will begin and complete construction for the third and final phase of the Community Safety Building renovation. The construction is scheduled to begin in July 2015 and the expected cost is \$6.5 million.

The Town also recently completed the construction and renovation of the Central Fire Station. The expected cost of the project was \$6.3 million, and the project was completed under budget. This completed the renovation of each of the Town's three fire stations.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Arlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, 869 Massachusetts Avenue, Arlington, Massachusetts 02476.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 66,758,602	\$ 10,658,918	\$ 77,417,520
Investments.....	12,672,008	-	12,672,008
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	10,229	-	10,229
Real estate tax deferrals.....	70,086	-	70,086
Tax liens.....	990,780	-	990,780
Motor vehicle excise taxes.....	224,272	-	224,272
User fees.....	-	5,678,882	5,678,882
Departmental and other.....	482,802	-	482,802
Intergovernmental.....	4,232,403	-	4,232,403
Loans.....	137,590	-	137,590
Tax foreclosures.....	396,784	-	396,784
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	280,342	-	280,342
Intergovernmental.....	5,373,385	-	5,373,385
Loans.....	550,361	-	550,361
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	23,164,411	2,954	23,167,365
Depreciable.....	124,361,651	23,733,941	148,095,592
TOTAL ASSETS.....	239,705,706	40,074,695	279,780,401
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	58,645	-	58,645
Deferred outflows related to pensions.....	3,125	195	3,320
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	61,770	195	61,965
LIABILITIES			
CURRENT:			
Warrants payable.....	2,274,305	89,542	2,363,847
Accrued payroll.....	4,059,367	16,278	4,075,645
Tax refunds payable.....	440,000	-	440,000
Accrued interest.....	562,599	-	562,599
Payroll withholdings.....	646,504	-	646,504
Abandoned property.....	44,045	-	44,045
Customer deposits payable.....	95,198	-	95,198
Compensated absences.....	3,296,000	77,000	3,373,000
Workers' compensation.....	115,000	-	115,000
Bonds payable.....	8,164,434	1,495,316	9,659,750
NONCURRENT:			
Compensated absences.....	2,233,000	75,000	2,308,000
Workers' compensation.....	51,000	-	51,000
Net pension liability.....	112,059,649	6,999,652	119,059,301
Other postemployment benefits.....	53,338,196	856,978	54,195,174
Bonds payable.....	47,296,114	7,723,916	55,020,030
TOTAL LIABILITIES.....	234,675,411	17,333,682	252,009,093
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	93,740	-	93,740
NET POSITION			
Net investment in capital assets.....	104,863,992	17,203,440	122,067,432
Restricted for:			
Loans.....	687,951	-	687,951
Permanent funds:			
Expendable.....	7,396,783	-	7,396,783
Nonexpendable.....	5,215,587	-	5,215,587
Gifts and grants.....	4,356,519	-	4,356,519
Unrestricted.....	(117,522,507)	5,537,768	(111,984,739)
TOTAL NET POSITION.....	\$ 4,998,325	\$ 22,741,208	\$ 27,739,533

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 11,994,175	\$ 2,246,235	\$ 212,910	\$ -	\$ (9,535,030)
Public safety.....	26,530,179	4,355,275	199,891	-	(21,975,013)
Education.....	92,752,859	2,957,503	23,079,726	84,847	(66,630,783)
Public works.....	13,783,618	761,106	151,316	251,334	(12,619,862)
Community development.....	3,235,477	473,091	1,492,698	-	(1,269,688)
Human services.....	2,112,859	240,040	496,560	-	(1,376,259)
Library.....	3,655,453	79,076	518,988	-	(3,057,389)
Culture and recreation.....	1,085,309	964,052	51,020	-	(70,237)
Interest.....	1,544,213	-	589,389	-	(954,824)
Total Governmental Activities.....	156,694,142	12,076,378	26,792,498	336,181	(117,489,085)
<i>Business-Type Activities:</i>					
Water and Sewer.....	18,305,620	15,434,590	-	600,000	(2,271,030)
Youth Services.....	590,265	296,069	178,253	-	(115,943)
Council on Aging.....	109,930	18,441	21,261	-	(70,228)
Ed Burns Arena.....	610,885	593,985	-	-	(16,900)
Recreation.....	665,280	659,888	-	-	(5,392)
Total Business-Type Activities.....	20,281,980	17,002,973	199,514	600,000	(2,479,493)
Total Primary Government.....	\$ 176,976,122	\$ 29,079,351	\$ 26,992,012	\$ 936,181	\$ (119,968,578)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (117,489,085)	\$ (2,479,493)	\$ (119,968,578)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	104,296,793	-	104,296,793
Tax liens.....	609,501	-	609,501
Motor vehicle excise taxes.....	4,668,133	-	4,668,133
Hotel/motel tax.....	330,739	-	330,739
Meals tax.....	401,870	-	401,870
Penalties and interest on taxes.....	420,679	-	420,679
Grants and contributions not restricted to specific programs.....	7,133,944	-	7,133,944
Unrestricted investment income.....	940,814	53,942	994,756
Gain on sale of capital assets.....	65,000	-	65,000
Miscellaneous.....	24,750	-	24,750
<i>Transfers, net</i>	(5,836,554)	5,836,554	-
Total general revenues and transfers.....	113,055,669	5,890,496	118,946,165
Change in net position.....	(4,433,416)	3,411,003	(1,022,413)
<i>Net Position:</i>			
Beginning of year, as revised/restated.....	9,431,741	19,330,205	28,761,946
End of year.....	\$ 4,998,325	\$ 22,741,208	\$ 27,739,533

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 47,519,414	\$ 6,417,212	\$ 12,821,976	\$ 66,758,602
Investments.....	-	-	12,672,008	12,672,008
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	10,229	-	-	10,229
Real estate tax deferrals.....	350,428	-	-	350,428
Tax liens.....	990,780	-	-	990,780
Motor vehicle excise taxes.....	224,272	-	-	224,272
Departmental and other.....	482,802	-	-	482,802
Intergovernmental.....	7,762,421	-	1,843,367	9,605,788
Loans.....	-	-	687,951	687,951
Tax foreclosures.....	396,784	-	-	396,784
TOTAL ASSETS.....	\$ 57,737,130	\$ 6,417,212	\$ 28,025,302	\$ 92,179,644
LIABILITIES				
Warrants payable.....	\$ 696,630	\$ 1,381,155	\$ 196,520	\$ 2,274,305
Accrued payroll.....	3,970,191	-	89,176	4,059,367
Tax refunds payable.....	440,000	-	-	440,000
Liabilities due depositors.....	95,198	-	-	95,198
Payroll withholdings.....	646,504	-	-	646,504
Abandoned property.....	44,045	-	-	44,045
TOTAL LIABILITIES.....	5,892,568	1,381,155	285,696	7,559,419
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	10,217,716	-	2,347,753	12,565,469
Taxes paid in advance.....	93,740	-	-	93,740
TOTAL DEFERRED INFLOWS OF RESOURCES.....	10,311,456	-	2,347,753	12,659,209
FUND BALANCES				
Nonspendable.....	-	-	5,215,587	5,215,587
Restricted.....	3,860,841	5,036,057	20,176,266	29,073,164
Committed.....	946,837	-	-	946,837
Assigned.....	7,058,067	-	-	7,058,067
Unassigned.....	29,667,361	-	-	29,667,361
TOTAL FUND BALANCES.....	41,533,106	5,036,057	25,391,853	71,961,016
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 57,737,130	\$ 6,417,212	\$ 28,025,302	\$ 92,179,644

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2015

Total governmental fund balances.....		\$ 71,961,016
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		147,526,062
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		12,565,469
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		3,125
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(562,599)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(53,718,000)	
Unamortized premium on bonds payable.....	(1,742,548)	
Workers' compensation.....	(166,000)	
Compensated absences.....	(5,529,000)	
Net pension liability.....	(112,059,649)	
Other postemployment benefits.....	<u>(53,338,196)</u>	
Net effect of reporting long-term liabilities.....		(226,553,393)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>58,645</u>
Net position of governmental activities.....		<u>\$ 4,998,325</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2015

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 104,356,047	\$ -	\$ 292	\$ 104,356,339
Tax liens.....	574,342	-	-	574,342
Motor vehicle excise taxes.....	4,668,133	-	-	4,668,133
Hotel/motel tax.....	330,739	-	-	330,739
Meals tax.....	401,870	-	-	401,870
Fees and rentals.....	-	-	150,377	150,377
Intergovernmental.....	25,856,129	84,847	8,524,117	34,465,093
Departmental and other.....	4,437,506	-	9,899,145	14,336,651
Contributions.....	5,325	-	801,568	806,893
Investment income.....	148,715	42	793,481	942,238
TOTAL REVENUES.....	140,778,806	84,889	20,168,980	161,032,675
EXPENDITURES:				
Current:				
General government.....	4,382,354	336,129	1,724,547	6,443,030
Public safety.....	14,931,323	6,311,101	1,986,536	23,228,960
Education.....	54,577,944	1,016,447	10,584,619	66,179,010
Public works.....	10,331,426	1,380,351	2,210,102	13,921,879
Community development.....	702,159	11,867	2,225,496	2,939,522
Human services.....	1,084,361	480	587,510	1,672,351
Library.....	2,087,496	132,150	217,235	2,436,881
Culture and recreation.....	4,206	544,073	861,059	1,409,338
Pension benefits.....	14,048,794	-	-	14,048,794
Property and liability insurance.....	309,399	-	-	309,399
Employee benefits.....	15,765,665	-	75,000	15,840,665
State and county charges.....	3,077,899	-	-	3,077,899
Debt service:				
Principal.....	6,731,000	-	545,000	7,276,000
Interest.....	1,532,702	-	132,750	1,665,452
TOTAL EXPENDITURES.....	129,566,728	9,732,598	21,149,854	160,449,180
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	11,212,078	(9,647,709)	(980,874)	583,495
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds.....	-	11,018,000	-	11,018,000
Premium from issuance of bonds.....	910,686	-	-	910,686
Sale of capital assets.....	-	-	65,000	65,000
Transfers in.....	2,115,933	109,995	2,809,989	5,035,917
Transfers out.....	(8,423,594)	(41,062)	(2,407,815)	(10,872,471)
TOTAL OTHER FINANCING SOURCES (USES)....	(5,396,975)	11,086,933	467,174	6,157,132
NET CHANGE IN FUND BALANCES.....	5,815,103	1,439,224	(513,700)	6,740,627
FUND BALANCES AT BEGINNING OF YEAR.....	35,718,003	3,596,833	25,905,553	65,220,389
FUND BALANCES AT END OF YEAR.....	\$ 41,533,106	\$ 5,036,057	\$ 25,391,853	\$ 71,961,016

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds.....		\$ 6,740,627
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	11,280,462	
Depreciation expense.....	<u>(5,762,596)</u>	
Net effect of reporting capital assets.....		5,517,866
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(3,000,395)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds.....	(11,018,000)	
Debt service principal payments.....	7,276,000	
Premium from issuance of refunding costs, net of issue costs.....	<u>(910,686)</u>	
Net effect of reporting long-term debt.....		(4,652,686)
Net change in accrued interest on long-term debt.....	(25,435)	
Amortization of bond premiums.....	187,295	
Amortization of deferred charge on refunding.....	<u>(40,621)</u>	
Net effect of reporting other debt related activity.....		121,239
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	66,000	
Net change in deferred outflow/(inflow) of resources related to pensions.....	3,125	
Net change in net pension liability.....	(780,211)	
Net change in other postemployment benefits accrual.....	(8,436,981)	
Net change in workers' compensation accrual.....	<u>(12,000)</u>	
Net effect of recording long-term liabilities.....		<u>(9,160,067)</u>
Change in net position of governmental activities.....		\$ <u>(4,433,416)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 10,216,164	\$ 51,193	\$ 102,061
Receivables, net of allowance for uncollectibles:			
User fees.....	5,678,882	-	-
Total current assets.....	<u>15,895,046</u>	<u>51,193</u>	<u>102,061</u>
NONCURRENT:			
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	2,954	-	-
Depreciable.....	21,545,628	-	22,035
Total noncurrent assets.....	<u>21,548,582</u>	<u>-</u>	<u>22,035</u>
TOTAL ASSETS.....	<u>37,443,628</u>	<u>51,193</u>	<u>124,096</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	195	-	-
LIABILITIES			
CURRENT:			
Warrants payable.....	81,963	5,773	193
Accrued payroll.....	7,474	2,747	1,218
Compensated absences.....	63,000	-	-
Bonds payable.....	1,380,316	-	-
Total current liabilities.....	<u>1,532,753</u>	<u>8,520</u>	<u>1,411</u>
NONCURRENT:			
Compensated absences.....	63,000	-	-
Net pension liability.....	6,999,652	-	-
Other postemployment benefits.....	856,978	-	-
Bonds payable.....	7,088,916	-	-
Total noncurrent liabilities.....	<u>15,008,546</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>16,541,299</u>	<u>8,520</u>	<u>1,411</u>
NET POSITION			
Net investment in capital assets.....	15,765,127	-	22,035
Unrestricted.....	5,137,397	42,673	100,650
TOTAL NET POSITION.....	<u>\$ 20,902,524</u>	<u>\$ 42,673</u>	<u>\$ 122,685</u>

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	79,022	\$ 210,478	\$ 10,658,918
	-	-	5,678,882
	79,022	210,478	16,337,800
	-	-	2,954
	1,116,713	1,049,565	23,733,941
	1,116,713	1,049,565	23,736,895
	1,195,735	1,260,043	40,074,695
	-	-	195
	287	1,326	89,542
	1,581	3,258	16,278
	14,000	-	77,000
	115,000	-	1,495,316
	130,868	4,584	1,678,136
	12,000	-	75,000
	-	-	6,999,652
	-	-	856,978
	635,000	-	7,723,916
	647,000	-	15,655,546
	777,868	4,584	17,333,682
	366,713	1,049,565	17,203,440
	51,154	205,894	5,537,768
\$	<u>417,867</u>	<u>\$ 1,255,459</u>	<u>\$ 22,741,208</u>

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
OPERATING REVENUES:			
Charges for services.....	\$ 15,434,590	\$ 296,069	\$ 18,441
Intergovernmental.....	-	178,253	21,261
TOTAL OPERATING REVENUES.....	15,434,590	474,322	39,702
OPERATING EXPENSES:			
Salaries and wages.....	2,164,808	356,817	78,952
Cost of services and administration.....	1,252,112	233,448	25,470
MWRA Assessment.....	12,282,464	-	-
Depreciation.....	757,623	-	5,508
Employee benefits.....	1,722,976	-	-
TOTAL OPERATING EXPENSES.....	18,179,983	590,265	109,930
OPERATING INCOME (LOSS).....	(2,745,393)	(115,943)	(70,228)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	53,942	-	-
Interest expense.....	(125,637)	-	-
Intergovernmental.....	600,000	-	-
TOTAL NONOPERATING REVENUES, (EXPENSES), NET.....	528,305	-	-
INCOME (LOSS) BEFORE TRANSFERS.....	(2,217,088)	(115,943)	(70,228)
TRANSFERS:			
Transfers in.....	5,615,212	122,642	31,780
CHANGE IN NET POSITION.....	3,398,124	6,699	(38,448)
NET POSITION AT BEGINNING OF YEAR, AS REVISED/RESTATED....	17,504,400	35,974	161,133
NET POSITION AT END OF YEAR.....	\$ 20,902,524	\$ 42,673	\$ 122,685

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	593,985	\$ 659,888	\$ 17,002,973
	-	-	199,514
	<u>593,985</u>	<u>659,888</u>	<u>17,202,487</u>
	259,858	274,591	3,135,026
	201,071	270,408	1,982,509
	-	-	12,282,464
	75,195	67,699	906,025
	<u>51,405</u>	<u>52,582</u>	<u>1,826,963</u>
	<u>587,529</u>	<u>665,280</u>	<u>20,132,987</u>
	<u>6,456</u>	<u>(5,392)</u>	<u>(2,930,500)</u>
	-	-	53,942
	(23,356)	-	(148,993)
	<u>-</u>	<u>-</u>	<u>600,000</u>
	<u>(23,356)</u>	<u>-</u>	<u>504,949</u>
	<u>(16,900)</u>	<u>(5,392)</u>	<u>(2,425,551)</u>
	<u>55,356</u>	<u>11,564</u>	<u>5,836,554</u>
	38,456	6,172	3,411,003
	<u>379,411</u>	<u>1,249,287</u>	<u>19,330,205</u>
\$	<u><u>417,867</u></u>	<u><u>1,255,459</u></u>	<u><u>22,741,208</u></u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 16,086,824	\$ 296,069	\$ 18,441
Receipts from other governments.....	-	178,253	21,261
Payments to vendors.....	(15,040,680)	(237,716)	(26,835)
Payments to employees.....	(2,153,334)	(354,070)	(77,734)
NET CASH FROM OPERATING ACTIVITIES.....	(1,107,190)	(117,464)	(64,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	5,615,212	122,642	31,780
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	2,150,000	-	-
Acquisition and construction of capital assets.....	(1,777,650)	-	-
Principal payments on bonds and notes.....	(1,246,540)	-	-
Interest expense.....	(125,637)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(999,827)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	53,942	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	4,162,137	5,178	(33,087)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,054,027	46,015	135,148
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 10,216,164	\$ 51,193	\$ 102,061
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (2,745,393)	\$ (115,943)	\$ (70,228)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	757,623	-	5,508
Deferred (outflows)/inflows related to pensions.....	(195)	-	-
Changes in assets and liabilities:			
User fees.....	652,234	-	-
Warrants payable.....	22,733	(4,268)	(1,365)
Accrued payroll.....	7,474	2,747	1,218
Accrued compensated absences.....	4,000	-	-
Net pension liability.....	48,734	-	-
Other postemployment benefits.....	145,600	-	-
Total adjustments.....	1,638,203	(1,521)	5,361
NET CASH FROM OPERATING ACTIVITIES.....	\$ (1,107,190)	\$ (117,464)	\$ (64,867)

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	593,985	\$ 659,888	\$ 17,655,207
	-	-	199,514
	(252,864)	(324,809)	(15,882,904)
	<u>(254,277)</u>	<u>(271,333)</u>	<u>(3,110,748)</u>
	<u>86,844</u>	<u>63,746</u>	<u>(1,138,931)</u>
	<u>55,356</u>	<u>11,564</u>	<u>5,836,554</u>
	-	-	2,150,000
	-	-	(1,777,650)
	(115,000)	-	(1,361,540)
	<u>(23,356)</u>	<u>-</u>	<u>(148,993)</u>
	<u>(138,356)</u>	<u>-</u>	<u>(1,138,183)</u>
	<u>-</u>	<u>-</u>	<u>53,942</u>
	3,844	75,310	4,213,382
	<u>75,178</u>	<u>135,168</u>	<u>6,445,536</u>
\$	<u>79,022</u>	<u>210,478</u>	<u>10,658,918</u>
\$	<u>6,456</u>	<u>(5,392)</u>	<u>(2,930,500)</u>
	75,195	67,699	906,025
	-	-	(195)
	-	-	652,234
	(388)	(1,819)	14,893
	1,581	3,258	16,278
	4,000	-	8,000
	-	-	48,734
	<u>-</u>	<u>-</u>	<u>145,600</u>
	<u>80,388</u>	<u>69,138</u>	<u>1,791,569</u>
\$	<u>86,844</u>	<u>63,746</u>	<u>(1,138,931)</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 5,484,308	\$ -	\$ 376,562	\$ 41,871
Investments:				
U.S. Treasury Bonds.....	-	-	743,626	-
Corporate Bonds.....	-	-	1,092,774	-
Bond Mutual Funds.....	-	3,143,824	-	-
Government Sponsored Enterprises.....	-	-	37,447	-
Equity Mutual Funds.....	4,289,918	5,233,832	-	-
Equity Securities.....	-	-	3,965,998	-
Real Estate Investment Trusts.....	-	-	86,753	-
PRIT.....	125,058,177	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	485,974	-	-	-
Interest and dividends.....	304	-	-	-
TOTAL ASSETS.....	135,318,681	8,377,656	6,303,160	41,871
LIABILITIES				
Warrants payable.....	205,000	-	36,640	-
Liabilities due depositors.....	-	-	-	41,871
TOTAL LIABILITIES.....	205,000	-	36,640	41,871
NET POSITION				
Held in trust for pension and OPEB benefits and other purposes.....	\$ 135,113,681	\$ 8,377,656	\$ 6,266,520	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 9,993,280	\$ 867,877	\$ -
Member contributions.....	3,187,005	-	-
Member contributions - transfers from other systems.....	134,262	-	-
Retirement benefits - 3(8)c contributions from other systems.....	463,389	-	-
Private donations.....	-	-	291,530
Total contributions.....	13,777,936	867,877	291,530
Net investment income (loss):			
Net change in fair value of investments.....	10,282,471	82,003	223,620
Investment income.....	3,437	-	129,883
Total investment income (loss).....	10,285,908	82,003	353,503
Less: investment expense.....	(702,202)	-	-
Net investment income (loss).....	9,583,706	82,003	353,503
Retirement benefits - workers' compensation settlements.....	3,750	-	-
Retirement benefits - state COLA reimbursements.....	322,164	-	-
TOTAL ADDITIONS.....	23,687,556	949,880	645,033
DEDUCTIONS:			
Administration.....	295,509	-	-
Retirement benefits - transfers to other systems.....	751,045	-	-
Retirement benefits - 3(8)c transfers to other systems.....	429,401	-	-
Retirement benefits and refunds.....	16,735,563	-	-
Human services.....	-	-	14,026
Educational scholarships.....	-	-	377,603
TOTAL DEDUCTIONS.....	18,211,518	-	391,629
CHANGE IN NET POSITION.....	5,476,038	949,880	253,404
NET POSITION AT BEGINNING OF YEAR.....	129,637,643	7,427,776	6,013,116
NET POSITION AT END OF YEAR.....	\$ 135,113,681	\$ 8,377,656	\$ 6,266,520

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Arlington, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation governed by “The Town Manager Act of the Town of Arlington, Massachusetts”, the “By-Laws of the Town of Arlington”, and Massachusetts General Laws Chapter 43A, “Standard Form of Representative Town Meeting Government”. The executive branch is made up of a five-member Board of Selectmen elected at large. The Board hires a professional manager to administer the daily operations of the government. The legislative branch is a Town Meeting made up of 252 representatives, elected from each of the twenty-one precincts in the Town. Arlington is also a member of the 7th Massachusetts Congressional District, 4th Middlesex State Senatorial District, and the 25th and 26th Middlesex State Representative Districts.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a fiduciary fund of the primary government due to the nature and significance of the relationship between the City and the component unit.

The Arlington Contributory Retirement System (System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System’s participants, one member appointed by the Board of Selectmen and one member appointed by the Retirement Board’s members. The System is presented using the accrual basis of accounting and is reported as a Pension Trust Fund.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 869 Massachusetts Avenue, Room 102, Arlington, Massachusetts 02476-4701.

Joint Venture – The Town is a member of the Minuteman Career & Technical High School that serves the members students seeking an education in academic and technical studies. The members share in the operations of the Minuteman Career & Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Minuteman Career & Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Minuteman Career & Technical High School and the 2015 assessment was \$3,788,615.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions those are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *capital borrowing fund* is a capital project fund used to account for the Town's annual capital appropriations that are budgeted to be financed through long-term borrowing.

The nonmajor governmental funds consist of special revenue, other capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water and sewer enterprise fund* is used to account for the water and sewer activities.

The *youth services enterprise fund* is used to account for the youth services activities.

The *council on aging enterprise fund* is used to account for the council on aging activities.

The *Ed Burns Arena enterprise fund* is used to account for the rink activities.

The *recreation enterprise fund* is used to account for the recreation activities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund, other postemployment benefit trust, or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes, Tax Deferrals and Tax Liens

Property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Property taxes levied are recorded as receivables in the year of the levy.

Tax liens are processed during the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Fees

Water and sewer user fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in June of every year and are included as a lien on the property owner's tax bill in the following year. Water and sewer user fees are recorded as receivables in the year of the levy. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period.

Water and sewer user fees are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Departmental and Other

Departmental and other receivables consist primarily of reimbursements for veteran's services, fire alarm renewal fees and insurance reimbursements and are recorded as receivables in the year accrued.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Department of Planning and Community Development administers loan programs that provide housing assistance to residents. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets except for the capital assets of the governmental activities column in the government-wide financial statements.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	50
Improvements.....	20-50
Vehicles and equipment.....	5-10
Infrastructure.....	45-60
Sewer and water lines.....	60

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred losses on refunding and deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has reported taxes paid in advance in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has reported unavailable revenue and taxes paid in advance as deferred inflows of resources in the governmental funds balance sheet.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balances”.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Loans” represents community development outstanding loan receivable balances.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings on donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents assets that have restrictions placed on them from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town's by-laws authorize the Comptroller to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Arlington Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL). Investment income from the enterprise funds (except the water and sewer enterprise fund) is voluntarily assigned and transferred to the general fund.

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Pension System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

Funds held in the Other Postemployment Benefit (OPEB) Trust Fund are held under the supervision and investment management of the Town's Contributory Retirement Board. The Town Treasurer is the custodian of the OPEB Trust Fund. Investments of approximately \$8.4 million in the OPEB Trust Fund are included within the Town's investments balance in the following disclosures.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Arlington's deposits may not be returned to it. The Town's established policy is to fully collateralize all deposits. At year-end, the carrying amount of deposits totaled \$54,331,763 and the bank balance totaled \$56,883,747. Of the bank balance, \$7,705,352 was covered by Federal Depository Insurance, \$14,853,970 was covered by Depositors Insurance Fund, and \$34,324,425 was fully collateralized. Accordingly, none of the Town's deposits are exposed to custodial credit risk.

At December 31, 2014, carrying amount of deposits for the Pension System totaled \$35,009 and the bank balance totaled \$393,947. All of the bank balance was covered by the Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Investments

As of June 30, 2015, the Town of Arlington had the following investments:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
U.S. Treasury Bonds.....	\$ 2,333,616	\$ 298,524	\$ 575,866	\$ 863,601	\$ 595,625
Corporate Bonds.....	3,429,299	-	1,370,218	521,983	1,537,098
Government Sponsored Enterprises.....	117,515	-	-	117,515	-
Total Debt Securities.....	5,880,430	\$ 298,524	\$ 1,946,084	\$ 1,503,099	\$ 2,132,723
<u>Other Investments:</u>					
Mutual Funds.....	8,377,656				
Equity Securities.....	12,445,932				
Real Estate Investment Trusts.....	272,244				
Money Market Mutual Funds.....	641,470				
MMDT.....	22,862,720				
Total Investments.....	\$ 50,480,452				

As of December 31, 2014, the Pension System had the following investments:

PRIT.....	\$ 125,058,177
Money Market Mutual Funds.....	5,449,299
Equity Mutual Funds.....	4,289,918
Total Investments.....	\$ 134,797,394

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 1.33 to 21.81 years.

Custodial Credit Risk – Investments

The Town’s policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. As of June 30, 2015, the Town’s investments in MMDT which totaled \$22,862,720 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form. The Town has custodial credit risk exposure related to the \$12,445,932 and \$272,244 in equity securities and real estate investment trusts, respectively, because these securities are uninsured, unregistered and held by the counterparty.

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2014, the System’s investments in PRIT and open-end mutual funds totaling \$134,797,394 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

To manage its exposure to fair value losses arising from increasing interest rates, the Town’s investment policy limits the investment of short-term funds to maturities of up to twelve months and any short-term investment with a term greater than three months is limited to one million dollars.

Longer-term funds such as perpetual trust or stabilization funds are not restricted by this policy.

The Town maintains separate investment policies for trust funds, stabilization funds, and for all other Town funds. The Town’s investment policies are reviewed annually.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town’s policy related to Credit Risk consists of tracking the credit worthiness of specific financial institutions at least semiannually. The current practice is to review credit risk quarterly. At June 30, 2015, the Town’s investments were rated as follows:

Quality Ratings	Corporate Bonds	Government Sponsored Enterprises	U.S. Treasury Bonds
AAA.....	\$ 211,836	\$ -	\$ 2,333,616
AA+.....	294,293	117,515	-
AA.....	353,271	-	-
AA-.....	306,148	-	-
A+.....	320,329	-	-
A.....	504,570	-	-
A-.....	504,732	-	-
BBB+.....	628,384	-	-
BBB.....	72,623	-	-
BBB-.....	233,113	-	-
Fair Value.....	<u>\$ 3,429,299</u>	<u>\$ 117,515</u>	<u>\$ 2,333,616</u>

The Town’s investment in MMDT is unrated.

The Pension System has selected a group of investment managers to implement its planning decisions. Sector and security selection, portfolio quality and timing of purchases and sales are delegated to the investment managers.

The Town places no limit on the amount the government may invest in any one issuer.

The following table indicates the current policy mix of the system. The policy allocation is allowed to vary within a 5% range as indicated in the table. Within these restrictions, the Pension System places no limit on the amount that may be invested in any one issuer.

Asset Class	Range		
	Current Policy	Minimum	Maximum
U.S. Stocks.....	50%	45%	55%
International Stocks.....	15%	10%	20%
U.S. Bonds.....	30%	25%	35%
Alternative Investments.....	5%	0%	10%
Cash and Equivalents.....	0%	0%	5%

NOTE 3 – RECEIVABLES

At June 30, 2015, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 10,229	\$ -	\$ 10,229
Real estate tax deferrals.....	350,428	-	350,428
Tax liens.....	990,780	-	990,780
Motor vehicle excise taxes.....	329,480	(105,208)	224,272
Departmental and other.....	483,041	(239)	482,802
Intergovernmental.....	9,605,788	-	9,605,788
Loans.....	687,951	-	687,951
 Total.....	 <u>\$ 12,457,697</u>	 <u>\$ (105,447)</u>	 <u>\$ 12,352,250</u>

At June 30, 2015, receivables for the proprietary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer fees.....	\$ 5,678,882	\$ -	\$ 5,678,882

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of unavailable revenue reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 10,229	\$ -	\$ 10,229
Real estate tax deferrals.....	350,428	-	350,428
Tax liens.....	990,780	-	990,780
Motor vehicle excise taxes.....	224,272	-	224,272
Departmental and other.....	482,802	-	482,802
State school construction funds.....	7,762,421	-	7,762,421
Intergovernmental.....	-	1,659,802	1,659,802
Loans.....	-	687,951	687,951
Tax foreclosures.....	396,784	-	396,784
 Total.....	 <u>\$ 10,217,716</u>	 <u>\$ 2,347,753</u>	 <u>\$ 12,565,469</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,525,593	\$ -	\$ -	\$ 10,525,593
Construction in progress.....	7,730,018	6,655,327	(1,746,527)	12,638,818
Total capital assets not being depreciated.....	18,255,611	6,655,327	(1,746,527)	23,164,411
<u>Capital assets being depreciated:</u>				
Buildings.....	130,252,604	-	-	130,252,604
Improvements.....	17,708,733	924,123	-	18,632,856
Vehicles and equipment.....	11,183,148	1,531,117	-	12,714,265
Infrastructure.....	69,595,546	3,916,422	-	73,511,968
Total capital assets being depreciated.....	228,740,031	6,371,662	-	235,111,693
<u>Less accumulated depreciation for:</u>				
Buildings.....	(48,635,461)	(2,481,494)	-	(51,116,955)
Improvements.....	(4,640,003)	(855,754)	-	(5,495,757)
Vehicles and equipment.....	(7,436,264)	(951,189)	-	(8,387,453)
Infrastructure.....	(44,275,718)	(1,474,159)	-	(45,749,877)
Total accumulated depreciation.....	(104,987,446)	(5,762,596)	-	(110,750,042)
Total capital assets being depreciated, net.....	123,752,585	609,066	-	124,361,651
Total governmental activities capital assets, net.....	\$ 142,008,196	\$ 7,264,393	\$ (1,746,527)	\$ 147,526,062

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,954	\$ -	\$ -	\$ 2,954
Construction in progress.....	93,803	-	(93,803)	-
Total capital assets not being depreciated.....	<u>96,757</u>	<u>-</u>	<u>(93,803)</u>	<u>2,954</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	730,566	-	-	730,566
Improvements.....	2,559,803	-	-	2,559,803
Vehicles and equipment.....	3,477,620	28,792	-	3,506,412
Infrastructure.....	23,383,365	1,842,661	-	25,226,026
Total capital assets being depreciated.....	<u>30,151,354</u>	<u>1,871,453</u>	<u>-</u>	<u>32,022,807</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(231,627)	(15,119)	-	(246,746)
Improvements.....	(445,815)	(130,648)	-	(576,463)
Vehicles and equipment.....	(1,503,325)	(302,710)	-	(1,806,035)
Infrastructure.....	(5,202,074)	(457,548)	-	(5,659,622)
Total accumulated depreciation.....	<u>(7,382,841)</u>	<u>(906,025)</u>	<u>-</u>	<u>(8,288,866)</u>
Total capital assets being depreciated, net.....	<u>22,768,513</u>	<u>965,428</u>	<u>-</u>	<u>23,733,941</u>
Total business-type activities capital assets, net.....	<u>\$ 22,865,270</u>	<u>\$ 965,428</u>	<u>\$ (93,803)</u>	<u>\$ 23,736,895</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 328,173
Public safety.....	637,189
Education.....	2,446,098
Public works.....	1,888,257
Property and natural resources.....	121,291
Community development.....	77,215
Human services.....	15,210
Library.....	188,857
Culture and recreation.....	<u>60,306</u>

Total depreciation expense - governmental activities..... \$ 5,762,596

Business-Type Activities:

Water and sewer.....	\$ 757,623
Council on aging.....	5,508
Ed Burns Arena.....	75,195
Recreation.....	<u>67,699</u>

Total depreciation expense - business-type activities..... \$ 906,025

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended June 30, 2015, are summarized as follows:

Transfers In:	Transfers Out:			Total
	General Fund	Capital Borrowing Fund	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ 41,062	\$ 2,074,871	\$ 2,115,933 (1)
Capital Borrowing Fund.....	109,995	-	-	109,995 (2)
Nonmajor Governmental Funds.....	2,478,825	-	331,164	2,809,989 (3)
Water and Sewer Enterprise Fund.....	5,615,212	-	-	5,615,212 (4)
Youth Services Enterprise Fund.....	122,642	-	-	122,642 (4)
Council On Aging Enterprise Fund.....	30,000	-	1,780	31,780 (4)
Ed Burns Arena Enterprise Fund.....	55,356	-	-	55,356 (4)
Recreation Enterprise Fund.....	11,564	-	-	11,564 (4)
Totals.....	\$ <u>8,423,594</u>	\$ <u>41,062</u>	\$ <u>2,407,815</u>	\$ <u>10,872,471</u>

- (1) Represents budgeted transfers to the general fund from the capital borrowing major fund, the ambulance revolving, antenna revolving, deferred payment trust and capital tax levy nonmajor governmental funds to fund the operating budget. Also represents transfers to the general fund from the cemetery perpetual care, central school, conservation commission, Symmes property, premium from sale of bonds and federal emergency management funds.
- (2) Represents a budgeted transfer from the general fund to the Town's capital borrowing fund.
- (3) Represents budgeted transfers to nonmajor governmental funds from the general fund which primarily consist of the Town's budgeted share of capital projects, transfers to the town special revenue funds, a transfer to the employee insurance mitigation fund and a transfer to the Symmes property fund. Also represents transfers within nonmajor governmental funds.
- (4) Represents budgeted transfers from the general fund to the water and sewer, youth services, Ed Burns Arena, recreation and council on aging enterprise funds. Represents transfers from nonmajor governmental trust funds to the council on aging enterprise fund.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund and Enterprise Funds, respectively.

During the year the Town had the following short-term debt activity:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
BAN	Bond Anticipation Note.....	0.45	10/30/14	\$ 450,000	\$ -	\$ (450,000)	\$ -

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Municipal Purpose - 2004.....	2015	\$ 3,980,000	2.50-3.75	\$ 330,000	\$ -	\$ (330,000)	\$ -
GOB Refunding - 2005.....	2017	3,100,000	3.00-5.00	1,225,000	-	(395,000)	830,000
GOB Refunding - 2005.....	2017	2,630,000	3.00-5.00	805,000	-	(270,000)	535,000
Municipal Purpose - 2005.....	2021	5,171,000	2.80-4.13	1,560,000	-	(280,000)	1,280,000
Municipal Purpose - 2006.....	2026	3,320,952	4.00-5.50	3,250,000	-	(300,000)	2,950,000
Municipal Purpose - 2007.....	2018	3,102,000	3.75-4.75	900,000	-	(225,000)	675,000
GOB Refunding - 2007.....	2018	11,690,000	3.75-5.00	4,760,000	-	(1,280,000)	3,480,000
Municipal Purpose - 2007.....	2018	100,000	3.75-4.5	40,000	-	(10,000)	30,000
Municipal Purpose - 2008.....	2019	3,875,000	3.00-3.62	950,000	-	(190,000)	760,000
Symmtes Property.....	2022	5,262,000	2.00-4.00	3,715,000	-	(415,000)	3,300,000
Municipal Purpose - 2009.....	2020	2,482,000	2.00-3.00	1,355,000	-	(280,000)	1,075,000
Municipal Purpose - 2010.....	2031	7,258,000	2.00-4.00	5,675,000	-	(515,000)	5,160,000
Symmtes Property - taxable.....	2019	840,000	2.00-2.50	570,000	-	(130,000)	440,000
Symmtes Property.....	2022	470,000	2.00-3.00	470,000	-	-	470,000
Municipal Purpose - 2012.....	2022	1,329,000	2.00-3.00	825,000	-	(210,000)	615,000
GOB Refunding - 2012.....	2021	6,311,000	2.00-3.00	4,815,000	-	(730,000)	4,085,000
Municipal Purpose - 2013.....	2033	12,132,000	2.00-5.00	10,980,000	-	(870,000)	10,110,000
GOB Refunding - 2013.....	2024	2,205,000	2.00-3.00	2,200,000	-	(290,000)	1,910,000
Municipal Purpose - 2014.....	2034	5,551,000	2.00-4.00	5,551,000	-	(556,000)	4,995,000
Municipal Purpose - 2015.....	2035	11,018,000	3.00-3.75	-	11,018,000	-	11,018,000
Total bonds payable.....				49,976,000	11,018,000	(7,276,000)	53,718,000
Add: unamortized premium.....				1,019,157	910,686	(187,295)	1,742,548
Total bonds payable, net.....				\$ 50,995,157	\$ 11,928,686	\$ (7,463,295)	\$ 55,460,548

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....	\$ 7,823,000	\$ 1,910,157	\$ 9,733,157
2017.....	7,480,000	1,436,233	8,916,233
2018.....	6,310,000	1,177,045	7,487,045
2019.....	4,810,000	968,870	5,778,870
2020.....	4,290,000	804,804	5,094,804
2021.....	3,725,000	662,663	4,387,663
2022.....	2,820,000	545,282	3,365,282
2023.....	2,085,000	456,038	2,541,038
2024.....	1,935,000	387,894	2,322,894
2025.....	1,695,000	330,872	2,025,872
2026.....	1,650,000	281,844	1,931,844
2027.....	1,335,000	242,851	1,577,851
2028.....	1,330,000	208,800	1,538,800
2029.....	1,290,000	173,015	1,463,015
2030.....	1,205,000	136,787	1,341,787
2031.....	1,200,000	100,931	1,300,931
2032.....	940,000	69,078	1,009,078
2033.....	940,000	41,031	981,031
2034.....	505,000	18,637	523,637
2035.....	350,000	5,250	355,250
Totals.....	<u>\$ 53,718,000</u>	<u>\$ 9,958,082</u>	<u>\$ 63,676,082</u>

Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund

The Town is a member of the Massachusetts Water Resources Authority (MWRA) which offers its members interest free loans for various purposes. The majority of the Town’s Water and Sewer Enterprise Fund debt is issued through this program. The interest imputed on the remaining life of the 0% MWRA bonds totaled approximately \$461,000. However, the cost on a yearly basis is deemed immaterial. No adjustments have been made to recognize the imputed interest.

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

<u>Project</u>	<u>Maturities Through</u>	<u>Original Loan Amount</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2015</u>
Municipal Purpose - 2006.....	2017	\$ 2,000,000	4.00-5.50	\$ 600,000	\$ -	\$ (200,000)	\$ 400,000
Water and Sewer Bonds - MWRA.....	2017	8,682,390	-	4,150,772	950,000	(821,540)	4,279,232
Municipal Purpose - 2012.....	2022	1,300,000	2.00-3.00	1,040,000	-	(130,000)	910,000
Municipal Purpose - 2013.....	2022	280,000	2.00-5.00	475,000	-	(30,000)	445,000
Municipal Purpose - 2014.....	2033	1,300,000	3.00-3.75	1,300,000	-	(65,000)	1,235,000
Municipal Purpose - 2015.....	2034	1,200,000	4.00	-	1,200,000	-	1,200,000
Total water and sewer enterprise fund bonds payable.....				<u>\$ 7,565,772</u>	<u>\$ 2,150,000</u>	<u>\$ (1,246,540)</u>	<u>\$ 8,469,232</u>

Debt service requirements for the water and sewer enterprise fund bonds and notes payable in future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....	\$ 1,380,316	\$ 159,344	\$ 1,539,660
2017.....	1,255,716	114,619	1,370,335
2018.....	1,035,300	97,619	1,132,919
2019.....	951,100	84,994	1,036,094
2020.....	765,600	72,494	838,094
2021.....	655,600	60,119	715,719
2022.....	650,600	47,969	698,569
2023.....	455,000	37,869	492,869
2024.....	370,000	29,969	399,969
2025.....	185,000	24,919	209,919
2026.....	90,000	22,454	112,454
2027.....	90,000	19,957	109,957
2028.....	90,000	17,429	107,429
2029.....	90,000	14,885	104,885
2030.....	85,000	12,307	97,307
2031.....	85,000	9,613	94,613
2032.....	85,000	6,826	91,826
2033.....	85,000	3,932	88,932
2034.....	65,000	1,219	66,219
Totals.....	\$ <u>8,469,232</u>	\$ <u>838,538</u>	\$ <u>9,307,770</u>

Bonds and Notes Payable Schedule – Veteran’s Rink Enterprise Fund

<u>Project</u>	<u>Maturities Through</u>	<u>Original Loan Amount</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2015</u>
Municipal Purpose - 2009.....	2020	\$ 1,000,000	2.00-3.00	\$ 600,000	-	\$ (100,000)	\$ 500,000
Municipal Purpose - 2013.....	2033	280,000	2.00-5.00	265,000	-	(15,000)	250,000
Total Veteran's rink enterprise fund bonds payable.....				\$ <u>865,000</u>	-	\$ <u>(115,000)</u>	\$ <u>750,000</u>

Debt service requirements for the Veteran's Rink enterprise fund bonds and notes payable in future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....	\$ 115,000	\$ 20,556	\$ 135,556
2017.....	115,000	17,431	132,431
2018.....	115,000	14,056	129,056
2019.....	115,000	10,431	125,431
2020.....	115,000	6,681	121,681
2021.....	15,000	4,506	19,506
2022.....	15,000	3,906	18,906
2023.....	15,000	3,306	18,306
2024.....	15,000	2,856	17,856
2025.....	15,000	2,556	17,556
2026.....	15,000	2,247	17,247
2027.....	15,000	1,919	16,919
2028.....	15,000	1,572	16,572
2029.....	15,000	1,216	16,216
2030.....	10,000	913	10,913
2031.....	10,000	663	10,663
2032.....	10,000	406	10,406
2033.....	10,000	138	10,138
Totals.....	\$ <u>750,000</u>	\$ <u>95,359</u>	\$ <u>845,359</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2015, \$2,906,266 of such assistance was received. Approximately \$7,995,000 will be received in future years. Of this amount, approximately \$233,000 represents reimbursement of long-term interest costs, and approximately \$7,762,000 represents reimbursement of approved construction costs. Accordingly, a \$7,762,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental fund financial statements. The net change in unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Commonwealth has modified the method for funding new projects in the school building assistance program. Under the program, the assistance is paid to support the State's share of construction costs as they are incurred, therefore eliminating the need for the Town to fund the State's share through long-term debt. The Thompson Elementary School project is being funded by this program. The total project is estimated to cost approximately \$20.6 million. Through the end of 2015, the Town has recorded capital grant revenue totaling approximately \$9 million from the MSBA which is equal to 50.42% of approved construction costs incurred to date. The Town does not anticipate receiving any additional reimbursements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2015, the Town had the following authorized and unissued debt:

Purpose	Amount
Thompson Elementary School.....	\$ 8,308,532
Stratton Building Improvements.....	1,085,000
School Improvements.....	1,335,840
Road Repairs.....	75,000
Sewer.....	1,600,000
Water.....	3,200,000
Rink Renovations.....	275,000
Various Purposes.....	2,316,665
Community Safety Building Renovations....	7,647,000
Building and Safety Improvements.....	261,400
Departmental Equipment.....	661,150
Flood Mitigation.....	300,000
Playground.....	<u>455,000</u>
Total.....	\$ <u>27,520,587</u>

Changes in long-term liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 49,976,000	\$ 11,018,000	\$ (7,276,000)	\$ 53,718,000	\$ 7,823,000
Add: Unamortized Premium.....	<u>1,019,157</u>	<u>910,686</u>	<u>(187,295)</u>	<u>1,742,548</u>	<u>341,434</u>
Total Long-Term Bonds.....	50,995,157	11,928,686	(7,463,295)	55,460,548	8,164,434
Net Pension Liability.....	111,279,438	780,211	-	112,059,649	-
Other Postemployment Benefits.....	44,901,215	16,057,355	(7,620,374)	53,338,196	-
Workers' Compensation.....	154,000	484,299	(472,299)	166,000	115,000
Compensated Absences.....	<u>5,595,000</u>	<u>3,300,000</u>	<u>(3,366,000)</u>	<u>5,529,000</u>	<u>3,296,000</u>
Total governmental activities.....	<u>\$ 212,924,810</u>	<u>\$ 32,550,551</u>	<u>\$ (18,921,968)</u>	<u>\$ 226,553,393</u>	<u>\$ 11,575,434</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 8,430,772	\$ 2,150,000	\$ (1,361,540)	\$ 9,219,232	\$ 1,495,316
Net Pension Liability.....	6,950,918	48,734	-	6,999,652	-
Other Postemployment Benefits.....	711,378	218,674	(73,074)	856,978	-
Compensated Absences.....	<u>144,000</u>	<u>79,000</u>	<u>(71,000)</u>	<u>152,000</u>	<u>77,000</u>
Total business-type activities.....	<u>\$ 16,237,068</u>	<u>\$ 2,496,408</u>	<u>\$ (1,505,614)</u>	<u>\$ 17,227,862</u>	<u>\$ 1,572,316</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balances according to the constraints imposed on the use of the resources. There are two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

Spendable fund balances are classified based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town's stabilization funds total approximately \$16,459,000 and have been reported within the general fund as unassigned and the Town's municipal insurance funds totaling approximately \$3,861,000 have been reported within the general fund as restricted.

The Town has classified its governmental fund balances with the following hierarchy.

	<u>General</u>	<u>Capital Borrowing Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 5,215,587	\$ 5,215,587
Restricted for:				
Municipal insurance.....	3,860,841	-	-	3,860,841
Capital borrowing funds.....	-	5,036,057	-	5,036,057
Town revolving funds.....	-	-	1,820,010	1,820,010
Town gift and grant funds.....	-	-	1,788,905	1,788,905
School lunch.....	-	-	265,944	265,944
School revolving funds.....	-	-	1,265,234	1,265,234
School gift and grant funds.....	-	-	2,567,614	2,567,614
Receipts reserved for appropriation.....	-	-	500,968	500,968
Special revenue trust funds.....	-	-	739,936	739,936
Employee insurance mitigation funds.....	-	-	599,375	599,375
Other special revenue funds.....	-	-	1,533,282	1,533,282
Symmes Property.....	-	-	530,187	530,187
Capital tax levy projects.....	-	-	892,990	892,990
Other capital projects.....	-	-	253,498	253,498
Cemeteries.....	-	-	661,448	661,448
Cemetery perpetual care.....	-	-	3,975,059	3,975,059
Libraries.....	-	-	2,605,025	2,605,025
Education permanent funds.....	-	-	176,791	176,791
Committed to:				
General government.....	355,076	-	-	355,076
Employee benefits.....	15,418	-	-	15,418
Debt service interest.....	576,343	-	-	576,343
Assigned to:				
General government.....	96,714	-	-	96,714
Public safety.....	23,645	-	-	23,645
Education.....	2,848,327	-	-	2,848,327
Public works.....	261,130	-	-	261,130
Human services.....	2,115	-	-	2,115
Library.....	1,604	-	-	1,604
Culture and recreation.....	2,140	-	-	2,140
Property and liability insurance.....	1,818	-	-	1,818
Employee benefits.....	34,728	-	-	34,728
Balance the FY16 operating budget.....	3,785,846	-	-	3,785,846
Unassigned.....	29,667,361	-	-	29,667,361
TOTAL FUND BALANCES.....	\$ 41,533,106	\$ 5,036,057	\$ 25,391,853	\$ 71,961,016

NOTE 9 – STABILIZATION FUND

At June 30, 2015, the Town has approximately \$2.9 million in a stabilization fund, which is classified as part of the general fund in the fund-based basic financial statements. The Town may use the stabilization fund for general and/or capital purposes upon Town Meeting approval.

NOTE 10 – FISCAL STABILITY STABILIZATION FUND

The Town created a Fiscal Stability Fund pursuant to Article 65 of the 2005 Annual Town Meeting in accordance with the provisions of the General Laws, Chapter 40, Section 5B, as amended. The fund was established to hold surplus override tax revenues for future years in which operating deficits are projected. A Special Town Meeting held on June 7, 2011 approved a general tax override of \$6,490,000 for this purpose. As of June 30, 2015, the Fiscal Stability Fund has a balance of approximately \$18 million which is classified as part of the general fund in the fund-based financial statements.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. During 2012, the Town discontinued a self-insured health insurance plan and joined the Group Insurance Commission of the Commonwealth of Massachusetts (GIC) to provide health insurance benefits for its employees and retirees. As part of the transition, the Town was required to establish an employee healthcare mitigation fund which is reported within the nonmajor governmental funds and had a year-end balance of approximately \$599,000.

The Town is self-insured for its workers’ compensation activities. These activities are accounted for in the Town’s general fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Workers’ Compensation

Workers’ compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers’ compensation liability is based on history and injury type.

At June 30, 2015, the amount of the liability for workers’ compensation claims totaled \$166,000. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2011, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at End of Year
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
2014..... \$	226,000	\$	343,696	\$	(415,696)	\$	154,000
2015.....	154,000		484,299		(472,299)		166,000

NOTE 12 – PENSION PLAN

Plan Descriptions

The Town is a member of the Arlington Contributory Retirement System (ACRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary

fund financial statements. The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$5,409,767 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$77,866,611 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2014, the ACRS membership consists of the following:

Active members.....	693
Inactive members.....	307
Retirees and beneficiaries currently receiving benefits.....	<u>623</u>
Total.....	<u><u>1,623</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2014, was \$9,960,539, 30.24% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$9,571,203 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2015, were as follows:

Total pension liability.....	\$	259,203,712
The pension plan's fiduciary net position.....		<u>(135,318,681)</u>
Total net pension liability.....	\$	<u><u>123,885,031</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		52.21%

At June 30, 2015, the Town reported a liability of \$119,059,301 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Town's proportion was 96.12%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the Town recognized pension expense of \$10,396,828. At June 30, 2015, the Town reported deferred outflows of resources related to pensions of \$3,320, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016.....	\$	830
2017.....		830
2018.....		830
2019.....		<u>830</u>
Total.....	\$	<u><u>3,320</u></u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Level 6.00% increase of contribution amount.
Remaining amortization period.....	18 years for the fresh start base.
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 4 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return.....	7.50%
Discount rate.....	7.50%
Inflation rate.....	3.00% per year.
Projected salary increases.....	4.00% Ultimate rate, plus the following steps and longevity: <ul style="list-style-type: none"> • Group 1 and 2: 3.50% for the first 7 years of service • Group 4: 0.75% in year 5, 1.75% in year 10, 2.75% in year 15, 3.75% in year 20 and 4.75% in year 25
Cost of living adjustments.....	3.0% of the first \$15,000 of a member's retirement allowance is assumed to be granted every year.
Mortality rates.....	RP-2000 table (sex-distinct) projected using Generational Mortality and scale BB. The healthy employee table is used for actives, and the healthy annuitants table is used for retirees and beneficiaries. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality used RP-2000 table for healthy annuitants (sex-distinct) projected with Generational Mortality and scale BB, ages set forward 2 years.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Core bonds.....	0.97%	12.00%
Value-added bonds.....	3.80%	9.20%
Large cap equities.....	4.61%	13.40%
Mid/small cap equities.....	4.85%	3.20%
International equities.....	5.10%	14.80%
Emerging markets equities.....	6.31%	5.50%
Private equity.....	6.55%	9.20%
Real estate.....	3.40%	9.20%
Timber/natural resources.....	3.64%	3.70%
Hedge funds.....	3.64%	11.50%
Cash/portfolio completion.....	0.00%	8.10%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The Town's proportionate share of the net pension liability.....	\$ 146,147,551	\$ 119,059,301	\$ 97,110,544
ACRS total net pension liability.....	\$ 152,066,730	123,885,031	101,050,286

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Arlington administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s participation in the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report. The rates range from 15% to 50% for the retiree’s copayment of the total premium, and 50% to 85% for the Town.

As of the most recent actuarial valuation, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents...	1,139
Current active members.....	<u>1,060</u>
 Total.....	 <u><u>2,199</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 to 85 percent of the cost of current-year premiums for eligible retired plan members and their spouses and may contribute additional amounts to pre-fund benefits. Plan members receiving benefits contribute the remaining 15 to 25 percent of their premium costs. For 2015, the Town contributed \$7.7 million to the plan in addition to the pre-funding amount discussed below.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Other Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2015, the Town pre-funded future OPEB liabilities in the amount of approximately \$867,877. The Other Postemployment Benefit Trust Fund is reported within the fiduciary funds in the fund based financial statements which carries a year-end balance totaling \$8.4 million.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual Required Contribution.....	\$ 16,421,448
Interest on net OPEB obligation.....	2,006,954
ARC Adjustment.....	<u>(2,152,373)</u>
Annual OPEB cost (expense).....	16,276,029
 Contributions made.....	 <u>(7,693,448)</u>
 Increase in net OPEB obligation.....	 8,582,581
 Net OPEB obligation - beginning of year.....	 <u>45,612,593</u>
 Net OPEB obligation - end of year.....	 <u><u>\$ 54,195,174</u></u>

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 16,276,029	47%	\$ 54,195,174
6/30/2014	18,349,451	37%	45,612,593
6/30/2013	17,279,840	39%	34,094,924

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2014	\$ 7,042,157	\$ 192,488,324	\$ 185,446,167	4%	\$ 67,939,000	273.0%
1/1/2012	4,263,204	174,062,552	169,799,348	2%	56,390,000	301.1%
1/1/2011	3,818,419	166,284,371	162,465,952	2%	56,420,000	288.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Costs are based on the projected unit credit method.
Amortization method.....	Amortization is based on assumed payroll increase of 3.25%
Remaining amortization period.....	24 years as of January 1, 2014, closed

NOTE 14 – COMMITMENTS

As of June 30, 2015, the Town was entering the initial stages of Phase 3 of the Community Safety Building renovation. Phase 2 had been delayed as a result of unforeseen conditions and the approximate cost of Phase 2 had increased to \$3 million. However, Phase 2 was successfully completed as of March 2015. During 2015, the Town will begin and complete construction for the third and final phase of the Community Safety Building renovation. The construction is scheduled to begin in July 2015 and the expected cost is \$6.5 million.

The Town also recently completed the construction and renovation of the Central Fire Station. The expected cost of the project was \$6.3 million, and the project was completed under budget. This completed the renovation of each of the Town’s three fire stations.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2015, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

NOTE 16 – REVISION/RESTATEMENT OF NET POSITION

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statements #67, #68 and #71 and restated to reclass the OPEB liability. The revised/restated balances are summarized in the following table:

Government-Wide Financial Statements

	06/30/2014 Previously Reported Balances	Revised for Implementation of GASBS #67, #68, & #71	Restated for OPEB Liability	06/30/2014 Revised/Restated Balances
Governmental activities.....	\$ 121,227,496	\$ (111,279,438)	\$ (516,317)	\$ 9,431,741
Business-type activities.....	25,764,806	(6,950,918)	516,317	19,330,205
Total.....	<u>\$ 146,992,302</u>	<u>\$ (118,230,356)</u>	<u>\$ -</u>	<u>\$ 28,761,946</u>

Business-type Activities - Enterprise Funds

	06/30/2014 Previously Reported Balances	Revised for Implementation of GASBS #67, #68, & #71	Restated for OPEB Liability	06/30/2014 Revised/Restated Balances
Water and Sewer.....	\$ 24,455,318	\$ (6,950,918)	\$ -	\$ 17,504,400
Youth Services.....	(80,990)	-	116,964	35,974
Council on Aging.....	139,897	-	21,236	161,133
Ed Burns Arena.....	263,900	-	115,511	379,411
Recreation.....	986,681	-	262,606	1,249,287
Total.....	<u>\$ 25,764,806</u>	<u>\$ (6,950,918)</u>	<u>\$ 516,317</u>	<u>\$ 19,330,205</u>

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.

- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 103,750,939	\$ 103,750,939	\$ 103,750,939
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	3,776,000	3,776,000	3,776,000
Hotel/motel tax.....	-	275,000	275,000	275,000
Meals tax.....	-	400,000	400,000	400,000
Intergovernmental.....	-	20,295,434	20,295,434	20,295,434
Departmental and other.....	-	4,049,842	4,049,842	4,049,842
Investment income.....	-	40,000	40,000	40,000
TOTAL REVENUES.....	-	132,587,215	132,587,215	132,587,215
EXPENDITURES:				
Current:				
General government.....	456,497	5,455,163	5,911,660	5,049,859
Public safety.....	87,426	14,636,568	14,723,994	14,974,958
Education.....	3,295,131	54,518,583	57,813,714	57,813,714
Public works.....	414,399	8,616,065	9,030,464	10,180,916
Community development.....	8,856	705,467	714,323	741,209
Human services.....	1,296	926,722	928,018	1,104,469
Library.....	8,578	2,186,865	2,195,443	2,109,041
Culture and recreation.....	-	17,427	17,427	7,485
Pension benefits.....	-	7,983,241	7,983,241	8,643,368
Property and liability insurance.....	-	325,625	325,625	325,625
Employee benefits.....	69,039	15,741,233	15,810,272	14,502,829
State and county charges.....	-	3,077,946	3,077,946	3,077,946
Debt service:				
Principal.....	148,408	6,628,830	6,777,238	6,939,956
Interest.....	282,435	1,735,228	2,017,663	1,900,089
TOTAL EXPENDITURES.....	4,772,065	122,554,963	127,327,028	127,371,464
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(4,772,065)	10,032,252	5,260,187	5,215,751
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	-	-	486,092
Transfers out.....	-	(12,925,177)	(12,925,177)	(13,366,834)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(12,925,177)	(12,925,177)	(12,880,742)
NET CHANGE IN FUND BALANCE.....	(4,772,065)	(2,892,925)	(7,664,990)	(7,664,991)
BUDGETARY FUND BALANCE, Beginning of year.....	18,122,913	18,122,913	18,122,913	18,122,913
BUDGETARY FUND BALANCE, End of year.....	\$ 13,350,848	\$ 15,229,988	\$ 10,457,923	\$ 10,457,922

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	104,453,047	\$ -	\$ 702,108
	574,342	-	574,342
	4,668,133	-	892,133
	330,739	-	55,739
	401,870	-	1,870
	20,446,362	-	150,928
	4,437,506	-	387,664
	96,345	-	56,345
	<u>135,408,344</u>	<u>-</u>	<u>2,821,129</u>
	4,382,354	451,790	215,715
	14,931,323	23,645	19,990
	54,716,006	2,848,327	249,381
	10,331,426	261,130	(411,640)
	702,159	-	39,050
	1,084,361	2,115	17,993
	2,087,496	1,604	19,941
	4,206	2,140	1,139
	8,639,027	-	4,341
	309,399	1,818	14,408
	14,319,250	50,146	133,433
	3,077,899	-	47
	6,939,956	-	-
	<u>1,323,746</u>	<u>576,343</u>	<u>-</u>
	<u>122,848,608</u>	<u>4,219,058</u>	<u>303,798</u>
	<u>12,559,736</u>	<u>(4,219,058)</u>	<u>3,124,927</u>
	910,686	-	910,686
	2,136,558	-	1,650,466
	<u>(13,366,834)</u>	<u>-</u>	<u>-</u>
	<u>(10,319,590)</u>	<u>-</u>	<u>2,561,152</u>
	2,240,146	(4,219,058)	5,686,079
	<u>18,122,913</u>	<u>-</u>	<u>-</u>
\$	<u><u>20,363,059</u></u>	<u><u>(4,219,058)</u></u>	<u><u>5,686,079</u></u>

Pension Plan Schedules Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

		December 31, 2014
Total pension liability:		
Service cost.....	\$	4,744,410
Interest.....		18,685,017
Changes in benefit terms.....		-
Differences between expected and actual experience.....		-
Changes in assumptions.....		-
Benefit payments.....		(17,126,706)
Net change in total pension liability.....		6,302,721
Total pension liability, beginning.....		252,695,991
Total pension liability, ending (a).....	\$	<u>258,998,712</u>
Plan fiduciary net position:		
Employer contributions.....	\$	9,993,280
Member contributions.....		3,321,267
Net investment income (loss).....		9,583,706
Retirement benefits and refunds.....		(17,126,706)
Administrative expenses.....		(295,509)
Net increase (decrease) in fiduciary net position.....		5,476,038
Fiduciary net position at beginning of year.....		129,637,643
Fiduciary net position at end of year (b).....	\$	<u>135,113,681</u>
Net pension liability - ending (a) - (b).....	\$	<u>123,885,031</u>
Plan fiduciary net position as a percentage of the total pension liability.....		52.17%
Covered-employee payroll (*).....	\$	32,938,880
Net pension liability as a percentage of covered-employee payroll.....		376.11%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

*Covered employee payroll as reported in the January 1, 2014 funding
valuation report.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Actuarially determined contribution (a).....	\$ 9,960,539
Contributions in relation to the actuarially determined contribution.....	(9,960,539)
Contribution deficiency (excess).....	\$ -
 Covered-employee payroll (*).....	\$ 32,938,880
 Contributions as a percentage of covered- employee payroll.....	30.24%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

(a) Based on the results of the January 1, 2012 actuarial valuation (including assumptions and methods) which determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in the January 1, 2014, funding valuation report.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURN
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

December 31,
2014

Annual money-weighted rate of return, net of investment expense.....	6.70%
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Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

The annual money-weighted rate of return has been calculated by
the Pension Reserves Investment Management Board (PRIM).

See notes to required supplementary information.

Pension Plan Schedules – Town

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Town's proportion of the net pension liability (asset).....	96.12%
Town's proportionate share of the net pension liability (asset)..... \$	119,059,301
Town's covered employee payroll..... \$	31,699,372
Net pension liability as a percentage of covered-employee payroll.....	375.59%
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF TOWN'S CONTRIBUTIONS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Actuarially determined contribution (a).....	\$ 9,571,203
Contributions in relation to the actuarially determined contribution.....	<u>(9,571,203)</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll	\$ 31,699,372
Contributions as a percentage of covered- employee payroll.....	30.19%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

(a) Based on the results of the January 1, 2014 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for 2015.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2015	\$ 77,866,611	\$ 5,409,767	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2014	\$ 7,042,157	\$ 192,488,324	\$ 185,446,167	4%	\$ 67,939,000	273.0%
1/1/2012	4,263,204	174,062,552	169,799,348	2%	56,390,000	301.1%
1/1/2011	3,818,419	166,284,371	162,465,952	2%	56,420,000	288.0%
1/1/2009	2,594,771	167,296,616	164,701,845	2%	54,207,000	303.8%
1/1/2008	2,908,621	142,348,809	139,440,188	2%	58,552,680	238.1%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
\$ 6/30/2015	\$ 16,421,448	\$ 7,693,448	47%
6/30/2014	18,436,385	6,831,782	37%
6/30/2013	17,304,029	6,779,020	39%
6/30/2012	14,630,220	7,938,699	54%
6/30/2011	14,910,833	8,393,826	56%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Costs are based on the projected unit credit cost method
Amortization method.....	Amortization is based on assumed payroll increase of 3.25%
Remaining amortization period.....	24 years as of January 1, 2014, closed
Asset valuation method.....	Market value of assets adjusted by receivables and payables

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	5.00%-9.00%

Plan Membership:

Current retirees, beneficiaries, and dependents...	1,139
Current active members.....	<u>1,060</u>
Total.....	<u><u>2,199</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGA. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Finance Committee (Committee). The Committee presents an annual budget to the Representative Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote at the Annual Town Meeting. Changes subsequent to the approved annual budget require majority vote at a Special Town Meeting.

The majority of the Town's appropriations are non-continuing, which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote at a Special Town Meeting.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The 2015 original budget includes approximately \$135.5 million in current year authorized appropriations and other amounts to be raised and \$4.8 million in encumbrances and appropriations were carried over from previous years. During 2015, the Town's overall budget was increased by approximately \$486,000.

The Town Comptroller has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town's accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2015, is presented as follows:

Net change in fund balance, budgetary basis.....	\$ 2,240,146
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	4,421,145
Activity of health insurance and municipal building insurance trust recorded in the general fund for GAAP.....	(902,809)
<u>Basis of accounting differences:</u>	
Recognition of tax refunds payable.....	(97,000)
Recognition of expenditures on modified accrual basis.....	153,621
Recognition of revenue for on-behalf payment.....	5,409,767
Recognition of expenditure for on-behalf payment.....	<u>(5,409,767)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 5,815,103</u>

C. Appropriation Deficits

General fund expenditures exceeded budgeted appropriations for public works for snow and ice removal. The Town is allowed to overspend the budget for the removal of snow and ice and to raise the deficit in the subsequent year.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan’s net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Since the retirement system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules - Town**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions – None**E. Changes in Plan Provisions - None**

NOTE C – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Town administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 2%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.