

Town of Arlington,

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2016

Adam Chapdelaine, Town Manager
Richard Viscay, Comptroller

Prepared by the Comptroller

*On the Cover: Arlington Town Hall
Photo's Courtesy of Joan Roman*



Arlington Senior Center

TOWN OF ARLINGTON, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended
June 30, 2016



Prepared by:
The Comptroller

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YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

Introductory Section.....	1
Letter of Transmittal	3
Principal Officials.....	8
Organizational Chart	9
Distinguished Budget Presentation Award	10
Financial Section	11
Independent Auditor's Report	13
Management's Discussion and Analysis	15
Basic Financial Statements.....	25
Statement of Net Position.....	27
Statement of Activities.....	28
Governmental Funds – Balance Sheet	30
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.....	31
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Proprietary Funds – Statement of Net Position.....	34
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position	36
Proprietary Funds – Statement of Cash Flows	38
Fiduciary Funds – Statement of Fiduciary Net Position	40
Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....	41
Notes to Basic Financial Statements	42
Required Supplementary Information	79
General Fund Budgetary Comparison Schedule	80
Pension Plan Schedules – Retirement System.....	85
Pension Plan Schedules - Town	89
Other Postemployment Benefit Plan Schedules	93
Notes to Required Supplementary Information	96
Combining Statements and Individual Fund Statements.....	101
Nonmajor Governmental Funds.....	102

Agency Fund.....	111
Statistical Section.....	113
Net Position by Component	114
Changes in Net Position	115
Fund Balances, Governmental Funds	116
Changes in Fund Balance, Governmental Funds.....	117
Assessed Value of Taxable Property by Classification and Tax Rates	118
Principal Taxpayers	119
Property Tax Levies and Collections	120
Ratios of Outstanding Debt and General Bonded Debt.....	121
Direct and Overlapping Governmental Activities Debt.....	122
Computation of Legal Debt Margin	123
Demographic and Economic Statistics	124
Principal Employers	125
Full-time Equivalent Town Employees by Function	126
Operating Indicators by Function/Program	127
Capital Asset Statistics by Function/Program.....	128

Introductory Section



Central Fire Station

Introductory Section

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Letter of Transmittal

December 23, 2016

To the Honorable Board of Selectmen and Citizens of the Town of Arlington:

Subsequent to the close of each year, state law requires the Town of Arlington to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Arlington, Massachusetts, for the year ending June 30, 2016, for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit raters. Just as important, the design and format of this report is aimed at providing the residents and taxpayers of Arlington a more easily readable and, therefore, a more easily understandable financial report.

This report consists of management's representations concerning the finances of the Town of Arlington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. In order to provide a reasonable basis for making these financial representations, management continues to review and improve its established comprehensive internal controls. The framework for these controls is designed to protect, to the extent possible, the government's assets from loss, theft or misuse. The cost of internal controls should not outweigh their benefits. As a result, the Town of Arlington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP.

The Town of Arlington's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Arlington for the year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the Town of Arlington's financial statements for the year ended June 30, 2016, and that they are, in fact, fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Arlington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Arlington's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Arlington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town, established in 1867, was originally incorporated as the Town of West Cambridge in 1807. Located approximately seven miles from downtown Boston, it is bordered on the east by the Cities of Cambridge and Somerville, on the north by the City of Medford and Town of Winchester, on the west by the Town of Lexington and on the south by the Town of Belmont. The Town is primarily a residential community which occupies a land area of 5.2 square miles and, according to the 2010 federal census, has a population of 42,844 persons.

The Town provides general governmental services including police and fire protection, public education in grades K-12, water, sewer and health services, streets, libraries and parks and recreation. The Minuteman Regional Vocational-Technical School District, of which the Town is a member, provides technical education at the high school level. The Massachusetts Water Resources Authority provides sewage disposal services and water services for the Town. The Town has a Redevelopment Board and a Department of Planning and Community Development. The Arlington Housing Authority provides public housing in approximately 1,100 units for eligible low income families, the elderly, and the handicapped.

Local legislative decisions are made by a representative town meeting form of government whose members (approximately 252) are elected for staggered three-year terms from 21 precincts. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen and a town manager.

Local taxes are assessed by a board of three assessors elected for staggered three-year terms. Local school affairs are administered by a school committee of seven persons, elected for staggered three-year terms on an at-large basis.

Budgetary Controls

The Town Manager and Deputy Town Manager are responsible for preparing the budget and reviewing it with the various departments, boards, and committees. The Town Manger then presents it to the Board of Selectmen. The Selectmen review all requests and town-wide issues and present a budget to Town Meeting for approval. A twenty-one member Finance Committee made up of citizen volunteers appointed by the Town Moderator reviews the budget and makes recommendations to Town Meeting.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department level. The Town Comptroller is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. During the last 60 days of a fiscal year, the Town Manager may request Finance Committee approval of transfers from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Factors Affecting Economic Conditions

Local Economy

Economic activity in the Town largely consists of the wholesale and retail trade and service industries. In 2015, 1,105 firms were located in Arlington, with a total annual payroll \$442,743,080, reported to the U.S. Department of Labor and Training.

The Town of Arlington continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. Arlington has a primarily residential tax base which has grown through rapidly rising home values.

According to the Massachusetts Department of Employment and Training, in July 2016 the Town had a total labor force of 26,380 of whom 25,652 were employed and 728 or 2.8% were unemployed as compared with 3.9% for the Commonwealth.

In 2016 the average price of a home in Arlington was \$585,361 (based upon 2015 sales data), an increase of approximately 8.71% from the previous year. The current economic environment indicates that property values are on the rise. Building permit activity over the last year has been strong; a good indicator that that building construction and renovation will convert to increased tax dollars.

The MBTA provides local bus service connecting to Boston, Cambridge and other surrounding communities and rapid transit via the "Red Line" subway at its terminal in Cambridge on the Arlington border. Principal highways serving the Town are State Routes 2, 2A and 60 and U.S. Route 3. All of this has made Arlington a highly desirable location.

The Town continues to be faced with and meet its financial challenges. Since FY2002 local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and in FY2017 ends in a cumulative increase of 20%. Arlington, on the other hand, has only recently experienced an increase above the FY2002 level. In FY2006, Arlington's state aid was 15% below what it received in FY2002, while the average of all municipalities saw a slight increase. In FY2014 the cumulative year-to-year change since FY2002 was a slight increase of 1.1%, however in FY2017, Arlington's state aid remains disproportional from other municipalities statewide despite increases in aid. To further illustrate this impact, the average state aid for municipalities in Massachusetts increased 24.5% from FY2002, while in FY2017 Arlington's cumulative year-to-year change since FY2002 is an increase of 10.2%.

Proposition 2½ caps the Town's ability to raise taxes and excess levy capacity is limited. Ninety-five percent of the Town's tax base is from residential property. The Town last approved a Proposition 2½ operating override (in the amount of \$6,490,000) in 2012. In 2014, the voters approved a Community Preservation Act 1.5% surcharge on property taxes to support historic preservation, affordable housing, and open space or recreation projects.

Long-Term Financial Planning

Beginning in the fall of 2014, the Long Range Planning Committee (LRPC) held a series of discussions focused on the future of Town and School budgets and the amount by which they should grow on an annual basis. These discussions were prompted by the desire of committee members to explore strategies that could extend the life of the current Long Range Plan (LRP) and thereby forestall the next time an operating override would need to be considered. These discussions resulted in a number of recommendations being adopted for the FY 2016 budget based upon the following principles:

1. Exercising fiscal prudence to maintain financial stability through the success of a future operating override.
2. Balancing prudence with recognition of the needs and expectations of Arlington residents and building Town and School budgets accordingly.
3. Committing to strategically address the findings of the Comparative Compensation Study within the confines of the proposed long range planning parameters.

Based upon these meetings and discussions, the following changes to LRP were adopted:

- Health insurance premium growth was projected at 5.25% annually, mirroring the 10 year average premium growth of the GIC.
- Free Cash was assumed to be certified each year at the 10-year average certified amount.
- The rate of growth in annual pension costs has been reduced from 6% to 5.5%.
- Annual budget growth for Town Departments was set at 3.25% for FY2016 and FY2017, and reduced to 3% for FY2018 and beyond.
- Annual budget growth for the general education portion of the School Department budget was maintained at 3.5% for FY2016, reduced to 3.25% for FY2017.

Major Initiatives

The Town continues to invest in its buildings and other infrastructure to maintain high quality public services. In 2016, renovation to the Community Safety Building housing the Police Department and Dispatch Center will be complete. This follows previous years' investments to upgrade the Town's three fire stations. The ongoing rise in student enrollments and aging school buildings have led the Town to undertake several major capital projects; renovating the Stratton Elementary School, adding six classrooms to the Thompson Elementary School, and renovating the previously closed Gibbs School Middle School to house the Town's sixth grade. The Town is also studying renovations to or replacement of Arlington High School.

Awards and Acknowledgements

The Town, through its long range planning development and strong financial position, saw its bond rating reaffirmed at AAA status, Standard and Poor's highest rating.

The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to the Town of Arlington for the year ended June 30, 2015. This was the third consecutive year that the Town submitted received the award. Based on information available on the GFOA website, Arlington is one of 22 governmental entities in Massachusetts to receive this distinction.

Preparing a document of this magnitude requires a significant investment of time and resources. I am grateful to the members of the Comptroller's Office and the cooperation of the Town Manager's Office, the Treasurer/Collector's Office, the Assessor's Office, and the School Business Management Office for preparing this important document. This document reflects well upon the professionalism of our organization and provides a wealth of information to the community.

Respectfully submitted,



Adam W. Chapdelaine
Town Manager

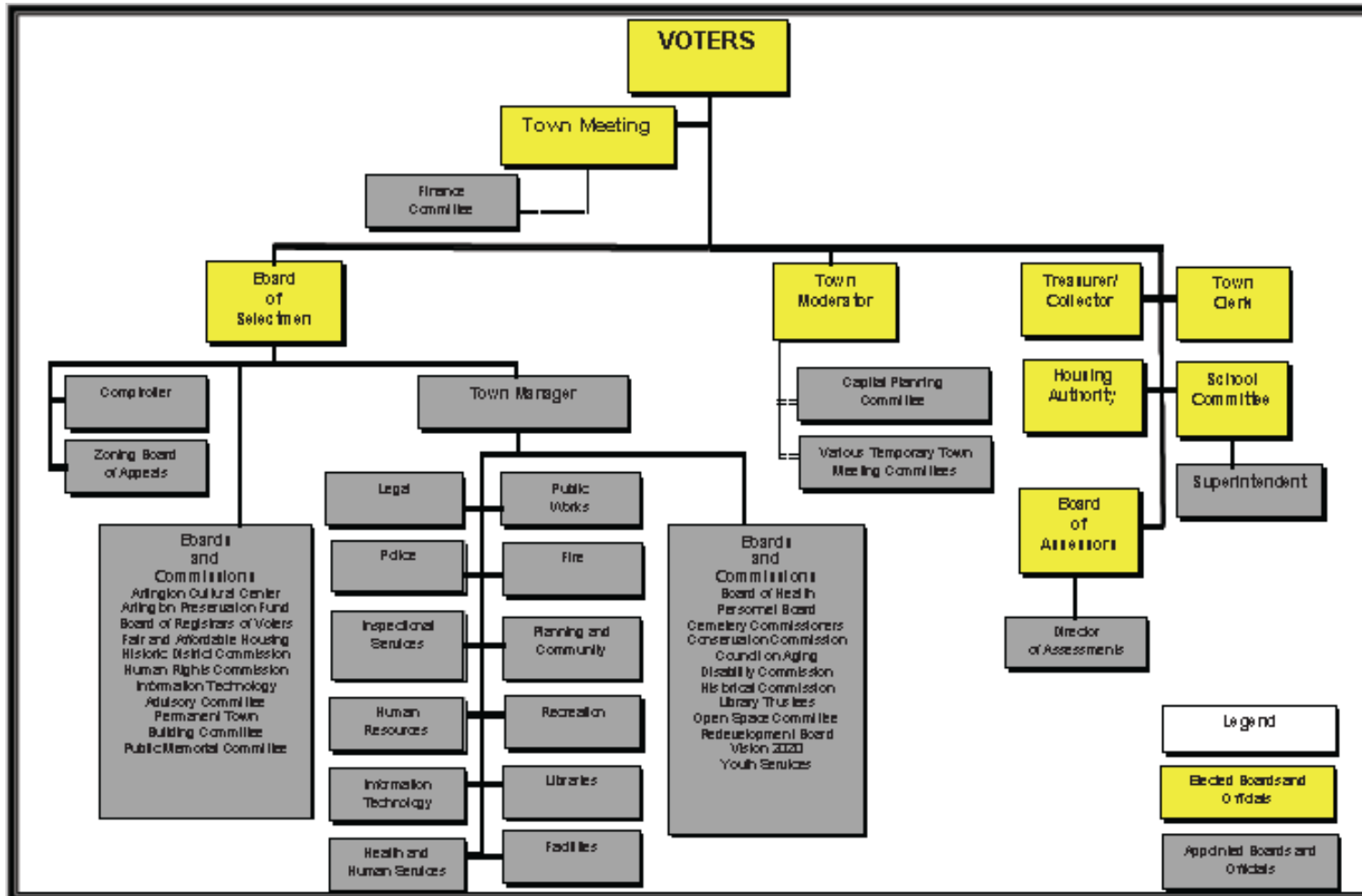
Town of Arlington, Massachusetts

Principal Executive Officers

<u>TITLE</u>	<u>NAME</u>	<u>SELECTION</u>	<u>TERM EXPIRES</u>
Selectman, Chair	Diane M. Mahon	Elected	2017
Selectman, Vice Chair	Daniel J. Dunn	Elected	2017
Selectman	Steven M. Byrne	Elected	2018
Selectman	Joseph A. Curro, Jr.	Elected	2018
Selectman	Kevin F. Greeley	Elected	2019
Town Manager	Adam W. Chapdelaine	Appointed	2018
Comptroller	Richard Viscay	Appointed	2018
Treasurer	Stephen Gilligan	Elected	2017
Town Clerk	Stephanie Lucarelli	Elected	2017

Town of Arlington, Massachusetts

Organizational Chart





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Arlington
Massachusetts**

For the Fiscal Year Beginning

July 1, 2016

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director

Financial Section



Arlington High School

Financial Section

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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, 2016 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2015), 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, 2016 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2015), 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

Required Supplementary Information

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Arlington, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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

December 23, 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, 2016. 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 \$28.6 million at the close of 2016.

The largest portion of the Town's net position, \$121.6 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, \$19.2 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 \$112.2 million. The deficit is the result of the recognition of the Town's net pension liability of \$125.9 million, along with the other postemployment benefits liability of \$63.5 million. These are long term unfunded liabilities that will not require significant short term resources.

Governmental Activities

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 104,948,494	\$ 85,975,556
Noncurrent assets (excluding capital).....	3,672,616	6,204,088
Capital assets.....	<u>152,234,032</u>	<u>147,526,062</u>
Total assets.....	<u>260,855,142</u>	<u>239,705,706</u>
Deferred Outflows of Resources.....	<u>6,256,434</u>	<u>61,770</u>
Liabilities:		
Current liabilities (excluding debt).....	12,184,443	11,533,018
Noncurrent liabilities (excluding debt).....	183,164,602	167,681,845
Current debt.....	8,527,039	8,164,434
Noncurrent debt.....	<u>58,794,822</u>	<u>47,296,114</u>
Total liabilities.....	<u>262,670,906</u>	<u>234,675,411</u>
Deferred Inflows of Resources.....	<u>1,468,353</u>	<u>93,740</u>
Net Position:		
Net investment in capital assets.....	103,704,315	104,863,992
Restricted.....	19,200,144	17,656,840
Unrestricted.....	<u>(119,932,142)</u>	<u>(117,522,507)</u>
Total net position.....	<u>\$ 2,972,317</u>	<u>\$ 4,998,325</u>

The governmental activities net position decreased by \$2.0 million during the current year. Key decreases are the recognition of an additional \$9.2 million in the Town's other postemployment benefit obligation, reported in noncurrent liabilities, and an \$961,000 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 \$931,000 in state highway capital grants, as well as \$2.9 million the Town raised to be transferred to the fiscal stability and long-term stabilization funds and positive operating results in the general fund of approximately \$3.3 million and other nonmajor funds of \$3.7 million.

The \$19 million increase in current assets relates primarily to unspent bond proceeds in the capital project funds, increases in cash in the stabilization funds, and increases in cash in other nonmajor 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 \$4.7 million increase in capital assets is mainly from large capital projects such as the central fire station renovations, community safety building construction, and street improvements.

The increases in noncurrent liabilities (excluding debt) relate mostly to increases in the OPEB liability. And the issuance of debt increased the liabilities related to noncurrent debt.

Governmental Activities

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services.....	\$ 14,159,151	\$ 12,076,378
Operating grants and contributions.....	30,968,480	26,792,498
Capital grants and contributions.....	930,611	336,181
General revenues:		
Real estate and personal property taxes.....	108,629,550	104,296,793
Tax liens.....	449,555	609,501
Motor vehicle excise taxes.....	5,021,825	4,668,133
Hotel/motel tax.....	363,125	330,739
Meals tax.....	409,308	401,870
Penalties and interest on taxes.....	388,691	420,679
Nonrestricted grants and contributions.....	7,660,494	7,133,944
Unrestricted investment income.....	75,230	940,814
Gain on sale of capital assets.....	-	65,000
Miscellaneous revenues.....	-	24,750
Total revenues.....	<u>169,056,020</u>	<u>158,097,280</u>
Expenses:		
General government.....	11,984,655	11,994,175
Public safety.....	27,170,555	26,530,179
Education.....	100,991,589	92,752,859
Public works.....	12,652,291	13,783,618
Community and economic development.....	3,428,730	3,235,477
Human services.....	2,254,316	2,112,859
Library.....	3,905,708	3,655,453
Culture and recreation.....	1,286,389	1,085,309
Interest.....	1,529,365	1,544,213
Total expenses.....	<u>165,203,598</u>	<u>156,694,142</u>
Excess (Deficiency) before transfers.....	3,852,422	1,403,138
Transfers.....	<u>(5,878,430)</u>	<u>(5,836,554)</u>
Change in net position.....	(2,026,008)	(4,433,416)
Net position, beginning of year.....	<u>4,998,325</u>	<u>9,431,741</u>
Net position, end of year.....	<u><u>\$ 2,972,317</u></u>	<u><u>\$ 4,998,325</u></u>

The increase in operating grants is related to the Massachusetts Teachers Retirement System's on-behalf payments, which increased the revenue and corresponding expense by \$3.1 million. This increase is a result of a change in the discount rate used in the determination of the net pension liability from 7.75% to 7.50%.

The increase in capital grants is primarily related to an increase 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 education is the result of an increase in salaries from contract negotiations, along with an increase from the Massachusetts

Teachers Retirement System's on-behalf payments, which is the result of a change in the discount rate. The decrease in public works is the result of a decrease in snow and ice expenditures compared to last year.

Business-Type Activities

	2016	2015	Increase (Decrease)
Assets:			
Current assets.....	\$ 18,087,869	\$ 16,337,800	\$ 1,750,069
Capital assets.....	24,786,727	23,736,895	1,049,832
Total assets.....	42,874,596	40,074,695	2,799,901
Deferred Outflows of Resources.....	366,444	195	366,249
Liabilities:			
Current liabilities (excluding debt).....	335,469	182,820	152,649
Noncurrent liabilities (excluding debt).....	8,082,695	7,931,630	151,065
Current debt.....	1,520,716	1,495,316	25,400
Noncurrent debt.....	7,628,200	7,723,916	(95,716)
Total liabilities.....	17,567,080	17,333,682	233,398
Deferred Inflows of Resources.....	78,347	-	78,347
Net Position:			
Net investment in capital assets.....	17,852,129	17,203,440	648,689
Unrestricted.....	7,743,484	5,537,768	2,205,716
Total net position.....	\$ 25,595,613	\$ 22,741,208	\$ 2,854,405
	2016	2015	Increase (Decrease)
Program revenues:			
Charges for services.....	\$ 15,994,167	\$ 17,002,973	\$ (1,008,806)
Operating grants and contributions.....	227,591	199,514	28,077
Capital grants and contributions.....	750,000	600,000	150,000
General revenues:			
Unrestricted investment income.....	65,679	53,942	11,737
Total revenues.....	17,037,437	17,856,429	(818,992)
Expenses:			
Water and Sewer.....	18,063,661	18,305,620	(241,959)
Youth Services.....	585,950	590,265	(4,315)
Council on Aging.....	114,109	109,930	4,179
Ed Burns Arena.....	632,989	610,885	22,104
Recreation.....	664,753	665,280	(527)
Total expenses.....	20,061,462	20,281,980	(220,518)
Excess (Deficiency) before transfers.....	(3,024,025)	(2,425,551)	(598,474)
Transfers.....	5,878,430	5,836,554	41,876
Change in net position.....	2,854,405	3,411,003	(556,598)
Net position, beginning of year.....	22,741,208	19,330,205	3,411,003
Net position, end of year.....	\$ 25,595,613	\$ 22,741,208	\$ 2,854,405

There was a net increase of \$2.9 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 2016 by approximately \$5.7 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 \$2.7 million was related to the activity in the water and sewer enterprise fund which reported a decrease in charges for services as a result of decreased usage. The decrease in water and sewer expenses was primarily made up of a decrease in salaries from a decrease in pension expense. This was offset by a \$142,000 increase in the MWRA assessment. This assessment comprises 69% 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 \$2 million in 2016, 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 \$90 million, an increase of \$18 million from the prior year.

The general fund reported a \$5.9 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 \$24 million at year end and reported an increase of \$3.2 million from 2015, which was primarily the result of funds generated by the 2012 tax override. The operating general fund accounted for the remaining \$2.7 million increase which was due to \$768,000 in premiums from the issuance of bonds received, along with positive budgetary results.

The Town's capital borrowing major fund had reported a fund balance of \$13.4 million, an increase of \$8.4 million from the prior year. During 2016, the Town recognized \$19.3 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 \$10.8 million and related mainly to improvements to the community safety building and fire stations.

There was a \$3.7 million increase in the nonmajor governmental funds, which reported \$23.4 million in revenues, \$21.1 million in expenditures, and \$1.4 million in net transfers to and from other funds.

General Fund Budgetary Highlights

The decrease between the original and final budget of \$66,000 was primarily comprised of the release of carryovers from the prior fiscal year, as well as various transfers between functional line items. In the final budget, the Town budgeted to use \$3.4 million of available reserves "free cash" to balance the 2016 budget. However, actual results from operations were better than anticipated as the Town collected approximately \$3.4 million more than budgeted and departments expended \$2.4 million 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 departmental and other and real estate and personal property, which came in over budget by approximately \$798,000 and \$575,000, respectively. Expenditures for employee benefits came in under budget by approximately \$896,000, significantly contributing to the surplus.

The Town also received \$768,000 from the premium from issuance of bonds in 2016.

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, 2016, the Town has recognized a liability for other postemployment benefits totaling \$63.5 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$17.5 million and the Town's actual contribution of \$7.9 million, which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in the amounts of \$6.9 million and \$961,000, respectively. The assets set aside in trust for future benefits amounted to \$9.2 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 2016 budget, this allowed for an annual cash expenditure of \$1.4 million and a

new borrowing of \$8.7 million (including Water & Sewer). The Town's outstanding long-term debt related to the general government and water & sewer enterprise, as of June 30, 2016, was \$59 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 2016 from the MWRA assessment to the property taxes. During FY 2016, the Town issued an additional \$250,000 in MWRA sewer bonds and \$900,000 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, 2016, the Town was entering the final stages of Phase 3 of the Community Safety Building renovation. The construction began in July 2015 and the expected cost was \$6.5 million. The Town also began the renovation of the Stratton Elementary School in 2016, the final elementary school to be renovated as part of a multi-year plan. This project requires the procurement of modular classrooms to house students during construction. The total budget for the modular classrooms and construction is approximately \$15 million.

The Town has also designed a six classroom expansion to the Thompson Elementary School in response to growing school enrollment and plans to begin construction in November of 2016. The expected cost of this project is \$4 million.

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, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 86,338,708	\$ 13,026,140	\$ 99,364,848
Investments.....	11,909,535	-	11,909,535
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	12,670	-	12,670
Real estate tax deferrals.....	50,337	-	50,337
Tax liens.....	1,016,094	-	1,016,094
Motor vehicle excise taxes.....	293,216	-	293,216
User fees.....	-	5,061,729	5,061,729
Departmental and other.....	498,449	-	498,449
Intergovernmental.....	4,293,864	-	4,293,864
Loans.....	138,837	-	138,837
Tax foreclosures.....	396,784	-	396,784
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	201,350	-	201,350
Intergovernmental.....	2,915,917	-	2,915,917
Loans.....	555,349	-	555,349
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	28,752,766	2,954	28,755,720
Depreciable.....	<u>123,481,266</u>	<u>24,783,773</u>	<u>148,265,039</u>
TOTAL ASSETS.....	<u>260,855,142</u>	<u>42,874,596</u>	<u>303,729,738</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	29,361	-	29,361
Deferred outflows related to pensions.....	<u>6,227,073</u>	<u>366,444</u>	<u>6,593,517</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>6,256,434</u>	<u>366,444</u>	<u>6,622,878</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,397,894	201,705	2,599,599
Accrued payroll.....	4,213,078	53,764	4,266,842
Tax refunds payable.....	450,000	-	450,000
Accrued interest.....	483,086	-	483,086
Payroll withholdings.....	1,223,312	-	1,223,312
Abandoned property.....	5,578	-	5,578
Customer deposits payable.....	95,495	-	95,495
Compensated absences.....	3,212,000	80,000	3,292,000
Workers' compensation.....	104,000	-	104,000
Bonds payable.....	8,527,039	1,520,716	10,047,755
NONCURRENT:			
Compensated absences.....	1,708,000	70,000	1,778,000
Workers' compensation.....	49,000	-	49,000
Net pension liability.....	118,898,604	6,996,824	125,895,428
Other postemployment benefits.....	62,508,998	1,015,871	63,524,869
Bonds payable.....	<u>58,794,822</u>	<u>7,628,200</u>	<u>66,423,022</u>
TOTAL LIABILITIES.....	<u>262,670,906</u>	<u>17,567,080</u>	<u>280,237,986</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	136,984	-	136,984
Deferred inflows related to pensions.....	<u>1,331,369</u>	<u>78,347</u>	<u>1,409,716</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,468,353</u>	<u>78,347</u>	<u>1,546,700</u>
NET POSITION			
Net investment in capital assets.....	103,704,315	17,852,129	121,556,444
Restricted for:			
Loans.....	694,186	-	694,186
Permanent funds:			
Expendable.....	7,323,646	-	7,323,646
Nonexpendable.....	4,827,300	-	4,827,300
Gifts and grants.....	4,790,800	-	4,790,800
Community preservation.....	1,564,212	-	1,564,212
Unrestricted.....	<u>(119,932,142)</u>	<u>7,743,484</u>	<u>(112,188,658)</u>
TOTAL NET POSITION.....	<u>\$ 2,972,317</u>	<u>\$ 25,595,613</u>	<u>\$ 28,567,930</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

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.....	\$ 11,984,655	\$ 2,268,154	\$ 79,447	\$ -	\$ (9,637,054)
Public safety.....	27,170,555	4,795,099	161,370	-	(22,214,086)
Education.....	100,991,589	3,410,682	27,595,657	-	(69,985,250)
Public works.....	12,652,291	680,871	143,663	930,611	(10,897,146)
Community development.....	3,428,730	1,424,574	2,092,729	-	88,573
Human services.....	2,254,316	299,431	642,289	-	(1,312,596)
Library.....	3,905,708	88,480	63,337	-	(3,753,891)
Culture and recreation.....	1,286,389	1,191,860	104,251	-	9,722
Interest.....	1,529,365	-	85,737	-	(1,443,628)
Total Governmental Activities.....	165,203,598	14,159,151	30,968,480	930,611	(119,145,356)
<i>Business-Type Activities:</i>					
Water and Sewer.....	18,063,661	14,332,631	-	750,000	(2,981,030)
Youth Services.....	585,950	270,051	190,562	-	(125,337)
Council on Aging.....	114,109	17,551	37,029	-	(59,529)
Ed Burns Arena.....	632,989	603,721	-	-	(29,268)
Recreation.....	664,753	770,213	-	-	105,460
Total Business-Type Activities.....	20,061,462	15,994,167	227,591	750,000	(3,089,704)
Total Primary Government.....	\$ 185,265,060	\$ 30,153,318	\$ 31,196,071	\$ 1,680,611	\$ (122,235,060)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (119,145,356)	\$ (3,089,704)	\$ (122,235,060)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	108,629,550	-	108,629,550
Tax liens.....	449,555	-	449,555
Motor vehicle excise taxes.....	5,021,825	-	5,021,825
Hotel/motel tax.....	363,125	-	363,125
Meals tax.....	409,308	-	409,308
Penalties and interest on taxes.....	388,691	-	388,691
Grants and contributions not restricted to specific programs.....	7,660,494	-	7,660,494
Unrestricted investment income.....	75,230	65,679	140,909
<i>Transfers, net</i>	<u>(5,878,430)</u>	<u>5,878,430</u>	<u>-</u>
Total general revenues and transfers.....	<u>117,119,348</u>	<u>5,944,109</u>	<u>123,063,457</u>
Change in net position.....	(2,026,008)	2,854,405	828,397
<i>Net Position:</i>			
Beginning of year.....	<u>4,998,325</u>	<u>22,741,208</u>	<u>27,739,533</u>
End of year.....	\$ <u><u>2,972,317</u></u>	\$ <u><u>25,595,613</u></u>	\$ <u><u>28,567,930</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 54,313,385	\$ 14,638,270	\$ 17,387,053	\$ 86,338,708
Investments.....	-	-	11,909,535	11,909,535
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	12,670	-	-	12,670
Real estate tax deferrals.....	251,687	-	-	251,687
Tax liens.....	1,016,094	-	-	1,016,094
Motor vehicle excise taxes.....	293,216	-	-	293,216
Departmental and other.....	498,449	-	-	498,449
Intergovernmental.....	5,373,385	-	1,836,396	7,209,781
Loans.....	-	-	694,186	694,186
Tax foreclosures.....	396,784	-	-	396,784
TOTAL ASSETS.....	\$ 62,155,670	\$ 14,638,270	\$ 31,827,170	\$ 108,621,110
LIABILITIES				
Warrants payable.....	\$ 878,123	\$ 1,219,511	\$ 300,260	\$ 2,397,894
Accrued payroll.....	4,066,509	-	146,569	4,213,078
Tax refunds payable.....	450,000	-	-	450,000
Liabilities due depositors.....	95,495	-	-	95,495
Payroll withholdings.....	1,223,312	-	-	1,223,312
Abandoned property.....	5,578	-	-	5,578
TOTAL LIABILITIES.....	6,719,017	1,219,511	446,829	8,385,357
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	7,842,285	-	2,277,882	10,120,167
Taxes paid in advance.....	136,984	-	-	136,984
TOTAL DEFERRED INFLOWS OF RESOURCES.....	7,979,269	-	2,277,882	10,257,151
FUND BALANCES				
Nonspendable.....	-	-	4,827,300	4,827,300
Restricted.....	3,563,902	13,418,759	24,275,159	41,257,820
Committed.....	353,626	-	-	353,626
Assigned.....	8,308,109	-	-	8,308,109
Unassigned.....	35,231,747	-	-	35,231,747
TOTAL FUND BALANCES.....	47,457,384	13,418,759	29,102,459	89,978,602
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 62,155,670	\$ 14,638,270	\$ 31,827,170	\$ 108,621,110

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....		\$ 89,978,602
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		152,234,032
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		10,120,167
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.....		4,895,704
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(483,086)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(65,089,000)	
Unamortized premium on bonds payable.....	(2,232,861)	
Workers' compensation.....	(153,000)	
Compensated absences.....	(4,920,000)	
Net pension liability.....	(118,898,604)	
Other postemployment benefits.....	<u>(62,508,998)</u>	
Net effect of reporting long-term liabilities.....		(253,802,463)
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>29,361</u>
Net position of governmental activities.....		<u>\$ 2,972,317</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 107,136,615	\$ -	\$ 1,563,920	\$ 108,700,535
Tax liens.....	449,555	-	-	449,555
Motor vehicle excise taxes.....	4,952,881	-	-	4,952,881
Hotel/motel tax.....	363,125	-	-	363,125
Meals tax.....	409,308	-	-	409,308
Fees and rentals.....	749,189	-	175,239	924,428
Intergovernmental.....	29,604,932	-	9,861,854	39,466,786
Departmental and other.....	4,204,530	-	11,686,944	15,891,474
Contributions.....	372	-	266,087	266,459
Investment income (loss).....	230,237	89	(153,555)	76,771
TOTAL REVENUES.....	148,100,744	89	23,400,489	171,501,322
EXPENDITURES:				
Current:				
General government.....	4,463,201	546,198	1,311,592	6,320,991
Public safety.....	14,970,548	5,769,829	2,111,469	22,851,846
Education.....	57,843,805	2,631,019	11,059,760	71,534,584
Public works.....	8,474,878	1,332,706	1,401,376	11,208,960
Community development.....	647,060	2,781	2,412,261	3,062,102
Human services.....	1,049,000	97,657	755,550	1,902,207
Library.....	2,199,394	14,534	317,874	2,531,802
Culture and recreation.....	7,968	421,663	1,058,493	1,488,124
Pension benefits.....	17,650,987	-	-	17,650,987
Property and liability insurance.....	328,044	-	-	328,044
Employee benefits.....	15,918,197	-	-	15,918,197
State and county charges.....	3,089,181	-	-	3,089,181
Debt service:				
Principal.....	7,268,000	-	555,000	7,823,000
Interest.....	1,862,553	-	119,675	1,982,228
TOTAL EXPENDITURES.....	135,772,816	10,816,387	21,103,050	167,692,253
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	12,327,928	(10,816,298)	2,297,439	3,809,069
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	19,319,000	-	19,319,000
Issuance of refunding bonds.....	3,225,000	-	-	3,225,000
Premium from issuance of bonds.....	767,947	-	-	767,947
Premium from issuance of refunding bonds.....	197,395	-	-	197,395
Payment to refunded bond escrow agent.....	(3,422,395)	-	-	(3,422,395)
Transfers in.....	905,362	-	2,441,898	3,347,260
Transfers out.....	(8,076,959)	(120,000)	(1,028,731)	(9,225,690)
TOTAL OTHER FINANCING SOURCES (USES)....	(6,403,650)	19,199,000	1,413,167	14,208,517
NET CHANGE IN FUND BALANCES.....	5,924,278	8,382,702	3,710,606	18,017,586
FUND BALANCES AT BEGINNING OF YEAR.....	41,533,106	5,036,057	25,391,853	71,961,016
FUND BALANCES AT END OF YEAR.....	\$ 47,457,384	\$ 13,418,759	\$ 29,102,459	\$ 89,978,602

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, 2016

Net change in fund balances - total governmental funds.....		\$ 18,017,586
<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.....	10,853,054	
Depreciation expense.....	<u>(6,145,084)</u>	
Net effect of reporting capital assets.....		4,707,970
<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>		
		(2,445,302)
<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.....	(19,319,000)	
Premium from issuance of bonds, net of issue costs.....	(767,947)	
Debt service principal payments.....	7,823,000	
Proceeds from refunding bonds.....	(3,225,000)	
Payment to refunded bond escrow agent.....	3,422,395	
Premium from issuance of refunding costs, net of issue costs.....	<u>(72,395)</u>	
Net effect of reporting long-term debt.....		(12,138,947)
Net change in accrued interest on long-term debt.....	79,513	
Amortization of bond premiums.....	277,634	
Amortization of deferred charge on refunding.....	<u>(29,284)</u>	
Net effect of reporting other debt related activity.....		327,863
<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.....	609,000	
Net change in deferred outflow/(inflow) of resources related to pensions.....	4,892,579	
Net change in net pension liability.....	(6,838,955)	
Net change in other postemployment benefits accrual.....	(9,170,802)	
Net change in workers' compensation accrual.....	<u>13,000</u>	
Net effect of recording long-term liabilities.....		<u>(10,495,178)</u>
Change in net position of governmental activities.....		<u>\$ (2,026,008)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 12,114,776	\$ 57,220	\$ 85,583
Receivables, net of allowance for uncollectibles:			
User fees.....	5,061,729	-	-
Total current assets.....	17,176,505	57,220	85,583
NONCURRENT:			
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	2,954	-	-
Depreciable.....	22,758,252	-	16,526
Total noncurrent assets.....	22,761,206	-	16,526
TOTAL ASSETS.....	39,937,711	57,220	102,109
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	366,444	-	-
LIABILITIES			
CURRENT:			
Warrants payable.....	192,808	6,558	2,260
Accrued payroll.....	14,174	5,970	1,071
Compensated absences.....	68,000	-	-
Bonds payable.....	1,370,716	-	-
Total current liabilities.....	1,645,698	12,528	3,331
NONCURRENT:			
Compensated absences.....	56,000	-	-
Net pension liability.....	6,996,824	-	-
Other postemployment benefits.....	1,015,871	-	-
Bonds payable.....	6,868,200	-	-
Total noncurrent liabilities.....	14,936,895	-	-
TOTAL LIABILITIES.....	16,582,593	12,528	3,331
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	78,347	-	-
NET POSITION			
Net investment in capital assets.....	16,736,608	-	16,526
Unrestricted.....	6,906,607	44,692	82,252
TOTAL NET POSITION.....	\$ 23,643,215	\$ 44,692	\$ 98,778

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	358,571	\$ 409,990	\$ 13,026,140
	-	-	5,061,729
	358,571	409,990	18,087,869
	-	-	2,954
	1,027,130	981,865	24,783,773
	1,027,130	981,865	24,786,727
	1,385,701	1,391,855	42,874,596
	-	-	366,444
	79	-	201,705
	4,573	27,976	53,764
	12,000	-	80,000
	150,000	-	1,520,716
	166,652	27,976	1,856,185
	14,000	-	70,000
	-	-	6,996,824
	-	-	1,015,871
	760,000	-	7,628,200
	774,000	-	15,710,895
	940,652	27,976	17,567,080
	-	-	78,347
	117,130	981,865	17,852,129
	327,919	382,014	7,743,484
\$	<u>445,049</u>	<u>\$ 1,363,879</u>	<u>\$ 25,595,613</u>

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
OPERATING REVENUES:			
Charges for services.....	\$ 14,332,631	\$ 270,051	\$ 17,551
Intergovernmental.....	-	190,562	37,029
TOTAL OPERATING REVENUES.....	14,332,631	460,613	54,580
OPERATING EXPENSES:			
Salaries and wages.....	1,737,453	371,960	79,219
Cost of services and administration.....	1,156,737	213,990	29,381
MWRA Assessment.....	12,424,248	-	-
Depreciation.....	813,960	-	5,509
Employee benefits.....	1,778,613	-	-
TOTAL OPERATING EXPENSES.....	17,911,011	585,950	114,109
OPERATING INCOME (LOSS).....	(3,578,380)	(125,337)	(59,529)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	65,679	-	-
Interest expense.....	(152,650)	-	-
TOTAL NONOPERATING REVENUES, (EXPENSES), NET.....	(86,971)	-	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(3,665,351)	(125,337)	(59,529)
CAPITAL CONTRIBUTIONS.....	750,000	-	-
TRANSFERS:			
Transfers in.....	5,656,042	127,356	35,622
Transfers out.....	-	-	-
TOTAL TRANSFERS.....	5,656,042	127,356	35,622
CHANGE IN NET POSITION.....	2,740,691	2,019	(23,907)
NET POSITION AT BEGINNING OF YEAR.....	20,902,524	42,673	122,685
NET POSITION AT END OF YEAR.....	\$ 23,643,215	\$ 44,692	\$ 98,778

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	603,721	\$ 770,213	\$ 15,994,167
	-	-	227,591
	<u>603,721</u>	<u>770,213</u>	<u>16,221,758</u>
	261,017	316,176	2,765,825
	203,057	227,733	1,830,898
	-	-	12,424,248
	89,583	67,700	976,752
	<u>58,776</u>	<u>53,144</u>	<u>1,890,533</u>
	<u>612,433</u>	<u>664,753</u>	<u>19,888,256</u>
	<u>(8,712)</u>	<u>105,460</u>	<u>(3,666,498)</u>
	-	-	65,679
	<u>(20,556)</u>	<u>-</u>	<u>(173,206)</u>
	<u>(20,556)</u>	<u>-</u>	<u>(107,527)</u>
	<u>(29,268)</u>	<u>105,460</u>	<u>(3,774,025)</u>
	<u>-</u>	<u>-</u>	<u>750,000</u>
	56,450	2,960	5,878,430
	-	-	-
	<u>56,450</u>	<u>2,960</u>	<u>5,878,430</u>
	27,182	108,420	2,854,405
	<u>417,867</u>	<u>1,255,459</u>	<u>22,741,208</u>
\$	<u><u>445,049</u></u>	\$ <u><u>1,363,879</u></u>	\$ <u><u>25,595,613</u></u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	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.....	\$ 14,949,784	\$ 270,051	\$ 17,551
Receipts from other governments.....	-	190,562	37,029
Payments to vendors.....	(15,380,590)	(213,205)	(27,314)
Payments to employees.....	(1,732,753)	(368,737)	(79,366)
NET CASH FROM OPERATING ACTIVITIES.....	(2,163,559)	(121,329)	(52,100)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	5,656,042	127,356	35,622
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	1,150,000	-	-
Capital contributions.....	750,000	-	-
Acquisition and construction of capital assets.....	(2,026,584)	-	-
Principal payments on bonds and notes.....	(1,380,316)	-	-
Interest expense.....	(152,650)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,659,550)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	65,679	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,898,612	6,027	(16,478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	10,216,164	51,193	102,061
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 12,114,776	\$ 57,220	\$ 85,583
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (3,578,380)	\$ (125,337)	\$ (59,529)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	813,960	-	5,509
Changes in assets and liabilities:			
User fees.....	617,153	-	-
Warrants payable.....	110,845	785	2,067
Accrued payroll.....	6,700	3,223	(147)
Accrued compensated absences.....	(2,000)	-	-
Net pension liability.....	(2,828)	-	-
Deferred (outflows)/inflows related to pensions.....	(287,902)	-	-
Other postemployment benefits.....	158,893	-	-
Total adjustments.....	1,414,821	4,008	7,429
NET CASH FROM OPERATING ACTIVITIES.....	\$ (2,163,559)	\$ (121,329)	\$ (52,100)

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	603,721	\$ 770,213	\$ 16,611,320
	-	-	227,591
	(262,041)	(282,203)	(16,165,353)
	<u>(258,025)</u>	<u>(291,458)</u>	<u>(2,730,339)</u>
	83,655	196,552	(2,056,781)
	<u>56,450</u>	<u>2,960</u>	<u>5,878,430</u>
	275,000	-	1,425,000
	-	-	750,000
	-	-	(2,026,584)
	(115,000)	-	(1,495,316)
	<u>(20,556)</u>	<u>-</u>	<u>(173,206)</u>
	139,444	-	(1,520,106)
	<u>-</u>	<u>-</u>	<u>65,679</u>
	279,549	199,512	2,367,222
	<u>79,022</u>	<u>210,478</u>	<u>10,658,918</u>
\$	<u>358,571</u>	<u>409,990</u>	<u>13,026,140</u>
\$	<u>(8,712)</u>	<u>105,460</u>	<u>(3,666,498)</u>
	89,583	67,700	976,752
	-	-	617,153
	(208)	(1,326)	112,163
	2,992	24,718	37,486
	-	-	(2,000)
	-	-	(2,828)
	-	-	(287,902)
	<u>-</u>	<u>-</u>	<u>158,893</u>
	<u>92,367</u>	<u>91,092</u>	<u>1,609,717</u>
\$	<u>83,655</u>	<u>196,552</u>	<u>(2,056,781)</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 5,127,093	\$ -	\$ 426,493	\$ 43,317
Investments:				
U.S. Treasury Bonds.....	-	-	632,164	-
Corporate Bonds.....	-	-	1,279,780	-
Equity Mutual Funds.....	3,523,725	9,184,192	-	-
Equity Securities.....	-	-	3,387,413	-
Real Estate Investment Trusts.....	-	-	129,424	-
PRIT.....	124,279,861	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	339,446	-	-	-
Interest and dividends.....	1,043	-	-	-
TOTAL ASSETS.....	133,271,168	9,184,192	5,855,274	43,317
LIABILITIES				
Warrants payable.....	-	-	-	283
Liabilities due depositors.....	-	-	-	43,034
TOTAL LIABILITIES.....	-	-	-	43,317
NET POSITION				
Restricted for pensions.....	133,271,168	-	-	-
Held in trust for OPEB benefits.....	-	9,184,192	-	-
Held in trust for other purposes.....	-	-	5,855,274	-
Net position.....	\$ 133,271,168	\$ 9,184,192	\$ 5,855,274	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 10,546,215	\$ 960,800	\$ -
Member contributions.....	3,458,362	-	-
Member contributions - transfers from other systems.....	351,950	-	-
Retirement benefits - 3(8)c contributions from other systems.....	468,962	-	-
Private donations.....	-	-	482,405
Total contributions.....	14,825,489	960,800	482,405
Net investment income (loss):			
Net change in fair value of investments.....	2,163,952	(154,264)	(236,019)
Investment income.....	9,408	-	135,636
Total investment income (loss).....	2,173,360	(154,264)	(100,383)
Less: investment expense.....	(713,710)	-	-
Net investment income (loss).....	1,459,650	(154,264)	(100,383)
Retirement benefits - workers' compensation settlements.....	9,600	-	-
Retirement benefits - state COLA reimbursements.....	157,283	-	-
TOTAL ADDITIONS.....	16,452,022	806,536	382,022
DEDUCTIONS:			
Administration.....	291,048	-	-
Retirement benefits - transfers to other systems.....	509,354	-	-
Retirement benefits - 3(8)c transfers to other systems.....	246,541	-	-
Retirement benefits and refunds.....	17,247,592	-	-
Human services.....	-	-	13,976
Educational scholarships.....	-	-	779,292
TOTAL DEDUCTIONS.....	18,294,535	-	793,268
CHANGE IN NET POSITION.....	(1,842,513)	806,536	(411,246)
NET POSITION AT BEGINNING OF YEAR.....	135,113,681	8,377,656	6,266,520
NET POSITION AT END OF YEAR.....	\$ 133,271,168	\$ 9,184,192	\$ 5,855,274

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 Town 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 27 Maple Street, Suite G-11, Arlington, Massachusetts 02476.

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 2016 assessment was \$4,010,950.

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 and report assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Town's agency fund consists of escrow accounts, performance bonds and fees collected on behalf of other governments.

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. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. 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.

G. 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.

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.

"Community Preservation" represents amounts held for uses restricted by law for community preservation purposes.

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.

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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.

R. 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 \$9.2 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 \$61,978,860 and the bank balance totaled \$64,860,545. Of the bank balance, \$7,480,158 was covered by Federal Depository Insurance, \$13,934,744 was covered by Depositors Insurance Fund, and \$43,445,643 was fully collateralized. Accordingly, none of the Town’s deposits are exposed to custodial credit risk.

At December 31, 2015, carrying amount of deposits for the Pension System totaled \$36,484 and the bank balance totaled \$552,443. 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, 2016, 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.....	\$ 2,018,992	\$ -	\$ 899,338	\$ 630,497	\$ 489,157
Corporate Bonds.....	4,087,332	120,575	1,247,478	1,302,352	1,416,927
Total Debt Securities.....	6,106,324	\$ 120,575	\$ 2,146,816	\$ 1,932,849	\$ 1,906,084
<u>Other Investments:</u>					
Mutual Funds.....	9,184,192				
Equity Securities.....	10,818,642				
Real Estate Investment Trusts.....	413,350				
Money Market Mutual Funds.....	1,103,436				
MMDT.....	36,752,363				
Total Investments.....	\$ 64,378,307				

As of December 31, 2015, the Pension System had the following investments:

PRIT.....	\$	124,279,861
Money Market Mutual Funds.....		5,090,609
Equity Mutual Funds.....		<u>3,523,725</u>
Total Investments.....	\$	<u><u>132,894,195</u></u>

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 0.14 to 24.23 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, 2016, the Town’s investments in MMDT which totaled \$36,752,363 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 \$10,818,642 and \$413,350 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, 2015, the System’s investments in PRIT and open-end mutual funds totaling \$132,894,195 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, 2016, the Town’s investments were rated as follows:

Quality Ratings	Corporate Bonds	U.S. Treasury Bonds
AAA.....	\$ 329,904	\$ 2,018,992
AA+.....	471,545	-
AA.....	377,728	-
AA-.....	297,144	-
A+.....	409,920	-
A.....	89,550	-
A-.....	569,804	-
BBB+.....	830,815	-
BBB.....	471,243	-
BBB-.....	131,260	-
B+.....	108,419	-
Fair Value.....	<u>\$ 4,087,332</u>	<u>\$ 2,018,992</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%

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
<u>Debt Securities:</u>				
U.S. Treasury Bonds.....	\$ 2,018,992	\$ 2,018,992	\$ -	\$ -
Corporate Bonds.....	4,087,332	-	4,087,332	-
Total debt securities.....	6,106,324	2,018,992	4,087,332	-
<u>Other investments:</u>				
Mutual Funds.....	9,184,192	9,184,192	-	-
Equity Securities.....	10,818,642	10,818,642	-	-
Real Estate Investment Trusts.....	413,350	-	-	413,350
Money Market Mutual Funds.....	1,103,436	1,103,436	-	-
Total other investments.....	21,519,620	21,106,270	-	413,350
Total investments by fair value level.....	27,625,944	\$ 23,125,262	\$ 4,087,332	\$ 413,350
Investments measured at amortized cost:				
MMDT.....	36,752,363			
Total investments.....	\$ 64,378,307			

U.S. treasury bonds, mutual funds, equity securities, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Real estate investment trusts classified in Level 3 are valued using either a discounted cash flow or market comparable companies technique.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Retirement System

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan’s activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2015:

Investment Type	12/31/15	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
<u>Other investments:</u>				
Money market mutual funds.....	\$ 5,090,609	\$ 5,090,609	\$ -	\$ -
Equity mutual funds.....	<u>3,523,725</u>	<u>3,523,725</u>	<u>-</u>	<u>-</u>
Total investments by fair value level.....	<u>8,614,334</u>	<u>\$ 8,614,334</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
PRIT.....	<u>124,279,861</u>			
Total investments.....	<u>\$ 132,894,195</u>			

Money market mutual funds and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

PRIT investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment pool are the same as the value of each pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2016, 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.....	\$ 12,670	\$ -	\$ 12,670
Real estate tax deferrals.....	251,687	-	251,687
Tax liens.....	1,016,094	-	1,016,094
Motor vehicle excise taxes.....	373,019	(79,803)	293,216
Departmental and other.....	498,863	(414)	498,449
Intergovernmental.....	7,209,781	-	7,209,781
Loans.....	694,186	-	694,186
Total.....	<u>\$ 10,056,300</u>	<u>\$ (80,217)</u>	<u>\$ 9,976,083</u>

At June 30, 2016, receivables for the proprietary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer fees.....	\$ 5,061,729	\$ -	\$ 5,061,729

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.....	\$ 12,670	\$ -	\$ 12,670
Real estate tax deferrals.....	251,687	-	251,687
Tax liens.....	1,016,094	-	1,016,094
Motor vehicle excise taxes.....	293,216	-	293,216
Departmental and other.....	498,449	-	498,449
State school construction funds.....	5,373,385	-	5,373,385
Intergovernmental.....	-	1,583,696	1,583,696
Loans.....	-	694,186	694,186
Tax foreclosures.....	396,784	-	396,784
Total.....	<u>\$ 7,842,285</u>	<u>\$ 2,277,882</u>	<u>\$ 10,120,167</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, 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.....	12,638,818	6,136,846	(548,491)	18,227,173
Total capital assets not being depreciated.....	<u>23,164,411</u>	<u>6,136,846</u>	<u>(548,491)</u>	<u>28,752,766</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	130,252,604	-	(41,478)	130,211,126
Improvements.....	18,632,856	2,657,462	(152,905)	21,137,413
Vehicles and equipment.....	12,714,265	823,727	(1,852,278)	11,685,714
Infrastructure.....	73,511,968	1,783,510	-	75,295,478
Total capital assets being depreciated.....	<u>235,111,693</u>	<u>5,264,699</u>	<u>(2,046,661)</u>	<u>238,329,731</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(51,116,955)	(2,491,125)	41,478	(53,566,602)
Improvements.....	(5,495,757)	(1,017,061)	152,905	(6,359,913)
Vehicles and equipment.....	(8,387,453)	(1,083,518)	1,852,278	(7,618,693)
Infrastructure.....	(45,749,877)	(1,553,380)	-	(47,303,257)
Total accumulated depreciation.....	<u>(110,750,042)</u>	<u>(6,145,084)</u>	<u>2,046,661</u>	<u>(114,848,465)</u>
Total capital assets being depreciated, net.....	<u>124,361,651</u>	<u>(880,385)</u>	<u>-</u>	<u>123,481,266</u>
Total governmental activities capital assets, net.....	<u>\$ 147,526,062</u>	<u>\$ 5,256,461</u>	<u>\$ (548,491)</u>	<u>\$ 152,234,032</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,954	\$ -	\$ -	\$ 2,954
<u>Capital assets being depreciated:</u>				
Buildings.....	730,566	-	-	730,566
Improvements.....	2,559,803	-	(47,600)	2,512,203
Vehicles and equipment.....	3,506,412	73,078	(62,664)	3,516,826
Infrastructure.....	25,226,026	1,953,506	-	27,179,532
Total capital assets being depreciated.....	32,022,807	2,026,584	(110,264)	33,939,127
<u>Less accumulated depreciation for:</u>				
Buildings.....	(246,746)	(15,119)	-	(261,865)
Improvements.....	(576,463)	(145,036)	47,600	(673,899)
Vehicles and equipment.....	(1,806,035)	(310,018)	62,664	(2,053,389)
Infrastructure.....	(5,659,622)	(506,579)	-	(6,166,201)
Total accumulated depreciation.....	(8,288,866)	(976,752)	110,264	(9,155,354)
Total capital assets being depreciated, net.....	23,733,941	1,049,832	-	24,783,773
Total business-type activities capital assets, net.....	\$ 23,736,895	\$ 1,049,832	\$ -	\$ 24,786,727

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

Governmental Activities:

General government.....	\$ 339,282
Public safety.....	716,549
Education.....	2,564,596
Public works.....	2,029,226
Property and natural resources.....	121,291
Community development.....	77,215
Human services.....	19,846
Library.....	192,137
Culture and recreation.....	84,942

Total depreciation expense - governmental activities..... \$ 6,145,084

Business-Type Activities:

Water and sewer.....	\$ 813,960
Council on aging.....	5,509
Ed Burns Arena.....	89,583
Recreation.....	67,700

Total depreciation expense - business-type activities..... \$ 976,752

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Transfers In:	Transfers Out:			Total	
	General Fund	Capital Borrowing Fund	Nonmajor Governmental Funds		
General Fund.....	\$ -	\$ 120,000	\$ 785,362	\$ 905,362	(1)
Nonmajor Governmental Funds.....	2,198,529	-	243,369	2,441,898	(2)
Water and Sewer Enterprise Fund.....	5,656,042	-	-	5,656,042	(3)
Youth Services Enterprise Fund.....	127,356	-	-	127,356	(3)
Council On Aging Enterprise Fund.....	35,622	-	-	35,622	(3)
Ed Burns Arena Enterprise Fund.....	56,450	-	-	56,450	(3)
Recreation Enterprise Fund.....	2,960	-	-	2,960	(3)
Totals.....	\$ 8,076,959	\$ 120,000	\$ 1,028,731	\$ 9,225,690	

- (1) Represents budgeted transfers to the general fund from the capital borrowing major fund, the ambulance revolving, antenna revolving, and central school to fund the operating budget. Also represents transfers to the general fund from the cemetery perpetual care, central school, conservation commission, and recycling revolving.
- (2) 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, and a transfer to the employee insurance mitigation fund. Also represents transfers within nonmajor governmental funds.
- (3) 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.

Subsequent to year end the Town issued \$25.7 million in long-term general obligation bonds which were used, in part, to permanently finance the \$15.2 million in BANs that were outstanding as of June 30, 2016. These BANs have been reported as long-term debt in the Town’s financial statements as of June 30, 2016.

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
BAN	Bond Anticipation Note.....	2.00	11/10/16	\$ -	\$ 9,232,000	\$ (9,232,000)	\$ -
BAN	Bond Anticipation Note.....	2.00	11/10/16	-	6,000,000	(6,000,000)	-
Total.....				\$ -	\$ 15,232,000	\$ (15,232,000)	\$ -

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, 2016, 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, 2015	Issued	Redeemed	Outstanding at June 30, 2016
GOB Refunding - 2005.....	2017	\$ 3,100,000	3.00-5.00	\$ 830,000	\$ -	\$ (405,000)	\$ 425,000
GOB Refunding - 2005.....	2017	2,630,000	3.00-5.00	535,000	-	(270,000)	265,000
Municipal Purpose - 2005.....	2021	5,171,000	2.80-4.13	1,280,000	-	(1,280,000)	-
Municipal Purpose - 2006.....	2026	3,320,952	4.00-5.50	2,950,000	-	(2,650,000)	300,000
Municipal Purpose - 2007.....	2018	3,102,000	3.75-4.75	675,000	-	(225,000)	450,000
GOB Refunding - 2007.....	2018	11,690,000	3.75-5.00	3,480,000	-	(1,265,000)	2,215,000
Municipal Purpose - 2007.....	2018	100,000	3.75-4.5	30,000	-	(10,000)	20,000
Municipal Purpose - 2008.....	2019	3,875,000	3.00-3.62	760,000	-	(190,000)	570,000
Symmes Property.....	2022	5,262,000	2.00-4.00	3,300,000	-	(425,000)	2,875,000
Municipal Purpose - 2009.....	2020	2,482,000	2.00-3.00	1,075,000	-	(215,000)	860,000
Municipal Purpose - 2010.....	2031	7,258,000	2.00-4.00	5,160,000	-	(515,000)	4,645,000
Symmes Property - taxable.....	2019	840,000	2.00-2.50	440,000	-	(130,000)	310,000
Symmes Property.....	2022	470,000	2.00-3.00	470,000	-	-	470,000
Municipal Purpose - 2012.....	2022	1,329,000	2.00-3.00	615,000	-	(190,000)	425,000
GOB Refunding - 2012.....	2021	6,311,000	2.00-3.00	4,085,000	-	(715,000)	3,370,000
Municipal Purpose - 2013.....	2033	12,132,000	2.00-5.00	10,110,000	-	(855,000)	9,255,000
GOB Refunding - 2013.....	2024	2,205,000	2.00-3.00	1,910,000	-	(280,000)	1,630,000
Municipal Purpose - 2014.....	2034	5,551,000	3.00-3.75	4,995,000	-	(515,000)	4,480,000
Municipal Purpose - 2015.....	2035	11,018,000	2.00-4.00	11,018,000	-	(1,038,000)	9,980,000
Municipal Purpose - 2016.....	2030	4,087,000	2.25-5.00	-	4,087,000	-	4,087,000
GOB Refunding - 2016.....	2025	3,225,000	2.00-4.00	-	3,225,000	-	3,225,000
Municipal Purpose - 2017.....	2045	15,232,000	2.00-3.00	-	15,232,000	-	15,232,000
Total bonds payable.....				53,718,000	22,544,000	(11,173,000)	65,089,000
Add: unamortized premium.....				1,742,548	767,947	(277,634)	2,232,861
Total bonds payable, net.....				\$ 55,460,548	\$ 23,311,947	\$ (11,450,634)	\$ 67,321,861

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>
2017.....	\$ 8,002,000	\$ 1,689,928	\$ 9,691,928
2018.....	7,393,531	2,094,564	9,488,095
2019.....	5,875,013	1,579,354	7,454,367
2020.....	5,325,013	1,368,880	6,693,893
2021.....	4,717,598	1,182,262	5,899,860
2022.....	3,662,598	1,025,341	4,687,939
2023.....	2,937,598	900,251	3,837,849
2024.....	2,732,598	799,774	3,532,372
2025.....	2,482,598	714,409	3,197,007
2026.....	2,417,598	637,580	3,055,178
2027.....	2,082,598	571,139	2,653,737
2028.....	2,077,598	509,627	2,587,225
2029.....	2,027,598	446,324	2,473,922
2030.....	1,932,598	382,583	2,315,181
2031.....	1,912,598	322,262	2,234,860
2032.....	1,507,598	268,365	1,775,963
2033.....	1,507,598	220,449	1,728,047
2034.....	1,072,598	181,024	1,253,622
2035.....	907,598	150,756	1,058,354
2036.....	557,598	128,775	686,373
2037.....	557,598	112,044	669,642
2038.....	407,698	97,563	505,261
2039.....	407,698	85,332	493,030
2040.....	407,698	73,103	480,801
2041.....	407,698	60,872	468,570
2042.....	407,698	48,640	456,338
2043.....	407,698	36,154	443,852
2044.....	407,698	23,414	431,112
2045.....	407,698	10,674	418,372
2046.....	137,693	2,151	139,844
Totals.....	<u>\$ 65,089,000</u>	<u>\$ 15,723,594</u>	<u>\$ 80,812,594</u>

In order to take advantage of favorable interest rates, the Town issued \$3,225,000 of General Obligation Refunding Bonds on November 13, 2015. A portion of the proceeds of the refunding bonds, along with the premium, were placed in an irrevocable trust and used to complete a current refunding of \$1,000,000 of existing debt. As a result of the transaction, the refunded bonds were paid down on the call date and the liability was removed from the statement of net position. This transaction resulted in an economic gain of \$62,851 and a reduction of \$67,682 in future debt service payments. In addition, \$2,350,000 of general obligation bonds were advance refunded by placing the remaining proceeds of the refunding bonds, along with the premium, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$245,434 and resulted in an economic gain of \$224,717. The differences between the refunding bonds issued and the carrying value of the existing debt was not material and was not deferred in the Town's financial statements.

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 2016, \$2,474,773 of such assistance was received. Approximately \$5,520,000 will be received in future years. Of this amount, approximately \$147,000 represents reimbursement of long-term interest costs, and approximately \$5,373,000 represents reimbursement of approved construction costs. Accordingly, a \$5,373,000 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.

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 \$447,000. 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, 2016, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose - 2006.....	2017	\$ 2,000,000	4.00-5.50	\$ 400,000	\$ -	\$ (200,000)	\$ 200,000
Water and Sewer Bonds - MWRA.....	2017	8,682,390	-	4,279,232	1,150,000	(820,316)	4,608,916
Municipal Purpose - 2012.....	2022	1,300,000	2.00-3.00	910,000	-	(130,000)	780,000
Municipal Purpose - 2013.....	2022	280,000	2.00-5.00	445,000	-	(30,000)	415,000
Municipal Purpose - 2014.....	2033	1,300,000	3.00-3.75	1,235,000	-	(65,000)	1,170,000
Municipal Purpose - 2015.....	2034	1,200,000	4.00	1,200,000	-	(135,000)	1,065,000
Total water and sewer enterprise fund bonds payable.....				\$ 8,469,232	\$ 1,150,000	\$ (1,380,316)	\$ 8,238,916

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>
2017.....	\$ 1,370,716	\$ 114,619	\$ 1,485,335
2018.....	1,150,300	97,619	1,247,919
2019.....	1,066,100	84,994	1,151,094
2020.....	880,600	72,494	953,094
2021.....	770,600	60,119	830,719
2022.....	765,600	47,969	813,569
2023.....	570,000	37,869	607,869
2024.....	485,000	29,969	514,969
2025.....	300,000	24,919	324,919
2026.....	205,000	22,454	227,454
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>8,238,916</u>	\$ <u>679,194</u>	\$ <u>8,918,110</u>

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose - 2009.....	2020	\$ 1,000,000	2.00-3.00	\$ 500,000	\$ -	\$ (100,000)	\$ 400,000
Municipal Purpose - 2013.....	2033	280,000	2.00-5.00	250,000	-	(15,000)	235,000
Municipal Purpose - 2016.....	2030	275,000	5.00	-	275,000	-	275,000
Total Veteran's rink enterprise fund bonds payable.....				\$ <u>750,000</u>	\$ <u>275,000</u>	\$ <u>(115,000)</u>	\$ <u>910,000</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>
2017.....	\$ 150,000	\$ 36,723	\$ 186,723
2018.....	145,000	25,306	170,306
2019.....	145,000	20,181	165,181
2020.....	145,000	14,931	159,931
2021.....	45,000	11,256	56,256
2022.....	45,000	9,156	54,156
2023.....	45,000	7,056	52,056
2024.....	45,000	5,106	50,106
2025.....	45,000	3,306	48,306
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>\$ 910,000</u>	<u>\$ 142,095</u>	<u>\$ 1,052,095</u>

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, 2016, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Thompson Elementary School.....	\$ 191,941
Stratton Elementary School.....	14,151,794
Pierce Field Turf Replacement.....	500,000
Road Repairs.....	115,000
Sewer.....	1,350,000
Water.....	3,100,000
School Department Computers and Software.....	549,350
Various Purposes.....	628,000
Community Safety Building Renovations.....	7,647,505
Fire Truck.....	1,200,000
Departmental Equipment.....	604,200
Public Works Vehicles.....	701,000
Public Works Facility.....	<u>1,050,000</u>
Total.....	<u>\$ 31,788,790</u>

Changes in long-term liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 53,718,000	\$ 22,544,000	\$ (11,173,000)	\$ 65,089,000	\$ 8,002,000
Add: Unamortized Premium.....	1,742,548	767,947	(277,634)	2,232,861	525,039
Total Long-Term Bonds.....	55,460,548	23,311,947	(11,450,634)	67,321,861	8,527,039
Net Pension Liability.....	112,059,649	16,410,768	(9,571,813)	118,898,604	-
Other Postemployment Benefits.....	53,338,196	16,994,417	(7,823,615)	62,508,998	-
Workers' Compensation.....	166,000	444,219	(457,219)	153,000	104,000
Compensated Absences.....	5,529,000	2,687,000	(3,296,000)	4,920,000	3,212,000
Total governmental activities.....	\$ <u>226,553,393</u>	\$ <u>59,848,351</u>	\$ <u>(32,599,281)</u>	\$ <u>253,802,463</u>	\$ <u>11,843,039</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 9,219,232	\$ 1,425,000	\$ (1,495,316)	\$ 9,148,916	\$ -
Net Pension Liability.....	6,999,652	560,444	(563,272)	6,996,824	-
Other Postemployment Benefits.....	856,978	232,807	(73,914)	1,015,871	-
Compensated Absences.....	152,000	75,000	(77,000)	150,000	80,000
Total business-type activities.....	\$ <u>17,227,862</u>	\$ <u>2,293,251</u>	\$ <u>(2,209,502)</u>	\$ <u>17,311,611</u>	\$ <u>80,000</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 \$24,043,000 and have been reported within the general fund as unassigned and the Town's municipal insurance funds totaling approximately \$3,564,000 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..... \$	-	-	4,827,300	\$ 4,827,300
Restricted for:				
Municipal insurance.....	3,563,902	-	-	3,563,902
Capital borrowing funds.....	-	13,418,759	-	13,418,759
Town revolving funds.....	-	-	1,903,811	1,903,811
Town gift and grant funds.....	-	-	1,835,716	1,835,716
School lunch.....	-	-	252,536	252,536
School revolving funds.....	-	-	1,590,570	1,590,570
School gift and grant funds.....	-	-	2,955,084	2,955,084
Receipts reserved for appropriation.....	-	-	553,568	553,568
Special revenue trust funds.....	-	-	763,377	763,377
Employee insurance mitigation funds.....	-	-	799,375	799,375
Other special revenue funds.....	-	-	1,759,341	1,759,341
Community Preservation fund.....	-	-	1,564,212	1,564,212
Symmes Property.....	-	-	673,461	673,461
Highway fund.....	-	-	139,751	139,751
Capital tax levy projects.....	-	-	1,856,002	1,856,002
Other capital projects.....	-	-	259,211	259,211
Cemeteries.....	-	-	647,380	647,380
Cemetery perpetual care.....	-	-	3,718,897	3,718,897
Libraries.....	-	-	2,830,297	2,830,297
Education permanent funds.....	-	-	172,570	172,570
Committed to:				
General government.....	344,118	-	-	344,118
Public safety.....	9,508	-	-	9,508
Assigned to:				
General government.....	219,301	-	-	219,301
Public safety.....	82,968	-	-	82,968
Education.....	2,795,929	-	-	2,795,929
Public works.....	576,192	-	-	576,192
Community development.....	19,120	-	-	19,120
Human services.....	2,810	-	-	2,810
Culture and recreation.....	38,393	-	-	38,393
Employee benefits.....	36,097	-	-	36,097
Balance the FY17 operating budget.....	4,537,299	-	-	4,537,299
Unassigned.....	35,231,747	-	-	35,231,747
TOTAL FUND BALANCES..... \$	<u>47,457,384</u>	<u>13,418,759</u>	<u>29,102,459</u>	<u>\$ 89,978,602</u>

NOTE 9 – STABILIZATION FUND

At June 30, 2016, the Town has approximately \$3 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. The Town also established a special education stabilization fund during fiscal year 2016, which has a balance of \$201,000.

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, 2016, the Fiscal Stability Fund has a balance of approximately \$20.9 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. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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. The estimate of the claims liability also includes amounts for nonincremental claim adjustment expenses.

At June 30, 2016, the amount of the liability for workers’ compensation claims totaled \$153,000. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at End of Year
2015.....	\$ 154,000	\$	484,299	\$	(472,299)	\$	166,000
2016.....	166,000		444,219		(457,219)		153,000

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, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$8,517,586 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 \$105,014,197 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, 2015, the ACRS membership consists of the following:

Active members.....	703
Inactive members.....	337
Retirees and beneficiaries currently receiving benefits.....	<u>601</u>
Total.....	<u><u>1,641</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, 2015, was \$10,546,215, 29.89% 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 \$10,098,704. The Town's actual contribution was \$10,135,085, which exceeded the required contribution by \$36,381. The excess contribution is related to a federal grant reimbursement.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2016, were as follows:

Total pension liability.....	\$ 264,252,964
The pension plan's fiduciary net position.....	<u>(133,271,168)</u>
Total net pension liability.....	<u>\$ 130,981,796</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	50.43%

At June 30, 2016, the Town reported a liability of \$125,896,045 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. 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, 2015, the Town's proportion was 96.13%, which changed by 0.01% from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$11,790,731. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$6,593,517, of which \$6,583,753 is from the net difference between projected and actual investment earnings on pension plan investments and \$9,764 is from changes in proportion and differences between employer contributions and proportionate share of contributions as of December 31, 2015. The Town also reported deferred inflows of resources related to pensions of \$1,409,716, which relates to reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The balances of deferred outflows and inflows at June 30, 2016, consist of the following:

<u>Deferred category:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ -	\$ (1,409,716)	\$ (1,409,716)
Difference between projected and actual investment earnings...	6,583,753	-	6,583,753
Changes in proportionate share of contributions.....	<u>9,764</u>	<u>-</u>	<u>9,764</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 6,593,517</u>	<u>\$ (1,409,716)</u>	<u>\$ 5,183,801</u>

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

Year ended June 30:	
2017.....	\$ 1,277,738
2018.....	1,277,738
2019.....	1,277,738
2020.....	<u>1,350,587</u>
Total.....	<u>\$ 5,183,801</u>

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2015
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Level 5.50% 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.

(continued)

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, 2015, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Global Equity		
Large cap equities.....	4.37%	14.50%
Small/mid cap equities.....	4.61%	3.50%
International equities.....	4.85%	16.00%
Emerging equities.....	6.31%	6.00%
Core Fixed Income		
Core Bonds.....	0.76%	5.00%
20+ year Treasuries.....	0.49%	5.00%
TIPS.....	0.97%	3.00%
Value-Added Fixed Income		
High-yield Bonds.....	2.67%	1.50%
Bank Loans.....	2.91%	1.50%
EMD (external).....	2.91%	1.00%
EMD (local currency).....	3.40%	2.00%
Private debt.....	4.85%	4.00%
Private equity.....	6.31%	10.00%
Real estate.....	3.40%	10.00%
Timberland.....	3.95%	4.00%
Hedge funds.....	3.40%	9.00%
Portfolio Completion.....	3.09%	4.00%
TOTAL.....		<u>100.00%</u>

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.95%. 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.....	\$ 154,016,410	\$ 125,895,428	\$ 104,133,872
ACRS total net pension liability.....	\$ 160,234,872	130,981,796	108,344,163

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 2016, the Town contributed \$7.9 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 2016, the Town pre-funded future OPEB liabilities in the amount of approximately \$960,800. 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 \$9.2 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.....	\$	17,497,095
Interest on net OPEB obligation.....		2,384,588
ARC Adjustment.....		(2,654,459)
Annual OPEB cost (expense).....		<u>17,227,224</u>
Contributions made.....		<u>(7,897,529)</u>
Increase in net OPEB obligation.....		9,329,695
Net OPEB obligation - beginning of year.....		<u>54,195,174</u>
Net OPEB obligation - end of year.....	\$	<u><u>63,524,869</u></u>

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 17,227,224	46%	\$ 63,524,869
6/30/2015	16,276,029	47%	54,195,174
6/30/2014	18,349,451	37%	45,612,593

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 blended rate of investment return was calculated by starting with the Town's expected rate of return of 4.0% and taking into account the expected contributions to the trust. The blended rate used is 4.4%. 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:

Actuarial Methods:

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
Asset valuation method.....	Market value of assets adjusted by receivables and payables

Actuarial Assumptions:

Investment rate of return.....	4.40%
Medical/drug cost trend rate.....	9.00% - 5.00%

NOTE 14 – COMMITMENTS

As of June 30, 2016, the Town was entering the final stages of Phase 3 of the Community Safety Building renovation. The construction began in July 2015 and the expected cost was \$6.5 million. The Town also began the renovation of the Stratton Elementary School in 2016, the final elementary school to be renovated as part of a multi-year plan. This project requires the procurement of modular classrooms to house students during construction. The total budget for the modular classrooms and construction is approximately \$15 million.

The Town has also designed a six classroom expansion to the Thompson Elementary School in response to growing school enrollment and plans to begin construction in November of 2016. The expected cost of this project is \$4 million.

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 Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2016, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB 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*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- 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 #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 106,571,501	\$ 106,571,501	\$ 107,146,615	\$ -	\$ 575,114
Tax liens.....	-	-	449,555	-	449,555
Motor vehicle excise taxes.....	3,950,000	3,950,000	4,952,881	-	1,002,881
Hotel/motel tax.....	325,000	325,000	363,125	-	38,125
Meals tax.....	400,000	400,000	409,308	-	9,308
Intergovernmental.....	20,650,579	20,650,579	21,087,346	-	436,767
Departmental and other.....	4,156,000	4,156,000	4,953,719	-	797,719
Investment income.....	65,000	65,000	142,330	-	77,330
TOTAL REVENUES.....	136,118,080	136,118,080	139,504,879	-	3,386,799
EXPENDITURES:					
Current:					
General Government					
Finance Committee					
Salaries.....	9,861	9,861	9,211	-	650
Expenditures.....	2,345	2,345	1,801	221	323
Total.....	12,206	12,206	11,012	221	973
Board of Selectmen					
Administration & Licensing Salaries.....	213,522	221,122	221,122	-	-
Administration & Licensing Expenditures.....	21,024	21,024	16,513	1,015	3,496
Elections & Town Meeting Salaries.....	28,220	47,060	33,149	13,911	-
Elections & Town Meeting Expenditures.....	63,815	94,431	85,294	3,637	5,500
Printing Town Reports.....	3,500	3,500	890	2,610	-
Accounting & Audit.....	57,000	57,000	55,000	2,000	-
Article - Dallin Area Sidewalks.....	1,500	1,500	-	1,500	-
Total.....	388,581	445,637	411,968	24,673	8,996
Town Manager					
Salaries.....	469,024	476,917	461,726	-	15,191
Expenditures.....	90,415	90,415	30,265	10,150	50,000
Article - Study Vehicular Traffic Volume.....	19,321	19,321	340	18,981	-
Article - Uncle Sam Temporary Visitor Center.....	2,135	2,135	-	2,135	-
Article - Battle Road Scenic Byway.....	5,000	5,000	5,000	-	-
Total.....	585,895	593,788	497,331	31,266	65,191
Human Resources					
Salaries.....	244,405	267,957	267,468	-	489
Expenses.....	56,450	56,450	40,554	9,541	6,355
Article - Positions Reclassification.....	18,023	-	-	-	-
Article - Indemnification.....	8,500	8,500	8,500	-	-
Total.....	327,378	332,907	316,522	9,541	6,844
Information Technology					
Salaries.....	488,784	504,246	494,980	-	9,266
Expenditures.....	208,044	289,597	271,522	18,075	-
Total.....	696,828	793,843	766,502	18,075	9,266
Comptroller					
Salaries.....	314,886	311,404	311,404	-	-
Expenditures.....	141,451	205,055	66,309	138,746	-
Total.....	456,337	516,459	377,713	138,746	-
Treasurer / Collector					
Salaries.....	511,382	512,717	465,635	18	47,064
Expenditures.....	178,971	186,972	175,146	11,416	410
Out-of-State Travel.....	3,000	3,000	3,000	-	-
Total.....	693,353	702,689	643,781	11,434	47,474
Postage					
Salaries.....	31,393	32,021	30,048	-	1,973
Expenditures.....	143,216	143,216	136,974	5,788	454
Total.....	174,609	175,237	167,022	5,788	2,427

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Board of Assessors					
Salaries.....	250,798	255,494	239,165	-	16,329
Expenditures.....	26,700	26,700	24,375	8	2,317
Total.....	277,498	282,194	263,540	8	18,646
Article - Revaluation Funds.....	76,914	76,914	45,448	31,466	-
Article - Conservation Land Fund.....	24,300	24,300	-	24,300	-
Legal					
Salaries.....	318,687	331,769	331,769	-	-
Expenditures.....	170,842	170,842	132,493	38,349	-
Article - Legal Defense Fund.....	44,000	44,000	-	34,145	9,855
Article - Workers Compensation Reserve.....	166,781	166,781	38,000	128,781	-
Total.....	700,310	713,392	502,262	201,275	9,855
Town Clerk					
Salaries.....	234,468	239,066	238,330	-	736
Expenditures.....	28,860	34,832	25,800	1,776	7,256
Total.....	263,328	273,898	264,130	1,776	7,992
Board of Registrars					
Salaries.....	47,035	49,712	49,712	-	-
Expenditures.....	13,550	13,550	9,252	-	4,298
Total.....	60,585	63,262	58,964	-	4,298
Parking					
Salaries.....	85,899	87,579	87,429	-	150
Expenditures.....	29,686	29,686	25,823	2,627	1,236
Total.....	115,585	117,265	113,252	2,627	1,386
Zoning Board of Appeals					
Salaries.....	17,912	19,499	19,499	-	-
Expenditures.....	4,773	4,773	4,246	127	400
Total.....	22,685	24,272	23,745	127	400
Article - Collective Bargaining	694,000	84,297	-	62,097	22,200
Total General Government.....	5,570,392	5,232,560	4,463,192	563,420	205,948
Public Safety					
Police					
Salaries.....	6,901,763	7,007,340	7,007,340	-	-
Expenditures.....	670,500	710,503	626,792	83,711	-
Total.....	7,572,263	7,717,843	7,634,132	83,711	-
Fire					
Salaries.....	6,440,528	6,652,633	6,426,321	-	226,312
Expenditures.....	435,501	431,609	423,806	7,803	-
Total.....	6,876,029	7,084,242	6,850,127	7,803	226,312
Inspections					
Salaries.....	407,262	476,726	475,861	370	495
Expenditures.....	12,494	12,449	10,428	592	1,429
Total.....	419,756	489,175	486,289	962	1,924
Total Public Safety.....	14,868,048	15,291,260	14,970,548	92,476	228,236
Education					
Public Schools					
Salaries and Expenditures.....	56,422,441	56,446,996	53,651,067	2,795,929	-
Minuteman Regional.....	4,010,950	4,010,950	4,010,950	-	-
Total Education.....	60,433,391	60,457,946	57,662,017	2,795,929	-
Public Works					
Total Public Works.....	9,106,904	9,240,583	8,474,878	576,192	189,513

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Community Development					
Planning & Community Development					
Salaries.....	417,253	424,173	395,048	-	29,125
Expenditures.....	25,815	25,815	17,366	1,951	6,498
Article - Vision 2020.....	3,470	3,470	2,799	50	621
Total.....	<u>446,538</u>	<u>453,458</u>	<u>415,213</u>	<u>2,001</u>	<u>36,244</u>
Redevelopment Board					
Expenditures.....	10,800	10,800	8,626	1,493	681
Rental Property Expenditures.....	296,438	297,669	223,221	15,626	58,822
Total.....	<u>307,238</u>	<u>308,469</u>	<u>231,847</u>	<u>17,119</u>	<u>59,503</u>
Total Community Development.....	<u>753,776</u>	<u>761,927</u>	<u>647,060</u>	<u>19,120</u>	<u>95,747</u>
Human Services					
Human Services Administration					
Salaries.....	340,174	350,695	349,115	-	1,580
Expenditures.....	32,300	32,300	32,024	202	74
Total.....	<u>372,474</u>	<u>382,995</u>	<u>381,139</u>	<u>202</u>	<u>1,654</u>
Veterans' Services					
Salaries.....	56,574	57,705	57,640	-	65
Expenditures.....	363,607	363,607	371,490	830	(8,713)
Total.....	<u>420,181</u>	<u>421,312</u>	<u>429,130</u>	<u>830</u>	<u>(8,648)</u>
Council on Aging					
Salaries.....	199,841	205,155	205,155	-	-
Expenditures.....	13,500	13,500	13,089	112	299
Total.....	<u>213,341</u>	<u>218,655</u>	<u>218,244</u>	<u>112</u>	<u>299</u>
Commission on Disability.....	<u>3,000</u>	<u>3,000</u>	<u>2,552</u>	<u>246</u>	<u>202</u>
Human Rights Commission.....	<u>4,500</u>	<u>6,200</u>	<u>4,352</u>	<u>950</u>	<u>898</u>
Senior Citizen Community Service Program.....	<u>7,500</u>	<u>7,500</u>	<u>5,250</u>	<u>30</u>	<u>2,220</u>
Veteran's, Memorial, and Patriot's Day Celebrations.....	<u>5,667</u>	<u>6,052</u>	<u>4,113</u>	<u>440</u>	<u>1,499</u>
Flags on Graves of Veterans.....	<u>4,500</u>	<u>4,500</u>	<u>4,220</u>	<u>-</u>	<u>280</u>
Total Health and Human Services.....	<u>1,031,163</u>	<u>1,050,214</u>	<u>1,049,000</u>	<u>2,810</u>	<u>(1,596)</u>
Culture and Recreation					
Library					
Salaries.....	1,653,985	1,685,493	1,679,828	-	5,665
Expenditures.....	564,685	564,685	519,566	29,053	16,066
Total.....	<u>2,218,670</u>	<u>2,250,178</u>	<u>2,199,394</u>	<u>29,053</u>	<u>21,731</u>
Arlington Historical Commission.....	<u>2,428</u>	<u>2,428</u>	<u>1,238</u>	<u>128</u>	<u>1,062</u>
Historic District Commissions.....	<u>6,972</u>	<u>6,972</u>	<u>2,730</u>	<u>3,211</u>	<u>1,031</u>
Public Art.....	<u>12,000</u>	<u>12,000</u>	<u>4,000</u>	<u>6,000</u>	<u>2,000</u>
Total Culture and Recreation.....	<u>2,240,070</u>	<u>2,271,578</u>	<u>2,207,362</u>	<u>38,392</u>	<u>25,824</u>
Pension Benefits					
Contributory Pension.....	9,053,241	9,053,241	9,053,241	-	-
Non-Contributory Pension.....	87,000	87,000	80,160	-	6,840
Total Pension Benefits.....	<u>9,140,241</u>	<u>9,140,241</u>	<u>9,133,401</u>	<u>-</u>	<u>6,840</u>
Property and Liability Insurance.....	<u>506,818</u>	<u>328,058</u>	<u>328,044</u>	<u>-</u>	<u>14</u>

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Employee Benefits.....	15,904,728	15,888,696	14,956,772	36,097	895,827
Reserve Fund.....	1,200,000	62,750	-	-	62,750
State and County Charges.....	3,134,172	3,113,547	3,089,181	-	24,366
Debt Service: Principal.....	7,540,985	7,540,985	7,268,000	-	272,985
Debt Service: Interest.....	2,284,589	2,284,589	1,862,553	-	422,036
TOTAL EXPENDITURES.....	133,715,277	132,664,934	126,112,008	4,124,436	2,428,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,402,803	3,453,146	13,392,871	(4,124,436)	5,815,289
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	767,947	-	767,947
Transfers in.....	925,167	925,167	925,194	-	27
Transfers out.....	(10,835,947)	(11,820,522)	(11,820,522)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(9,910,780)	(10,895,355)	(10,127,381)	-	767,974
NET CHANGE IN FUND BALANCE.....	(7,507,977)	(7,442,209)	3,265,490	(4,124,436)	6,583,263
BUDGETARY FUND BALANCE, Beginning of year.....	20,363,059	20,363,059	20,363,059	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 12,855,082	\$ 12,920,850	\$ 23,628,549	\$ (4,124,436)	\$ 6,583,263

See notes to required supplementary information.

(Concluded)

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	December 31, 2015
Total pension liability:		
Service cost.....	\$ 4,744,410	\$ 4,956,084
Interest.....	18,685,017	19,166,240
Differences between expected and actual experience.....	-	(1,852,380)
Benefit payments.....	<u>(17,126,706)</u>	<u>(17,015,692)</u>
Net change in total pension liability.....	6,302,721	5,254,252
Total pension liability, beginning.....	<u>252,695,991</u>	<u>258,998,712</u>
Total pension liability, ending (a).....	<u>\$ 258,998,712</u>	<u>\$ 264,252,964</u>
Plan fiduciary net position:		
Employer contributions.....	\$ 9,993,280	\$ 10,546,215
Member contributions.....	3,321,267	3,458,362
Net investment income (loss).....	9,565,706	1,459,650
Retirement benefits and refunds.....	(17,126,706)	(17,015,692)
Administrative expenses.....	<u>(277,509)</u>	<u>(291,048)</u>
Net increase (decrease) in fiduciary net position.....	5,476,038	(1,842,513)
Fiduciary net position at beginning of year.....	<u>129,637,643</u>	<u>135,113,681</u>
Fiduciary net position at end of year (b).....	<u>\$ 135,113,681</u>	<u>\$ 133,271,168</u>
Net pension liability - ending (a) - (b).....	<u>\$ 123,885,031</u>	<u>\$ 130,981,796</u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%
Covered-employee payroll.....	\$ 32,938,880	\$ 35,280,374
Net pension liability as a percentage of covered-employee payroll.....	376.11%	371.26%

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 CONTRIBUTIONS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 9,960,539	\$ 10,508,369
Contributions in relation to the actuarially determined contribution.....	(9,960,539)	(10,546,215)
Contribution deficiency (excess).....	\$ -	\$ (37,846)
Covered-employee payroll.....	\$ 32,938,880	\$ 35,280,374
Contributions as a percentage of covered- employee payroll.....	30.24%	29.89%

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 INVESTMENT RETURN
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Annual money-weighted rate of return, net of investment expense.....	6.70%	0.95%

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	December 31, 2015
Town's proportion of the net pension liability (asset).....	96.12%	96.13%
Town's proportionate share of the net pension liability (asset)..... \$	119,059,301	\$ 125,895,428
Town's covered employee payroll..... \$	31,699,372	\$ 33,983,355
Net pension liability as a percentage of covered-employee payroll.....	375.59%	370.46%
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%

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	December 31, 2015
Actuarially determined contribution.....	\$ 9,571,203	\$ 10,098,704
Contributions in relation to the actuarially determined contribution.....	<u>(9,571,203)</u>	<u>(10,135,085)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ (36,381)</u>
Covered-employee payroll	\$ 31,699,372	\$ 33,983,355
Contributions as a percentage of covered- employee payroll.....	30.19%	29.82%

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 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
2016	\$ 105,014,197	\$ 8,517,586	55.38%
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
6/30/2016	\$ 17,497,095	\$ 7,897,529	45%
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, 2015, 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 2016 original budget includes approximately \$140.3 million in current year authorized appropriations and other amounts to be raised and \$4.2 million in encumbrances and appropriations were carried over from previous years. During 2016, the Town's overall budget was increased by approximately \$66,000.

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, 2016, is presented as follows:

Net change in fund balance, budgetary basis.....	\$	3,265,490
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		3,163,083
Activity of health insurance and municipal building insurance trust recorded in the general fund for GAAP.....		(296,939)
<u>Basis of accounting differences:</u>		
Recognition of tax refunds payable.....		(10,000)
Recognition of expenditures on modified accrual basis.....		(197,356)
Recognition of revenue for on-behalf payment.....		8,517,586
Recognition of expenditure for on-behalf payment.....		<u>(8,517,586)</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>5,924,278</u></u>

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.

Amounts reported for the differences between expected and actual experience totaled \$1.9 million as of December 31, 2015. There were no reported amounts for the changes in benefit terms and changes in assumptions as of December 31, 2015.

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 – NoneE. 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.

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Other Supplementary Information

Combining Statements and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital project funds) that are restricted by law or administrative action to expenditures for specified purposes. The Town's special revenue funds are grouped into the following categories:

Town Revolving Funds – This fund is used to account for the non-school related activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½.

Town Gifts and Grants Fund – This fund is used to account for other non-school related funds designated for specific programs, this fund consists primarily of state and federal grants and gifts and other special revenue funds.

School Lunch Fund – This fund is used to account for the operations of the public school lunch program.

School Revolving Funds – This fund is used to account for the school department's revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71.

School Gifts and Grants Fund – This fund is used to account for the school department's grant and gift funds received from state and federal governments which are designated for specific programs.

Library Funds – This fund is used to account for the operations of the public libraries.

Receipts Reserved for Appropriation – This fund is used to account for receipts that are reserved for appropriation.

Special Revenue Trust Fund – This fund is used to account for statutory trust accounts that may be spent to support the government.

Other Special Revenue Fund – This fund is used to account for other funds designated for specific programs.

Community Preservation Fund – This fund is used to account for the acquisition, creation, preservation, or rehabilitation of areas of open space, historic preservation, affordable housing and recreation.

Symmes Property Fund – This fund is used to account for the activity associated with the redevelopment of the Symmes Hospital campus, which is owned by the Town.

Highway Fund – This fund is used to account for the funds received from the State Highway Department, which are used for the construction, reconstruction and improvement of roadways.

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital assets (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The Town's non-major capital project funds are grouped into the following categories:

Capital Tax Levy Projects Fund – This fund is used to account for capital projects that are financed through the tax levy.

Other Capital Projects Fund – This fund is used to account for capital projects that are financed through other financing sources.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemeteries Fund – This fund is used to account for cemetery contributions and bequests for which only earnings may be expended to benefit the Town's cemeteries.

Cemetery Perpetual Care Fund – This fund is used to account for cemetery perpetual care contributions and expenditures.

Libraries Fund – This fund is used to account for gifts, bequests and contributions held for which only earnings may be expended to benefit the Town's libraries.

Education Fund – This fund is used to account for gifts, bequests and contributions held for which only earnings may be expended for purposes specified by the donor in relation to the Town's public education system.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<i>Special Revenue Funds</i>					
	Town Revolving Funds	Town Gifts & Grants	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
ASSETS						
Cash and cash equivalents.....	\$ 1,988,096	\$ 1,934,872	\$ 269,852	\$ 1,662,069	\$ 3,049,623	\$ 46,401
Investments.....	-	-	-	-	-	-
Receivables, net of uncollectibles:						
Intergovernmental.....	-	965,642	-	-	-	-
Loans.....	-	694,186	-	-	-	-
TOTAL ASSETS.....	\$ 1,988,096	\$ 3,594,700	\$ 269,852	\$ 1,662,069	\$ 3,049,623	\$ 46,401
LIABILITIES						
Warrants payable.....	\$ 42,223	\$ 86,271	\$ 5,529	\$ 54,634	\$ 33,299	\$ 203
Accrued payroll.....	42,062	12,885	11,787	16,865	61,240	700
TOTAL LIABILITIES.....	84,285	99,156	17,316	71,499	94,539	903
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues.....	-	1,659,828	-	-	-	-
FUND BALANCES						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	1,903,811	1,835,716	252,536	1,590,570	2,955,084	45,498
TOTAL FUND BALANCES.....	1,903,811	1,835,716	252,536	1,590,570	2,955,084	45,498
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 1,988,096	\$ 1,934,872	\$ 269,852	\$ 1,662,069	\$ 3,049,623	\$ 46,401

(Continued)

Special Revenue Funds							Capital Project Funds		
Receipts Reserved for Appropriation	Special Revenue Trust Funds	Other Special Revenue	Community Preservation Fund	Symmes Property	Highway Fund	Subtotal	Capital Tax Levy Projects	Other Capital Projects	Subtotal
\$ 553,568	\$ 119,975	\$ 2,583,419	\$ 1,311,512	\$ 674,363	\$ 139,751	\$ 14,333,501	\$ 1,909,528	\$ 259,211	\$ 2,168,739
-	643,402	-	-	-	-	643,402	-	-	-
-	-	-	252,700	-	618,054	1,836,396	-	-	-
-	-	-	-	-	-	694,186	-	-	-
<u>\$ 553,568</u>	<u>\$ 763,377</u>	<u>\$ 2,583,419</u>	<u>\$ 1,564,212</u>	<u>\$ 674,363</u>	<u>\$ 757,805</u>	<u>\$ 17,507,485</u>	<u>\$ 1,909,528</u>	<u>\$ 259,211</u>	<u>\$ 2,168,739</u>
\$ -	\$ -	\$ 24,575	\$ -	\$ -	\$ -	\$ 246,734	\$ 53,526	\$ -	\$ 53,526
-	-	128	-	902	-	146,569	-	-	-
-	-	24,703	-	902	-	393,303	53,526	-	53,526
-	-	-	-	-	618,054	2,277,882	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>553,568</u>	<u>763,377</u>	<u>2,558,716</u>	<u>1,564,212</u>	<u>673,461</u>	<u>139,751</u>	<u>14,836,300</u>	<u>1,856,002</u>	<u>259,211</u>	<u>2,115,213</u>
<u>553,568</u>	<u>763,377</u>	<u>2,558,716</u>	<u>1,564,212</u>	<u>673,461</u>	<u>139,751</u>	<u>14,836,300</u>	<u>1,856,002</u>	<u>259,211</u>	<u>2,115,213</u>
<u>\$ 553,568</u>	<u>\$ 763,377</u>	<u>\$ 2,583,419</u>	<u>\$ 1,564,212</u>	<u>\$ 674,363</u>	<u>\$ 139,751</u>	<u>\$ 15,229,603</u>	<u>\$ 1,909,528</u>	<u>\$ 259,211</u>	<u>\$ 2,168,739</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<i>Permanent Funds</i>					Total Nonmajor Governmental Funds
	Cemeteries	Cemetery Perpetual Care	Libraries	Education	Subtotal	
ASSETS						
Cash and cash equivalents.....	\$ 63,379	\$ 443,846	\$ 362,545	\$ 15,043	\$ 884,813	\$ 17,387,053
Investments.....	698,501	5,509,139	4,844,908	213,585	11,266,133	11,909,535
Receivables, net of uncollectibles:						
Intergovernmental.....	-	-	-	-	-	1,836,396
Loans.....	-	-	-	-	-	694,186
TOTAL ASSETS.....	\$ 761,880	\$ 5,952,985	\$ 5,207,453	\$ 228,628	\$ 12,150,946	\$ 31,827,170
LIABILITIES						
Warrants payable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,260
Accrued payroll.....	-	-	-	-	-	146,569
TOTAL LIABILITIES.....	-	-	-	-	-	446,829
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues.....	-	-	-	-	-	2,277,882
FUND BALANCES						
Nonspendable.....	114,500	2,234,088	2,422,654	56,058	4,827,300	4,827,300
Restricted.....	647,380	3,718,897	2,784,799	172,570	7,323,646	24,275,159
TOTAL FUND BALANCES.....	761,880	5,952,985	5,207,453	228,628	12,150,946	29,102,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 761,880	\$ 5,952,985	\$ 5,207,453	\$ 228,628	\$ 12,150,946	\$ 29,549,288

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

YEAR ENDED JUNE 30, 2016

	<i>Special Revenue Funds</i>					
	Town Revolving Funds	Town Gifts & Grants	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and rentals.....	125,011	10,000	-	-	-	30,228
Intergovernmental.....	-	2,709,299	314,719	675	5,553,295	-
Departmental and other.....	4,262,719	132,264	915,605	2,416,008	2,209,419	10,741
Contributions.....	38,360	39,690	-	-	-	33,234
Investment income (loss).....	1,554	1,978	-	4	-	26
TOTAL REVENUES.....	4,427,644	2,893,231	1,230,324	2,416,687	7,762,714	74,229
EXPENDITURES:						
Current:						
General government.....	945,065	43,931	-	-	-	-
Public safety.....	1,706,639	182,423	-	-	-	-
Education.....	-	-	1,243,732	2,252,089	7,375,244	-
Public works.....	29,376	90,028	-	-	-	-
Community development.....	-	2,156,340	-	-	-	-
Human services.....	249,314	370,364	-	-	-	-
Library.....	-	41,308	-	-	-	81,705
Culture and recreation.....	947,722	-	-	-	-	200
Debt service:						
Principal.....	-	-	-	-	-	-
Interest.....	-	-	-	-	-	-
TOTAL EXPENDITURES.....	3,878,116	2,884,394	1,243,732	2,252,089	7,375,244	81,905
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	549,528	8,837	(13,408)	164,598	387,470	(7,676)
OTHER FINANCING SOURCES (USES):						
Transfers in.....	6,955	40,000	-	-	-	-
Transfers out.....	(282,613)	(27)	-	(793)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(275,658)	39,973	-	(793)	-	-
NET CHANGE IN FUND BALANCES.....	273,870	48,810	(13,408)	163,805	387,470	(7,676)
FUND BALANCES AT BEGINNING OF YEAR.....	1,629,941	1,786,906	265,944	1,426,765	2,567,614	53,174
FUND BALANCES AT END OF YEAR.....	\$ 1,903,811	\$ 1,835,716	\$ 252,536	\$ 1,590,570	\$ 2,955,084	\$ 45,498

(Continued)

<i>Special Revenue Funds</i>							<i>Capital Project Funds</i>		
Receipts Reserved for Appropriation	Special Revenue Trust Funds	Other Special Revenue	Community Preservation Fund	Symmes Property	Highway Fund	Subtotal	Capital Tax Levy Projects	Other Capital Projects	Subtotal
\$ -	\$ -	\$ -	\$ 1,563,920	\$ -	\$ -	\$ 1,563,920	\$ -	\$ -	\$ -
-	-	10,000	-	-	-	175,239	-	-	-
-	-	102,771	-	124,844	1,056,251	9,861,854	-	-	-
62,600	-	680,989	-	996,573	-	11,686,918	-	26	26
-	2,100	121,936	-	-	-	235,320	-	-	-
-	(6,910)	1,136	-	2	-	(2,210)	-	-	-
<u>62,600</u>	<u>(4,810)</u>	<u>916,832</u>	<u>1,563,920</u>	<u>1,121,419</u>	<u>1,056,251</u>	<u>23,521,041</u>	<u>-</u>	<u>26</u>	<u>26</u>
-	-	48,550	-	197,709	-	1,235,255	76,337	-	76,337
-	-	14,804	-	-	-	1,903,866	207,603	-	207,603
-	992	-	-	-	-	10,872,057	187,361	-	187,361
-	-	4,933	-	-	916,500	1,040,837	322,767	4,313	327,080
-	-	255,921	-	-	-	2,412,261	-	-	-
-	1,085	52,810	-	72,428	-	746,001	9,549	-	9,549
-	9,951	524	-	-	-	133,488	26,793	-	26,793
-	6,062	87,635	-	-	-	1,041,619	16,874	-	16,874
-	-	-	-	555,000	-	555,000	-	-	-
-	-	-	-	119,675	-	119,675	-	-	-
-	18,090	465,177	-	944,812	916,500	20,060,059	847,284	4,313	851,597
<u>62,600</u>	<u>(22,900)</u>	<u>451,655</u>	<u>1,563,920</u>	<u>176,607</u>	<u>139,751</u>	<u>3,460,982</u>	<u>(847,284)</u>	<u>(4,287)</u>	<u>(851,571)</u>
-	46,889	376,631	-	-	-	470,475	1,953,594	10,000	1,963,594
(10,000)	(548)	(400,838)	-	(33,333)	-	(728,152)	(143,298)	-	(143,298)
(10,000)	46,341	(24,207)	-	(33,333)	-	(257,677)	1,810,296	10,000	1,820,296
52,600	23,441	427,448	1,563,920	143,274	139,751	3,203,305	963,012	5,713	968,725
500,968	739,936	2,131,268	292	530,187	-	11,632,995	892,990	253,498	1,146,488
<u>\$ 553,568</u>	<u>\$ 763,377</u>	<u>\$ 2,558,716</u>	<u>\$ 1,564,212</u>	<u>\$ 673,461</u>	<u>\$ 139,751</u>	<u>\$ 14,836,300</u>	<u>\$ 1,856,002</u>	<u>\$ 259,211</u>	<u>\$ 2,115,213</u>

(Continued)

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

YEAR ENDED JUNE 30, 2016

	<i>Permanent Funds</i>					Total Governmental Funds
	Cemeteries	Cemetery Perpetual Care	Libraries	Education	Subtotal	
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ -	\$ -	\$ -	\$ -	1,563,920
Fees and rentals.....	-	-	-	-	-	175,239
Intergovernmental.....	-	-	-	-	-	9,861,854
Departmental and other.....	-	-	-	-	-	11,686,944
Contributions.....	-	19,500	11,267	-	30,767	266,087
Investment income (loss).....	(10,322)	(78,449)	(58,695)	(3,879)	(151,345)	(153,555)
TOTAL REVENUES.....	(10,322)	(58,949)	(47,428)	(3,879)	(120,578)	23,400,489
EXPENDITURES:						
Current:						
General government.....	-	-	-	-	-	1,311,592
Public safety.....	-	-	-	-	-	2,111,469
Education.....	-	-	-	342	342	11,059,760
Public works.....	3,746	29,713	-	-	33,459	1,401,376
Community development.....	-	-	-	-	-	2,412,261
Human services.....	-	-	-	-	-	755,550
Library.....	-	-	157,593	-	157,593	317,874
Culture and recreation.....	-	-	-	-	-	1,058,493
Debt service:						
Principal.....	-	-	-	-	-	555,000
Interest.....	-	-	-	-	-	119,675
TOTAL EXPENDITURES.....	3,746	29,713	157,593	342	191,394	21,103,050
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(14,068)	(88,662)	(205,021)	(4,221)	(311,972)	2,297,439
OTHER FINANCING SOURCES (USES):						
Transfers in.....	-	-	7,829	-	7,829	2,441,898
Transfers out.....	-	(150,000)	(7,281)	-	(157,281)	(1,028,731)
TOTAL OTHER FINANCING SOURCES (USES)....	-	(150,000)	548	-	(149,452)	1,413,167
NET CHANGE IN FUND BALANCES.....	(14,068)	(238,662)	(204,473)	(4,221)	(461,424)	3,710,606
FUND BALANCES AT BEGINNING OF YEAR.....	775,948	6,191,647	5,411,926	232,849	12,612,370	25,391,853
FUND BALANCES AT END OF YEAR.....	\$ 761,880	\$ 5,952,985	\$ 5,207,453	\$ 228,628	\$ 12,150,946	\$ 29,102,459

(Concluded)

Agency Fund

Fund Description

The Agency Fund is used to account for the collection and payment of charges for firearms license fees, performance bonds, and other minor activity.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2016

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 41,871	\$ 15,763	\$ (14,317)	\$ 43,317
LIABILITIES				
Warrants payable.....	\$ -	\$ 283	\$ -	\$ 283
Liabilities due depositors.....	41,871	15,480	(14,317)	43,034
TOTAL LIABILITIES.....	\$ 41,871	\$ 15,763	\$ (14,317)	\$ 43,317

Statistical Section



Brackett Elementary School

Statistical Section

Statistical tables differ from financial statements since they usually cover more than one year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the Town's financial statements for the relevant year.

Net Position By Component

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets.....	\$ 85,723,664	\$ 89,599,804	\$ 87,212,587	\$ 87,746,066	\$ 88,836,285	\$ 92,844,805	\$ 97,950,516	\$ 104,460,350	\$ 104,863,992	\$ 103,704,315
Restricted.....	11,554,699	10,210,306	8,734,994	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144
Unrestricted.....	<u>29,000,963</u>	<u>23,463,615</u>	<u>15,974,024</u>	<u>8,151,845</u>	<u>4,035,012</u>	<u>9,036,338</u>	<u>6,869,530</u>	<u>(111,690,572)</u>	<u>(117,522,507)</u>	<u>(119,932,142)</u>
Total governmental activities net position.....	<u>\$ 126,279,326</u>	<u>\$ 123,273,725</u>	<u>\$ 111,921,605</u>	<u>\$ 104,724,314</u>	<u>\$ 104,613,882</u>	<u>\$ 114,347,751</u>	<u>\$ 119,200,059</u>	<u>\$ 9,431,741</u>	<u>\$ 4,998,325</u>	<u>\$ 2,972,317</u>
Business-type activities										
Net investment in capital assets.....	\$ 8,126,486	\$ 7,129,911	\$ 8,515,544	\$ 10,253,410	\$ 13,065,709	\$ 14,543,666	\$ 14,827,000	\$ 16,204,401	\$ 17,203,440	\$ 17,852,129
Unrestricted.....	<u>6,835,045</u>	<u>9,597,999</u>	<u>9,491,968</u>	<u>8,635,937</u>	<u>9,320,188</u>	<u>8,200,267</u>	<u>8,966,332</u>	<u>3,125,804</u>	<u>5,537,768</u>	<u>7,743,484</u>
Total business-type activities net position.....	<u>\$ 14,961,531</u>	<u>\$ 16,727,910</u>	<u>\$ 18,007,512</u>	<u>\$ 18,889,347</u>	<u>\$ 22,385,897</u>	<u>\$ 22,743,933</u>	<u>\$ 23,793,332</u>	<u>\$ 19,330,205</u>	<u>\$ 22,741,208</u>	<u>\$ 25,595,613</u>
Primary government										
Net investment in capital assets.....	\$ 93,850,150	\$ 96,729,715	\$ 95,728,131	\$ 97,999,476	\$ 101,901,994	\$ 107,388,471	\$ 112,777,516	\$ 120,664,751	\$ 122,067,432	\$ 121,556,444
Restricted.....	11,554,699	10,210,306	8,734,994	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144
Unrestricted.....	<u>35,836,008</u>	<u>33,061,614</u>	<u>25,465,992</u>	<u>16,787,782</u>	<u>13,355,200</u>	<u>17,236,605</u>	<u>15,835,862</u>	<u>(108,564,768)</u>	<u>(111,984,739)</u>	<u>(112,188,658)</u>
Total primary government net position.....	<u>\$ 141,240,857</u>	<u>\$ 140,001,635</u>	<u>\$ 129,929,117</u>	<u>\$ 123,613,661</u>	<u>\$ 126,999,779</u>	<u>\$ 137,091,684</u>	<u>\$ 142,993,391</u>	<u>\$ 28,761,946</u>	<u>\$ 27,739,533</u>	<u>\$ 28,567,930</u>

(1) = Unrestricted net position has been revised to reflect the implementation of GASB Statement #68.

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government.....	\$ 6,755,437	\$ 9,674,926	\$ 10,522,085	\$ 9,914,031	\$ 9,947,609	\$ 10,355,512	\$ 10,813,564	\$ 11,362,970	\$ 11,994,175	\$ 11,984,655
Public safety.....	20,045,159	19,974,263	22,816,248	23,893,787	23,871,641	23,275,317	25,861,607	25,960,607	26,530,179	27,170,555
Education.....	68,705,088	70,688,522	77,464,198	79,863,607	77,192,270	80,540,822	90,812,950	95,698,115	92,752,859	100,991,589
Public works.....	8,579,295	9,788,561	10,631,214	12,913,532	12,048,448	11,598,855	12,993,064	13,073,357	13,783,618	12,652,291
Community development.....	4,828,856	4,169,059	4,268,507	4,545,071	5,576,161	5,029,219	5,683,462	3,658,595	3,235,477	3,428,730
Property and natural resources.....	2,982,440	2,624,450	2,044,335	-	-	-	-	-	-	-
Human services.....	1,271,036	1,294,867	1,376,459	1,617,701	1,739,411	1,792,014	2,023,675	1,880,010	2,112,859	2,254,316
Library.....	2,755,354	2,916,575	3,187,101	3,357,258	3,262,313	3,352,988	3,375,967	3,605,979	3,655,453	3,905,708
Culture and recreation.....	284,888	216,814	897,563	338,759	481,634	652,529	795,686	926,550	1,085,309	1,286,389
Claims and judgments.....	96,000	106,500	25,000	25,000	-	-	-	-	-	-
Interest.....	2,075,794	2,217,666	1,910,994	1,792,028	1,749,050	1,361,552	1,802,643	1,231,900	1,544,213	1,529,365
State and county charges.....	2,579,291	-	-	-	-	-	-	-	-	-
Total government activities expenses.....	120,958,638	123,672,203	135,143,704	138,260,774	135,868,537	137,958,808	154,162,618	157,398,083	156,694,142	165,203,598
Business-type activities:										
Water/Sewer.....	13,543,859	13,863,832	14,510,909	15,053,016	15,957,414	16,430,637	17,587,856	18,010,392	18,305,620	18,063,661
Youth Services.....	436,493	471,096	523,919	416,415	420,751	387,042	465,735	582,744	590,265	585,950
Council on Aging.....	100,438	95,907	103,857	90,648	80,716	100,544	121,014	120,856	109,930	114,109
Ed Burns Arena.....	482,505	452,795	491,886	491,960	538,807	603,557	601,659	646,235	610,885	632,989
Recreation.....	602,341	546,685	561,902	550,909	575,960	587,327	627,364	671,791	665,280	664,753
Total business-type activities expenses.....	15,165,636	15,430,315	16,220,473	16,602,948	17,573,648	18,109,107	19,403,628	20,032,018	20,281,980	20,061,462
Total primary government expenses.....	\$ 136,124,274	\$ 139,102,518	\$ 151,364,177	\$ 154,863,722	\$ 153,442,185	\$ 156,067,915	\$ 173,566,246	\$ 177,430,101	\$ 176,976,122	\$ 185,265,060
Program Revenues										
Governmental activities:										
General government charges for services.....	\$ 1,748,077	\$ 1,939,783	\$ 1,785,164	\$ 2,054,603	\$ 2,112,160	\$ 3,052,376	\$ 2,053,773	\$ 2,526,690	\$ 2,246,235	\$ 2,268,154
Public safety charges for services.....	2,809,664	2,866,575	3,039,873	3,184,903	3,514,618	4,359,394	4,374,659	4,234,027	4,355,275	4,795,099
Education charges for services.....	1,786,692	1,793,004	2,674,690	3,184,888	3,683,999	3,380,703	2,164,240	2,611,699	2,957,503	3,410,682
Other charges for services.....	1,209,721	1,478,202	1,547,734	1,741,943	1,722,409	1,889,450	2,075,978	2,322,698	2,517,365	3,685,216
Education operating grants and contributions.....	20,936,111	21,598,957	23,327,897	24,789,033	25,590,462	26,207,950	26,803,620	30,016,694	23,079,726	27,595,657
Other operating grants and contributions.....	6,828,467	4,873,529	4,575,412	6,803,842	5,823,061	5,669,665	6,654,675	4,731,763	3,712,772	3,372,823
Education capital grants and contributions.....	7,305,564	-	-	-	-	2,573,103	6,013,420	1,058,974	84,847	-
Other capital grant and contributions.....	6,670,825	-	1,261,570	439,717	818,797	279,891	787,547	1,574,503	251,334	930,611
Total government activities program revenues.....	49,295,121	34,550,050	38,212,340	42,198,929	43,265,506	47,412,532	50,927,912	49,077,048	39,205,057	46,058,242
Business-type activities:										
Charges for services - Water/Sewer.....	7,871,088	9,806,499	9,792,681	10,277,465	13,342,361	10,718,706	13,126,789	14,433,144	15,434,590	14,332,631
Charges for services - Youth Services.....	23,280	30,033	30,945	26,549	68,539	195,357	224,617	273,070	296,069	270,051
Charges for services - Council on Aging.....	18,607	74,529	15,820	40,716	43,927	31,312	15,449	37,909	18,441	17,551
Charges for services - Ed Burns Arena.....	458,329	463,373	511,681	518,884	539,889	553,362	557,404	596,111	593,985	603,721
Charges for services - Recreation.....	651,422	543,257	486,886	558,475	544,353	531,798	538,383	566,459	659,888	770,213
Operation grants and contributions.....	719,860	164,234	267,723	111,396	129,185	107,968	91,703	147,512	199,514	227,591
Capital grants and contributions.....	-	-	-	36,871	-	-	-	-	600,000	750,000
Total business-type activities program revenues.....	9,742,586	11,081,925	11,105,736	11,570,356	14,668,254	12,138,503	14,554,345	16,054,205	17,802,487	16,971,758
Total primary government program revenues.....	\$ 59,037,707	\$ 45,631,975	\$ 49,318,076	\$ 53,769,285	\$ 57,933,760	\$ 59,551,035	\$ 65,482,257	\$ 65,131,253	\$ 57,007,544	\$ 63,030,000
Net (Expense)/Revenue										
Governmental activities.....	\$ (71,663,517)	\$ (89,122,153)	\$ (96,931,364)	\$ (96,061,845)	\$ (92,603,031)	\$ (90,546,276)	\$ (103,234,706)	\$ (108,321,035)	\$ (117,489,085)	\$ (119,145,356)
Business-type activities.....	(5,423,050)	(4,348,390)	(5,114,737)	(5,032,592)	(2,905,394)	(5,970,604)	(4,849,283)	(3,977,813)	(2,479,493)	(3,089,704)
Total primary government net expense.....	\$ (77,086,567)	\$ (93,470,543)	\$ (102,046,101)	\$ (101,094,437)	\$ (95,508,425)	\$ (96,516,880)	\$ (108,083,989)	\$ (112,298,848)	\$ (119,968,578)	\$ (122,235,060)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 76,116,694	\$ 78,126,629	\$ 80,231,602	\$ 82,619,163	\$ 85,205,036	\$ 94,167,638	\$ 97,180,236	\$ 100,765,625	\$ 104,296,793	\$ 108,629,550
Tax liens.....	234,052	219,611	195,242	365,156	297,796	459,150	510,933	220,270	609,501	449,555
Motor vehicle and other excise taxes.....	4,001,015	3,951,799	3,775,626	3,757,148	3,898,459	3,921,568	4,066,173	4,560,606	4,668,133	5,021,825
Hotel/motel tax.....	130,278	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125
Meals tax.....	-	-	-	-	-	307,037	328,726	413,163	401,870	409,308
Penalties and interest on taxes.....	157,047	186,195	172,006	267,528	338,835	252,493	352,869	294,295	420,679	388,691
Grants and contributions not restricted to specific programs.....	9,618,762	9,756,787	8,937,673	7,202,804	7,057,873	6,939,154	7,046,868	7,502,207	7,133,944	7,660,494
Unrestricted investment income.....	1,652,471	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,122,915	940,814	75,230
Gain on sale of capital assets.....	210,861	-	-	-	-	-	2,873,618	-	65,000	-
Miscellaneous.....	7,710	23,969	10,967	88,067	292,732	13,973	14,419	77,981	24,750	-
Transfers.....	(5,959,403)	(6,021,497)	(6,339,143)	(5,874,212)	(6,361,094)	(6,282,301)	(5,859,464)	(5,909,465)	(5,836,554)	(5,878,430)
Total governmental activities.....	86,169,487	86,116,552	85,579,234	88,864,554	92,492,599	100,280,145	108,087,014	110,348,472	113,055,669	117,119,348
Business-type activities:										
Unrestricted investment income.....	128,203	93,272	55,196	40,215	40,850	46,339	39,218	39,822	53,942	65,679
Transfers.....	5,959,403	6,021,497	6,339,143	5,874,212	6,361,094	6,282,301	5,859,464	5,909,465	5,836,554	5,878,430
Total business-type activities.....	6,087,606	6,114,769	6,394,339	5,914,427	6,401,944	6,328,640	5,898,682	5,949,287	5,890,496	5,944,109
Total primary government.....	\$ 92,257,093	\$ 92,231,321	\$ 91,973,573	\$ 94,778,981	\$ 98,894,543	\$ 106,608,785	\$ 113,985,696	\$ 116,297,759	\$ 118,946,165	\$ 123,063,457
Changes in Net Position										
Governmental activities.....	\$ 14,505,970	\$ (3,005,601)	\$ (11,352,130)	\$ (7,197,291)	\$ (110,432)	\$ 9,733,869	\$ 4,852,308	\$ 2,027,437	\$ (4,433,416)	\$ (2,026,008)
Business-type activities.....	664,556	1,766,379	1,279,602	881,835	3,496,550	358,036	1,049,399	1,971,474	3,411,003	2,854,405
Total primary government.....	\$ 15,170,526	\$ (1,239,222)	\$ (10,072,528)	\$ (6,315,456)	\$ 3,386,118	\$ 10,091,905	\$ 5,901,707	\$ 3,998,911	\$ (1,022,413)	\$ 828,397

Fund Balances, Governmental Funds

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved.....	\$ 1,604,053	\$ 2,393,731	\$ 1,898,508	\$ 1,807,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	8,217,677	7,888,649	3,369,774	4,507,981	-	-	-	-	-	-
Nonspendable.....	-	-	-	-	-	-	-	-	-	-
Restricted.....	-	-	-	-	4,564,703	5,296,611	5,036,732	4,763,651	3,860,841	3,563,902
Committed.....	-	-	-	-	-	1,373,224	1,256,780	854,878	946,837	353,626
Assigned.....	-	-	-	-	1,695,144	2,616,386	4,230,527	3,806,700	7,058,067	8,308,109
Unassigned.....	-	-	-	-	9,076,608	16,808,113	17,915,224	26,292,774	29,667,361	35,231,747
Total general fund.....	\$ 9,821,730	\$ 10,282,380	\$ 5,268,282	\$ 6,315,285	\$ 15,336,455	\$ 26,094,334	\$ 28,439,263	\$ 35,718,003	\$ 41,533,106	\$ 47,457,384
All Other Governmental Funds										
Reserved.....	\$ 2,949,109	\$ 3,101,303	\$ 3,061,237	\$ 3,323,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	17,274,064	16,310,165	14,651,511	12,074,204	-	-	-	-	-	-
Capital projects funds.....	(160,600)	4,517,673	5,720,409	4,637,515	-	-	-	-	-	-
Permanent funds.....	5,845,387	4,768,594	3,492,146	3,492,830	-	-	-	-	-	-
Nonspendable.....	-	-	-	-	3,104,881	3,697,719	4,234,268	4,336,231	5,215,587	4,827,300
Restricted.....	-	-	-	-	16,047,091	22,314,764	23,801,892	25,166,155	25,212,323	37,693,918
Committed.....	-	-	-	-	-	-	-	-	-	-
Assigned.....	-	-	-	-	-	-	-	-	-	-
Unassigned.....	-	-	-	-	-	(2,107,489)	(2,083,643)	-	-	-
Total all other governmental funds.....	\$ 25,907,960	\$ 28,697,735	\$ 26,925,303	\$ 23,528,170	\$ 19,151,972	\$ 23,904,994	\$ 25,952,517	\$ 29,502,386	\$ 30,427,910	\$ 42,521,218

The Town implemented GASB 54 in year 2011, fund balances prior to year 2011 have been reported in the pre-GASB 54 format.

Changes in Fund Balances, Governmental Funds

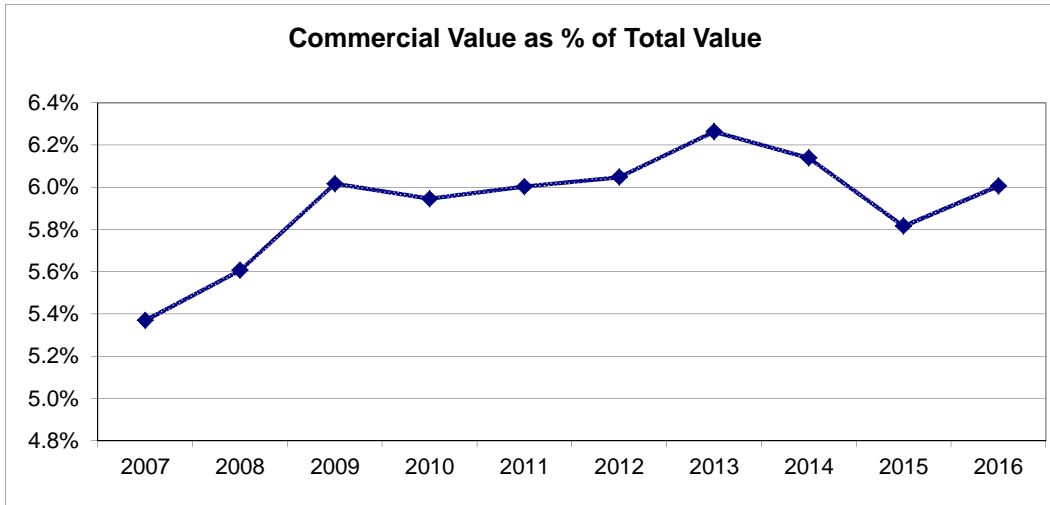
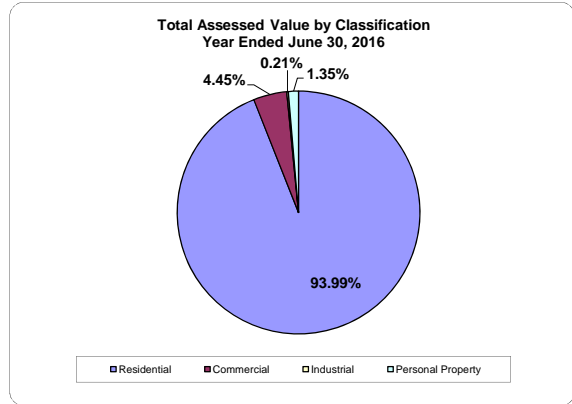
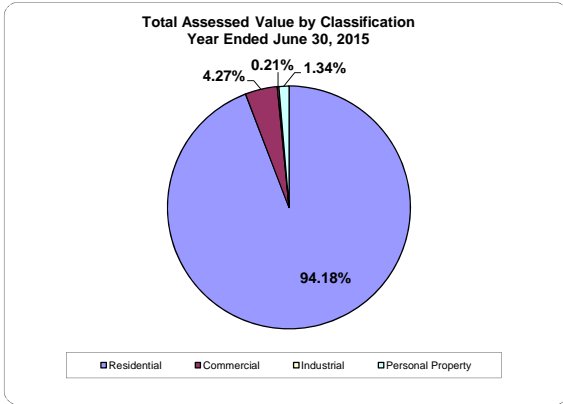
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 76,157,976	\$ 78,008,137	\$ 79,978,351	\$ 82,576,221	\$ 85,395,133	\$ 94,165,259	\$ 97,106,730	\$ 100,601,880	\$ 104,356,339	\$ 108,700,535
Tax liens.....	219,142	171,278	244,944	375,618	299,848	251,050	384,619	355,573	574,342	449,555
Motor vehicle excise taxes.....	4,021,994	3,951,799	3,775,636	3,757,148	3,898,459	3,937,078	4,066,173	4,560,606	4,668,133	4,952,881
Hotel/motel tax.....	130,278	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125
Meals tax.....	-	-	-	-	-	307,037	326,726	413,163	401,870	409,308
Fees and rentals.....	39,436	73,291	89,967	66,050	67,640	85,381	83,497	57,259	150,377	924,428
Intergovernmental.....	39,324,433	36,437,015	36,831,692	38,418,108	40,401,962	41,940,160	46,965,400	43,623,901	34,465,093	39,466,786
Departmental and other.....	15,902,822	9,706,447	10,981,708	12,054,644	13,499,192	14,520,753	12,861,601	15,096,278	14,336,651	15,891,474
Contributions.....	569,257	710,213	502,217	958,915	206,037	853,012	1,122,155	446,350	806,893	266,459
Investment income.....	3,969,909	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,124,371	942,238	76,771
Total Revenues.....	140,335,247	128,931,239	130,999,776	138,645,604	145,531,233	156,561,163	164,491,537	167,580,256	161,032,675	171,501,322
Expenditures:										
General government.....	4,607,343	5,261,701	5,260,780	4,678,915	4,770,832	5,591,207	5,371,079	5,768,149	6,431,820	6,037,176
Public safety.....	13,456,897	12,941,458	14,162,603	14,348,411	14,250,660	14,784,140	15,984,429	15,830,964	16,723,891	16,975,539
Education.....	47,128,438	48,090,490	50,338,732	51,546,279	48,632,925	51,636,708	57,793,536	60,955,050	65,744,720	69,554,312
Public works.....	6,159,735	6,656,033	7,908,979	9,059,177	8,528,793	8,373,331	9,499,359	9,441,365	10,189,404	9,013,675
Community development.....	4,803,088	4,135,079	4,064,825	4,265,770	5,298,426	4,793,799	5,300,676	3,313,848	2,847,981	3,062,102
Property and natural resources.....	2,265,830	2,439,785	1,552,496	-	-	-	-	-	-	-
Human services.....	971,989	989,023	1,050,278	1,312,893	1,353,561	1,434,642	1,573,147	1,494,567	1,672,351	1,809,479
Library.....	1,959,754	2,088,820	2,013,140	2,139,370	2,111,433	2,267,915	2,202,428	2,324,108	2,428,630	2,528,623
Culture and recreation.....	115,093	227,660	885,563	345,759	537,771	693,334	436,180	748,310	911,712	1,066,656
Pension benefits.....	16,075,811	16,842,738	17,250,470	17,841,371	18,873,410	19,646,204	20,234,148	20,752,031	14,048,794	17,650,987
Property and liability insurance.....	-	288,699	294,097	264,569	246,375	258,592	261,950	292,555	309,399	328,044
Employee benefits.....	14,610,082	14,513,129	18,214,186	16,892,684	16,183,767	13,573,190	14,676,220	15,074,284	15,840,665	15,918,197
Claims and judgments.....	96,000	106,500	25,000	-	-	-	-	-	-	-
State and county charges.....	2,579,291	2,622,634	2,645,607	2,671,798	2,725,122	2,762,765	3,060,174	3,009,401	3,077,899	3,089,181
Capital outlay.....	2,864,013	4,707,996	2,611,501	4,794,301	10,378,952	8,782,789	19,458,251	8,719,465	11,280,462	10,853,054
Debt service:										
Principal.....	5,061,000	5,450,000	5,502,000	5,810,000	6,189,000	6,338,000	6,550,000	7,257,000	7,276,000	7,823,000
Interest.....	1,992,460	2,274,860	2,036,008	2,014,095	1,971,479	1,663,330	1,706,492	1,696,169	1,665,452	1,982,228
Total Expenditures.....	124,746,824	129,636,605	135,816,265	138,010,392	142,052,506	142,599,946	164,108,069	156,677,266	160,449,180	167,692,253
Excess (deficiency) of revenues over (under) expenditures.....	15,588,423	(705,366)	(4,816,489)	635,212	3,478,727	13,961,217	383,468	10,902,990	583,495	3,809,069
Other Financing Sources (Uses):										
Proceeds from bonds.....	2,779,048	9,697,000	3,875,000	2,559,000	7,258,000	7,449,350	5,786,650	5,551,000	11,018,000	19,319,000
Proceeds from refunding bonds.....	-	11,690,000	-	-	-	6,311,000	2,205,000	-	-	3,225,000
Premium from issuance of bonds and notes.....	41,335	160,288	129,850	329,870	269,339	300,352	1,135,212	284,084	910,686	767,947
Premium from issuance of refunding bonds.....	-	220,455	-	-	-	476,376	198,118	-	-	197,395
Payments to refunded bond escrow agent.....	-	(11,910,455)	-	-	-	(6,705,093)	(2,330,150)	-	-	(3,422,395)
Sale of capital assets.....	-	-	-	-	-	-	2,873,618	-	65,000	-
Transfers in.....	4,007,429	2,135,214	3,034,844	4,839,125	2,050,358	2,676,197	3,199,736	7,266,605	5,035,917	3,347,260
Transfers out.....	(9,966,832)	(8,036,711)	(9,009,735)	(10,713,337)	(8,411,452)	(8,958,498)	(9,059,200)	(13,176,070)	(10,872,471)	(9,225,690)
Total other financing sources (uses).....	(3,139,020)	3,955,791	(1,970,041)	(2,985,342)	1,166,245	1,549,684	4,008,984	(74,381)	6,157,132	14,208,517
Net change in fund balance.....	\$ 12,449,403	\$ 3,250,425	\$ (6,786,530)	\$ (2,350,130)	\$ 4,644,972	\$ 15,510,901	\$ 4,392,452	\$ 10,828,609	\$ 6,740,627	\$ 18,017,586
Debt service as a percentage of noncapital expenditures.....	5.79%	6.18%	5.66%	5.87%	6.20%	5.98%	5.71%	6.05%	5.99%	6.25%

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								Total Town Value
	Residential Value	Residential & Personal Property Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	
2007	\$6,635,259,255	\$10.95	\$289,620,695	\$21,784,000	\$65,057,570	\$376,462,265	\$10.95	\$10.95	\$7,011,721,520
2008	\$6,497,342,842	\$11.45	\$293,832,142	\$21,739,500	\$70,349,800	\$385,921,442	\$11.45	\$11.45	\$6,883,264,284
2009	(1) \$6,382,182,512	\$11.92	\$304,834,211	\$21,787,300	\$81,968,320	\$408,589,831	\$11.92	\$11.92	\$6,790,772,343
2010	\$6,482,931,507	\$12.11	\$294,051,850	\$20,969,800	\$94,783,100	\$409,804,750	\$12.11	\$12.11	\$6,892,736,257
2011	\$6,510,546,607	\$12.41	\$296,363,250	\$20,696,800	\$98,709,740	\$415,769,790	\$12.41	\$12.41	\$6,926,316,397
2012	(1) \$6,534,177,068	\$13.66	\$297,247,489	\$20,969,800	\$102,400,210	\$420,617,499	\$13.66	\$13.66	\$6,954,794,567
2013	\$6,750,291,829	\$13.61	\$332,259,203	\$16,149,400	\$102,576,650	\$450,985,253	\$13.61	\$13.61	\$7,201,277,082
2014	\$6,924,743,377	\$13.79	\$331,293,424	\$16,149,400	\$105,443,220	\$452,886,044	\$13.79	\$13.79	\$7,377,629,421
2015	(1) \$7,318,205,556	\$13.55	\$332,008,695	\$16,149,400	\$103,748,620	\$451,906,715	\$13.55	\$13.55	\$7,770,112,271
2016	\$8,002,595,342	\$12.80	\$378,899,077	\$17,588,600	\$114,815,530	\$511,303,207	\$12.80	\$12.80	\$8,513,898,549



(1) Revaluation year.

(2) Weighted average direct tax rate, calculated as weighted average of residential, commercial and personal property tax rates.

Source: Assessor's Department, Town of Arlington

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers
Current Year and Nine Years Ago

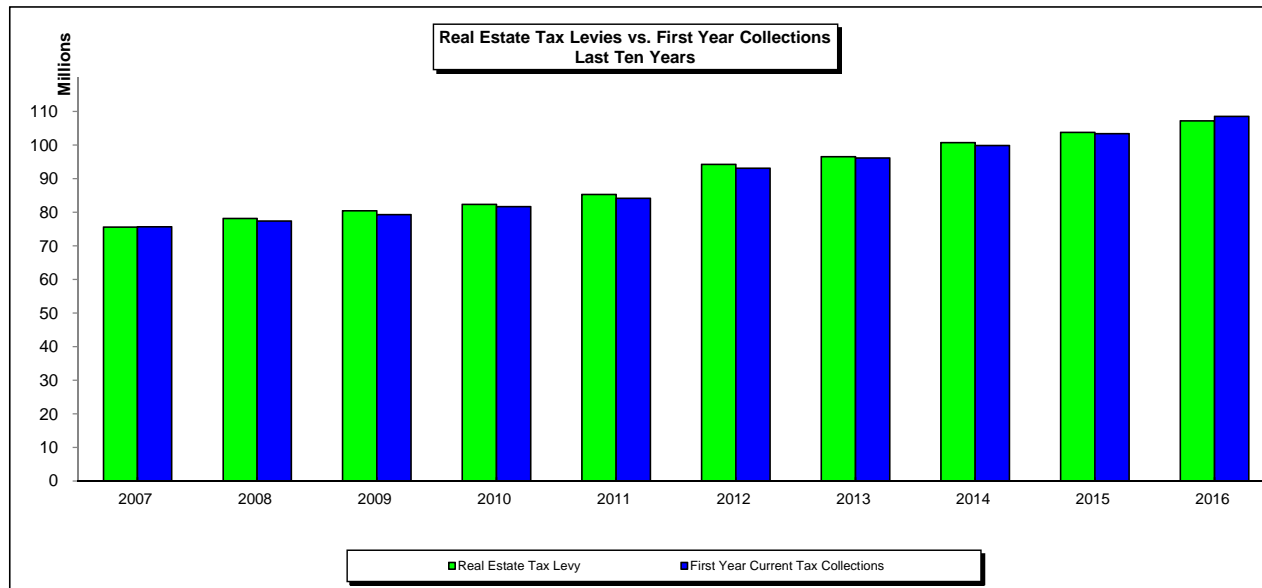
Name	Nature of Business	2016			2007		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Arlington 360 LLC	Residential	\$74,954,600	1	0.88%	-	-	-
NSTAR	Utility	\$33,974,080	2	0.40%	-	-	-
US Reif Brigham Square	Residential & Commercial	\$29,250,400	3	0.34%	-	-	-
Nostalgia Properties LLC	Residential	\$27,844,800	4	0.33%	-	-	-
Boston Gas Company	Utility	\$27,372,330	5	0.32%	\$15,264,400	8	0.22%
Mirak-Bendetson Dev LLC	Residential	\$25,519,300	6	0.30%	-	-	-
Old Colony Realty Partners LLC	Residential	\$23,424,500	7	0.28%	-	-	-
Brentwood Realty Partners LLC	Residential	\$18,942,200	8	0.22%	-	-	-
Claremont Arlington Suites LLC	Hotel	\$16,753,600	9	0.20%	-	-	-
Millbrook Square Apartments Co.	Residential	\$16,470,200	10	0.19%	\$15,399,300	7	0.22%
Arlington Center Garage	Auto Sales, Service, & Leasing	-	-	-	\$48,258,680	1	0.69%
Wilfert, David & James	Commercial & Residential	-	-	-	\$47,997,900	2	0.68%
Davidson Arthur & Henry	Commercial & Residential	-	-	-	\$35,220,080	3	0.50%
Boston Edison	Utility	-	-	-	\$26,655,410	4	0.38%
Johnson, Elbridge S. Jr.	Commercial & Residential	-	-	-	\$24,194,510	5	0.35%
Johnson, Arthur W. Tr.	Residential	-	-	-	\$21,783,700	6	0.31%
General Properties	Real Estate	-	-	-	\$13,811,600	9	0.20%
Winchester Country Club	Golf Course	-	-	-	\$11,845,540	10	0.17%
	Totals	<u>\$294,506,010</u>		<u>3.46%</u>	<u>\$260,431,120</u>		<u>3.71%</u>

Source: Assessor's Department

Property Tax Levies and Collections

Last Ten Years

Year	(2) Total Tax Levy	Less Reserve for Abatements & Exemptions	(2) Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (3)
2007	\$76,778,351	\$1,194,924	\$75,583,427	98.44%	\$75,624,882	100.05%	\$293,396	\$75,918,278	100.44%
2008	\$78,813,376	\$651,772	\$78,161,604	99.17%	\$77,409,085	99.04%	\$253,346	\$77,662,431	99.36%
2009 (1)	\$80,946,006	\$566,909	\$80,379,097	99.30%	\$79,261,095	98.61%	\$306,100	\$79,567,195	98.99%
2010	\$83,471,036	\$1,153,427	\$82,317,609	98.62%	\$81,696,636	99.25%	\$467,579	\$82,164,215	99.81%
2011	\$85,958,974	\$670,331	\$85,288,643	99.22%	\$84,147,130	98.66%	\$663,386	\$84,810,516	99.44%
2012 (1)	\$95,002,494	\$808,924	\$94,193,570	99.15%	\$93,056,606	98.79%	\$294,592	\$93,351,198	99.11%
2013	\$98,009,381	\$1,454,204	\$96,555,177	98.52%	\$96,171,161	99.60%	\$457,984	\$96,629,145	100.08%
2014	\$101,737,510	\$1,019,663	\$100,717,847	99.00%	\$99,833,961	99.12%	\$356,262	\$100,190,223	99.48%
2015 (1)	\$105,285,021	\$1,534,082	\$103,750,939	98.54%	\$103,386,357	99.65%	\$624,667	\$104,011,024	100.25%
2016	\$108,977,901	\$1,746,721	\$107,231,180	98.40%	\$108,549,654	101.23%	\$0	\$108,549,654	101.23%



(1) Revaluation year.

(2) Includes tax liens.

(3) If the actual abatements and exemptions are lower than the estimate, the actual collections can exceed the net levy.

Source: Official Statements, Town of Arlington.

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	41,546	\$1,403,382,334	\$7,011,721,520	\$50,670,000	\$0	\$1,220	3.61%	0.72%
2008	41,224	\$1,464,565,048	\$6,883,264,284	\$55,222,000	\$0	\$1,340	3.77%	0.80%
2009	41,075	\$1,585,125,325	\$6,790,772,343	\$53,595,000	\$0	\$1,305	3.38%	0.79%
2010	41,144	\$1,731,380,664	\$6,892,736,257	\$50,344,000	\$0	\$1,224	2.91%	0.73%
2011	40,993	\$1,882,152,602	\$6,926,316,397	\$51,413,000	\$0	\$1,254	2.73%	0.74%
2012	41,724	\$1,820,710,188	\$6,954,794,567	\$52,480,350	\$0	\$1,258	2.88%	0.75%
2013	42,844	\$1,722,500,176	\$7,201,277,082	\$52,911,929	\$0	\$1,235	3.07%	0.73%
2014	42,844	\$1,860,029,416	\$7,377,629,421	\$50,995,157	\$0	\$1,190	2.74%	0.69%
2015	43,711	\$1,995,581,994	\$7,770,112,271	\$55,460,548	\$0	\$1,269	2.78%	0.71%
2016	44,028	\$2,093,883,624	\$8,513,898,549	\$52,089,861	\$0	\$1,183	2.49%	0.61%

Year	Business-type Activities		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	\$4,234,865	\$0	\$54,904,865	\$1,322	3.91%	0.78%
2008	\$4,036,307	\$0	\$59,258,307	\$1,437	4.05%	0.86%
2009	\$5,567,437	\$0	\$59,162,437	\$1,440	3.73%	0.87%
2010	\$6,928,959	\$0	\$57,272,959	\$1,392	3.31%	0.83%
2011	\$6,019,014	\$0	\$57,432,014	\$1,401	3.05%	0.83%
2012	\$7,014,645	\$0	\$59,494,995	\$1,426	3.27%	0.86%
2013	\$7,882,350	\$0	\$60,794,279	\$1,419	3.53%	0.84%
2014	\$8,430,772	\$0	\$59,425,929	\$1,387	3.19%	0.81%
2015	\$9,219,232	\$0	\$64,679,780	\$1,480	3.24%	0.83%
2016	\$9,148,916	\$0	\$61,238,777	\$1,391	2.92%	0.72%

Source: Audited Financial Statements, U. S. Census
 * Net of amounts available and paid in July.

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

<u>Overlapping Entities</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Debt repaid with property taxes			
Massachusetts Bay Transit Authority.....	\$ 5,364,750,025	1.74%	\$ 93,453,945
Town direct debt.....			<u>55,460,548</u>
Total direct and overlapping debt.....			<u>\$ 148,914,493</u>

Source: Official Statements

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule calculates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of Town. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Computation of Legal Debt Margin

Last Ten Years

(Amounts in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equalized Valuation.....	\$ 7,189,084	\$ 7,189,084	\$ 7,558,648	\$ 7,558,648	\$ 7,388,658	\$ 7,388,658	\$ 7,527,776	\$ 7,527,776	\$ 7,913,085	\$ 7,913,085
Debt Limit -5% of Equalized Valuation.....	\$ 359,454	\$ 359,454	\$ 377,932	\$ 377,932	\$ 369,433	\$ 369,433	\$ 376,389	\$ 376,389	\$ 395,654	\$ 395,654
Less:										
Outstanding debt applicable to limit.....	28,032	28,026	28,593	28,224	31,562	30,076	32,759	32,369	38,985	38,078
Authorized and unissued debt applicable to limit.....	14,683	9,558	19,238	23,212	39,139	44,327	32,940	39,777	27,646	31,789
Legal debt margin.....	\$ 316,739	\$ 321,870	\$ 330,101	\$ 326,496	\$ 337,871	\$ 295,030	\$ 310,690	\$ 304,243	\$ 329,023	\$ 325,787
Total debt applicable to the limit as a percentage of debt limit.....	11.88%	10.46%	12.66%	13.61%	8.54%	20.14%	17.46%	19.17%	16.84%	17.66%

Source: Assessor's Office

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	41,546	\$ 1,403,382,334	\$ 33,779	41.9	4,601	3.1%
2008	41,224	\$ 1,464,565,048	\$ 35,527	41.9	4,683	3.6%
2009	41,075	\$ 1,585,125,325	\$ 38,591	41.9	4,787	6.3%
2010	41,144	\$ 1,731,380,664	\$ 42,081	41.9	4,843	6.1%
2011	40,993	\$ 1,882,152,602	\$ 45,914	41.9	4,914	4.7%
2012	41,724	\$ 1,820,710,188	\$ 43,637	41.9	4,967	3.8%
2013	42,844	\$ 1,722,500,176	\$ 40,204	41.9	5,106	4.8%
2014	42,844	\$ 1,860,029,416	\$ 43,414	41.9	5,999	3.8%
2015	43,711	\$ 1,995,581,994	\$ 45,654	41.9	5,323	3.3%
2016	44,028	\$ 2,093,883,624	\$ 47,558	41.9	5,304	2.6%

Source: U. S. Census, Division of Local Services
 Median age is based on most recent census data

Principal Employers
Current Year and Nine Years Ago

Employer	Nature of Business	2016			2007		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Armstrong Ambulance	Medical Transportation	350	1	3.97%	360	1	4.52%
American Alarm	Security Specialists	200	2	2.27%	355	2	4.46%
Germain Lawrence, Inc.	Residential Treatment Facility	180	3	2.04%	269	3	3.38%
Stop & Shop	Grocery Store	152	4	1.72%	131	7	1.65%
Parish of St. Agnes	Catholic Elementary School & Youth Center	150	5	1.70%	150	4	1.88%
Schools for Children, Inc.	Education	150	6	1.70%	-	-	-
Park Avenue Nursing Home	Senior Care Facility	145	7	1.64%	-	-	-
United States Post Office	Mail Delivery Service	104	8	1.18%	121	8	1.52%
Mirak Chevrolet, Inc.	Car Dealership	103	9	1.17%	107	9	1.34%
Commonwealth of Massachusetts	Social Services	90	10	1.02%	136	6	1.71%
Dearborn Academy	Special Needs School	-	-	-	149	5	1.87%
Brighams	Ice Cream/Restaurant	-	-	-	99	10	1.24%
Totals		<u>1624</u>		<u>18.41%</u>	<u>1877</u>		<u>23.59%</u>

Source: Massachusetts Department of Employment and Training and Official Statements

Full-time Equivalent Town Employees by Function

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function										
General government.....	94	94	98	93	92	94	93	94	92	90
Public safety.....	160	160	162	162	160	163	164	165	166	171
Education.....	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public works.....	88	88	82	82	79	78	77	77	77	76
Human services.....	20	19	13	13	11	13	13	14	15	15
Culture and recreation.....	8	6	6	6	6	6	5	5	5	5
Total	<u>370</u>	<u>367</u>	<u>361</u>	<u>356</u>	<u>348</u>	<u>354</u>	<u>352</u>	<u>355</u>	<u>355</u>	<u>357</u>

Source: Various Town Departments

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Registered voters.....	28,071	28,676	29,887	30,010	28,909	30,636	30,541	30,846	30,225	30,225
Town Clerk:										
Births.....	466	574	579	573	534	576	600	564	571	577
Marriages.....	239	222	231	5,218	227	218	227	196	190	198
Deaths.....	334	365	344	361	341	319	313	350	384	384
Dogs licensed.....	1,223	1,411	1,506	1,628	1,800	1,780	1,808	2,273	2,258	2,229
Zoning Board of Appeals petitions filed.....	17	20	19	36	24	17	12	5	15	23
Public Works										
Recycling:										
Solid Waste (tons).....	16,562	15,996	15,359	15,166	14,537	14,214	12,602	12,846	12,603	13,000
Commingled (tons).....	1,176	1,259	1,228	4,300	4,395	4,652	5,257	5,271	5,297	5,400
Yard Waste (tons).....	2,390	3,606	3,216	2,421	2,331	2,381	3,986	3,488	3,505	3,500
Police										
Calls for service ("Emergency Calls").....	25,757	27,004	25,268	26,732	27,483	30,168	32,101	28,629	29,405	28,798
Crimes reported ("Police Reports").....	3,448	3,516	3,510	3,810	3,638	3,488	3,475	3,267	3,616	3,462
Arrests.....	279	269	309	293	226	209	239	179	188	166
Motor vehicle citations.....	3,045	4,487	3,369	3,567	4,049	3,914	3,817	2,855	2,351	1,923
Parking tickets issued.....	13,961	13,153	14,456	13,533	12,548	13,827	14,327	15,383	12,196	12,743
Animal Control:										
Calls for service ("Animal Complaints").....	570	619	690	671	649	547	468	591	414	843
Fire										
Fire related calls.....	1,923	2,095	1,852	2,269	1,960	2,012	1,779	1,963	1,874	2,000
Emergency Medical Service reponses.....	2,670	2,648	2,866	2,779	2,857	2,740	2,767	2,845	3,269	2,768
Permits.....	997	364	901	942	861	982	1,032	1,066	972	1,076
EMS staff (EMTs / First Responders).....	63/12	65/11	67/5	69/3	67/3	73/3	73/2	74/2	71/1	71/1
Health & Human Services										
Board of Health:										
Permits issued.....	424	403	307	305	390	414	437	431	443	450
Inspections.....	875	825	783	812	699	1,060	1,260	1,241	1,174	1,200
Recreation										
Season passes:										
Summer.....	1,470	1,464	1,349	1,634	1,832	1,823	1,165	2,915	3,177	3,150
Fall.....	901	913	1,057	920	1,110	1,263	1,862	1,731	1,924	1,900
Winter.....	1,502	764	905	1,506	1,207	2,012	1,236	1,860	2,313	1,300
Spring.....	808	544	732	812	772	786	2,826	2,413	2,069	2,000
Res Tags.....	1,580	1,252	1,129	1,467	1,364	1,364	1,480	1,431	1,281	1,360
Kids Care Memberships.....	n/a	n/a	n/a	n/a	n/a	n/a	42	85	148	150
Libraries										
Circulation.....	515,309	529,516	599,911	625,673	641,692	665,215	671,331	697,679	735,002	757,028
Visitors.....	n/a	n/a	306,389	319,673	321,898	325,550	325,915	313,203	300,291	296,367
Education										
Minuteman High School day program participants.....	n/a	n/a	126	111	102	123	125	156	146	150
Minuteman High School post-graduate program participants.....	n/a	n/a	9	20	13	16	14	12	6	10

N/A: Information not available
 Source: Various Town Departments

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Number of buildings.....	40	40	40	40	40	40	40	40	40	37
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools.....	7	7	7	7	7	7	7	7	7	7
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Number of buildings.....	2	2	2	2	2	2	2	2	2	2
Number of garages.....	2	2	2	2	2	2	2	2	2	2
Number of Salt Sheds.....	2	2	2	2	2	2	2	2	2	2
Roads - Public (miles).....	92	92	92	92	92	92	92	92	92	92
Sidewalks - Public (miles).....	131	131	131	131	131	131	131	131	131	131
Handicap Ramps.....	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552
Water Mains (miles).....	130	130	130	130	130	130	130	130	130	130
Pressure Regulating Valves.....	6	6	6	6	6	6	6	6	6	6
Sewer Mains (miles).....	117	117	117	117	117	117	117	117	117	117
Sewer Manholes.....	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356
Sewer Pumping Stations.....	9	9	9	9	9	9	9	9	9	9
Storm Drains (miles).....	77	77	77	77	77	77	77	77	77	77
Drain Manholes.....	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566
Catch Basins.....	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700
Traffic Signals.....	29	29	29	29	29	29	29	29	29	29
Pedestrian Activated Flashers.....	3	3	3	3	3	3	3	3	3	3
Beacons, School Zones, Flashers.....	8	8	8	8	8	8	8	8	8	8
Cemetery Buildings.....	2	2	2	2	2	2	2	2	2	2
Cemetery Acreage.....	68	68	68	68	68	68	68	68	68	68
Human Services										
Council on aging - senior center.....	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Recreation land (acreage).....	279	279	279	279	279	279	279	279	279	279
Playgrounds.....	16	16	16	16	16	16	16	16	16	16
Ball fields.....	24	24	24	24	24	24	24	24	24	24
Basketball Courts.....	11	11	11	11	11	11	11	11	11	11
Tennis Complexes.....	4	4	4	4	4	4	4	4	4	4
Splash Pools/Spray Parks.....	2	2	2	2	2	2	2	2	2	2
Off Leash Recreational Area (for dogs).....	1	1	1	1	1	1	1	1	1	1
Bocce Courts.....	1	1	1	1	1	1	1	1	1	1
Ice Skating Rinks.....	1	1	1	1	1	1	1	1	1	1
Libraries.....	2	2	2	2	2	2	2	2	2	2

Source: Various Town Departments



Menotomy Indian Hunter sculpture by Cyrus E. Dallin
Robbins Memorial Garden, Arlington Town Hall