

Town of Arlington,

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2017

Adam Chapdelaine, Town Manager
Richard Viscay, Comptroller

Prepared by the Comptroller

On the Cover: Arlington Police Headquarters
Photos Courtesy of Joan Roman



Whittemore Robbins House

TOWN OF ARLINGTON, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended
June 30, 2017



Prepared by:
The Comptroller

TOWN OF ARLINGTON, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Introductory Section.....	1
Letter of Transmittal	3
Principal Officials.....	8
Organizational Chart	9
Certificate of Achievement for Excellence in Financial Reporting	10
Distinguished Budget Presentation Award	11
Financial Section	13
Independent Auditor's Report	15
Management's Discussion and Analysis	17
Basic Financial Statements.....	28
Statement of Net Position.....	29
Statement of Activities	30
Governmental Funds – Balance Sheet	32
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.....	33
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Proprietary Funds – Statement of Net Position.....	36
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position	38
Proprietary Funds – Statement of Cash Flows	40
Fiduciary Funds – Statement of Fiduciary Net Position	42
Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....	43
Notes to Basic Financial Statements	44
Required Supplementary Information	82
General Fund Budgetary Comparison Schedule	83
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual ..	84
Pension Plan Schedules – Retirement System.....	88
Schedule of Changes in the Net Pension Liability and Related Ratios.....	89
Schedule of Contributions	90
Schedule of Investment Returns	91

Pension Plan Schedules - Town	92
Schedule of the Town's Proportionate Share of the Net Pension Liability	93
Schedule of the Town's Contributions	94
Schedule of the Special Funding Amounts of the Net Pension Liability	95
Other Postemployment Benefit Plan Schedules	96
Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios	97
Schedule of the Town's Contributions	98
Schedule of Investment Returns	99
Schedule of Funding Progress and Employer Contributions.....	100
Actuarial Methods and Assumptions	101
Notes to Required Supplementary Information	102
Combining Statements and Individual Fund Statements.....	107
Nonmajor Governmental Funds	108
Nonmajor Governmental Funds – Combining Balance Sheet.....	110
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Agency Fund.....	117
Agency Fund - Statement of Changes in Assets and Liabilities	118
Statistical Section.....	119
Net Position by Component	120
Changes in Net Position	121
Fund Balances, Governmental Funds	122
Changes in Fund Balance, Governmental Funds.....	123
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates.....	124
Principal Taxpayers	125
Property Tax Levies and Collections	126
Ratios of Outstanding Debt by Type	127
Ratios of General Bonded Debt Outstanding	128
Direct and Overlapping Governmental Activities Debt.....	129
Computation of Legal Debt Margin	130
Demographic and Economic Statistics	131
Principal Employers	132
Full-time Equivalent Town Employees by Function	133
Operating Indicators by Function/Program	134
Capital Asset Statistics by Function/Program.....	135

Introductory Section



Robbins Library

Introductory Section

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**Town of Arlington
Office of the Town Manager**

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Letter of Transmittal

December 22, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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 2017 the Town had a total labor force of 26,957 of whom 26,123 were employed and 799 or 2.6% were unemployed as compared with 4.4% for the Commonwealth.

In 2017 the average assessed value of a single family home in Arlington was \$655,985, an increase of approximately 5.6% 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 FY2018, 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 27.3% from FY2002, while in FY2017 Arlington's cumulative year-to-year change since FY2002 is an increase of 13.2%.

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 FY2016 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 FY2017, FY2018, and beyond.
- Annual budget growth for the general education portion of the School Department budget was maintained at 3.5% for FY2018 and beyond.

Major Initiatives

The Town continues to invest in its buildings and other infrastructure to maintain high quality public services. The ongoing rise in student enrollments and aging school buildings has led the Town to undertake several major capital projects. In the fall of 2017, the renovation of the Stratton Elementary School and the addition of six classrooms to the Thompson Elementary School were completed and work began to renovate the previously closed Gibbs School Middle School to house the Town's sixth grade. That year the Town has also hired an owner's project manager and an architect to solicit community feedback and begin preparation of design documents for renovations to or replacement of Arlington High School. Town Meeting also approved funding for a six room expansion of the Hardy Elementary 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 Certificate of Achievement for Excellence in Financial Reporting to the Town for its CAFR for the year ended June 30, 2016. This was the first year that the Town submitted a CAFR to the GFOA. In order to receive this prestigious award, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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	Joseph A. Curro, Jr.	Elected	2018
Selectman, Vice Chair	Steven M. Byrne	Elected	2018
Selectman	Diane M. Mahon	Elected	2020
Selectman	Daniel J. Dunn	Elected	2020
Selectman	Kevin F. Greeley	Elected	2019
Town Manager	Adam W. Chapdelaine	Appointed	2018
Comptroller	Richard Viscay	Appointed	2018
Treasurer	Dean Carman	Elected	2017
Town Clerk	Stephanie Lucarelli	Elected	2017



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Arlington
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Arlington

Massachusetts

For the Triennium Beginning

July 1, 2017

Christopher P. Morill

Executive Director

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Financial Section



Peirce 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, 2017 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2016), 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, 2017 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2016), 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 22, 2017, 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 22, 2017

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, 2017. 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, claims and judgments 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 four 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. The Town's agency funds are used to account for escrow accounts, performance bonds, and fees collected on-behalf of the state.

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 \$25.5 million at the close of 2017.

The largest portion of the Town's net position, \$123.9 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, \$20.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$119.1 million. The deficit is the result of the recognition of the Town's net pension liability of \$133.6 million, along with the other postemployment benefits liability of \$73.8 million. These are long term unfunded liabilities that will not require significant short term resources.

Governmental Activities

	2017	2016
Assets:		
Current assets.....	\$ 104,877,203	\$ 104,948,494
Noncurrent assets (excluding capital).....	2,089,637	3,672,616
Capital assets.....	166,711,472	152,234,032
Total assets.....	273,678,312	260,855,142
Deferred Outflows of Resources.....	10,307,081	6,256,434
Liabilities:		
Current liabilities (excluding debt).....	10,023,842	12,184,443
Noncurrent liabilities (excluding debt).....	201,137,080	183,164,602
Current debt.....	9,156,503	8,527,039
Noncurrent debt.....	66,132,417	58,794,822
Total liabilities.....	286,449,842	262,670,906
Deferred Inflows of Resources.....	1,019,550	1,468,353
Net Position:		
Net investment in capital assets.....	103,203,353	103,704,315
Restricted.....	20,701,128	19,200,144
Unrestricted.....	(127,388,480)	(119,932,142)
Total net position.....	\$ (3,483,999)	\$ 2,972,317

The governmental activities net position decreased by \$6.5 million during the current year. Key decreases are the recognition of an additional \$10.1 million in the Town's other postemployment benefit obligation and \$7.8 million in the Town's net pension liability which are both reported in noncurrent liabilities, and an \$868,000 payment to the other postemployment benefits trust fund which is reported as a fiduciary fund and, accordingly, is not included in the government-wide financial statements. Offsetting these were a \$4.4 million change in deferred outflows and inflows related to pension, \$2.5 million from the Massachusetts School Building Authority, \$481,000 in state highway capital grants, as well as \$2.5 million the Town raised to be transferred to the fiscal stability and long-term stabilization funds, and positive operating results in the nonmajor governmental funds of \$4.5 million.

The \$1.6 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 \$14.5 million increase in capital assets is mainly from large capital projects such as the central fire station renovations, community safety building construction, and Stratton school renovations.

The increase in noncurrent liabilities (excluding debt) of \$18 million relate mostly to increases in the OPEB liability and the net pension liability. And the issuance of debt increased the liabilities related to noncurrent debt.

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services..... \$	13,160,959	\$ 14,159,151
Operating grants and contributions.....	34,492,030	30,968,480
Capital grants and contributions.....	480,762	930,611
General revenues:		
Real estate and personal property taxes.....	112,583,026	108,629,550
Tax liens.....	386,418	449,555
Motor vehicle excise taxes.....	4,775,678	5,021,825
Hotel/motel tax.....	303,939	363,125
Meals tax.....	415,173	409,308
Penalties and interest on taxes.....	295,521	388,691
Nonrestricted grants and contributions.....	7,906,743	7,660,494
Unrestricted investment income.....	2,282,581	75,230
Gain on sale of capital assets.....	28,000	-
Miscellaneous revenues.....	51,519	-
Total revenues.....	<u>177,162,349</u>	<u>169,056,020</u>
Expenses:		
General government.....	13,172,189	11,984,655
Public safety.....	29,438,861	27,170,555
Education.....	107,943,200	100,991,589
Public works.....	14,089,422	12,652,291
Community and economic development.....	3,048,321	3,428,730
Human services.....	2,285,633	2,254,316
Library.....	3,984,518	3,905,708
Culture and recreation.....	1,329,712	1,286,389
Claims and judgments.....	70,000	-
Interest.....	1,605,337	1,529,365
Total expenses.....	<u>176,967,193</u>	<u>165,203,598</u>
Excess (Deficiency) before transfers.....	195,156	3,852,422
Transfers.....	<u>(6,651,472)</u>	<u>(5,878,430)</u>
Change in net position.....	(6,456,316)	(2,026,008)
Net position, beginning of year.....	<u>2,972,317</u>	<u>4,998,325</u>
Net position, end of year..... \$	<u><u>(3,483,999)</u></u>	<u><u>2,972,317</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 \$3.4 million. This increase is a result of a change in the discount rate used in the determination of the net pension liability from 7.50% to 7.25%.

The decrease in capital grants is primarily related to a decrease in revenue received for highway projects, which is a reimbursement of the expenditures through the state grant program.

Most categories of expenses increase as a result of standard budgetary increases. The increase in public safety is the result of an increase in salaries from contract negotiations along with an increase in depreciation expense

due to the Town completing the Central Fire Station and Community Safety building. The increase in education is from an increase in the operating budget along with the Massachusetts Teachers Retirement System's on-behalf payments, which is the result of a change in the discount rate. The increase in public works is the result of an increase in the operating budget for salaries and snow and ice expenditures.

Business-Type Activities

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 18,493,347	\$ 18,087,869
Capital assets.....	27,360,111	24,786,727
Total assets.....	45,853,458	42,874,596
Deferred Outflows of Resources.....	567,157	366,444
Liabilities:		
Current liabilities (excluding debt).....	216,912	335,469
Noncurrent liabilities (excluding debt).....	8,240,961	8,082,695
Current debt.....	1,425,300	1,520,716
Noncurrent debt.....	7,502,900	7,628,200
Total liabilities.....	17,386,073	17,567,080
Deferred Inflows of Resources.....	54,257	78,347
Net Position:		
Net investment in capital assets.....	20,736,946	17,852,129
Unrestricted.....	8,243,339	7,743,484
Total net position.....	\$ 28,980,285	\$ 25,595,613
Program revenues:		
Charges for services.....	\$ 16,636,931	\$ 15,994,167
Operating grants and contributions.....	206,521	227,591
Capital grants and contributions.....	600,000	750,000
General revenues:		
Unrestricted investment income.....	71,822	65,679
Total revenues.....	17,515,274	17,037,437
Expenses:		
Water and Sewer.....	18,750,207	18,063,661
Youth Services.....	587,722	585,950
Council on Aging.....	81,089	114,109
Ed Burns Arena.....	605,009	632,989
Recreation.....	758,047	664,753
Total expenses.....	20,782,074	20,061,462
Excess (Deficiency) before transfers.....	(3,266,800)	(3,024,025)
Transfers.....	6,651,472	5,878,430
Change in net position.....	3,384,672	2,854,405
Net position, beginning of year.....	25,595,613	22,741,208
Net position, end of year.....	\$ 28,980,285	\$ 25,595,613

There was a net increase of \$3.4 million in net position reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in 2017 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 was related to the activity in the water and sewer enterprise fund and the recreation enterprise fund. The water and sewer fund reported an increase in charges for services which was offset by a \$545,000 increase in the MWRA assessment. This assessment comprises 70% of the fund's expenses. The \$2.5 million increase in net position of the water and sewer fund is consistent with prior years. The recreation enterprise fund increased by \$755,000, due to a capital contribution of \$771,000 from governmental activities.

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 \$3.7 million in 2017, 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 \$93.2 million which was an increase of \$3.2 million from the prior year.

The general fund reported a \$3.7 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 \$26.6 million at year end and reported an increase of \$2.6 million from 2016. The operating general fund accounted for the remaining \$1.1 million increase.

The Town's capital borrowing major fund had reported a fund balance of \$8.5 million, a decrease of \$5 million from the prior year. During 2017, the Town recognized \$14 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 \$18 million and related mainly to school building improvements.

There was a \$4.5 million increase in the nonmajor governmental funds, which reported \$24.8 million in revenues, \$24 million in expenditures, \$2.1 million in premiums from the issuance of bonds received, and a \$1.6 million in net transfers to and from other funds.

General Fund Budgetary Highlights

The increase between the original and final budget of \$386,000 was primarily comprised of the release of carryovers from the prior fiscal year, as well as various transfers between functional line items, and a transfer to the stabilization fund funded by free cash. In the final budget, the Town budgeted to use \$4.5 million of available reserves "free cash" to balance the 2017 budget. However, actual results from operations were better than anticipated as the Town collected approximately \$2.7 million more than budgeted and departments expended \$2.3 million less than budgeted.

By category, all actual revenues came in over budget except for hotel/motel tax. 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 intergovernmental, departmental and other, and real estate and personal property, which came in over budget by approximately \$476,000, \$438,000 and \$331,000, respectively. The Town also had a revenue surplus for the unbudgeted tax liens totaling \$470,000. Expenditures for employee benefits came in under budget by approximately \$1.4 million, significantly contributing to the surplus.

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.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits Other Than Pensions, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

An actuarial study determined that Arlington's total Actuarial Accrued Liability as of January 1, 2016, at a 4.0% partially funded discount rate, totaled \$201 million. As of June 30, 2017, the Town has recognized a liability for other postemployment benefits totaling \$73.8 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$18.4 million and the Town's actual contribution of \$7.7 million, which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in the amounts of \$6.5 million and \$868,000, respectively. The assets set aside in trust for future benefits amounted to \$11.2 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 2017 budget, this allowed for an annual cash expenditure of \$2.5 million and a new borrowing of \$6.9 million (including Water & Sewer). The Town's outstanding long-term debt related to the general government and water & sewer enterprise, as of June 30, 2017, was \$80 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 that 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 2017 from the MWRA assessment to the property taxes. During FY 2017, the Town issued an additional \$200,000 in MWRA sewer bonds and \$1,100,000 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.

The Town continues to invest in its buildings and other infrastructure to maintain high quality public services. The ongoing rise in student enrollments and aging school buildings has led the Town to undertake several major capital projects. In the fall of 2017, the renovation of the Stratton Elementary School and the addition of six classrooms to the Thompson Elementary School were completed and work began to renovate the previously closed Gibbs School Middle School to house the Town's sixth grade.

The Town has also hired an owner's project manager and an architect to solicit community feedback and begin preparation of design documents for renovations to or replacement of Arlington High School. Town Meeting also approved funding for a six room expansion of the Hardy Elementary School.

Capital Assets

The Town's valuation of governmental activities capital assets as of June 30, 2017, amounts to \$166.7 million, net of accumulated depreciation. This amount represents purchases made over time in the following categories: land, construction in progress, buildings, improvements, vehicles and equipment, and infrastructure. The Town's major capital additions totaled \$21.5 million and related to Community Safety Building, Central Fire Station, and the Stratton School. The Stratton School project is ongoing and reported as construction in progress at year end. The Community Safety Building and Central Fire Station were put into service during fiscal year 2017.

The Town's valuation of business-type activities capital assets as of June 30, 2017, amounts to \$27.4 million, net of accumulated depreciation. This amount represents purchases made over time in the following categories: water/sewer main improvements, various park improvements, and purchases of vehicles and equipment. Current year additions totaled \$3.7 million and primarily related to infrastructure and land improvements.

Debt

The Town's governmental funds have total bonded debt outstanding of \$74.9 million at the end of the current year. As compared to the prior year, this is a net increase of \$7.6 million resulting from principal payments of \$8 million offset by \$14 million long term bond issuances during 2017 along with a net increase in bond premiums of \$1.5 million.

The water and sewer enterprise funds have total bonded debt outstanding of \$8.2 million at the end of the current year. The Town issued \$1.3 million in MWRA bonds and made \$1.4 million in principal payments during the year.

The Ed Burns rink enterprise fund has debt outstanding at year-end of \$760,000. The Town made \$150,000 in principal payments during the year.

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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 85,465,632	\$ 13,439,680	\$ 98,905,312
Investments.....	13,712,576	-	13,712,576
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	476,754	-	476,754
Real estate tax deferrals.....	57,520	-	57,520
Tax liens.....	545,964	-	545,964
Motor vehicle excise taxes.....	209,506	-	209,506
User fees.....	-	5,053,667	5,053,667
Departmental and other.....	4,192	-	4,192
Special assessments.....	869	-	869
Intergovernmental.....	3,882,984	-	3,882,984
Loans.....	124,422	-	124,422
Tax foreclosures.....	396,784	-	396,784
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	230,088	-	230,088
Intergovernmental.....	1,361,860	-	1,361,860
Loans.....	497,689	-	497,689
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	20,182,196	2,954	20,185,150
Depreciable.....	146,529,276	27,357,157	173,886,433
TOTAL ASSETS.....	273,678,312	45,853,458	319,531,770
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	11,640	-	11,640
Deferred outflows related to pensions.....	10,295,441	567,157	10,862,598
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	10,307,081	567,157	10,874,238
LIABILITIES			
CURRENT:			
Warrants payable.....	2,898,441	142,912	3,041,353
Accrued payroll.....	3,108,551	-	3,108,551
Tax refunds payable.....	397,000	-	397,000
Accrued interest.....	655,633	-	655,633
Payroll withholdings.....	196,810	-	196,810
Abandoned property.....	17,468	-	17,468
Customer deposits payable.....	96,939	-	96,939
Compensated absences.....	2,570,000	74,000	2,644,000
Workers' compensation.....	83,000	-	83,000
Notes payable.....	397,700	-	397,700
Bonds payable.....	8,758,803	1,425,300	10,184,103
NONCURRENT:			
Compensated absences.....	1,803,000	76,000	1,879,000
Workers' compensation.....	50,000	-	50,000
Net pension liability.....	126,659,529	6,977,437	133,636,966
Other postemployment benefits.....	72,624,551	1,187,524	73,812,075
Bonds payable.....	66,132,417	7,502,900	73,635,317
TOTAL LIABILITIES.....	286,449,842	17,386,073	303,835,915
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	34,646	-	34,646
Deferred inflows related to pensions.....	984,904	54,257	1,039,161
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,019,550	54,257	1,073,807
NET POSITION			
Net investment in capital assets.....	103,203,353	20,736,946	123,940,299
Restricted for:			
Loans.....	622,111	-	622,111
Permanent funds:			
Expendable.....	8,530,339	-	8,530,339
Nonexpendable.....	4,850,516	-	4,850,516
Gifts and grants.....	4,981,230	-	4,981,230
Community preservation.....	1,716,932	-	1,716,932
Unrestricted.....	(127,388,480)	8,243,339	(119,145,141)
TOTAL NET POSITION.....	\$ (3,483,999)	\$ 28,980,285	\$ 25,496,286

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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.....	\$ 13,172,189	\$ 1,913,039	\$ 314,266	\$ -	\$ (10,944,884)
Public safety.....	29,438,861	4,321,115	167,968	-	(24,949,778)
Education.....	107,943,200	3,423,190	31,485,908	-	(73,034,102)
Public works.....	14,089,422	843,906	21,950	480,762	(12,742,804)
Community development.....	3,048,321	1,069,326	1,699,065	-	(279,930)
Human services.....	2,285,633	223,964	689,544	-	(1,372,125)
Library.....	3,984,518	111,193	56,572	-	(3,816,753)
Culture and recreation.....	1,329,712	1,255,226	39,451	-	(35,035)
Claims and judgments.....	70,000	-	-	-	(70,000)
Interest.....	1,605,337	-	17,306	-	(1,588,031)
Total Governmental Activities.....	176,967,193	13,160,959	34,492,030	480,762	(128,833,442)
<i>Business-Type Activities:</i>					
Water and Sewer.....	18,750,207	14,921,004	-	600,000	(3,229,203)
Youth Services.....	587,722	329,933	149,588	-	(108,201)
Council on Aging.....	81,089	14,333	56,933	-	(9,823)
Ed Burns Arena.....	605,009	629,928	-	-	24,919
Recreation.....	758,047	741,733	-	-	(16,314)
Total Business-Type Activities.....	20,782,074	16,636,931	206,521	600,000	(3,338,622)
Total Primary Government.....	\$ 197,749,267	\$ 29,797,890	\$ 34,698,551	\$ 1,080,762	\$ (132,172,064)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (128,833,442)	\$ (3,338,622)	\$ (132,172,064)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	112,583,026	-	112,583,026
Tax liens.....	386,418	-	386,418
Motor vehicle excise taxes.....	4,775,678	-	4,775,678
Hotel/motel tax.....	303,939	-	303,939
Meals tax.....	415,173	-	415,173
Penalties and interest on taxes.....	295,521	-	295,521
Grants and contributions not restricted to specific programs.....	7,906,743	-	7,906,743
Unrestricted investment income.....	2,282,581	71,822	2,354,403
Gain on sale of capital assets.....	28,000	-	28,000
Miscellaneous.....	51,519	-	51,519
<i>Capital Transfers</i>	(771,154)	771,154	-
<i>Transfers, net</i>	<u>(5,880,318)</u>	<u>5,880,318</u>	<u>-</u>
Total general revenues and transfers.....	<u>122,377,126</u>	<u>6,723,294</u>	<u>129,100,420</u>
Change in net position.....	(6,456,316)	3,384,672	(3,071,644)
<i>Net Position:</i>			
Beginning of year.....	<u>2,972,317</u>	<u>25,595,613</u>	<u>28,567,930</u>
End of year.....	\$ <u><u>(3,483,999)</u></u>	\$ <u><u>28,980,285</u></u>	\$ <u><u>25,496,286</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 55,249,313	\$ 10,142,437	\$ 20,073,882	\$ 85,465,632
Investments.....	-	-	13,712,576	13,712,576
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	469,977	-	6,777	476,754
Real estate tax deferrals.....	287,608	-	-	287,608
Tax liens.....	545,964	-	-	545,964
Motor vehicle excise taxes.....	209,506	-	-	209,506
Departmental and other.....	4,192	-	-	4,192
Special assessments.....	869	-	-	869
Intergovernmental.....	2,915,917	-	2,328,927	5,244,844
Loans.....	-	-	622,111	622,111
Tax foreclosures.....	396,784	-	-	396,784
Due from other funds.....	679,391	-	59,580	738,971
TOTAL ASSETS.....	\$ 60,759,521	\$ 10,142,437	\$ 36,803,853	\$ 107,705,811
LIABILITIES				
Warrants payable.....	\$ 1,119,585	\$ 1,277,553	\$ 501,303	\$ 2,898,441
Accrued payroll.....	2,987,470	-	121,081	3,108,551
Tax refunds payable.....	397,000	-	-	397,000
Liabilities due depositors.....	96,939	-	-	96,939
Payroll withholdings.....	196,810	-	-	196,810
Abandoned property.....	17,468	-	-	17,468
Due to other funds.....	-	-	738,971	738,971
Notes payable.....	-	397,700	-	397,700
TOTAL LIABILITIES.....	4,815,272	1,675,253	1,361,355	7,851,880
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	4,778,016	-	1,855,434	6,633,450
Taxes paid in advance.....	34,232	-	414	34,646
TOTAL DEFERRED INFLOWS OF RESOURCES.....	4,812,248	-	1,855,848	6,668,096
FUND BALANCES				
Nonspendable.....	-	-	4,850,516	4,850,516
Restricted.....	3,266,956	8,467,184	28,795,714	40,529,854
Committed.....	291,639	-	-	291,639
Assigned.....	6,236,202	-	-	6,236,202
Unassigned.....	41,337,204	-	(59,580)	41,277,624
TOTAL FUND BALANCES.....	51,132,001	8,467,184	33,586,650	93,185,835
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 60,759,521	\$ 10,142,437	\$ 36,803,853	\$ 107,705,811

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....		\$ 93,185,835
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		166,711,472
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		6,633,450
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.....		9,310,537
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(655,633)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(71,117,300)	
Unamortized premium on bonds payable.....	(3,773,920)	
Workers' compensation.....	(133,000)	
Compensated absences.....	(4,373,000)	
Net pension liability.....	(126,659,529)	
Other postemployment benefits.....	<u>(72,624,551)</u>	
Net effect of reporting long-term liabilities.....		(278,681,300)
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>11,640</u>
Net position of governmental activities.....		<u>\$ (3,483,999)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 110,993,109	\$ -	\$ 1,612,843	\$ 112,605,952
Tax liens.....	470,129	-	-	470,129
Motor vehicle excise taxes.....	4,775,678	-	-	4,775,678
Hotel/motel tax.....	303,939	-	-	303,939
Meals tax.....	415,173	-	-	415,173
Fees and rentals.....	627,570	-	152,318	779,888
Intergovernmental.....	33,652,030	-	9,041,330	42,693,360
Departmental and other.....	3,916,500	-	12,019,001	15,935,501
Contributions.....	885	-	356,778	357,663
Investment income (loss).....	656,103	193	1,627,487	2,283,783
TOTAL REVENUES.....	155,811,116	193	24,809,757	180,621,066
EXPENDITURES:				
Current:				
General government.....	4,828,903	505,700	2,001,807	7,336,410
Public safety.....	15,800,268	1,457,285	2,144,223	19,401,776
Education.....	60,376,765	15,205,150	11,305,038	86,886,953
Public works.....	9,743,931	771,459	3,326,252	13,841,642
Community development.....	619,670	-	2,158,041	2,777,711
Human services.....	978,872	-	852,303	1,831,175
Library.....	2,222,415	34,710	299,268	2,556,393
Culture and recreation.....	17,553	645,230	1,272,689	1,935,472
Pension benefits.....	21,541,882	-	-	21,541,882
Property and liability insurance.....	326,617	-	-	326,617
Employee benefits.....	16,020,082	-	71,058	16,091,140
Claims and judgments.....	70,000	-	-	70,000
State and county charges.....	3,118,634	-	-	3,118,634
Debt service:				
Principal.....	7,432,000	-	570,000	8,002,000
Interest.....	1,816,828	-	107,875	1,924,703
TOTAL EXPENDITURES.....	144,914,420	18,619,534	24,108,554	187,642,508
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	10,896,696	(18,619,341)	701,203	(7,021,442)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	14,030,300	-	14,030,300
Premium from issuance of bonds.....	-	-	2,050,693	2,050,693
Sale of capital assets.....	-	-	28,000	28,000
Transfers in.....	1,049,116	62,650	2,873,704	3,985,470
Transfers out.....	(8,271,195)	(425,184)	(1,169,409)	(9,865,788)
TOTAL OTHER FINANCING SOURCES (USES)...	(7,222,079)	13,667,766	3,782,988	10,228,675
NET CHANGE IN FUND BALANCES.....	3,674,617	(4,951,575)	4,484,191	3,207,233
FUND BALANCES AT BEGINNING OF YEAR.....	47,457,384	13,418,759	29,102,459	89,978,602
FUND BALANCES AT END OF YEAR.....	\$ 51,132,001	\$ 8,467,184	\$ 33,586,650	\$ 93,185,835

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, 2017

Net change in fund balances - total governmental funds.....		\$ 3,207,233
<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.....	21,541,712	
Depreciation expense.....	<u>(7,064,272)</u>	
Net effect of reporting capital assets.....		14,477,440
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(3,486,717)
<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>		
Issuance of bonds.....	(14,030,300)	
Premium from issuance of bonds, net of issue costs.....	(2,050,693)	
Debt service principal payments.....	<u>8,002,000</u>	
Net effect of reporting long-term debt.....		(8,078,993)
Net change in accrued interest on long-term debt.....	(172,547)	
Amortization of bond premiums.....	509,634	
Amortization of deferred charge on refunding.....	<u>(17,721)</u>	
Net effect of reporting other debt related activity.....		319,366
<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.....	547,000	
Net change in deferred outflow/(inflow) of resources related to pensions.....	4,414,833	
Net change in net pension liability.....	(7,760,925)	
Net change in other postemployment benefits accrual.....	(10,115,553)	
Net change in workers' compensation accrual.....	<u>20,000</u>	
Net effect of recording long-term liabilities.....		<u>(12,894,645)</u>
Change in net position of governmental activities.....		\$ <u>(6,456,316)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 12,461,386	\$ 59,736	\$ 77,938
Receivables, net of allowance for uncollectibles:			
User fees.....	5,053,667	-	-
Total current assets.....	17,515,053	59,736	77,938
NONCURRENT:			
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	2,954	-	-
Depreciable.....	24,697,490	-	11,017
Total noncurrent assets.....	24,700,444	-	11,017
TOTAL ASSETS.....	42,215,497	59,736	88,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	567,157	-	-
LIABILITIES			
CURRENT:			
Warrants payable.....	121,324	3,245	-
Compensated absences.....	58,000	-	-
Bonds payable.....	1,280,300	-	-
Total current liabilities.....	1,459,624	3,245	-
NONCURRENT:			
Compensated absences.....	64,000	-	-
Net pension liability.....	6,977,437	-	-
Other postemployment benefits.....	1,187,524	-	-
Bonds payable.....	6,887,900	-	-
Total noncurrent liabilities.....	15,116,861	-	-
TOTAL LIABILITIES.....	16,576,485	3,245	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	54,257	-	-
NET POSITION			
Net investment in capital assets.....	18,837,279	-	11,017
Unrestricted.....	7,314,633	56,491	77,938
TOTAL NET POSITION.....	\$ 26,151,912	\$ 56,491	\$ 88,955

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	388,627	\$ 451,993	\$ 13,439,680
	-	-	5,053,667
	388,627	451,993	18,493,347
	-	-	2,954
	980,572	1,668,078	27,357,157
	980,572	1,668,078	27,360,111
	1,369,199	2,120,071	45,853,458
	-	-	567,157
	16,991	1,352	142,912
	16,000	-	74,000
	145,000	-	1,425,300
	177,991	1,352	1,642,212
	12,000	-	76,000
	-	-	6,977,437
	-	-	1,187,524
	615,000	-	7,502,900
	627,000	-	15,743,861
	804,991	1,352	17,386,073
	-	-	54,257
	220,572	1,668,078	20,736,946
	343,636	450,641	8,243,339
\$	<u>564,208</u>	<u>\$ 2,118,719</u>	<u>\$ 28,980,285</u>

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

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
OPERATING REVENUES:			
Charges for services.....	\$ 14,920,779	\$ 329,933	\$ 14,333
Intergovernmental.....	225	149,588	56,933
TOTAL OPERATING REVENUES.....	14,921,004	479,521	71,266
OPERATING EXPENSES:			
Salaries and wages.....	1,829,448	373,649	57,093
Cost of services and administration.....	1,015,186	214,073	18,487
MWRA Assessment.....	12,969,684	-	-
Depreciation.....	962,600	-	5,509
Employee benefits.....	1,861,645	-	-
TOTAL OPERATING EXPENSES.....	18,638,563	587,722	81,089
OPERATING INCOME (LOSS).....	(3,717,559)	(108,201)	(9,823)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	71,822	-	-
Interest expense.....	(111,644)	-	-
TOTAL NONOPERATING REVENUES, (EXPENSES), NET.....	(39,822)	-	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(3,757,381)	(108,201)	(9,823)
CAPITAL CONTRIBUTIONS.....	600,000	-	-
TRANSFERS:			
Transfers in.....	5,666,078	120,000	-
Transfers out.....	-	-	-
TOTAL TRANSFERS.....	5,666,078	120,000	-
CHANGE IN NET POSITION.....	2,508,697	11,799	(9,823)
NET POSITION AT BEGINNING OF YEAR.....	23,643,215	44,692	98,778
NET POSITION AT END OF YEAR.....	\$ 26,151,912	\$ 56,491	\$ 88,955

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	629,928	\$ 741,733	\$ 16,636,706
	-	-	206,746
	<u>629,928</u>	<u>741,733</u>	<u>16,843,452</u>
	251,228	338,864	2,850,282
	206,542	273,723	1,728,011
	-	-	12,969,684
	46,558	84,941	1,099,608
	<u>63,958</u>	<u>60,519</u>	<u>1,986,122</u>
	<u>568,286</u>	<u>758,047</u>	<u>20,633,707</u>
	<u>61,642</u>	<u>(16,314)</u>	<u>(3,790,255)</u>
	-	-	71,822
	<u>(36,723)</u>	<u>-</u>	<u>(148,367)</u>
	<u>(36,723)</u>	<u>-</u>	<u>(76,545)</u>
	<u>24,919</u>	<u>(16,314)</u>	<u>(3,866,800)</u>
	<u>-</u>	<u>771,154</u>	<u>1,371,154</u>
	186,723	-	5,972,801
	<u>(92,483)</u>	<u>-</u>	<u>(92,483)</u>
	<u>94,240</u>	<u>-</u>	<u>5,880,318</u>
	119,159	754,840	3,384,672
	<u>445,049</u>	<u>1,363,879</u>	<u>25,595,613</u>
\$	<u><u>564,208</u></u>	\$ <u><u>2,118,719</u></u>	\$ <u><u>28,980,285</u></u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	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.....	\$ 14,928,841	\$ 329,933	\$ 14,333
Receipts from other governments.....	225	149,588	56,933
Payments to vendors.....	(16,111,565)	(217,386)	(20,747)
Payments to employees.....	(1,845,622)	(379,619)	(58,164)
NET CASH FROM OPERATING ACTIVITIES.....	(3,028,121)	(117,484)	(7,645)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	5,666,078	120,000	-
Transfers out.....	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	5,666,078	120,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	1,300,000	-	-
Capital contributions.....	600,000	-	-
Acquisition and construction of capital assets.....	(2,780,809)	-	-
Principal payments on bonds and notes.....	(1,370,716)	-	-
Interest expense.....	(111,644)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,363,169)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	71,822	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	346,610	2,516	(7,645)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	12,114,776	57,220	85,583
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 12,461,386	\$ 59,736	\$ 77,938
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (3,717,559)	\$ (108,201)	\$ (9,823)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	962,600	-	5,509
Deferred (outflows)/inflows related to pensions.....	(224,803)	-	-
Changes in assets and liabilities:			
User fees.....	8,062	-	-
Warrants payable.....	(192,513)	(3,313)	(2,260)
Accrued payroll.....	(14,174)	(5,970)	(1,071)
Accrued compensated absences.....	(2,000)	-	-
Net pension liability.....	(19,387)	-	-
Other postemployment benefits.....	171,653	-	-
Total adjustments.....	689,438	(9,283)	2,178
NET CASH FROM OPERATING ACTIVITIES.....	\$ (3,028,121)	\$ (117,484)	\$ (7,645)

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	629,928	\$ 741,733	\$ 16,644,768
	-	-	206,746
	(253,588)	(332,890)	(16,936,176)
	<u>(253,801)</u>	<u>(366,840)</u>	<u>(2,904,046)</u>
	<u>122,539</u>	<u>42,003</u>	<u>(2,988,708)</u>
	186,723	-	5,972,801
	<u>(92,483)</u>	<u>-</u>	<u>(92,483)</u>
	<u>94,240</u>	<u>-</u>	<u>5,880,318</u>
	-	-	1,300,000
	-	-	600,000
	-	-	(2,780,809)
	(150,000)	-	(1,520,716)
	<u>(36,723)</u>	<u>-</u>	<u>(148,367)</u>
	<u>(186,723)</u>	<u>-</u>	<u>(2,549,892)</u>
	-	-	71,822
	30,056	42,003	413,540
	<u>358,571</u>	<u>409,990</u>	<u>13,026,140</u>
\$	<u>388,627</u>	<u>451,993</u>	<u>13,439,680</u>
\$	<u>61,642</u>	<u>(16,314)</u>	<u>(3,790,255)</u>
	46,558	84,941	1,099,608
	-	-	(224,803)
	-	-	8,062
	16,912	1,352	(179,822)
	(4,573)	(27,976)	(53,764)
	2,000	-	-
	-	-	(19,387)
	<u>-</u>	<u>-</u>	<u>171,653</u>
	<u>60,897</u>	<u>58,317</u>	<u>801,547</u>
\$	<u>122,539</u>	<u>42,003</u>	<u>(2,988,708)</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 7,499,491	\$ -	\$ 200,810	\$ 53,732
Investments:				
U.S. Treasury Bonds.....	-	-	925,204	-
Corporate Bonds.....	-	-	1,265,148	-
Equity Mutual Funds.....	2,837,069	11,201,306	-	-
Equity Securities.....	-	-	3,941,644	-
Real Estate Investment Trusts.....	-	-	91,141	-
PRIT.....	128,298,343	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	500,002	-	-	-
Interest and dividends.....	4,699	-	-	-
TOTAL ASSETS.....	139,139,604	11,201,306	6,423,947	53,732
LIABILITIES				
Warrants payable.....	11,947	-	-	-
Liabilities due depositors.....	-	-	-	53,732
TOTAL LIABILITIES.....	11,947	-	-	53,732
NET POSITION				
Restricted for pensions.....	139,127,657	-	-	-
Restricted for other postemployment benefits.....	-	11,201,306	-	-
Held in trust for other purposes.....	-	-	6,423,947	-
TOTAL NET POSITION.....	\$ 139,127,657	\$ 11,201,306	\$ 6,423,947	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 11,122,754	\$ 868,000	\$ -
Member contributions.....	3,517,426	-	-
Member contributions - transfers from other systems.....	623,382	-	-
Retirement benefits - 3(8)c contributions from other systems.....	480,178	-	-
Employer contributions for other postemployment benefits.....	-	6,797,000	-
Private donations.....	-	-	518,987
Total contributions.....	15,743,740	7,665,000	518,987
Net investment income (loss):			
Net change in fair value of investments.....	9,684,430	1,149,114	600,228
Investment income.....	38,542	-	139,240
Total investment income (loss).....	9,722,972	1,149,114	739,468
Less: investment expense.....	(727,786)	-	-
Net investment income (loss).....	8,995,186	1,149,114	739,468
Retirement benefits - workers' compensation settlements.....	5,700	-	-
Retirement benefits - state COLA reimbursements.....	433,298	-	-
TOTAL ADDITIONS.....	25,177,924	8,814,114	1,258,455
DEDUCTIONS:			
Administration.....	332,867	-	-
Retirement benefits - transfers to other systems.....	826,017	-	-
Retirement benefits - 3(8)c transfers to other systems.....	480,578	-	-
Retirement benefits and refunds.....	17,681,973	-	-
Other postemployment benefit payments.....	-	6,797,000	-
Human services.....	-	-	15,461
Educational scholarships.....	-	-	674,321
TOTAL DEDUCTIONS.....	19,321,435	6,797,000	689,782
CHANGE IN NET POSITION.....	5,856,489	2,017,114	568,673
NET POSITION AT BEGINNING OF YEAR.....	133,271,168	9,184,192	5,855,274
NET POSITION AT END OF YEAR.....	\$ 139,127,657	\$ 11,201,306	\$ 6,423,947

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.

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 2017 assessment was \$3,649,349.

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; donated works of art, historical treasures and similar assets; and capital assets received in concession service arrangements are recorded at acquisition value. 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>	Estimated Useful Life (in years)
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 a deferred loss 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 and deferred inflows of resources related to pensions 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. Individual Fund Deficit

An individual fund deficit exists within the nonmajor special revenue fund for the Community Development Block Grant Rehab Program. This deficit will be funded through grant funds in future years.

S. 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 \$11.2 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 \$59,856,932 and the bank balance totaled \$64,304,940. Of the bank balance, \$8,054,195 was covered by Federal Depository Insurance, \$13,947,367 was covered by Depositors Insurance Fund, and \$42,303,378 was fully collateralized. Accordingly, none of the Town's deposits are exposed to custodial credit risk.

At December 31, 2016, carrying amount of deposits for the Pension System totaled \$39,316 and the bank balance totaled \$259,311. 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, 2017, 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.....	\$ 2,963,876	\$ 269,955	\$ 1,060,869	\$ 1,010,930	\$ 622,122
Corporate Bonds.....	4,052,881	271,560	1,034,717	1,443,424	1,303,180
Total Debt Securities.....	7,016,757	\$ 541,515	\$ 2,095,586	\$ 2,454,354	\$ 1,925,302
<u>Other Investments:</u>					
Mutual Funds.....	11,201,306				
Equity Securities.....	12,626,988				
Real Estate Investment Trusts.....	291,968				
Money Market Mutual Funds.....	255,105				
MMDT - Cash Portfolio.....	39,047,817				
Total Investments.....	\$ 70,439,941				

As of December 31, 2016, the Pension System had the following investments:

	<u>Fair Value</u>
<u>Other Investments:</u>	
PRIT.....	\$ 128,298,343
Money Market Mutual Funds.....	7,460,175
Equity Mutual Funds.....	<u>2,837,069</u>
Total Investments.....	<u>\$ 138,595,587</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 0.45 to 22.60 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. Of the Town’s investments, \$7,016,757 in debt securities, \$12,626,988 in equity securities, and \$291,968 in real estate investment trusts are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. As of June 30, 2017, the Town’s investments in MMDT which totaled \$39,047,817 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2016, the System’s investments in PRIT and open-end mutual funds totaling \$138,595,587 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, 2017, the Town’s investments were rated as shown on the following page.

Quality Ratings	U.S. Treasury Bonds	Corporate Bonds
AAA.....	\$ 2,963,876	\$ 240,746
AA+.....	-	303,697
AA.....	-	359,690
AA-.....	-	285,898
A+.....	-	363,711
A.....	-	763,780
A-.....	-	491,828
BBB+.....	-	725,960
BBB.....	-	371,195
BBB-.....	-	146,376
Fair Value.....	<u>\$ 2,963,876</u>	<u>\$ 4,052,881</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, 2017:

Investment Type	June 30, 2017	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 measured at fair value:				
<u>Debt Securities:</u>				
U.S. Treasury Bonds.....	\$ 2,963,876	\$ 2,963,876	\$ -	\$ -
Corporate Bonds.....	4,052,881	-	4,052,881	-
Total debt securities.....	7,016,757	2,963,876	4,052,881	-
<u>Other investments:</u>				
Mutual Funds.....	11,201,306	11,201,306	-	-
Equity Securities.....	12,626,988	12,626,988	-	-
Real Estate Investment Trusts.....	291,968	-	-	291,968
Money Market Mutual Funds.....	255,105	255,105	-	-
Total other investments.....	24,375,367	24,083,399	-	291,968
Total investments measured at fair value.....	31,392,124	\$ 27,047,275	\$ 4,052,881	\$ 291,968
Investments measured at amortized cost:				
MMDT - Cash Portfolio.....	39,047,817			
Total investments.....	\$ 70,439,941			

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 cash portfolio 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, 2016:

Investment Type	December 31, 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 measured at fair value:				
<u>Other investments:</u>				
Money Market Mutual Funds.....	\$ 7,460,175	\$ 7,460,175	\$ -	\$ -
Equity Mutual Funds.....	<u>2,837,069</u>	<u>2,837,069</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	10,297,244	<u>\$ 10,297,244</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at net asset value (NAV):

PRIT.....	<u>128,298,343</u>
Total investments.....	<u>\$ 138,595,587</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, 2017, 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.....	\$ 476,754	\$ -	\$ 476,754
Real estate tax deferrals.....	287,608	-	287,608
Tax liens.....	545,964	-	545,964
Motor vehicle excise taxes.....	283,679	(74,173)	209,506
Departmental and other.....	4,406	(214)	4,192
Special assessments.....	869	-	869
Intergovernmental.....	5,244,844	-	5,244,844
Loans.....	622,111	-	622,111
Total.....	<u>\$ 7,466,235</u>	<u>\$ (74,387)</u>	<u>\$ 7,391,848</u>

At June 30, 2017, receivables for the proprietary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer fees.....	\$ 5,053,667	\$ -	\$ 5,053,667

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.....	\$ 417,176	\$ 6,777	\$ 423,953
Real estate tax deferrals.....	287,608	-	287,608
Tax liens.....	545,964	-	545,964
Motor vehicle excise taxes.....	209,506	-	209,506
Departmental and other.....	4,192	-	4,192
State school construction funds.....	2,915,917	-	2,915,917
Special assessments.....	869	-	869
Intergovernmental.....	-	1,226,546	1,226,546
Loans.....	-	622,111	622,111
Tax foreclosures.....	396,784	-	396,784
Total.....	<u>\$ 4,778,016</u>	<u>\$ 1,855,434</u>	<u>\$ 6,633,450</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, 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.....	18,227,173	8,525,425	(17,095,995)	9,656,603
Total capital assets not being depreciated.....	<u>28,752,766</u>	<u>8,525,425</u>	<u>(17,095,995)</u>	<u>20,182,196</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	130,211,126	22,706,581	-	152,917,707
Improvements.....	21,137,413	2,916,567	-	24,053,980
Vehicles and equipment.....	11,685,714	1,899,398	(834,860)	12,750,252
Infrastructure.....	75,295,478	2,589,736	(2,258,106)	75,627,108
Total capital assets being depreciated.....	<u>238,329,731</u>	<u>30,112,282</u>	<u>(3,092,966)</u>	<u>265,349,047</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(53,566,602)	(3,055,956)	-	(56,622,558)
Improvements.....	(6,359,913)	(1,106,981)	-	(7,466,894)
Vehicles and equipment.....	(7,618,693)	(1,223,247)	834,860	(8,007,080)
Infrastructure.....	(47,303,257)	(1,678,088)	2,258,106	(46,723,239)
Total accumulated depreciation.....	<u>(114,848,465)</u>	<u>(7,064,272)</u>	<u>3,092,966</u>	<u>(118,819,771)</u>
Total capital assets being depreciated, net.....	<u>123,481,266</u>	<u>23,048,010</u>	<u>-</u>	<u>146,529,276</u>
Total governmental activities capital assets, net.....	<u>\$ 152,234,032</u>	<u>\$ 31,573,435</u>	<u>\$ (17,095,995)</u>	<u>\$ 166,711,472</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	125,925	-	856,491
Improvements.....	2,512,203	645,230	-	3,157,433
Vehicles and equipment.....	3,516,826	97,839	(139,130)	3,475,535
Infrastructure.....	27,179,532	2,803,998	-	29,983,530
Total capital assets being depreciated.....	<u>33,939,127</u>	<u>3,672,992</u>	<u>(139,130)</u>	<u>37,472,989</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(261,865)	(21,415)	-	(283,280)
Improvements.....	(673,899)	(160,512)	-	(834,411)
Vehicles and equipment.....	(2,053,389)	(318,829)	139,130	(2,233,088)
Infrastructure.....	(6,166,201)	(598,852)	-	(6,765,053)
Total accumulated depreciation.....	<u>(9,155,354)</u>	<u>(1,099,608)</u>	<u>139,130</u>	<u>(10,115,832)</u>
Total capital assets being depreciated, net.....	<u>24,783,773</u>	<u>2,573,384</u>	<u>-</u>	<u>27,357,157</u>
Total business-type activities capital assets, net.....	<u>\$ 24,786,727</u>	<u>\$ 2,573,384</u>	<u>\$ -</u>	<u>\$ 27,360,111</u>

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

Governmental Activities:

General government.....	\$ 393,706
Public safety.....	1,155,966
Education.....	2,755,000
Public works.....	2,264,702
Property and natural resources.....	117,340
Community development.....	80,003
Human services.....	23,346
Library.....	193,155
Culture and recreation.....	<u>81,054</u>

Total depreciation expense - governmental activities..... \$ 7,064,272

Business-Type Activities:

Water and sewer.....	\$ 962,600
Council on aging.....	5,509
Ed Burns Arena.....	46,558
Recreation.....	<u>84,941</u>

Total depreciation expense - business-type activities..... \$ 1,099,608

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Town’s interfund balances at June 30, 2017, consisted of \$738,971 in balances within the non-major governmental funds which represent interfund borrowings for short-term cash flow needs.

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Capital Borrowing Fund	Nonmajor Governmental Funds	Rink Enterprise Fund	
General Fund.....	\$ -	\$ -	\$ 956,633	\$ 92,483	\$ 1,049,116 (1)
Capital Borrowing Fund.....	62,650	-	-	-	62,650 (1)
Nonmajor Governmental Funds.....	2,288,035	425,184	160,485	-	2,873,704 (2)
Water and Sewer Enterprise Fund.....	5,613,787	-	52,291	-	5,666,078 (3)
Youth Services Enterprise Fund.....	120,000	-	-	-	120,000 (3)
Ed Burns Arena Enterprise Fund.....	186,723	-	-	-	186,723 (3)
Totals.....	\$ <u>8,271,195</u>	\$ <u>425,184</u>	\$ <u>1,169,409</u>	\$ <u>92,483</u>	\$ <u>9,958,271</u>

- (1) Represents budgeted transfers to the general fund from the ambulance revolving, antenna revolving, conservation commission, the central school, and the Ed Burns Arena enterprise fund to fund the operating budget. Also represents transfers to the general fund from the Symmes property and the bond premium fund.
- (2) Represents budgeted transfers to nonmajor governmental funds from the general fund which primarily consist of the Town’s budgeted share of capital projects and transfers to the town special revenue funds. Also represents transfers from the nonmajor capital projects to the capital borrowing fund and transfers within nonmajor governmental funds.
- (3) Represents budgeted transfers from the general fund to the water and sewer, youth services, and the Ed Burns Arena enterprise funds.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
Governmental Funds:							
BAN	Bond Anticipation Note.....	1.40	12/8/2017	\$ -	\$ 4,000,000	\$ (3,602,300)	\$ 397,700 (1)

(1) On December 8, 2017, the Town paid down the remaining balance of \$397,700 using bond premiums.

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, 2017, 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, 2016	Issued	Redeemed	Outstanding at June 30, 2017
GOB Refunding - 2005.....	2017	\$ 3,100,000	3.00-5.00	\$ 425,000	\$ -	\$ (425,000)	-
GOB Refunding - 2005.....	2017	2,630,000	3.00-5.00	265,000	-	(265,000)	-
Municipal Purpose - 2006.....	2017	3,320,952	4.00-5.50	300,000	-	(300,000)	-
Municipal Purpose - 2007.....	2018	3,102,000	3.75-4.75	450,000	-	(225,000)	225,000
GOB Refunding - 2007.....	2018	11,690,000	3.75-5.00	2,215,000	-	(1,255,000)	960,000
Municipal Purpose - 2007.....	2018	100,000	3.75-4.5	20,000	-	(10,000)	10,000
Municipal Purpose - 2008.....	2019	3,875,000	3.00-3.62	570,000	-	(190,000)	380,000
Symmes Property.....	2022	5,262,000	2.00-4.00	2,875,000	-	(440,000)	2,435,000
Municipal Purpose - 2009.....	2020	2,482,000	2.00-3.00	860,000	-	(215,000)	645,000
Municipal Purpose - 2010.....	2031	7,258,000	2.00-4.00	4,645,000	-	(345,000)	4,300,000
Symmes Property - taxable.....	2019	840,000	2.00-2.50	310,000	-	(130,000)	180,000
Symmes Property.....	2022	470,000	2.00-3.00	470,000	-	-	470,000
Municipal Purpose - 2012.....	2022	1,329,000	2.00-3.00	425,000	-	(170,000)	255,000
GOB Refunding - 2012.....	2021	6,311,000	2.00-3.00	3,370,000	-	(705,000)	2,665,000
Municipal Purpose - 2013.....	2033	12,132,000	2.00-5.00	9,255,000	-	(835,000)	8,420,000
GOB Refunding - 2013.....	2024	2,205,000	2.00-3.00	1,630,000	-	(275,000)	1,355,000
Municipal Purpose - 2014.....	2034	5,551,000	3.00-3.75	4,480,000	-	(500,000)	3,980,000
Municipal Purpose - 2015.....	2035	11,018,000	2.00-4.00	9,980,000	-	(995,000)	8,985,000
Municipal Purpose - 2016.....	2030	4,087,000	2.25-5.00	4,087,000	-	(527,000)	3,560,000
GOB Refunding - 2016.....	2025	3,225,000	2.00-4.00	3,225,000	-	(195,000)	3,030,000
Municipal Purpose - 2017.....	2045	25,660,000	3.00-4.00	15,232,000	10,428,000	-	25,660,000
Municipal Purpose - 2018.....	2038	3,602,300	3.00-5.00	-	3,602,300	-	3,602,300
Total bonds payable.....				65,089,000	14,030,300	(8,002,000)	71,117,300
Add: unamortized premium.....				2,232,861	2,050,693	(509,634)	3,773,920
Total bonds payable, net.....				\$ 67,321,861	\$ 16,080,993	\$ (8,511,634)	\$ 74,891,220

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>
2018.....	\$ 8,175,000	\$ 2,725,631	\$ 10,900,631
2019.....	6,807,300	2,069,139	8,876,439
2020.....	6,235,000	1,820,013	8,055,013
2021.....	5,605,000	1,595,650	7,200,650
2022.....	4,530,000	1,401,838	5,931,838
2023.....	3,650,000	1,243,356	4,893,356
2024.....	3,430,000	1,112,888	4,542,888
2025.....	3,090,000	999,630	4,089,630
2026.....	3,020,000	896,808	3,916,808
2027.....	2,680,000	804,574	3,484,574
2028.....	2,615,000	718,571	3,333,571
2029.....	2,565,000	631,978	3,196,978
2030.....	2,470,000	544,944	3,014,944
2031.....	2,445,000	464,094	2,909,094
2032.....	2,040,000	391,566	2,431,566
2033.....	1,960,000	327,119	2,287,119
2034.....	1,525,000	274,125	1,799,125
2035.....	1,360,000	230,288	1,590,288
2036.....	1,005,000	194,813	1,199,813
2037.....	1,005,000	164,663	1,169,663
2038.....	735,000	138,562	873,562
2039.....	555,000	119,211	674,211
2040.....	555,000	102,561	657,561
2041.....	555,000	85,912	640,912
2042.....	555,000	69,263	624,263
2043.....	555,000	52,266	607,266
2044.....	555,000	34,922	589,922
2045.....	555,000	17,578	572,578
2046.....	285,000	4,453	289,453
Totals.....	\$ <u>71,117,300</u>	\$ <u>19,236,416</u>	\$ <u>90,353,716</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2017, \$2,474,773 of such assistance was received. Approximately \$3,046,000 will be received in future years. Of this amount, approximately \$130,000 represents reimbursement of long-term interest costs, and approximately \$2,916,000 represents reimbursement of approved construction costs. Accordingly, a \$2,916,000 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 \$512,000. 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, 2017, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose - 2006.....	2017	\$ 2,000,000	4.00-5.50	\$ 200,000	\$ -	\$ (200,000)	\$ -
Municipal Purpose - 2012.....	2022	1,300,000	2.00-3.00	780,000	-	(130,000)	650,000
Municipal Purpose - 2013.....	2022	280,000	2.00-5.00	415,000	-	(30,000)	385,000
Water and Sewer Bonds - MWRA....	2027	8,682,390	-	4,608,916	1,300,000	(810,716)	5,098,200
Municipal Purpose - 2014.....	2033	1,300,000	3.00-3.75	1,170,000	-	(65,000)	1,105,000
Municipal Purpose - 2015.....	2034	1,200,000	4.00	1,065,000	-	(135,000)	930,000
Total water and sewer enterprise fund bonds payable.....				\$ 8,238,916	\$ 1,300,000	\$ (1,370,716)	\$ 8,168,200

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

	Principal	Interest	Total
2018.....	\$ 1,280,300	\$ 97,619	\$ 1,377,919
2019.....	1,196,100	84,994	1,281,094
2020.....	1,010,600	72,494	1,083,094
2021.....	900,600	60,119	960,719
2022.....	895,600	47,969	943,569
2023.....	700,000	37,869	737,869
2024.....	615,000	29,969	644,969
2025.....	430,000	24,919	454,919
2026.....	335,000	22,454	357,454
2027.....	220,000	19,957	239,957
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.....	\$ 8,168,200	\$ 564,574	\$ 8,732,774

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose - 2009.....	2020	\$ 1,000,000	2.00-3.00	\$ 400,000	\$ -	\$ (100,000)	\$ 300,000
Municipal Purpose - 2013.....	2033	280,000	2.00-5.00	235,000	-	(15,000)	220,000
Municipal Purpose - 2016.....	2030	275,000	5.00	275,000	-	(35,000)	240,000
Total Veteran’s rink enterprise fund bonds payable.....				\$ 910,000	\$ -	\$ (150,000)	\$ 760,000

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>
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.....	<u>10,000</u>	<u>138</u>	<u>10,138</u>
Totals.....	\$ <u>760,000</u>	\$ <u>105,372</u>	\$ <u>865,372</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, 2017, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Arlington High School Project Feasibility Study.....	\$ 2,000,000
Thompson Elementary School.....	4,000,000
Stratton Elementary School.....	1,000,000
Gibbs School.....	27,000,000
Hardy Elementary School.....	3,500,000
Sewer.....	3,689,075
Water.....	6,877,354
Microcomputer Program.....	60,000
Financing.....	900
Traffic Signal Maintenance and Upgrades.....	60,000
Remodeling Fire Truck.....	120
Departmental Equipment.....	900,000
Senior Center Architectural Plans.....	400,000
Urban Renewal.....	14,000,000
Town Hall Renovations.....	<u>100,000</u>
Total.....	\$ <u>63,587,449</u>

Changes in long-term liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 65,089,000	\$ 14,030,300	\$ (8,002,000)	\$ 71,117,300	\$ 8,175,000
Add: Unamortized Premium.....	2,232,861	2,050,693	(509,634)	3,773,920	583,803
Total Long-Term Bonds.....	67,321,861	16,080,993	(8,511,634)	74,891,220	8,758,803
Net Pension Liability.....	118,898,604	20,837,185	(13,076,260)	126,659,529	-
Other Postemployment Benefits.....	62,508,998	17,719,613	(7,604,060)	72,624,551	-
Workers' Compensation.....	153,000	312,337	(332,337)	133,000	83,000
Compensated Absences.....	4,920,000	2,665,000	(3,212,000)	4,373,000	2,570,000
Total governmental activities.....	<u>\$ 253,802,463</u>	<u>\$ 57,615,128</u>	<u>\$ (32,736,291)</u>	<u>\$ 278,681,300</u>	<u>\$ 11,411,803</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 9,148,916	\$ 1,300,000	\$ (1,520,716)	\$ 8,928,200	\$ 1,425,300
Net Pension Liability.....	6,996,824	700,960	(720,347)	6,977,437	-
Other Postemployment Benefits.....	1,015,871	232,593	(60,940)	1,187,524	-
Compensated Absences.....	150,000	80,000	(80,000)	150,000	74,000
Total business-type activities.....	<u>\$ 17,311,611</u>	<u>\$ 2,313,553</u>	<u>\$ (2,382,003)</u>	<u>\$ 17,243,161</u>	<u>\$ 1,499,300</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 \$26,601,000 and have been reported within the general fund as unassigned and the Town’s municipal insurance funds totaling approximately \$3,267,000 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..... \$	-	-	\$ 4,850,516	\$ 4,850,516
Restricted for:				
Municipal insurance.....	3,266,956	-	-	3,266,956
Capital borrowing funds.....	-	8,467,184	-	8,467,184
Town revolving funds.....	-	-	1,595,649	1,595,649
Town gift and grant funds.....	-	-	1,869,099	1,869,099
Community development grants.....	-	-	49,494	49,494
School lunch.....	-	-	353,286	353,286
School revolving funds.....	-	-	2,369,936	2,369,936
School gift and grant funds.....	-	-	3,112,131	3,112,131
Receipts reserved for appropriation.....	-	-	701,293	701,293
Special revenue trust funds.....	-	-	831,288	831,288
Employee insurance mitigation funds.....	-	-	728,317	728,317
Other special revenue funds.....	-	-	3,806,109	3,806,109
Community Preservation fund.....	-	-	2,773,513	2,773,513
Symmes Property.....	-	-	332,279	332,279
Highway fund.....	-	-	24	24
Capital tax levy projects.....	-	-	1,654,531	1,654,531
Other capital projects.....	-	-	36,395	36,395
Cemeteries.....	-	-	741,907	741,907
Cemetery perpetual care.....	-	-	4,304,273	4,304,273
Libraries.....	-	-	3,335,255	3,335,255
Education permanent funds.....	-	-	200,935	200,935
Committed to:				
General government.....	279,021	-	-	279,021
Public works.....	1,916	-	-	1,916
Community development.....	1,255	-	-	1,255
Human Services.....	3,989	-	-	3,989
Culture and recreation.....	5,458	-	-	5,458
Assigned to:				
General government.....	203,378	-	-	203,378
Public safety.....	37,880	-	-	37,880
Education.....	199,551	-	-	199,551
Public works.....	886,552	-	-	886,552
Community development.....	25,404	-	-	25,404
Human services.....	4,932	-	-	4,932
Culture and recreation.....	27,939	-	-	27,939
Balance the FY18 operating budget.....	4,850,566	-	-	4,850,566
Unassigned.....	41,337,204	-	(59,580)	41,277,624
TOTAL FUND BALANCES..... \$	<u>51,132,001</u>	<u>\$ 8,467,184</u>	<u>\$ 33,586,650</u>	<u>\$ 93,185,835</u>

NOTE 9 – STABILIZATION FUND

At June 30, 2017, the Town has approximately \$3.1 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 has a special education stabilization fund which has a balance of \$1,000.

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, 2017, the Fiscal Stability Fund has a balance of approximately \$23.5 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, 2017, the amount of the liability for workers’ compensation claims totaled \$133,000. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at End of Year
2016.....	\$ 166,000	\$	444,219	\$	(457,219)	\$	153,000
2017.....	153,000		312,337		(332,337)		133,000

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, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$11,927,082 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 \$116,924,661 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, 2016, the ACRS membership consists of the following:

Active members.....	696
Inactive members.....	329
Retirees and beneficiaries currently receiving benefits.....	<u>603</u>
Total.....	<u><u>1,628</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, 2016, was \$11,122,754, 30.35% 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 \$10,659,672. The Town's actual contribution was \$10,694,705, which exceeded the required contribution by \$35,033. 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, 2017, were as follows:

Total pension liability.....	\$	278,087,988
The pension plan's fiduciary net position.....		<u>(139,127,657)</u>
Total net pension liability.....	\$	<u>138,960,331</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		50.03%

At June 30, 2017, the Town reported a liability of \$133,636,966 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Town's proportion was 96.17%, which increased by .04% from its proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$13,796,607. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$10,862,598, and deferred inflows of resources related to pensions of \$1,039,161.

The balances of deferred outflows/ (inflows) of resources related to pension at June 30, 2017, 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.....	\$ 976,925	\$ (1,039,161)	\$ (62,236)
Changes of assumptions.....	4,462,386	-	4,462,386
Difference between projected and actual investment earnings.....	5,365,245	-	5,365,245
Changes in proportion and proportionate share of contributions.....	<u>58,042</u>	<u>-</u>	<u>58,042</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 10,862,598</u>	<u>\$ (1,039,161)</u>	<u>\$ 9,823,437</u>

The Town’s net deferred outflows/ (inflows) of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2017.....	\$ 2,868,490
2018.....	2,868,490
2019.....	2,941,371
2020.....	<u>1,145,086</u>
Total.....	<u>\$ 9,823,437</u>

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
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.....	7.25%
Discount rate.....	7.25%
Inflation rate.....	3.00% per year.

Projected salary increases.....	4.00% Ultimate rate, plus the following steps and longevity: <ul style="list-style-type: none"> • Group 1 and 2: 3.75% for the first 6 years of service • Group 4: 1.00% in year 5, 0.99% in year 10, 0.98% in year 15, 0.971% in year 20 and 0.962% 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 projected with Generational mortality, Scale BB with a base year of 2000 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. In-service death is assumed to be 55% accidental for group 1 and 2 and 90% accidental for group 4.

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, 2016, 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.....	4.69%	16.00%
Emerging equities.....	6.42%	6.00%
Core Fixed Income		
Core Bonds.....	0.97%	5.00%
20+ year Treasuries.....	0.73%	2.00%
TIPS.....	0.73%	5.00%
Value-Added Fixed Income		
High-yield Bonds.....	2.67%	1.50%
Bank Loans.....	2.91%	2.50%
EMD (external).....	2.67%	1.00%
EMD (local currency).....	3.40%	0.00%
Distressed Debt.....	5.88%	3.00%
Other Credit Opportunities.....	3.73%	2.00%
Private equity.....	6.31%	11.00%
Real estate.....	3.40%	10.00%
Timberland.....	2.91%	4.00%
Hedge funds/Portfolio Completion.....	3.38%	13.00%
Total.....		100.00%

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.41%. 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 at June 30, 2017, was 7.25%, which changed from 7.50% at June 30, 2016. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
The Town's proportionate share of the net pension liability.....	\$ 162,819,376	\$ 133,636,966	\$ 112,110,017
ACRS total net pension liability.....	\$ 169,301,784	138,960,331	116,578,392

Changes in Assumptions and Plan Provisions

The following assumption change was reflected in the January 1, 2016 actuarial valuation:

- The discount rate was decreased from 7.50% to 7.25%.

There were no changes to the plan provisions in the January 1, 2016 actuarial valuation.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town 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 Massachusetts General Law assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town

contributes 75 to 80 percent of the cost of current-year premiums for healthcare insurance 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 2017, the Town's age-adjusted contribution to the plan totaled \$7.7 million. For the year ended June 30, 2017, the Town's average contribution rate was 9.86% of covered-payroll.

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 other postemployment benefit (OPEB) liabilities.

During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$868,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled \$11,201,306.

The annual money-weighted rate of return on OPEB plan investments was 11.61%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan's membership at June 30, 2017:

Active members.....	1,177
Inactive members currently receiving benefits.....	<u>897</u>
Total.....	<u><u>2,074</u></u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 234,089,000
Less: OPEB plan's fiduciary net position.....	<u>(11,201,306)</u>
Net OPEB liability.....	<u><u>\$ 222,887,694</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	4.79%

Significant Actuarial Methods and Assumptions – The Plan's total OPEB liability in the January 1, 2016, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry age normal acutuarial cost method.
Asset valuation method.....	Market value of assets.
Investment rate of return.....	4.00% per year net of investment expenses.
Healthcare cost trend rate.....	9.0% decreasing to 5.0%

Salary increases.....	Groups 1 and 2: 7.75% increases for the first 6 years of service; 4.00% increases thereafter. Group 4: 5.00% increase in year 5, 4.99% in year 10, 4.98% in year 15, 4.971% in year 20, and 4.962% in year 25; 4.00% increases in all other years. Teachers: 7.50% decreasing to 5.00% after 20 years.
Medical plan costs.....	9.00% decreasing to 5.00%.
Mortality:	
Actives.....	RP-2014 adjusted from 2006 projected generationally using MP-2016.
Retirees.....	RP-2014 adjusted from 2006 projected generationally using MP-2016.
Disabled.....	RP-2014 adjusted from 2006 projected generationally using MP-2016, set forward 2 years.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan's 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 OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities.....	14.50%	3.65%
Small/Mid Cap Equities.....	3.50%	7.75%
International Equities.....	16.00%	7.83%
Emerging International Equities.....	6.00%	9.61%
Core Bonds.....	5.00%	4.00%
Twenty-Plus-Year Treasury Strips.....	2.00%	3.75%
TIPs.....	5.00%	3.75%
High-Yield Bonds.....	1.50%	5.75%
Bank Loans.....	2.50%	6.00%
EMD (External).....	1.00%	5.75%
EMD (Local Currency).....	0.00%	6.50%
Distressed Debt.....	3.00%	9.06%
Other Credit Opportunities.....	2.00%	6.84%
Private Equity.....	11.00%	9.50%
Real Estate.....	10.00%	6.50%
Timberland.....	4.00%	6.00%
Hedge Funds and Portfolio Completion (PCS).....	13.00%	6.48%
Total Asset Allocation.....	100.00%	

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability.....	\$ 263,484,000	\$ 222,888,000	\$ 191,570,000

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate (9.0% decreasing to 5.0%) if it was 1-percentage-point lower (8.0% decreasing to 4.0%) or 1-percentage-point higher (10.0% decreasing to 6.0%) than the current rate.

	1% Decrease (8.0% decreasing to 4.0%)	Current Trend Rate (9.0% decreasing to 5.0%)	1% Increase (10.0% decreasing to 6.0%)
Net OPEB liability.....	\$ 184,266,000	\$ 222,888,000	\$ 273,792,000

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.....	\$ 18,408,943
Interest on net OPEB obligation.....	2,763,332
ARC Adjustment.....	<u>(3,220,069)</u>
Annual OPEB cost (expense).....	17,952,206
Contributions made.....	<u>(7,665,000)</u>
Increase in net OPEB obligation.....	10,287,206
Net OPEB obligation - beginning of year.....	<u>63,524,869</u>
Net OPEB obligation - end of year.....	<u><u>\$ 73,812,075</u></u>

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 17,952,206	43%	\$ 73,812,075
6/30/2016	17,227,224	46%	63,524,869
6/30/2015	16,276,029	47%	54,195,174

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)
1/1/2016	\$ 8,889,640	\$ 200,987,480	\$ 192,097,840	4%	\$ 77,756,000	247.1%
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%

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.

In the January 1, 2016, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend of 5.00% to 9.00%. The UAAL is being amortized over a 30 year closed period, with amortization payments increasing at 3.25% per year. The remaining amortization period at January 1, 2016, is 22 years.

NOTE 14 – COMMITMENTS

As of June 30, 2017, the Town was entering the final stages of the renovation of the Stratton Elementary School, 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 designed a six classroom expansion to the Thompson Elementary School in response to growing school enrollment which began construction during fiscal year 2017. The expected cost of this project is \$4 million.

The Town has hired an owner's project manager and an architect to solicit community feedback and begin preparation of design documents for renovations to or replacement of Arlington High School.

Town Meeting approved \$3.5 million in funding for a six room expansion of the Hardy Elementary School and \$24,450,000 to fund renovations to the Gibbs School.

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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2017, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.

- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. 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 #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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, 2017

	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.....	\$ 110,559,430	\$ 110,559,430	\$ 110,890,571	\$ -	\$ 331,141
Tax liens.....	-	-	470,129	-	470,129
Motor vehicle excise taxes.....	4,075,000	4,075,000	4,775,678	-	700,678
Hotel/motel tax.....	325,000	325,000	303,939	-	(21,061)
Meals tax.....	400,000	400,000	415,173	-	15,173
Intergovernmental.....	21,248,922	21,248,922	21,724,948	-	476,026
Departmental and other.....	4,106,000	4,106,000	4,544,070	-	438,070
Investment income.....	65,000	65,000	329,266	-	264,266
TOTAL REVENUES.....	140,779,352	140,779,352	143,453,774	-	2,674,422
EXPENDITURES:					
Current:					
General Government					
Finance Committee					
Salaries.....	9,997	9,997	8,329	-	1,668
Expenditures.....	2,721	2,500	443	1,250	807
Total.....	12,718	12,497	8,772	1,250	2,475
Board of Selectmen					
Administration & Licensing Salaries.....	228,888	237,076	234,416	-	2,660
Administration & Licensing Expenditures.....	21,865	20,877	16,775	1,067	3,035
Elections & Town Meeting Salaries.....	58,341	77,141	51,205	-	25,936
Elections & Town Meeting Expenditures.....	101,857	130,600	85,174	4,514	40,912
Printing Town Reports.....	6,110	6,110	6,110	-	-
Accounting & Audit.....	65,000	65,000	63,000	2,000	-
Article - Dallin Area Sidewalks.....	1,500	1,500	-	1,500	-
Total.....	483,561	538,304	456,680	9,081	72,543
Town Manager					
Salaries.....	622,303	617,303	609,135	-	8,168
Expenditures.....	43,650	49,151	35,938	4,444	8,769
Article - Study Vehicular Traffic Volume.....	18,981	18,982	70	18,912	-
Article - Uncle Sam Temporary Visitor Center.....	2,135	2,135	-	2,135	-
Article - Mugar Property.....	25,000	25,000	18,366	6,634	-
Total.....	712,069	712,571	663,509	32,125	16,937
Human Resources					
Salaries.....	255,780	255,770	248,764	-	7,006
Expenses.....	65,991	63,855	50,850	13,005	-
Article - Positions Reclassification.....	3,222	3,222	-	3,222	-
Article - Indemnification.....	8,500	8,500	9,169	-	(669)
Total.....	333,493	331,347	308,783	16,227	6,337
Information Technology					
Salaries.....	516,784	516,784	497,504	-	19,280
Expenditures.....	239,328	232,344	202,464	16,092	13,788
Total.....	756,112	749,128	699,968	16,092	33,068
Comptroller					
Salaries.....	325,970	325,970	324,878	-	1,092
Expenditures.....	241,718	241,699	113,091	128,608	-
Total.....	567,688	567,669	437,969	128,608	1,092
Treasurer / Collector					
Salaries.....	514,857	554,593	529,730	-	24,863
Expenditures.....	162,427	161,955	143,048	4,456	14,451
Out-of-State Travel.....	3,000	3,000	4,394	-	(1,394)
Total.....	680,284	719,548	677,172	4,456	37,920

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Postage					
Salaries.....	32,648	32,648	30,626	-	2,022
Expenditures.....	148,888	148,868	145,412	3,456	-
Total.....	181,536	181,516	176,038	3,456	2,022
Board of Assessors					
Salaries.....	266,246	272,087	271,131	-	956
Expenditures.....	31,656	31,648	29,649	1,605	394
Total.....	297,902	303,735	300,780	1,605	1,350
Article - Revaluation Funds.....	31,466	31,466	15,172	16,294	-
Article - Conservation Land Fund.....	24,300	24,300	-	24,300	-
Legal					
Salaries.....	345,246	348,468	348,132	-	336
Expenditures.....	173,351	213,350	188,385	21,865	3,100
Article - Legal Defense Fund.....	34,145	44,000	25,000	19,000	-
Article - Workers Compensation Reserve.....	128,781	162,927	38,000	124,927	-
Total.....	681,523	768,745	599,517	165,792	3,436
Town Clerk					
Salaries.....	243,956	246,151	243,463	-	2,688
Expenditures.....	30,636	39,429	30,667	-	8,762
Total.....	274,592	285,580	274,130	-	11,450
Board of Registrars					
Salaries.....	52,307	52,307	52,881	-	(574)
Expenditures.....	13,550	13,550	7,422	8	6,120
Total.....	65,857	65,857	60,303	8	5,546
Parking					
Salaries.....	88,953	88,953	83,685	-	5,268
Expenditures.....	43,707	42,749	41,928	678	143
Total.....	132,660	131,702	125,613	678	5,411
Zoning Board of Appeals					
Salaries.....	20,812	20,812	20,788	-	24
Expenditures.....	4,227	4,227	3,709	330	188
Total.....	25,039	25,039	24,497	330	212
Article - Collective Bargaining	62,097	62,097	-	62,097	-
Total General Government.....	5,322,897	5,511,101	4,828,903	482,399	199,799
Public Safety					
Police					
Salaries.....	7,284,625	7,284,625	7,262,693	-	21,932
Expenditures.....	771,661	771,660	743,814	21,005	6,841
Total.....	8,056,286	8,056,285	8,006,507	21,005	28,773
Fire					
Salaries.....	6,841,598	6,941,598	6,929,958	-	11,640
Expenditures.....	447,703	467,826	447,989	16,445	3,392
Total.....	7,289,301	7,409,424	7,377,947	16,445	15,032
Inspections					
Salaries.....	406,796	406,796	403,931	365	2,500
Expenditures.....	12,592	12,000	11,883	65	52
Total.....	419,388	418,796	415,814	430	2,552
Total Public Safety.....	15,764,975	15,884,505	15,800,268	37,880	46,357

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Education					
Public Schools					
Salaries and Expenditures.....	59,968,372	60,301,807	60,055,946	199,551	46,310
Minuteman Regional.....	3,649,349	3,649,349	3,649,349	-	-
Total Education.....	63,617,721	63,951,156	63,705,295	199,551	46,310
Public Works					
Public Works					
Salaries and Expenditures.....	9,401,472	10,156,411	9,198,168	834,267	123,976
Facilities					
Salaries.....	271,721	271,721	265,179	-	6,542
Expenditures.....	306,374	330,791	278,640	52,285	(134)
Total.....	578,095	602,512	543,819	52,285	6,408
Recycling Committee.....	3,000	3,860	1,944	1,916	-
Total Public Works.....	9,982,567	10,762,783	9,743,931	888,468	130,384
Community Development					
Planning & Community Development					
Salaries.....	414,807	402,807	353,739	-	49,068
Expenditures.....	26,136	36,396	18,668	1,384	16,344
Article - Vision 2020.....	3,850	3,800	2,545	1,255	-
Total.....	444,793	443,003	374,952	2,639	65,412
Redevelopment Board					
Expenditures.....	12,293	11,012	7,439	3,105	468
Rental Property Expenditures.....	284,412	274,604	237,279	20,915	16,410
Total.....	296,705	285,616	244,718	24,020	16,878
Total Community Development.....	741,498	728,619	619,670	26,659	82,290
Human Services					
Human Services Administration					
Salaries.....	356,809	353,109	353,239	-	(130)
Expenditures.....	33,002	33,002	32,761	459	(218)
Total.....	389,811	386,111	386,000	459	(348)
Veterans' Services					
Salaries.....	61,065	61,065	60,990	-	75
Expenditures.....	379,407	372,341	279,897	4,416	88,028
Total.....	440,472	433,406	340,887	4,416	88,103
Council on Aging					
Salaries.....	211,730	221,796	218,158	-	3,638
Expenditures.....	14,112	14,094	13,769	57	268
Total.....	225,842	235,890	231,927	57	3,906
Commission on Disability.....	3,246	3,246	2,031	489	726
Human Rights Commission.....	5,450	5,450	2,935	500	2,015
Senior Citizen Community Service Program.....	7,530	7,500	6,000	1,500	-
Veteran's, Memorial, and Patriot's Day Celebrations.....	6,107	6,092	4,795	1,297	-
Flags on Graves of Veterans.....	4,500	4,500	4,297	203	-
Total Health and Human Services.....	1,082,958	1,082,195	978,872	8,921	94,402

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Culture and Recreation					
Library					
Salaries.....	1,728,537	1,739,262	1,739,144	-	118
Expenditures.....	566,633	530,491	483,271	27,939	19,281
Total.....	<u>2,295,170</u>	<u>2,269,753</u>	<u>2,222,415</u>	<u>27,939</u>	<u>19,399</u>
Arlington Historical Commission.....	2,288	2,160	2,096	64	-
Historic District Commissions.....	8,311	6,701	5,188	1,513	-
Arlington Commission on Arts and Culture.....	4,000	6,150	4,269	1,881	-
Public Art.....	6,000	8,000	6,000	2,000	-
Total Culture and Recreation.....	<u>2,315,769</u>	<u>2,292,764</u>	<u>2,239,968</u>	<u>33,397</u>	<u>19,399</u>
Pension Benefits					
Contributory Pension.....	9,554,782	9,554,782	9,554,782	-	-
Non-Contributory Pension.....	87,000	87,000	60,018	-	26,982
Total Pension Benefits.....	<u>9,641,782</u>	<u>9,641,782</u>	<u>9,614,800</u>	<u>-</u>	<u>26,982</u>
Court Judgments.....	-	-	70,000	-	(70,000)
Insurance.....	16,977,286	16,977,287	15,478,699	68,585	1,430,003
Reserve Fund.....	1,465,000	18,317	-	-	18,317
State and County Charges.....	3,163,446	3,163,446	3,118,634	-	44,812
Debt Service: Principal.....	7,519,931	7,519,931	7,432,000	-	87,931
Debt Service: Interest.....	1,923,763	1,923,763	1,816,828	-	106,935
TOTAL EXPENDITURES.....	<u>139,519,593</u>	<u>139,457,649</u>	<u>135,447,868</u>	<u>1,745,860</u>	<u>2,263,921</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>1,259,759</u>	<u>1,321,703</u>	<u>8,005,906</u>	<u>(1,745,860)</u>	<u>4,938,343</u>
OTHER FINANCING SOURCES (USES):					
Transfers in.....	854,382	1,190,937	1,398,504	-	207,567
Transfers out.....	(10,975,876)	(11,424,123)	(11,424,123)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>(10,121,494)</u>	<u>(10,233,186)</u>	<u>(10,025,619)</u>	<u>-</u>	<u>207,567</u>
NET CHANGE IN FUND BALANCE.....	(8,861,735)	(8,911,483)	(2,019,713)	(1,745,860)	5,145,910
BUDGETARY FUND BALANCE, Beginning of year.....	23,628,549	23,628,549	23,628,549	-	-
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 14,766,814</u>	<u>\$ 14,717,066</u>	<u>\$ 21,608,836</u>	<u>\$ (1,745,860)</u>	<u>\$ 5,145,910</u>

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 Returns 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	December 31, 2016
Total pension liability:			
Service cost.....	\$ 4,744,410	\$ 4,956,084	\$ 5,193,088
Interest.....	18,685,017	19,166,240	18,902,482
Changes in assumptions.....	-	-	5,894,235
Differences between expected and actual experience.....	-	(1,851,544)	1,290,391
Benefit payments.....	(17,126,706)	(17,015,692)	(17,446,008)
Net change in total pension liability.....	6,302,721	5,255,088	13,834,188
Total pension liability, beginning.....	252,695,991	258,998,712	264,253,800
Total pension liability, ending (a).....	<u>\$ 258,998,712</u>	<u>\$ 264,253,800</u>	<u>\$ 278,087,988</u>
Plan fiduciary net position:			
Employer contributions.....	\$ 9,993,280	\$ 10,546,215	\$ 11,122,754
Member contributions.....	3,321,267	3,458,362	3,517,426
Net investment income (loss).....	9,565,706	1,459,650	8,995,186
Retirement benefits and refunds.....	(17,126,706)	(17,015,692)	(17,446,008)
Administrative expenses.....	(277,509)	(290,212)	(333,705)
Net increase (decrease) in fiduciary net position.....	5,476,038	(1,841,677)	5,855,653
Fiduciary net position at beginning of year.....	129,637,643	135,113,681	133,272,004
Fiduciary net position at end of year (b).....	<u>\$ 135,113,681</u>	<u>\$ 133,272,004</u>	<u>\$ 139,127,657</u>
Net pension liability - ending (a) - (b).....	<u>\$ 123,885,031</u>	<u>\$ 130,981,796</u>	<u>\$ 138,960,331</u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%	50.03%
Covered-employee payroll.....	\$ 32,938,880	\$ 35,280,374	\$ 36,525,658
Net pension liability as a percentage of covered-employee payroll.....	376.11%	371.26%	380.45%

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	December 31, 2016
Actuarially determined contribution..... \$	9,960,539	\$ 10,508,369	\$ 11,086,329
Contributions in relation to the actuarially determined contribution.....	(9,960,539)	(10,546,215)	(11,122,754)
Contribution deficiency (excess)..... \$	<u>-</u>	<u>\$ (37,846)</u>	<u>\$ (36,425)</u>
Covered-employee payroll..... \$	32,938,880	\$ 35,280,374	\$ 36,525,658
Contributions as a percentage of covered- employee payroll.....	30.24%	29.89%	30.45%

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	December 31, 2016
Annual money-weighted rate of return, net of investment expense.....	6.70%	0.95%	6.41%

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	December 31, 2016
Town's proportion of the net pension liability (asset).....	96.12%	96.13%	96.18%
Town's proportionate share of the net pension liability (asset)..... \$	119,059,301	\$ 125,895,428	\$ 133,636,966
Town's covered employee payroll..... \$	31,699,372	\$ 33,983,355	\$ 35,322,501
Net pension liability as a percentage of covered-employee payroll.....	375.59%	370.46%	378.33%
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%	50.03%

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 TOWN'S CONTRIBUTIONS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 9,571,203	\$ 10,098,704	\$ 10,659,672
Contributions in relation to the actuarially determined contribution.....	<u>(9,571,203)</u>	<u>(10,135,087)</u>	<u>(10,694,705)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ (36,383)</u>	<u>\$ (35,033)</u>
Covered-employee payroll	\$ 31,699,372	\$ 33,983,355	\$ 35,322,501
Contributions as a percentage of covered- employee payroll.....	30.19%	29.82%	30.28%

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
2017	\$ 116,924,661	\$ 11,927,082	52.73%
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

GASB #74

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

GASB #45

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 multiyear 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.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 8,975,000
Interest.....	9,136,000
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(6,797,000)</u>
Net change in total OPEB liability.....	11,314,000
Total OPEB liability - beginning.....	<u>222,775,000</u>
Total OPEB liability - ending (a).....	<u><u>\$ 234,089,000</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 7,665,000
Net investment income.....	1,149,114
Benefit payments.....	<u>(6,797,000)</u>
Net change in plan fiduciary net position.....	2,017,114
Plan fiduciary net position - beginning.....	<u>9,184,192</u>
Plan fiduciary net position - ending (b).....	<u><u>\$ 11,201,306</u></u>
Town's net OPEB liability - ending (a)-(b).....	<u><u>\$ 222,887,694</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	4.8%
Covered-employee payroll.....	\$ 77,756,000
Town's net OPEB liability as a percentage of covered-employee payroll.....	286.7%

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 TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 18,409,000
Contributions in relation to the actuarially determined contribution.....	(7,665,000)
Contribution deficiency (excess).....	\$ 10,744,000
Covered-employee payroll.....	\$ 77,756,000
Contributions as a percentage of covered- employee payroll.....	9.86%

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 RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	11.61%
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Note: This schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

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)
1/1/2016	\$ 8,889,640	\$ 200,987,480	\$ 192,097,840	4%	\$ 77,756,000	247.1%
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%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 18,408,943	\$ 7,665,000	42%
6/30/2016	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%

See notes to required supplementary information.

ACTUARIAL METHODS AND ASSUMPTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Actuarial Methods:

Valuation date.....	January 1, 2016
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.....	22 years as of January 1, 2016, closed
Asset valuation method.....	Market value of assets

Actuarial Assumptions:

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

Plan Membership:

Current retirees, beneficiaries, and dependents...	1,115
Current active members.....	<u>1,106</u>
Total.....	<u><u>2,221</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. 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 2017 original budget includes approximately \$146.4 million in current year authorized appropriations and other amounts to be raised and \$4.1 million in encumbrances and appropriations were carried over from previous years. During 2017, the Town’s overall budget was increased by approximately \$386,000.

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, 2017, is presented as follows:

Net change in fund balance, budgetary basis.....	\$ (2,019,713)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,558,167
Activity of health insurance and municipal building insurance trust recorded in the general fund for GAAP.....	(294,905)
<u>Basis of accounting differences:</u>	
Recognition of tax refunds payable.....	53,000
Recognition of expenditures on modified accrual basis.....	3,328,530
Recognition of revenues on modified accrual basis.....	49,538
Recognition of revenue for on-behalf payment.....	11,927,082
Recognition of expenditure for on-behalf payment.....	<u>(11,927,082)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 3,674,617</u>

C. Appropriation Deficits

Expenditures exceeded appropriations for human services administration and court judgements. These will be funded with available funds during fiscal year 2018.

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 \$1.3 million as of December 31, 2016. There were also reported amounts for the changes in benefit terms and changes in assumptions of \$5.9 million as of December 31, 2016.

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 Returns

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 the 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

The following assumption change was reflected in the January 1, 2016 actuarial valuation:

- The discount rate was decreased from 7.50% to 7.25%.

E. Changes in Plan Provisions

None

NOTE C – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The Other Postemployment Benefit Plan

A. Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

B. Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

The Town

The Town currently finances its other postemployment benefits (OPEB) on 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 4%. 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.

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.

A. Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the Town's actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

B. Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the Town's required and actual contributions relating to the plan.

C. Schedule of Actuarial Methods and Assumptions

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

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.

Community Development Grants Fund – This fund is used to account for the Federal Community Development Grant Program.

CDBG Rehab Fund – This fund is used to account for the Community Development Block Grant Rehab Loan program.

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, 2017

	Special Revenue Funds							
	Town Revolving Funds	Town Gifts & Grants	Community Development Grants	CDBG Rehab Program	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
ASSETS								
Cash and cash equivalents.....	\$ 1,641,267	\$ 1,935,132	\$ -	\$ -	\$ 362,337	\$ 2,401,625	\$ 3,256,144	\$ 53,440
Investments.....	-	-	-	-	-	-	-	-
Receivables, net of uncollectibles:								
Real estate and personal property taxes.....	-	-	-	-	-	-	-	-
Intergovernmental.....	-	-	1,037,222	-	-	-	-	-
Loans.....	-	-	-	622,111	-	-	-	-
Due from other funds.....	-	10,086	49,494	-	-	-	-	-
TOTAL ASSETS.....	\$ 1,641,267	\$ 1,945,218	\$ 1,086,716	\$ 622,111	\$ 362,337	\$ 2,401,625	\$ 3,256,144	\$ 53,440
LIABILITIES								
Warrants payable.....	\$ 45,618	\$ 76,119	\$ -	\$ -	\$ 9,051	\$ 21,410	\$ 33,211	\$ 1,409
Accrued payroll.....	-	-	-	-	-	10,279	110,802	-
Due to other funds.....	-	-	-	59,580	-	-	-	-
TOTAL LIABILITIES.....	45,618	76,119	-	59,580	9,051	31,689	144,013	1,409
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues.....	-	-	1,037,222	622,111	-	-	-	-
Taxes paid in advance.....	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	1,037,222	622,111	-	-	-	-
FUND BALANCES								
Nonspendable.....	-	-	-	-	-	-	-	-
Restricted.....	1,595,649	1,869,099	49,494	-	353,286	2,369,936	3,112,131	52,031
Unassigned.....	-	-	-	(59,580)	-	-	-	-
TOTAL FUND BALANCES.....	1,595,649	1,869,099	49,494	(59,580)	353,286	2,369,936	3,112,131	52,031
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 1,641,267	\$ 1,945,218	\$ 49,494	\$ -	\$ 362,337	\$ 2,401,625	\$ 3,256,144	\$ 53,440

(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
\$ 701,293	\$ 92,139	\$ 4,538,848	\$ 2,565,927	\$ 333,224	\$ 24	\$ 17,881,400	\$ 1,748,659	\$ 36,395	\$ 1,785,054
-	739,149	-	-	-	-	739,149	-	-	-
-	-	-	6,777	-	-	6,777	-	-	-
-	-	-	208,000	-	1,083,705	2,328,927	-	-	-
-	-	-	-	-	-	622,111	-	-	-
-	-	-	-	-	-	59,580	-	-	-
<u>\$ 701,293</u>	<u>\$ 831,288</u>	<u>\$ 4,538,848</u>	<u>\$ 2,780,704</u>	<u>\$ 333,224</u>	<u>\$ 1,083,729</u>	<u>\$ 21,637,944</u>	<u>\$ 1,748,659</u>	<u>\$ 36,395</u>	<u>\$ 1,785,054</u>
\$ -	\$ -	\$ 4,422	\$ -	\$ 945	\$ 214,990	\$ 407,175	\$ 94,128	\$ -	\$ 94,128
-	-	-	-	-	-	121,081	-	-	-
-	-	-	-	-	679,391	738,971	-	-	-
-	-	4,422	-	945	894,381	1,267,227	94,128	-	94,128
-	-	-	6,777	-	189,324	1,855,434	-	-	-
-	-	-	414	-	-	414	-	-	-
-	-	-	7,191	-	189,324	1,855,848	-	-	-
-	-	-	-	-	-	-	-	-	-
701,293	831,288	4,534,426	2,773,513	332,279	24	18,574,449	1,654,531	36,395	1,690,926
-	-	-	-	-	-	(59,580)	-	-	-
<u>701,293</u>	<u>831,288</u>	<u>4,534,426</u>	<u>2,773,513</u>	<u>332,279</u>	<u>24</u>	<u>18,514,869</u>	<u>1,654,531</u>	<u>36,395</u>	<u>1,690,926</u>
<u>\$ 701,293</u>	<u>\$ 831,288</u>	<u>\$ 4,538,848</u>	<u>\$ 2,773,513</u>	<u>\$ 333,224</u>	<u>\$ 894,405</u>	<u>\$ 19,782,096</u>	<u>\$ 1,748,659</u>	<u>\$ 36,395</u>	<u>\$ 1,785,054</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2017

	Permanent Funds					Total Nonmajor Governmental Funds
	Cemeteries	Cemetery Perpetual Care	Libraries	Education	Subtotal	
ASSETS						
Cash and cash equivalents.....	\$ -	\$ 165,486	\$ 241,942	\$ -	\$ 407,428	\$ 20,073,882
Investments.....	856,407	6,393,375	5,466,652	256,993	12,973,427	13,712,576
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	-	-	-	-	-	6,777
Intergovernmental.....	-	-	-	-	-	2,328,927
Loans.....	-	-	-	-	-	622,111
Due from other funds.....	-	-	-	-	-	59,580
TOTAL ASSETS.....	\$ 856,407	\$ 6,558,861	\$ 5,708,594	\$ 256,993	\$ 13,380,855	\$ 36,803,853
LIABILITIES						
Warrants payable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 501,303
Accrued payroll.....	-	-	-	-	-	121,081
Due to other funds.....	-	-	-	-	-	738,971
TOTAL LIABILITIES.....	-	-	-	-	-	1,361,355
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues.....	-	-	-	-	-	1,855,434
Taxes paid in advance.....	-	-	-	-	-	414
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	-	-	-	1,855,848
FUND BALANCES						
Nonspendable.....	114,500	2,254,588	2,425,370	56,058	4,850,516	4,850,516
Restricted.....	741,907	4,304,273	3,283,224	200,935	8,530,339	28,795,714
Unassigned.....	-	-	-	-	-	(59,580)
TOTAL FUND BALANCES.....	856,407	6,558,861	5,708,594	256,993	13,380,855	33,586,650
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 856,407	\$ 6,558,861	\$ 5,708,594	\$ 256,993	\$ 13,380,855	\$ 34,948,005

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GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2017

	<i>Special Revenue Funds</i>							
	Town Revolving Funds	Town Gifts & Grants	Community Development Grants	CDBG Rehab Program	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and rentals.....	99,318	-	-	-	-	-	-	53,000
Intergovernmental.....	-	1,614,971	826,043	-	381,555	4,725	5,165,200	-
Departmental and other.....	4,085,505	15,000	-	123,282	981,312	2,653,239	2,370,680	10,595
Contributions.....	58,501	70,415	-	72,143	-	-	-	49,000
Investment income (loss).....	1,254	3,563	-	66	-	-	-	91
TOTAL REVENUES.....	4,244,578	1,703,949	826,043	195,491	1,362,867	2,657,964	7,535,880	112,686
EXPENDITURES:								
Current:								
General government.....	1,323,117	137,817	-	-	-	-	-	-
Public safety.....	1,669,711	188,766	-	-	-	-	-	-
Education.....	-	-	-	-	1,262,117	1,878,598	7,378,833	-
Public works.....	68,526	32,634	-	-	-	-	-	-
Community development.....	-	933,549	864,156	135,159	-	-	-	-
Human services.....	227,969	429,945	-	-	-	-	-	-
Library.....	-	30,160	-	-	-	-	-	105,953
Culture and recreation.....	1,029,674	-	-	-	-	-	-	200
Employee benefits.....	-	-	-	-	-	-	-	-
Debt service:								
Principal.....	-	-	-	-	-	-	-	-
Interest.....	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES.....	4,318,997	1,752,871	864,156	135,159	1,262,117	1,878,598	7,378,833	106,153
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(74,419)	(48,922)	(38,113)	60,332	100,750	779,366	157,047	6,533
OTHER FINANCING SOURCES (USES):								
Premium from issuance of bonds.....	-	-	-	-	-	-	-	-
Sale of capital assets.....	-	-	-	-	-	-	-	-
Transfers in.....	4,275	50,000	(340,196)	340,196	-	-	-	-
Transfers out.....	(238,018)	-	249,690	(249,690)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(233,743)	50,000	(90,506)	90,506	-	-	-	-
NET CHANGE IN FUND BALANCES.....	(308,162)	1,078	(128,619)	150,838	100,750	779,366	157,047	6,533
FUND BALANCES AT BEGINNING OF YEAR.....	1,903,811	1,868,021	178,113	(210,418)	252,536	1,590,570	2,955,084	45,498
FUND BALANCES AT END OF YEAR.....	\$ 1,595,649	\$ 1,869,099	\$ 49,494	\$ (59,580)	\$ 353,286	\$ 2,369,936	\$ 3,112,131	\$ 52,031

(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
\$ -	\$ -	\$ -	\$ 1,612,843	\$ -	\$ -	\$ 1,612,843	\$ -	\$ -	\$ -
-	-	-	-	-	-	152,318	-	-	-
-	-	14,460	-	139,995	894,381	9,041,330	-	-	-
129,725	-	836,789	-	812,851	-	12,018,978	-	23	23
-	-	80,043	-	-	-	330,102	-	-	-
-	87,503	2,321	-	120	-	94,918	-	-	-
129,725	87,503	933,613	1,612,843	952,966	894,381	23,250,489	-	23	23
-	-	236,930	277,618	-	-	1,975,482	26,325	-	26,325
-	-	26,366	-	-	-	1,884,843	259,380	-	259,380
-	999	901	-	-	-	10,521,448	783,230	-	783,230
-	-	45,949	-	-	1,034,132	1,181,241	1,885,577	224,839	2,110,416
-	-	225,177	-	-	-	2,158,041	-	-	-
-	1,141	46,019	-	106,986	-	812,060	40,243	-	40,243
-	9,108	1,090	-	-	-	146,311	-	8,000	8,000
-	7,768	100,165	125,924	-	-	1,263,731	8,958	-	8,958
-	-	71,058	-	-	-	71,058	-	-	-
-	-	-	-	570,000	-	570,000	-	-	-
-	-	-	-	107,875	-	107,875	-	-	-
-	19,016	753,655	403,542	784,861	1,034,132	20,692,090	3,003,713	232,839	3,236,552
129,725	68,487	179,958	1,209,301	168,105	(139,751)	2,558,399	(3,003,713)	(232,816)	(3,236,529)
-	-	2,050,693	-	-	-	2,050,693	-	-	-
28,000	-	-	-	-	-	28,000	-	-	-
-	-	-	-	-	24	54,299	2,802,242	10,000	2,812,242
(10,000)	(576)	(111,643)	-	(509,287)	-	(869,524)	(143,298)	-	(143,298)
18,000	(576)	1,939,050	-	(509,287)	24	1,263,468	2,658,944	10,000	2,668,944
147,725	67,911	2,119,008	1,209,301	(341,182)	(139,727)	3,821,867	(344,769)	(222,816)	(567,585)
553,568	763,377	2,415,418	1,564,212	673,461	139,751	14,693,002	1,999,300	259,211	2,258,511
\$ 701,293	\$ 831,288	\$ 4,534,426	\$ 2,773,513	\$ 332,279	\$ 24	\$ 18,514,869	\$ 1,654,531	\$ 36,395	\$ 1,690,926

(Continued)

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

YEAR ENDED JUNE 30, 2017

	<u>Permanent Funds</u>					Total Governmental Funds
	Cemeteries	Cemetery Perpetual Care	Libraries	Education	Subtotal	
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,612,843
Fees and rentals.....	-	-	-	-	-	152,318
Intergovernmental.....	-	-	-	-	-	9,041,330
Departmental and other.....	-	-	-	-	-	12,019,001
Contributions.....	-	20,000	6,676	-	26,676	356,778
Investment income (loss).....	98,470	766,528	638,846	28,725	1,532,569	1,627,487
TOTAL REVENUES.....	98,470	786,528	645,522	28,725	1,559,245	24,809,757
EXPENDITURES:						
Current:						
General government.....	-	-	-	-	-	2,001,807
Public safety.....	-	-	-	-	-	2,144,223
Education.....	-	-	-	360	360	11,305,038
Public works.....	3,943	30,652	-	-	34,595	3,326,252
Community development.....	-	-	-	-	-	2,158,041
Human services.....	-	-	-	-	-	852,303
Library.....	-	-	144,957	-	144,957	299,268
Culture and recreation.....	-	-	-	-	-	1,272,689
Employee benefits.....	-	-	-	-	-	71,058
Debt service:						
Principal.....	-	-	-	-	-	570,000
Interest.....	-	-	-	-	-	107,875
TOTAL EXPENDITURES.....	3,943	30,652	144,957	360	179,912	24,108,554
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	94,527	755,876	500,565	28,365	1,379,333	701,203
OTHER FINANCING SOURCES (USES):						
Premium from issuance of bonds.....	-	-	-	-	-	2,050,693
Sale of capital assets.....	-	-	-	-	-	28,000
Transfers in.....	-	-	7,163	-	7,163	2,873,704
Transfers out.....	-	(150,000)	(6,587)	-	(156,587)	(1,169,409)
TOTAL OTHER FINANCING SOURCES (USES)....	-	(150,000)	576	-	(149,424)	3,782,988
NET CHANGE IN FUND BALANCES.....	94,527	605,876	501,141	28,365	1,229,909	4,484,191
FUND BALANCES AT BEGINNING OF YEAR.....	761,880	5,952,985	5,207,453	228,628	12,150,946	29,102,459
FUND BALANCES AT END OF YEAR.....	\$ 856,407	\$ 6,558,861	\$ 5,708,594	\$ 256,993	\$ 13,380,855	\$ 33,586,650

(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, 2017

	June 30, 2016	Additions	Deletions	June 30, 2017
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 43,317	\$ 43,823	\$ (33,408)	\$ 53,732
LIABILITIES				
Warrants payable.....	\$ 283	\$ 33,125	\$ (33,408)	\$ -
Liabilities due depositors.....	43,034	43,823	(33,125)	53,732
TOTAL LIABILITIES.....	\$ 43,317	\$ 76,948	\$ (66,533)	\$ 53,732

Statistical Section



Highland Fire Station

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>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>	<u>2017</u>
Governmental activities										
Net investment in capital assets.....	\$ 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	\$ 103,203,353
Restricted.....	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	20,701,128
Unrestricted.....	<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>	<u>(127,388,480)</u>
Total governmental activities net position.....	<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>	<u>\$ (3,483,999)</u>
Business-type activities										
Net investment in capital assets.....	\$ 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	\$ 20,736,946
Unrestricted.....	<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>	<u>8,243,339</u>
Total business-type activities net position.....	<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>	<u>\$ 28,980,285</u>
Primary government										
Net investment in capital assets.....	\$ 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	\$ 123,940,299
Restricted.....	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	20,701,128
Unrestricted.....	<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>	<u>(119,145,141)</u>
Total primary government net position.....	<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>	<u>\$ 25,496,286</u>

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

Changes in Net Position

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government.....	\$ 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	\$ 13,172,189
Public safety.....	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	29,438,861
Education.....	70,688,522	77,464,198	79,863,607	77,192,270	80,540,822	80,812,950	95,698,115	92,752,859	100,991,589	107,943,200
Public works.....	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	14,089,422
Community development.....	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	3,048,321
Property and natural resources.....	2,624,450	2,044,335	-	-	-	-	-	-	-	-
Human services.....	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	2,285,633
Library.....	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	3,984,518
Culture and recreation.....	216,814	897,563	338,759	481,634	652,529	795,686	926,550	1,085,309	1,286,389	1,329,712
Claims and judgments.....	106,500	25,000	25,000	-	-	-	-	-	-	70,000
Interest.....	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	1,605,337
Total government activities expenses.....	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	176,967,193
Business-type activities:										
Water/Sewer.....	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	18,750,207
Youth Services.....	471,096	523,919	416,415	420,751	387,042	465,735	582,744	590,265	585,950	587,722
Council on Aging.....	95,907	103,857	90,648	80,716	100,544	121,014	120,856	109,930	114,109	81,089
Ed Burns Arena.....	452,795	519,886	491,960	538,807	603,557	601,659	646,235	610,885	632,989	605,009
Recreation.....	546,685	561,902	550,909	575,960	587,327	627,364	671,791	665,280	664,753	758,047
Total business-type activities expenses.....	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	20,782,074
Total primary government expenses.....	\$ 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	\$ 197,749,267
Program Revenues										
Governmental activities:										
General government charges for services.....	\$ 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	\$ 1,913,039
Public safety charges for services.....	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	4,321,115
Education charges for services.....	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	3,423,190
Other charges for services.....	1,478,202	1,478,734	1,741,943	1,722,409	1,889,450	2,075,978	2,322,698	2,517,365	3,685,216	3,503,615
Education operating grants and contributions.....	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	31,485,908
Other operating grants and contributions.....	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	3,006,122
Education capital grants and contributions.....	-	-	-	-	2,573,103	6,013,420	1,058,974	84,847	-	-
Other capital grant and contributions.....	-	1,261,570	439,717	818,797	279,891	787,547	1,574,503	251,334	930,611	480,762
Total government activities program revenues.....	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	48,133,751
Business-type activities:										
Charges for services - Water/Sewer.....	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	14,921,004
Charges for services - Youth Services.....	30,033	30,945	26,549	68,539	195,357	224,617	273,070	296,069	270,051	329,933
Charges for services - Council on Aging.....	74,529	15,820	40,716	43,927	31,312	15,449	37,909	18,441	17,551	14,333
Charges for services - Ed Burns Arena.....	463,373	511,681	518,884	539,889	553,362	557,404	596,111	593,985	603,721	629,928
Charges for services - Recreation.....	543,257	486,886	558,475	544,353	531,798	538,383	566,459	659,888	770,213	741,733
Operation grants and contributions.....	164,234	267,723	111,396	129,185	107,968	91,703	147,512	199,514	227,591	206,521
Capital grants and contributions.....	-	-	38,871	-	-	-	-	600,000	750,000	600,000
Total business-type activities program revenues.....	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	17,443,452
Total primary government program revenues.....	\$ 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	\$ 65,577,203
Net (Expense)/Revenue										
Governmental activities.....	\$ (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)	\$ (128,833,442)
Business-type activities.....	(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)	(3,338,622)
Total primary government net expense.....	\$ (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)	\$ (132,172,064)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 78,126,629	\$ 80,231,602	\$ 82,619,163	\$ 85,205,036	\$ 94,167,638	\$ 97,190,236	\$ 100,765,625	\$ 104,296,793	\$ 108,629,550	\$ 112,583,026
Tax liens.....	219,611	195,242	365,156	297,796	459,150	510,933	220,270	609,501	449,555	386,418
Motor vehicle and other excise taxes.....	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	4,775,678
Hotel/motel tax.....	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125	303,939
Meals tax.....	-	-	-	-	307,037	326,726	413,163	401,870	409,308	415,173
Penalties and interest on taxes.....	186,195	172,006	267,528	338,835	252,493	352,869	294,295	420,679	388,691	295,521
Grants and contributions not restricted to specific programs.....	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	7,906,743
Unrestricted investment income.....	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,122,915	940,814	75,230	2,282,581
Gain on sale of capital assets.....	-	-	-	-	-	2,873,618	-	65,000	28,000	28,000
Miscellaneous.....	23,969	10,967	88,067	292,732	13,973	14,419	77,981	24,750	51,519	51,519
Transfers.....	(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)	(6,651,472)
Total governmental activities.....	86,116,552	85,579,234	88,864,554	92,492,599	100,280,145	108,087,014	110,348,472	113,055,669	117,198,867	122,377,126
Business-type activities:										
Unrestricted investment income.....	93,272	55,196	40,215	40,850	46,339	39,218	39,822	53,942	65,679	71,822
Transfers.....	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	6,651,472
Total business-type activities.....	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	6,723,294
Total primary government.....	\$ 92,231,321	\$ 91,973,573	\$ 94,778,981	\$ 98,894,543	\$ 106,608,785	\$ 113,985,696	\$ 116,297,759	\$ 118,946,165	\$ 123,142,976	\$ 129,100,420
Changes in Net Position										
Governmental activities.....	\$ (3,005,601)	\$ (11,352,130)	\$ (7,197,291)	\$ (110,432)	\$ 9,733,869	\$ 4,852,308	\$ 2,027,437	\$ (4,433,416)	\$ (1,946,489)	\$ (6,456,316)
Business-type activities.....	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	3,384,672
Total primary government.....	\$ (1,239,222)	\$ (10,072,528)	\$ (6,315,456)	\$ 3,386,118	\$ 10,091,905	\$ 5,901,707	\$ 3,998,911	\$ (1,022,413)	\$ 907,916	\$ (3,071,644)

Fund Balances, Governmental Funds

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved.....	\$ 2,393,731	\$ 1,898,508	\$ 1,807,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	7,888,649	3,369,774	4,507,981	-	-	-	-	-	-	-
Restricted.....	-	-	-	4,564,703	5,296,611	5,036,732	4,763,651	3,860,841	3,563,902	3,266,956
Committed.....	-	-	-	-	1,373,224	1,256,780	854,878	946,837	353,626	291,639
Assigned.....	-	-	-	1,695,144	2,616,386	4,230,527	3,806,700	7,058,067	8,308,109	6,236,202
Unassigned.....	-	-	-	9,076,608	16,808,113	17,915,224	26,292,774	29,667,361	35,231,747	41,337,204
Total general fund.....	\$ 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	\$ 51,132,001
All Other Governmental Funds										
Reserved.....	\$ 3,101,303	\$ 3,061,237	\$ 3,323,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	16,310,165	14,651,511	12,074,204	-	-	-	-	-	-	-
Capital projects funds.....	4,517,673	5,720,409	4,637,515	-	-	-	-	-	-	-
Permanent funds.....	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	4,850,516
Restricted.....	-	-	-	16,047,091	22,314,764	23,801,892	25,166,155	25,212,323	37,693,918	37,262,898
Unassigned.....	-	-	-	-	(2,107,489)	(2,083,643)	-	-	-	(59,580)
Total all other governmental funds.....	\$ 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	\$ 42,053,834

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

Changes in Fund Balances, Governmental Funds

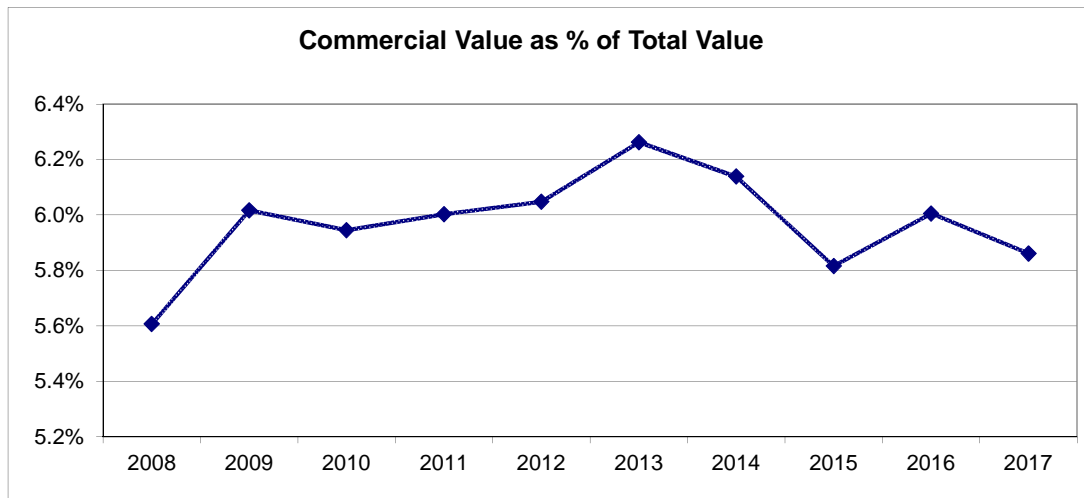
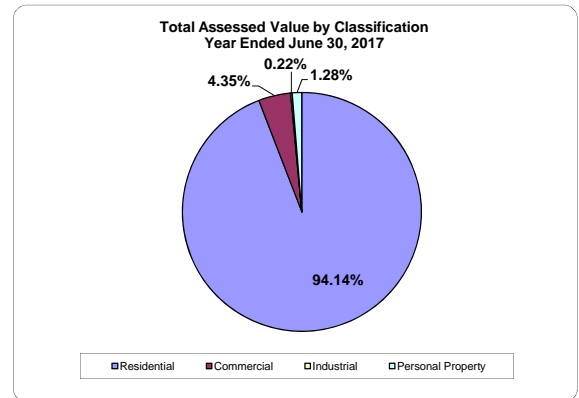
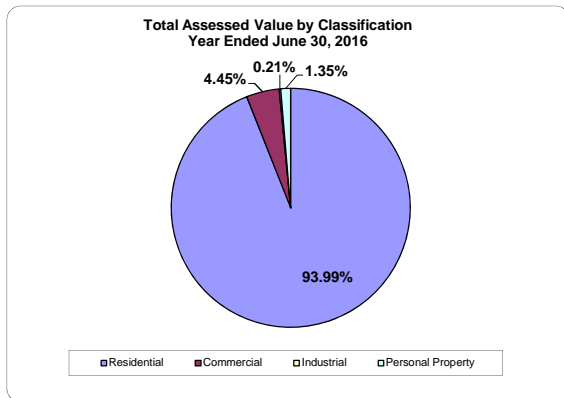
Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 112,605,952
Tax liens.....	171,278	244,944	375,618	299,848	251,050	384,619	355,573	574,342	449,555	470,129
Motor vehicle excise taxes.....	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	4,775,678
Hotel/motel tax.....	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125	303,939
Meals tax.....	-	-	-	-	307,037	326,726	413,163	401,870	409,308	415,173
Fees and rentals.....	73,291	89,967	66,050	67,640	85,381	83,497	57,259	150,377	924,428	779,888
Intergovernmental.....	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	42,693,360
Departmental and other.....	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	15,935,501
Contributions.....	710,213	502,217	958,915	206,037	853,012	1,122,155	446,350	806,893	266,459	357,663
Investment income.....	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,124,371	942,238	76,771	2,283,783
Total Revenues.....	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	180,621,066
Expenditures:										
General government.....	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	7,023,366
Public safety.....	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	17,835,695
Education.....	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	71,210,337
Public works.....	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	10,050,701
Community development.....	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	2,666,189
Property and natural resources.....	2,439,785	1,552,496	-	-	-	-	-	-	-	-
Human services.....	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	1,796,175
Library.....	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	2,532,885
Culture and recreation.....	227,660	885,563	345,759	537,771	693,334	436,180	748,310	911,712	1,066,656	1,910,472
Pension benefits.....	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	21,541,882
Property and liability insurance.....	288,699	294,097	264,569	246,375	258,592	261,950	292,555	309,399	328,044	326,617
Employee benefits.....	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	16,091,140
Claims and judgments.....	106,500	25,000	25,000	-	-	-	-	-	-	70,000
State and county charges.....	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	3,118,634
Capital outlay.....	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	21,541,712
Debt service:										
Principal.....	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	8,002,000
Interest.....	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	1,924,703
Total Expenditures.....	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	187,642,508
Excess (deficiency) of revenues over (under) expenditures.....	(705,366)	(4,816,489)	635,212	3,478,727	13,961,217	383,468	10,902,990	583,495	3,809,069	(7,021,442)
Other Financing Sources (Uses):										
Issuance of bonds.....	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	14,030,300
Issuance of refunding bonds.....	11,690,000	-	-	-	6,311,000	2,205,000	-	-	3,225,000	-
Premium from issuance of bonds and notes.....	160,288	129,850	329,870	269,339	300,352	1,135,212	284,084	910,686	767,947	2,050,693
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	-	28,000
Transfers in.....	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	3,985,470
Transfers out.....	(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)	(9,865,788)
Total other financing sources (uses).....	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	10,228,675
Net change in fund balance.....	\$ 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	\$ 3,207,233
Debt service as a percentage of noncapital expenditures.....	6.18%	5.66%	5.87%	6.20%	5.98%	5.71%	6.05%	5.99%	6.25%	5.98%

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential & Personal Property Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total Town Value	
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	
2017	8,427,530,080	12.56	389,586,036	20,065,800	115,034,490	524,686,326	12.56	12.56	8,952,216,406	



(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.

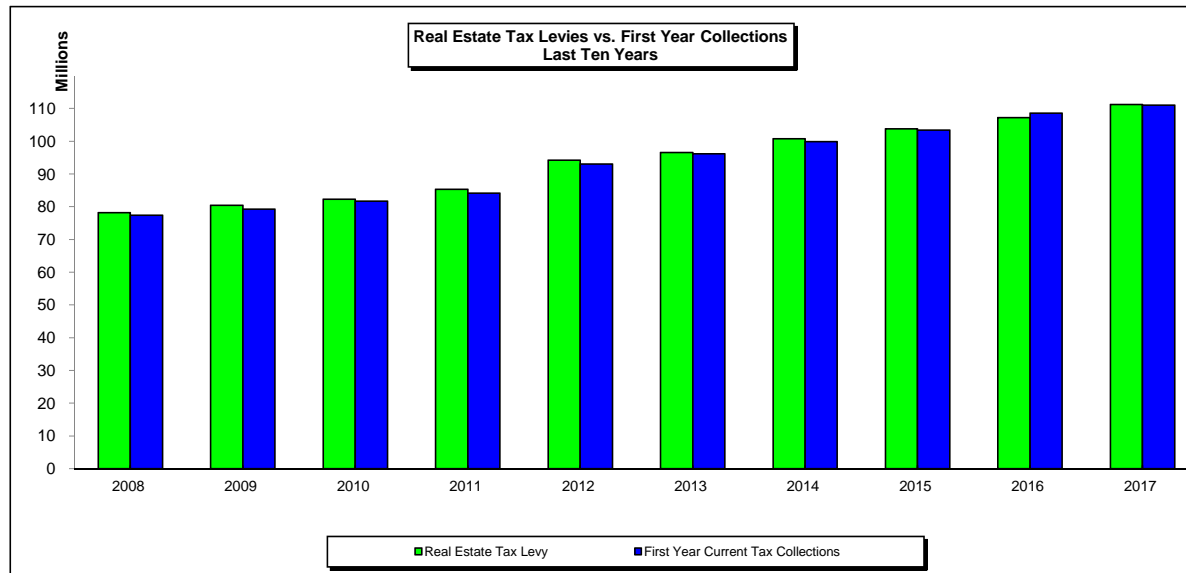
Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2017			2008		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Arlington 360 LLC	Residential	\$ 63,762,500	1	0.71%	\$ -	-	-
US Reif Brigham Square	Residential & Commercial	37,885,300	2	0.42%	-	-	-
Boston Gas Company	Utility	36,537,590	3	0.41%	16,456,480	8	0.24%
NSTAR	Utility	35,176,290	4	0.39%	-	-	-
Nostalgia Properties LLC	Residential	32,208,500	5	0.36%	-	-	-
Mirak-Bendetson Dev LLC	Residential	28,476,100	6	0.32%	-	-	-
Old Colony Realty Partners LLC	Residential	25,162,300	7	0.28%	-	-	-
Brentwood Realty Partners LLC	Residential	21,012,100	8	0.23%	-	-	-
Millbrook Square Apartments Co.	Residential	18,190,700	9	0.20%	15,379,300	7	0.22%
Claremont Arlington Suites LLC	Hotel	17,553,500	10	0.20%	-	-	-
Arlington Center Garage	Auto Sales, Service, & Leasing	-	-	-	46,273,080	1	0.67%
Wilfert, David & James	Commercial & Residential	-	-	-	46,564,800	2	0.68%
Davidson Arthur & Henry	Commercial & Residential	-	-	-	34,411,600	3	0.50%
Boston Edison	Utility	-	-	-	27,788,990	4	0.40%
Johnson, Elbridge S. Jr.	Commercial & Residential	-	-	-	24,194,510	5	0.35%
Johnson, Arthur W. Tr.	Residential	-	-	-	21,789,600	6	0.32%
New England Telephone	Telephone	-	-	-	13,237,600	9	0.19%
Winchester Country Club	Golf Course	-	-	-	11,583,180	10	0.17%
Totals		\$ <u>315,964,880</u>		<u>3.53%</u>	\$ <u>257,679,140</u>		<u>3.74%</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%	503,273	109,052,927	101.70%
2017	112,439,838	1,202,533	111,237,305	98.93%	111,001,544	99.79%	-	111,001,544	99.79%



(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 by Type

Last Ten Years

Year	Governmental Activities		Business-type Activities		Total Debt Outstanding	Percentage of Personal Income (2)	U. S. Census Population	Debt Per Capita
	General Obligation Bonds (1)	Capital Leases	General Obligation Bonds (1)	Capital Leases				
2008	\$ 55,222,000	\$ -	\$ 4,036,307	\$ -	59,258,307	4.05%	41,224	\$ 1,437
2009	53,595,000	-	5,567,437	-	59,162,437	3.73%	41,075	1,440
2010	50,344,000	-	6,928,959	-	57,272,959	3.31%	41,144	1,392
2011	51,413,000	-	6,019,014	-	57,432,014	3.05%	40,993	1,401
2012	52,480,350	-	7,014,645	-	59,494,995	3.27%	41,724	1,426
2013	52,911,929	-	7,882,350	-	60,794,279	3.53%	42,844	1,419
2014	50,995,157	-	8,430,772	-	59,425,929	3.19%	42,844	1,387
2015	55,460,548	-	9,219,232	-	64,679,780	3.24%	43,711	1,480
2016	67,321,861	-	9,148,916	-	76,470,777	3.65%	44,028	1,737
2017	74,891,220	-	8,928,200	-	83,819,420	3.63%	44,815	1,870

(1) Presented net of original issuance discounts and premiums.

(2) Personal income is disclosed on the Schedule of Demographic and Economic Statistics.

Source: Audited Financial Statements, U. S. Census

Ratios of General Bonded Debt Outstanding

Last Ten Years

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2008	\$ 59,258,307	\$ -	\$ 59,258,307	0.86%	\$ 1,437
2009	59,162,437	-	59,162,437	0.87%	1,440
2010	57,272,959	-	57,272,959	0.83%	1,392
2011	57,432,014	-	57,432,014	0.83%	1,401
2012	59,494,995	-	59,494,995	0.86%	1,426
2013	60,794,279	-	60,794,279	0.84%	1,419
2014	59,425,929	-	59,425,929	0.81%	1,387
2015	64,679,780	-	64,679,780	0.83%	1,480
2016	76,470,777	-	76,470,777	0.90%	1,737
2017	83,819,420	-	83,819,420	0.94%	1,870

(1) Property value data is disclosed on the Schedule of Assessed Value of Taxable Property by Classification and Tax Rates.

(2) Population data is disclosed on the Schedule of Demographic and Economic Statistics.

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2017

<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.....	\$ 5,656,191	1.74%	\$ 98,531
Town direct debt.....			<u>74,891,220</u>
Total direct and overlapping debt.....			<u>\$ 74,989,751</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalized Valuation.....	\$ 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	\$ 9,073,201
Debt Limit -5% of Equalized Valuation.....	\$ 359,454	\$ 377,932	\$ 377,932	\$ 369,433	\$ 369,433	\$ 376,389	\$ 376,389	\$ 395,654	\$ 395,654	\$ 453,660
Less:										
Outstanding debt applicable to limit.....	28,026	28,593	28,224	31,562	30,076	32,759	32,369	38,985	38,078	58,621
Authorized and unissued debt applicable to limit.....	9,558	19,238	23,212	39,139	44,327	32,940	39,777	27,646	31,789	63,587
Legal debt margin.....	\$ 321,870	\$ 330,101	\$ 326,496	\$ 337,871	\$ 295,030	\$ 310,690	\$ 304,243	\$ 329,023	\$ 325,787	\$ 331,452
Total debt applicable to the limit as a percentage of debt limit.....	10.46%	12.66%	13.61%	8.54%	20.14%	17.46%	19.17%	16.84%	17.66%	26.94%

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
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%
2017	44,815	2,311,512,885	51,579	42.3	5,524	4.8%

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	2017			2008		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Armstrong Ambulance	Medical Transportation	350	1	3.97%	89	9	1.12%
American Alarm	Security Specialists	200	2	2.27%	111	6	1.39%
Mirak Hyundai, Inc.	Car Dealership	200	3	2.27%	-	-	-
Whole Foods Market	Grocery Store	148	4	1.68%	-	-	-
Sunrise Assisted Living	Elder Care Facility	125	5	1.42%	-	-	-
Germain Lawrence, Inc.	Education (Special Needs)	120	6	1.36%	260	1	3.26%
Park Avenue Nursing Home	Elder Care Facility	110	7	1.25%	-	-	-
Children's Music Network	Education	100	8	1.13%	-	-	-
Dearborn Academy	Education	100	9	1.13%	149	3	1.87%
Mirak Chevrolet, Inc.	Car Dealership	100	10	1.13%	103	7	1.29%
Parish of St. Agnes	Catholic Elementary School & Youth Center	-	-	-	150	2	1.88%
Commonwealth of Massachusetts	Social Services	-	-	-	136	4	1.71%
Stop & Shop	Grocery Store	-	-	-	131	5	1.64%
United States Post Office	Mail Delivery Service	-	-	-	100	8	1.25%
Johnny's Foodmaster	Grocery Store	-	-	-	79	10	0.99%
Totals		<u>1553</u>		<u>17.61%</u>	<u>1308</u>		<u>16.41%</u>

Source: Massachusetts Department of Employment and Training and Official Statements

Full-time Equivalent Town Employees by Function

Last Ten Years

	<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>	<u>2017</u>
Function										
General government.....	94	98	93	92	94	93	94	92	90	94
Public safety.....	160	162	162	160	163	164	165	166	171	173
Education.....	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public works.....	88	82	82	79	78	77	77	77	76	76
Human services.....	19	13	13	11	13	13	14	15	15	14
Culture and recreation.....	6	6	6	6	6	5	5	5	5	5
Total	<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>	<u>362</u>

Source: Various Town Departments

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Registered voters.....	28,676	29,887	30,010	28,909	30,636	30,541	30,846	30,225	30,225	30,884
Town Clerk:										
Births.....	574	579	573	534	576	600	564	571	577	519
Marriages.....	222	231	5,218	227	218	227	196	190	198	179
Deaths.....	365	344	361	341	319	313	350	384	384	366
Dogs licensed.....	1,411	1,506	1,628	1,800	1,780	1,808	2,273	2,258	2,229	2,214
Zoning Board of Appeals petitions filed.....	20	19	36	24	17	12	5	15	23	21
Public Works										
Recycling:										
Solid Waste (tons).....	15,996	15,359	15,166	14,537	14,214	12,602	12,846	12,603	13,000	12,540
Commingled (tons).....	1,259	1,228	4,300	4,395	4,652	5,257	5,271	5,297	5,400	5,224
Yard Waste (tons).....	3,606	3,216	2,421	2,331	2,381	3,986	3,488	3,505	3,500	2,578
Police										
Calls for service ("Emergency Calls").....	27,004	25,268	26,732	27,483	30,168	32,101	28,629	29,405	28,798	31,792
Crimes reported ("Police Reports").....	3,516	3,510	3,810	3,638	3,488	3,475	3,267	3,616	3,462	4,209
Arrests.....	269	309	293	226	209	239	179	188	166	113
Motor vehicle citations.....	4,487	3,369	3,567	4,049	3,914	3,817	2,855	2,351	1,923	3,100
Parking tickets issued.....	13,153	14,456	13,533	12,548	13,827	14,327	15,383	12,196	12,743	18,171
Animal Control:										
Calls for service ("Animal Complaints").....	619	690	671	649	547	468	591	414	843	641
Fire										
Fire related calls.....	2,095	1,852	2,269	1,960	2,012	1,779	1,963	1,874	2,000	2,028
Emergency Medical Service responses.....	2,648	2,866	2,779	2,857	2,740	2,767	2,845	3,269	2,768	3,177
Permits.....	364	901	942	861	982	1,032	1,066	972	1,076	1,099
EMS staff (EMTs / First Responders).....	65/11	67/5	69/3	67/3	73/3	73/2	74/2	71/1	71/1	77/0
Health & Human Services										
Board of Health:										
Permits issued.....	403	307	305	390	414	437	431	443	450	411
Inspections.....	825	783	812	699	1,060	1,260	1,241	1,174	1,200	1,695
Recreation										
Season passes:										
Summer.....	1,464	1,349	1,634	1,832	1,823	1,165	2,915	3,177	3,150	2,794
Fall.....	913	1,057	920	1,110	1,263	1,862	1,731	1,924	1,900	1,130
Winter.....	764	905	1,506	1,207	2,012	1,236	1,860	2,313	1,300	1,300
Spring.....	544	732	812	772	786	2,826	2,413	2,069	2,000	1,414
Res Tags.....	1,252	1,129	1,467	1,364	1,364	1,480	1,431	1,281	1,360	1,884
Kids Care Memberships.....	n/a	n/a	n/a	n/a	n/a	42	85	148	150	144
Libraries										
Circulation.....	529,516	599,911	625,673	641,692	665,215	671,331	697,679	735,002	757,028	731,597
Visitors.....	n/a	306,389	319,673	321,898	325,550	325,915	313,203	300,291	296,367	286,667
Education										
Minuteman High School day program participants.....	n/a	126	111	102	123	125	156	146	150	121
Minuteman High School post-graduate program participants.....	n/a	9	20	13	16	14	12	6	10	2

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

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</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>	<u>2017</u>
General Government										
Number of buildings.....	40	40	40	40	40	40	40	40	37	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



Spy Pond Park