

Town of Arlington,

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

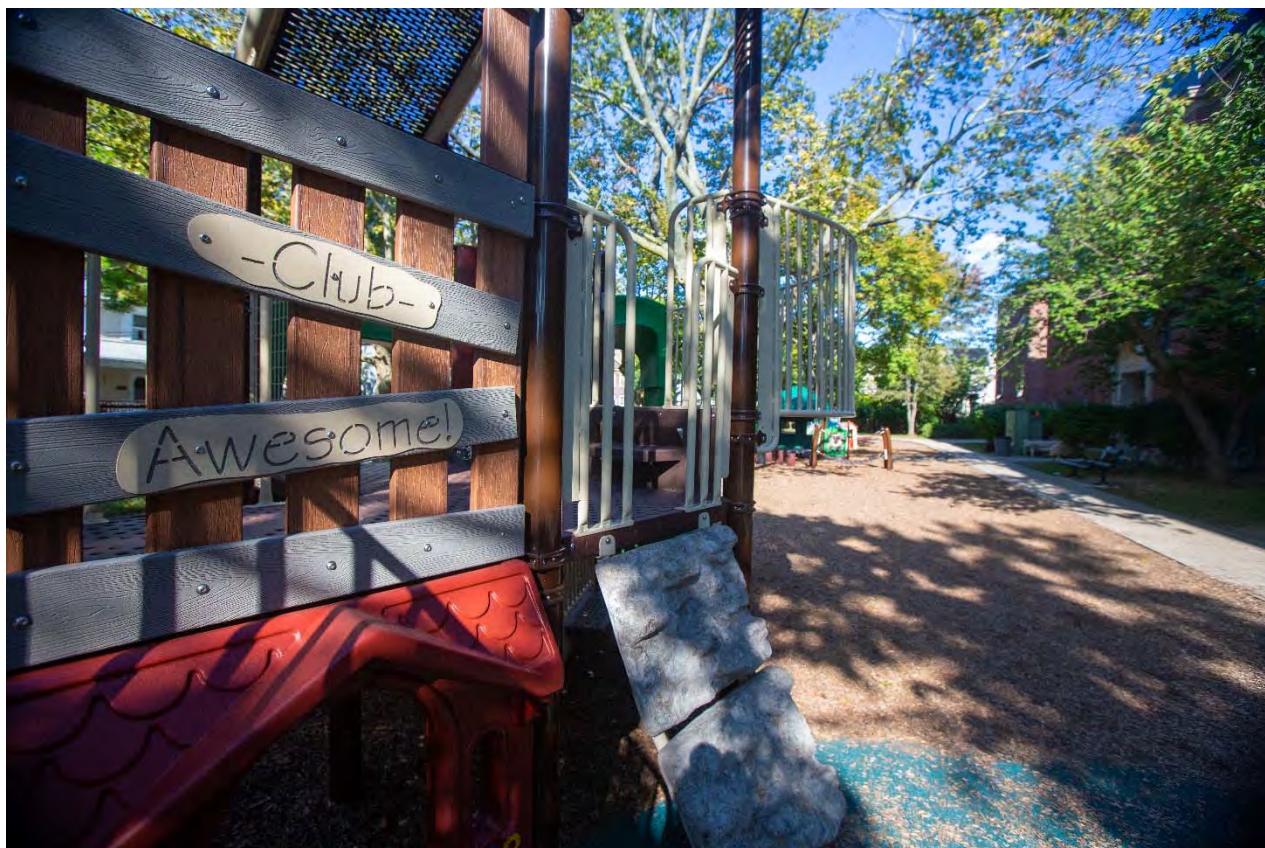


For the Year Ended June 30, 2019

Adam Chapdelaine, Town Manager
Ida Cody, Comptroller

Prepared by the Comptroller

*On the Cover: New Trees at Uncle Sam Plaza
Photos Courtesy of Joan Roman*



Hardy Elementary – New Playground

TOWN OF ARLINGTON, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended
June 30, 2019



Prepared by:
The Comptroller

TOWN OF ARLINGTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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Introductory Section



Restored Reflecting Pool – Town Hall Garden

Introductory Section

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

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Town Manager

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Letter of Transmittal

December 16, 2019

To the Honorable Select Board 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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 five member select board 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 Select Board. The Board members 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 general fund is the only governmental fund with an annual appropriated budget. 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 2018, 1,132 firms were located in Arlington, with a total annual payroll of \$500,065,637, reported to the Massachusetts 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 2019 the Town had a total labor force of 28,295, of whom 27,774 were employed and 521, or 1.8%, were unemployed as compared with 2.9% for the Commonwealth.

In 2018 the average assessed value of a single-family home in Arlington was \$752,184, an increase of approximately 14.7% 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 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 FY2019 ends in a cumulative increase of 31%. Arlington, on the other hand, has only recently experienced an increase above FY2002. In FY2006, Arlington was still 15% below FY2002 levels, while the average of all municipalities started seeing annual increases since then. As recently as FY2014, Arlington's cumulative year-to-year change since FY2002 was a mere increase of 1.1%. In FY2019, Arlington remains disproportionately below other municipalities despite overall increases in state aid. To further illustrate this impact, the average state aid for municipalities in Massachusetts increased 30.9% from FY2002, while in FY2019 Arlington's cumulative year-to-year change since FY2002 is an increase of 20.9%, two-thirds of the overall state increase.

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 approved a Proposition 2½ operating override (in the amount of \$5,500,000) in June of 2019. 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 2018-2019, the Town completed a six room expansion to the Hardy Elementary School and the renovation and reopening of the Gibbs School as a town-wide 6th grade school. In April 2019, the Massachusetts School Building Authority approved Arlington's High School Project. On June 11, 2019, voters approved a debt exclusion to rebuild the Arlington High School at an estimated cost of \$290.8 million.

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, 2018. 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, 2019. This was the sixth consecutive year that the Town received the award. Based on information available on the GFOA website, Arlington is one of 29 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

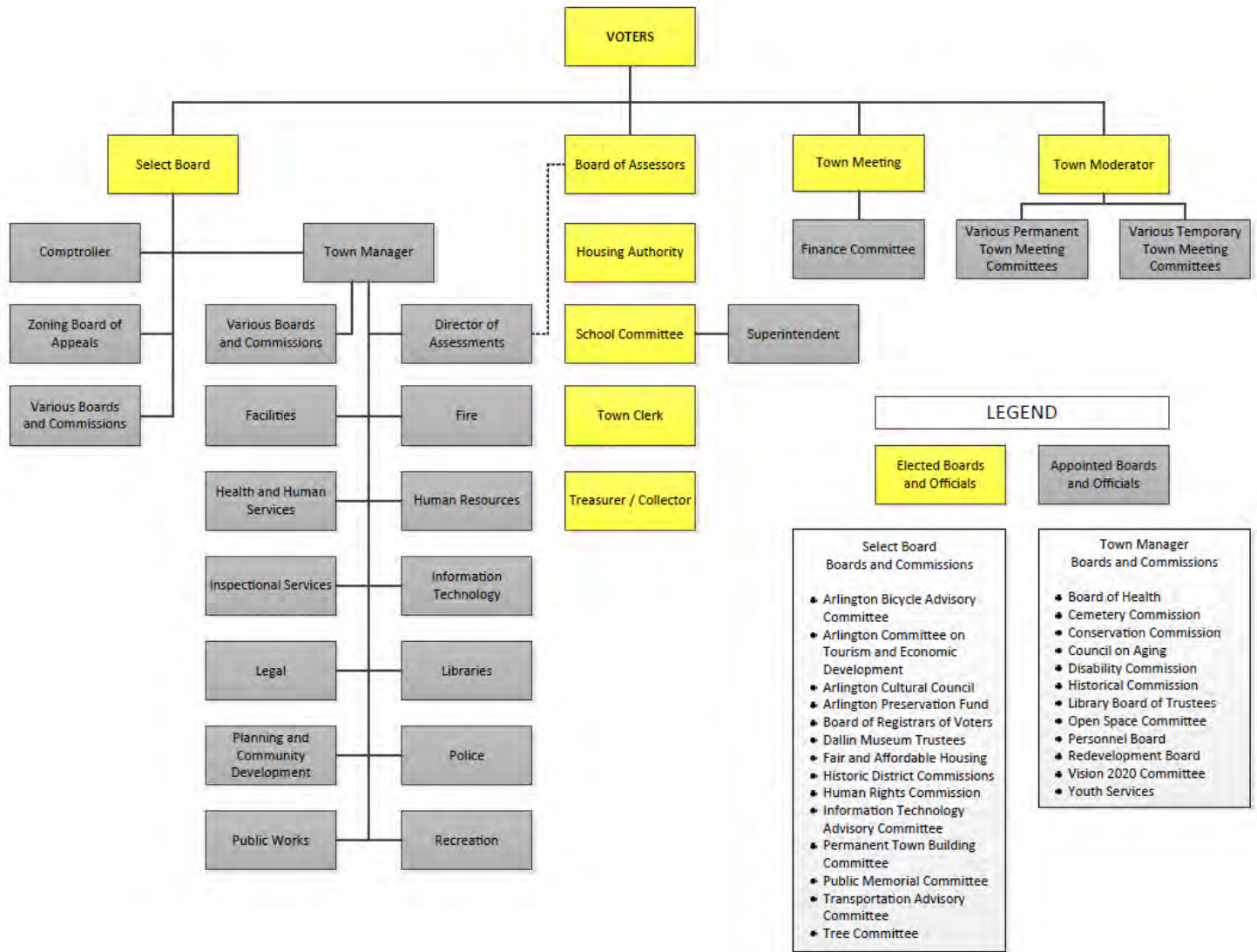
Town of Arlington, Massachusetts

Principal Executive Officers

<u>TITLE</u>	<u>NAME</u>	<u>SELECTION</u>	<u>TERM EXPIRES</u>
Select Board, Chair	Diane M. Mahon	Elected	2020
Select Board, Vice Chair	Daniel J. Dunn	Elected	2020
Select Board	Joseph A. Curro, Jr.	Elected	2021
Select Board	John V. Hurd	Elected	2021
Select Board	Stephen W. DeCoursey	Elected	2022
Town Manager	Adam W. Chapdelaine	Appointed	2022
Comptroller	Ida Cody	Appointed	2021
Treasurer	Phyllis L. Marshall	Appointed	2020

Town of Arlington, Massachusetts

Organizational Chart





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, 2018

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Arlington

Massachusetts

For the Fiscal Year Beginning

July 1, 2018

Christopher P. Morrill

Executive Director

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Financial Section



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Financial Section

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Independent Auditor's Report

To the Select Board
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, 2019 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2018), 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, 2019 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 16, 2019, 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 16, 2019

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, 2019. 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, culture and recreation, library, community preservation and interest. The business-type activities include the activities of the water and sewer department, youth services, Council on Aging, Ed Burns Arena and the recreation department.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Arlington adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison schedule is reported following the notes to the basic financial statements as required supplementary information.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains three different fiduciary funds. The pension and other employee benefit trust funds are used to account for resources held in trust for members of the Arlington Contributory Retirement System and 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$87.1 million at the close of 2019.

The largest portion of the Town's net position, \$132.0 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, \$23.6 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 \$242.7 million. The deficit is the result of the recognition of the Town's net pension liability of \$143.6 million, along with the net other postemployment benefits liability of \$194.0 million. These are long-term unfunded liabilities that will not require significant short-term resources.

Governmental Activities

	2019	0
Assets:		
Current assets.....	\$ 108,020,639	\$ 114,327,037
Noncurrent assets (excluding capital).....	800,929	1,309,479
Capital assets, nondepreciable.....	50,027,337	39,692,565
Capital assets, net of accumulated depreciation....	148,142,050	149,821,873
Total assets.....	306,990,955	305,150,954
Deferred outflows of resources.....	20,237,962	4,574,309
Liabilities:		
Current liabilities (excluding debt).....	11,626,213	10,756,407
Noncurrent liabilities (excluding debt).....	329,468,380	299,062,714
Current debt.....	9,203,521	12,358,182
Noncurrent debt.....	86,201,313	89,029,476
Total liabilities.....	436,499,427	411,206,779
Deferred inflows of resources.....	6,141,836	7,043,824
Net position:		
Net investment in capital assets.....	109,953,884	106,071,887
Restricted.....	23,581,105	22,105,819
Unrestricted.....	(248,947,335)	(236,703,046)
Total net position.....	\$ (115,412,346)	\$ (108,525,340)

The governmental activities net position decreased by \$6.9 million during the current year. Key decreases are the recognition of an additional \$79.1 million in the Town's net other postemployment benefit obligation net of deferred outflows/inflows and \$4.7 million in the Town's net pension liability net of deferred outflows/inflows, which are both reported in noncurrent liabilities. Offsetting these were \$1.8 million in school building authority, state highway, and community preservation capital grants, as well positive budgetary results in the general fund.

The \$6.3 million decrease in current assets is mainly from bond proceeds received in the prior year that were spent in the current year.

The \$509,000 decrease in noncurrent assets (excluding capital) is primarily due to the reduction in the intergovernmental receivable from the Massachusetts School Building Authority, as school construction funds are received annually which are used to retire debt outstanding for school construction projects.

The net \$8.7 million increase in capital assets is mainly from large capital projects such as the Gibbs school, Hardy school, high school feasibility study, Town gardens water feature, Town-wide phone system, and infrastructure projects.

The increase of \$30.4 million in noncurrent liabilities (excluding debt) is related to the net pension liability and net other postemployment benefit liability which increased \$20.4 million and \$10.1 million, respectively. The Town made a \$937,000 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.

The decrease in current debt and noncurrent debt of \$6.0 million relate to the issuance of \$6.2 million in bonds and unamortized premiums offset with \$9.3 million in debt service payments and an overall reduction in bond anticipation notes of \$2.9 million.

	2019	0
Program Revenues:		
Charges for services..... \$	14,755,228	\$ 15,626,560
Operating grants and contributions.....	37,934,415	35,615,725
Capital grants and contributions.....	1,800,686	1,857,217
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	122,614,263	116,133,281
Tax and other liens.....	1,219	243,714
Motor vehicle excise taxes.....	5,312,690	5,639,563
Hotel/motel tax.....	479,530	378,783
Meals tax.....	467,654	444,161
Community preservation tax.....	1,473,559	1,520,324
Penalties and interest on taxes.....	409,223	314,667
Payments in lieu of taxes.....	25,361	25,337
Grants and contributions not restricted to specific programs.....	8,607,543	8,481,230
Unrestricted investment income.....	2,062,485	2,149,636
Total revenues.....	195,943,856	188,430,198
Expenses:		
General government.....	13,949,950	13,826,811
Public safety.....	30,302,482	28,821,034
Education.....	121,355,303	112,983,324
Public works.....	16,327,039	17,127,685
Community development.....	4,518,395	4,158,369
Human services.....	2,805,007	2,599,295
Culture and recreation.....	565,478	1,505,571
Library.....	4,294,607	4,036,606
Community preservation.....	678,550	507,421
Interest.....	2,183,780	2,302,742
Total expenses.....	196,980,591	187,868,858
Excess (Deficiency) before transfers.....	(1,036,735)	561,340
Transfers.....	(5,850,271)	(5,571,190)
Change in net position.....	(6,887,006)	(5,009,850)
Net position, beginning of year.....	(108,525,340)	(103,515,490)
Net position, end of year..... \$	<u>(115,412,346)</u>	<u>(108,525,340)</u>

The decrease in charges for services relates to recreation revolving programs that moved to the recreation enterprise fund.

The increase in operating grants is related to the \$1.1 million increased state funding for the education grants and Massachusetts Teachers' Retirement System's on-behalf payments, which increased the revenue and corresponding expense by \$241,000.

Most categories of expenses increase as a result of standard budgetary increases. The increase in education is from an increase in the operating budget. The decrease in public works is from reduced spending on snow and ice removal and highway projects. The decrease in culture and recreation is from the recreation revolving programs moving to the recreation enterprise fund.

Business-Type Activities

	2019	0
Assets:		
Current assets.....	\$ 17,912,950	\$ 18,482,997
Capital assets, nondepreciable.....	2,954	2,954
Capital assets, net of accumulated depreciation....	28,388,802	27,801,221
Total assets.....	46,304,706	46,287,172
Deferred outflows of resources.....	845,435	243,866
Liabilities:		
Current liabilities (excluding debt).....	159,025	139,353
Noncurrent liabilities (excluding debt).....	10,127,573	9,190,781
Current debt.....	1,376,050	1,487,650
Noncurrent debt.....	7,038,200	8,007,750
Total liabilities.....	18,700,848	18,825,534
Deferred inflows of resources.....	139,858	356,260
Net position:		
Net investment in capital assets.....	22,091,083	20,877,369
Unrestricted.....	6,218,352	6,471,875
Total net position.....	\$ 28,309,435	\$ 27,349,244
	2019	0
Program Revenues:		
Charges for services.....	\$ 17,245,102	\$ 16,103,759
Operating grants and contributions.....	279,232	430,684
Capital grants and contributions.....	600,000	-
General Revenues:		
Unrestricted investment income.....	116,846	87,094
Total revenues.....	18,241,180	16,621,537
Expenses:		
Water and sewer.....	20,113,477	20,173,115
Youth services.....	667,794	627,650
Council on aging.....	83,109	88,375
Ed Burns arena.....	597,908	594,477
Recreation.....	1,668,972	746,935
Total expenses.....	23,131,260	22,230,552
Excess (Deficiency) before transfers.....	(4,890,080)	(5,609,015)
Transfers.....	5,850,271	5,571,190
Change in net position.....	960,191	(37,825)
Net position, beginning of year.....	27,349,244	27,387,069
Net position, end of year.....	\$ 28,309,435	\$ 27,349,244

There was a net increase of \$960,000 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 2019 by approximately \$5.6 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The water and sewer enterprise fund received a \$600,000 capital grant from the MWRA for infiltration and inflow projects.

The increase of \$937,000 in noncurrent liabilities (excluding debt) is related to the net pension liability and net other postemployment benefit liability which increased \$739,000 and \$189,000, respectively.

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 \$94.4 million which was a decrease of \$4.7 million from the prior year.

The general fund reported a \$956,000 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 has a general stabilization fund, a special education stabilization fund, and a fiscal stability stabilization fund with a combined balance of \$25.3 million at year-end. Collectively, they reported a decrease of \$2 million from 2018. The operating general fund and the self-insurance trust funds accounted for the remaining \$2.9 million increase.

The Town's capital borrowing major fund reported a fund balance of \$5.8 million, a decrease of \$7.4 million from the prior year. During 2019, the Town recognized \$5.9 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 \$13.8 million and related mainly to school building improvements.

There was a \$1.8 million increase in the nonmajor governmental funds, which reported \$25.6 million in revenues, \$25.7 million in expenditures, \$83,000 in premiums from the issuance of bonds received, and \$1.7 million in net transfers to and from other funds.

General Fund Budgetary Highlights

The decrease between the original and final budget of \$212,000 was primarily comprised of the release of carryovers from the prior fiscal year. In the final budget, the Town budgeted to use \$4.6 million of available reserves "free cash" to balance the 2019 budget. However, actual results from operations were better than anticipated as the Town collected approximately \$3.9 million more than budgeted and departments expended \$3.0 million less than budgeted.

By category, all actual revenues came in over budget. The largest revenue variance was in departmental and other which came in over budget by \$1.3 million. A majority of the increase was for building permits. Motor vehicle excise taxes came in \$782,000 over budget. Other significant revenue surpluses were in real estate and

personal property and investment income which came in over budget by approximately \$297,000 and \$836,000, respectively. The Town also had a revenue surplus for the unbudgeted tax liens totaling \$171,000. Expenditures for the reserve fund and insurance came in under budget by approximately \$1.3 million and \$883,000, respectively, which contributed to the surplus.

Capital Asset and Debt Administration

The Town Manager is responsible for submitting a five-year capital-planning program for all departments to the Select Board 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 2019 budget, this allowed for an annual cash expenditure of \$3.9 million and a new borrowing of \$3.6 million (including Water and Sewer). The Town's outstanding long-term debt related to the general government and water and sewer enterprise, as of June 30, 2019, was \$100.7 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 2019 from the MWRA assessment to the property taxes. During FY 2019, the Town issued an additional \$200,000 in MWRA sewer 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 will 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 2018-2019, the Town completed a six room expansion to the Hardy Elementary School and the renovation and reopening of the Gibbs School as a town-wide 6th grade school. In April 2019, the Massachusetts School Building Authority approved Arlington's High School Project. On June 11, 2019, voters approved a debt exclusion to rebuild the Arlington High School at an estimated cost of \$290.8 million.

Town Meeting approved two other major building projects. The Department of Public Works offices, repair shops, salt shed, and other buildings are being renovated or replaced with new buildings in a project estimated at \$29.9 million funded in part by the general fund and by the water and sewer enterprise fund. The former Central School building will undergo \$8 million in renovations for the sections that house the Senior Center (to be renamed the Community Center) and the Health and Human Services Department Offices.

Capital Assets

The Town's valuation of governmental activities capital assets as of June 30, 2019, amounts to \$198.2 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 capital additions totaled \$16.5 million. Major additions include the Gibbs school, Hardy school, high school feasibility study, Town gardens water feature, Town-side phone system, and infrastructure projects. The Gibbs, Hardy and high school projects are ongoing and reported as construction in progress at year end.

The Town's valuation of business-type activities capital assets as of June 30, 2019, amounts to \$28.4 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 \$1.7 million and were related to infrastructure.

Debt

The Town's governmental funds have total bonded debt outstanding of \$92.3 million at the end of the current year. As compared to the prior year, this is a net decrease of \$5.8 million resulting from principal payments and amortization of premiums of \$9.3 million offset by \$3.6 million long-term bond issuances, including premiums, during 2019.

The water and sewer enterprise funds have total bonded debt outstanding of \$7.9 million at the end of the current year. The Town issued \$200,000 in MWRA bonds, \$206,500 in general obligation bonds, and made \$1.3 million in principal payments during the year.

The Ed Burns rink enterprise fund has debt outstanding at year-end of \$470,000. The Town made \$145,000 in principal payments during the year.

Please refer to financial statement notes 4, 6 and 7 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 85,532,602	\$ 12,433,903	\$ 97,966,505
Investments.....	14,975,608	-	14,975,608
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,245,366	-	1,245,366
Tax liens.....	532,676	-	532,676
Community preservation fund surtax.....	11,315	-	11,315
Motor vehicle excise taxes.....	277,205	-	277,205
User charges.....	-	5,479,047	5,479,047
Departmental and other.....	129,407	-	129,407
Intergovernmental.....	4,651,214	-	4,651,214
Community preservation state share.....	183,761	-	183,761
Special assessments.....	1,246	-	1,246
Loans.....	83,455	-	83,455
Tax foreclosures.....	396,784	-	396,784
Total current assets.....	<u>108,020,639</u>	<u>17,912,950</u>	<u>125,933,589</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	467,110	-	467,110
Loans.....	333,819	-	333,819
Capital assets, nondepreciable.....	50,027,337	2,954	50,030,291
Capital assets, net of accumulated depreciation.....	<u>148,142,050</u>	<u>28,388,802</u>	<u>176,530,852</u>
Total noncurrent assets.....	<u>198,970,316</u>	<u>28,391,756</u>	<u>227,362,072</u>
TOTAL ASSETS.....	<u>306,990,955</u>	<u>46,304,706</u>	<u>353,295,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	14,528,290	737,815	15,266,105
Deferred outflows related to other postemployment benefits.....	<u>5,709,672</u>	<u>107,620</u>	<u>5,817,292</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>20,237,962</u>	<u>845,435</u>	<u>21,083,397</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,952,723	83,625	2,036,348
Accrued payroll.....	4,932,781	-	4,932,781
Tax refunds payable.....	364,100	-	364,100
Accrued interest.....	481,187	-	481,187
Other liabilities.....	738,972	-	738,972
Customer deposits.....	74,250	-	74,250
Compensated absences.....	2,922,400	75,400	2,997,800
Workers' compensation.....	159,800	-	159,800
Notes payable.....	480,950	-	480,950
Bonds payable.....	<u>8,722,571</u>	<u>1,376,050</u>	<u>10,098,621</u>
Total current liabilities.....	<u>20,829,734</u>	<u>1,535,075</u>	<u>22,364,809</u>
NONCURRENT:			
Compensated absences.....	1,870,600	85,000	1,955,600
Workers' compensation.....	43,300	-	43,300
Net pension liability.....	136,683,570	6,941,435	143,625,005
Net other postemployment benefits.....	190,870,910	3,101,138	193,972,048
Bonds payable.....	<u>86,201,313</u>	<u>7,038,200</u>	<u>93,239,513</u>
Total noncurrent liabilities.....	<u>415,669,693</u>	<u>17,165,773</u>	<u>432,835,466</u>
TOTAL LIABILITIES.....	<u>436,499,427</u>	<u>18,700,848</u>	<u>455,200,275</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	253,685	-	253,685
Deferred inflows related to pensions.....	904,125	45,916	950,041
Deferred inflows related to other postemployment benefits.....	<u>4,984,026</u>	<u>93,942</u>	<u>5,077,968</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>6,141,836</u>	<u>139,858</u>	<u>6,281,694</u>
NET POSITION			
Net investment in capital assets.....	109,953,884	22,091,083	132,044,967
Restricted for:			
Loans.....	417,274	-	417,274
Permanent funds:			
Expendable.....	9,746,285	-	9,746,285
Nonexpendable.....	4,849,599	-	4,849,599
Gifts and grants.....	5,087,810	-	5,087,810
Community preservation.....	3,480,137	-	3,480,137
Unrestricted.....	<u>(248,947,335)</u>	<u>6,218,352</u>	<u>(242,728,983)</u>
TOTAL NET POSITION.....	<u>\$ (115,412,346)</u>	<u>\$ 28,309,435</u>	<u>\$ (87,102,911)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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.....	\$ 13,949,950	\$ 2,812,240	\$ 125,461	\$ -	\$ (11,012,249)
Public safety.....	30,302,482	4,687,433	255,843	-	(25,359,206)
Education.....	121,355,303	4,916,225	33,858,165	568,133	(82,012,780)
Public works.....	16,327,039	876,796	10,500	957,033	(14,482,710)
Community development.....	4,518,395	965,402	2,928,485	-	(624,508)
Human services.....	2,805,007	256,982	526,874	-	(2,021,151)
Culture and recreation.....	565,478	136,984	119,266	-	(309,228)
Library.....	4,294,607	103,166	74,136	-	(4,117,305)
Community preservation.....	678,550	-	-	275,520	(403,030)
Interest.....	2,183,780	-	35,685	-	(2,148,095)
Total Governmental Activities.....	196,980,591	14,755,228	37,934,415	1,800,686	(142,490,262)
<i>Business-Type Activities:</i>					
Water and sewer.....	20,113,477	14,657,665	-	600,000	(4,855,812)
Youth services.....	667,794	304,336	221,636	-	(141,822)
Council on aging.....	83,109	16,528	55,854	-	(10,727)
Ed Burns arena.....	597,908	552,927	-	-	(44,981)
Recreation.....	1,668,972	1,713,646	1,742	-	46,416
Total Business-Type Activities.....	23,131,260	17,245,102	279,232	600,000	(5,006,926)
Total Primary Government.....	\$ 220,111,851	\$ 32,000,330	\$ 38,213,647	\$ 2,400,686	\$ (147,497,188)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(142,490,262)	(5,006,926)	(147,497,188)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	122,614,263	-	122,614,263
Tax and other liens.....	1,219	-	1,219
Motor vehicle excise taxes.....	5,312,690	-	5,312,690
Hotel/motel tax.....	479,530	-	479,530
Meals tax.....	467,654	-	467,654
Community preservation tax.....	1,473,559	-	1,473,559
Penalties and interest on taxes.....	409,223	-	409,223
Payments in lieu of taxes.....	25,361	-	25,361
Grants and contributions not restricted to specific programs.....	8,607,543	-	8,607,543
Unrestricted investment income.....	2,062,485	116,846	2,179,331
<i>Transfers, net</i>	(5,850,271)	5,850,271	-
Total general revenues and transfers.....	135,603,256	5,967,117	141,570,373
Change in net position.....	(6,887,006)	960,191	(5,926,815)
<i>Net position:</i>			
Beginning of year.....	(108,525,340)	27,349,244	(81,176,096)
End of year..... \$	(115,412,346)	28,309,435	(87,102,911)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 58,196,312	\$ 6,398,973	\$ 20,937,317	\$ 85,532,602
Investments.....	-	-	14,975,608	14,975,608
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,245,366	-	-	1,245,366
Tax liens.....	529,746	-	2,930	532,676
Community preservation fund surtax.....	-	-	11,315	11,315
Motor vehicle excise taxes.....	277,205	-	-	277,205
Departmental and other.....	129,407	-	-	129,407
Intergovernmental.....	2,373,982	-	2,744,342	5,118,324
Community preservation state share.....	-	-	183,761	183,761
Special assessments.....	1,246	-	-	1,246
Loans.....	-	-	417,274	417,274
Tax foreclosures.....	396,784	-	-	396,784
Due from other funds.....	615,023	-	-	615,023
TOTAL ASSETS.....	\$ 63,765,071	\$ 6,398,973	\$ 39,272,547	\$ 109,436,591
LIABILITIES				
Warrants payable.....	\$ 933,232	\$ 130,664	\$ 888,827	\$ 1,952,723
Accrued payroll.....	4,932,781	-	-	4,932,781
Tax refunds payable.....	364,100	-	-	364,100
Due to other funds.....	-	-	615,023	615,023
Other liabilities.....	738,972	-	-	738,972
Customer deposits.....	74,250	-	-	74,250
Notes payable.....	-	480,950	-	480,950
TOTAL LIABILITIES.....	7,043,335	611,614	1,503,850	9,158,799
DEFERRED INFLOWS OF RESOURCES				
Taxes paid in advance.....	250,347	-	3,338	253,685
Unavailable revenue.....	3,309,328	-	2,271,532	5,580,860
TOTAL DEFERRED INFLOWS OF RESOURCES.....	3,559,675	-	2,274,870	5,834,545
FUND BALANCES				
Nonspendable.....	-	-	4,849,599	4,849,599
Restricted.....	2,707,499	5,787,359	30,644,228	39,139,086
Committed.....	524,213	-	-	524,213
Assigned.....	12,301,164	-	-	12,301,164
Unassigned.....	37,629,185	-	-	37,629,185
TOTAL FUND BALANCES.....	53,162,061	5,787,359	35,493,827	94,443,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 63,765,071	\$ 6,398,973	\$ 39,272,547	\$ 109,436,591

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....		\$ 94,443,247
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		198,169,387
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,580,860
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		14,349,811
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(481,187)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(94,923,884)	
Net pension liability.....	(136,683,570)	
Net other postemployment benefits.....	(190,870,910)	
Workers' compensation.....	(203,100)	
Compensated absences.....	<u>(4,793,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(427,474,464)</u>
Net position of governmental activities.....		\$ <u><u>(115,412,346)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 122,379,415	\$ -	\$ -	\$ 122,379,415
Tax liens.....	170,948	-	1,197	172,145
Motor vehicle excise taxes.....	5,332,866	-	-	5,332,866
Hotel/motel tax.....	479,530	-	-	479,530
Meals tax.....	467,654	-	-	467,654
Penalties and interest on taxes.....	409,223	-	-	409,223
Fees and rentals.....	504,444	-	258,935	763,379
Payments in lieu of taxes.....	25,361	-	-	25,361
Intergovernmental - state aid.....	20,500,200	-	-	20,500,200
Intergovernmental - School Building Authority.....	-	568,133	-	568,133
Intergovernmental - Teachers Retirement.....	13,476,629	-	-	13,476,629
Intergovernmental - other.....	-	-	9,449,529	9,449,529
Departmental and other.....	4,404,179	-	13,097,215	17,501,394
Community preservation taxes.....	-	-	1,469,599	1,469,599
Community preservation state match.....	-	-	275,520	275,520
Contributions and donations.....	36,171	-	374,739	410,910
Investment income.....	1,395,862	-	666,623	2,062,485
TOTAL REVENUES.....	169,582,482	568,133	25,593,357	195,743,972
EXPENDITURES:				
Current:				
General government.....	5,084,879	978,836	2,017,301	8,081,016
Public safety.....	16,260,516	21,431	2,167,040	18,448,987
Education.....	70,594,729	10,922,616	11,788,121	93,305,466
Public works.....	9,860,990	1,058,052	2,317,702	13,236,744
Community development.....	584,286	578,450	3,523,236	4,685,972
Human services.....	1,218,442	-	970,204	2,188,646
Culture and recreation.....	45,618	21,136	362,677	429,431
Library.....	2,350,775	263,086	370,274	2,984,135
Community preservation.....	-	-	1,356,769	1,356,769
Pension benefits.....	11,903,489	-	-	11,903,489
Pension benefits - Teachers Retirement.....	13,476,629	-	-	13,476,629
Property and liability insurance.....	337,399	-	-	337,399
Employee benefits.....	15,444,083	-	114,703	15,558,786
State and county charges.....	3,272,899	-	-	3,272,899
Debt service:				
Principal.....	7,620,000	-	595,000	8,215,000
Interest.....	3,288,205	-	76,250	3,364,455
TOTAL EXPENDITURES.....	161,342,939	13,843,607	25,659,277	200,845,823
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	8,239,543	(13,275,474)	(65,920)	(5,101,851)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	5,894,408	-	5,894,408
Premium from issuance of bonds.....	-	260,200	83,105	343,305
Transfers in.....	1,514,018	-	2,940,890	4,454,908
Transfers out.....	(8,797,164)	(316,984)	(1,191,031)	(10,305,179)
TOTAL OTHER FINANCING SOURCES (USES)...	(7,283,146)	5,837,624	1,832,964	387,442
NET CHANGE IN FUND BALANCES.....	956,397	(7,437,850)	1,767,044	(4,714,409)
FUND BALANCES AT BEGINNING OF YEAR.....	52,205,664	13,225,209	33,726,783	99,157,656
FUND BALANCES AT END OF YEAR.....	\$ 53,162,061	\$ 5,787,359	\$ 35,493,827	\$ 94,443,247

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, 2019

Net change in fund balances - total governmental funds.....		\$ (4,714,409)
<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.....	16,507,406	
Depreciation expense.....	<u>(7,852,457)</u>	
Net effect of reporting capital assets.....		8,654,949
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		199,884
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(5,894,408)	
Premium from issuance of bonds.....	(343,305)	
Net amortization of premium from issuance of bonds.....	1,131,487	
Net change in deferred charge on refunding.....	(3,038)	
Debt service principal payments.....	<u>8,215,000</u>	
Net effect of reporting long-term debt.....		3,105,736
<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.....	(309,000)	
Net change in accrued interest on long-term debt.....	52,226	
Net change in deferred outflow/(inflow) of resources related to pensions.....	15,670,249	
Net change in net pension liability.....	(20,416,342)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	926,825	
Net change in net other postemployment benefits liability.....	(10,058,024)	
Net change in workers' compensation liability.....	<u>900</u>	
Net effect of recording long-term liabilities.....		<u>(14,133,166)</u>
Change in net position of governmental activities.....		\$ <u><u>(6,887,006)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 11,292,725	\$ 68,829	\$ 80,814
Receivables, net of allowance for uncollectibles:			
User charges.....	5,479,047	-	-
Total current assets.....	<u>16,771,772</u>	<u>68,829</u>	<u>80,814</u>
NONCURRENT:			
Capital assets, nondepreciable.....	2,954	-	-
Capital assets, net of accumulated depreciation.....	26,110,150	-	-
Total noncurrent assets.....	<u>26,113,104</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS.....	<u>42,884,876</u>	<u>68,829</u>	<u>80,814</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	737,815	-	-
Deferred outflows related to other postemployment benefits.....	107,620	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>845,435</u>	<u>-</u>	<u>-</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	37,497	3,511	938
Compensated absences.....	74,300	-	-
Bonds payable.....	1,231,050	-	-
Total current liabilities.....	<u>1,342,847</u>	<u>3,511</u>	<u>938</u>
NONCURRENT:			
Compensated absences.....	84,300	-	-
Net pension liability.....	6,941,435	-	-
Net other postemployment benefits.....	3,101,138	-	-
Bonds payable.....	6,713,200	-	-
Total noncurrent liabilities.....	<u>16,840,073</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>18,182,920</u>	<u>3,511</u>	<u>938</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	45,916	-	-
Deferred inflows related to other postemployment benefits.....	93,942	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>139,858</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets.....	20,282,431	-	-
Unrestricted.....	5,125,102	65,318	79,876
TOTAL NET POSITION.....	<u>\$ 25,407,533</u>	<u>\$ 65,318</u>	<u>\$ 79,876</u>

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	105,202	\$ 886,333	\$ 12,433,903
	-	-	5,479,047
	105,202	886,333	17,912,950
	-	-	2,954
	828,418	1,450,234	28,388,802
	828,418	1,450,234	28,391,756
	933,620	2,336,567	46,304,706
	-	-	737,815
	-	-	107,620
	-	-	845,435
	22,164	19,515	83,625
	1,100	-	75,400
	145,000	-	1,376,050
	168,264	19,515	1,535,075
	700	-	85,000
	-	-	6,941,435
	-	-	3,101,138
	325,000	-	7,038,200
	325,700	-	17,165,773
	493,964	19,515	18,700,848
	-	-	45,916
	-	-	93,942
	-	-	139,858
	358,418	1,450,234	22,091,083
	81,238	866,818	6,218,352
\$	<u>439,656</u>	<u>\$ 2,317,052</u>	<u>\$ 28,309,435</u>

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

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds		
	Water and Sewer Enterprise	Youth Services Enterprise	Council On Aging Enterprise
OPERATING REVENUES:			
Charges for services.....	\$ 14,657,665	\$ 304,336	\$ 16,528
OPERATING EXPENSES:			
Cost of services and administration.....	1,500,334	258,661	16,453
Salaries and wages.....	2,149,373	409,133	61,147
MWRA assessment.....	13,857,318	-	-
Depreciation.....	894,094	-	5,509
Employee benefits.....	1,679,810	-	-
TOTAL OPERATING EXPENSES.....	20,080,929	667,794	83,109
OPERATING INCOME (LOSS).....	(5,423,264)	(363,458)	(66,581)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	116,846	-	-
Interest expense.....	(32,548)	-	-
Intergovernmental.....	-	221,636	55,854
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	84,298	221,636	55,854
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(5,338,966)	(141,822)	(10,727)
CAPITAL CONTRIBUTIONS.....	600,000	-	-
TRANSFERS:			
Transfers in.....	5,610,450	144,866	617
Transfers out.....	-	-	-
TOTAL TRANSFERS.....	5,610,450	144,866	617
CHANGE IN NET POSITION.....	871,484	3,044	(10,110)
NET POSITION AT BEGINNING OF YEAR.....	24,536,049	62,274	89,986
NET POSITION AT END OF YEAR.....	\$ 25,407,533	\$ 65,318	\$ 79,876

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	552,927	\$ 1,713,646	\$ 17,245,102
	290,307	815,336	2,881,091
	211,343	744,715	3,575,711
	-	-	13,857,318
	76,077	108,921	1,084,601
	-	-	1,679,810
	<u>577,727</u>	<u>1,668,972</u>	<u>23,078,531</u>
	<u>(24,800)</u>	<u>44,674</u>	<u>(5,833,429)</u>
	-	-	116,846
	(20,181)	-	(52,729)
	-	1,742	279,232
	<u>(20,181)</u>	<u>1,742</u>	<u>343,349</u>
	<u>(44,981)</u>	<u>46,416</u>	<u>(5,490,080)</u>
	-	-	600,000
	169,060	7,869	5,932,862
	<u>(82,591)</u>	-	<u>(82,591)</u>
	<u>86,469</u>	<u>7,869</u>	<u>5,850,271</u>
	41,488	54,285	960,191
	<u>398,168</u>	<u>2,262,767</u>	<u>27,349,244</u>
\$	<u><u>439,656</u></u>	<u><u>2,317,052</u></u>	<u><u>28,309,435</u></u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	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.....	\$ 14,341,912	\$ 304,336	\$ 16,528
Payments to vendors.....	(16,940,726)	(267,053)	(16,386)
Payments to employees.....	(2,121,173)	(409,133)	(61,147)
NET CASH FROM OPERATING ACTIVITIES.....	(4,719,987)	(371,850)	(61,005)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	5,610,450	144,866	617
Transfers out.....	-	-	-
Intergovernmental.....	-	221,636	55,854
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	5,610,450	366,502	56,471
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds.....	406,500	-	-
Capital contributions.....	600,000	-	-
Acquisition and construction of capital assets.....	(1,672,182)	-	-
Principal payments on bonds and notes.....	(1,342,650)	-	-
Interest expense.....	(32,548)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,040,880)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	116,846	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,033,571)	(5,348)	(4,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	12,326,296	74,177	85,348
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 11,292,725	\$ 68,829	\$ 80,814
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (5,423,264)	\$ (363,458)	\$ (66,581)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	894,094	-	5,509
Deferred (outflows)/inflows related to pensions.....	(801,053)	-	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(16,918)	-	-
Changes in assets and liabilities:			
User charges.....	(315,753)	-	-
Warrants payable.....	(13,185)	(8,392)	67
Compensated absences.....	28,200	-	-
Net pension liability.....	738,863	-	-
Net other postemployment benefits.....	189,029	-	-
Total adjustments.....	703,277	(8,392)	5,576
NET CASH FROM OPERATING ACTIVITIES.....	\$ (4,719,987)	\$ (371,850)	\$ (61,005)

See notes to basic financial statements.

	Ed Burns Arena Enterprise	Recreation Enterprise	Total
\$	552,927	\$ 1,713,646	\$ 16,929,349
	(269,714)	(799,347)	(18,293,226)
	<u>(226,043)</u>	<u>(744,715)</u>	<u>(3,562,211)</u>
	<u>57,170</u>	<u>169,584</u>	<u>(4,926,088)</u>
	169,060	7,869	5,932,862
	(82,591)	-	(82,591)
	<u>-</u>	<u>1,742</u>	<u>279,232</u>
	<u>86,469</u>	<u>9,611</u>	<u>6,129,503</u>
	-	-	406,500
	-	-	600,000
	-	-	(1,672,182)
	(145,000)	-	(1,487,650)
	<u>(20,181)</u>	<u>-</u>	<u>(52,729)</u>
	<u>(165,181)</u>	<u>-</u>	<u>(2,206,061)</u>
	-	-	116,846
	(21,542)	179,195	(885,800)
	<u>126,744</u>	<u>707,138</u>	<u>13,319,703</u>
\$	<u>105,202</u>	<u>886,333</u>	<u>12,433,903</u>
\$	<u>(24,800)</u>	<u>44,674</u>	<u>(5,833,429)</u>
	76,077	108,921	1,084,601
	-	-	(801,053)
	-	-	(16,918)
	-	-	(315,753)
	20,593	15,989	15,072
	(14,700)	-	13,500
	-	-	738,863
	<u>-</u>	<u>-</u>	<u>189,029</u>
	<u>81,970</u>	<u>124,910</u>	<u>907,341</u>
\$	<u>57,170</u>	<u>169,584</u>	<u>(4,926,088)</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 6,423,360	\$ 263,697	\$ 30,982
Investments:			
Investments in Pension Reserve Investment Trust.....	144,302,874	-	-
U.S. treasury notes.....	-	685,312	-
Corporate bonds.....	-	1,140,559	-
Equity securities.....	-	4,340,188	-
Equity mutual funds.....	10,642,226	-	-
Fixed income mutual funds.....	5,598,965	-	-
Municipal bonds.....	-	353,963	-
Real estate investment trust.....	-	165,590	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	107,527	-	-
Interest and dividends.....	14,089	-	-
TOTAL ASSETS	<u>167,089,041</u>	<u>6,949,309</u>	<u>30,982</u>
LIABILITIES			
Liabilities due depositors.....	-	-	30,982
NET POSITION			
Restricted for pensions.....	152,567,223	-	-
Restricted for other postemployment benefits.....	14,521,818	-	-
Held in trust for other purposes.....	-	6,949,309	-
TOTAL NET POSITION	<u>\$ 167,089,041</u>	<u>\$ 6,949,309</u>	<u>\$ -</u>

(1) The Pension Trust Fund is as of December 31, 2018

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 13,289,698	\$ -
Employer contributions for other postemployment benefit payments....	6,405,234	-
Member contributions.....	3,881,977	-
Transfers from other systems.....	825,539	-
3(8)c contributions from other systems.....	494,483	-
Workers compensation settlements.....	7,000	-
State COLA reimbursements.....	384,412	-
Private donations.....	-	399,320
	<u>25,288,343</u>	<u>399,320</u>
Total contributions.....		
Net investment income:		
Investment income.....	(1,580,100)	267,625
Less: investment expense.....	<u>(857,727)</u>	<u>-</u>
Net investment income (loss).....	<u>(2,437,827)</u>	<u>267,625</u>
	<u>22,850,516</u>	<u>666,945</u>
TOTAL ADDITIONS.....		
DEDUCTIONS:		
Administration.....	346,990	-
Transfers to other systems.....	684,842	-
3(8)c transfer to other systems.....	467,265	-
Retirement benefits and refunds.....	18,786,341	-
Other postemployment benefit payments.....	6,405,234	-
Human services.....	-	25,466
Educational scholarships.....	-	520,056
	<u>26,690,672</u>	<u>545,522</u>
TOTAL DEDUCTIONS.....		
NET INCREASE (DECREASE) IN NET POSITION.....	(3,840,156)	121,423
NET POSITION AT BEGINNING OF YEAR.....	<u>170,929,197</u>	<u>6,827,886</u>
NET POSITION AT END OF YEAR.....	<u>\$ 167,089,041</u>	<u>\$ 6,949,309</u>

(1) The Pension Trust Fund is as of December 31, 2018

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 Select Board 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 Select Board and one member appointed by the Retirement Board’s members. The System is presented using the accrual basis of accounting and is reported as a Pension Trust Fund. The System did not issue a separate audited financial statement.

Joint Venture – The Town is a member of the Minuteman Career and 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 and Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Minuteman Career and Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Minuteman Career and Technical High School and the 2019 assessment was \$4,936,724.

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 that 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 and other employee benefit trust funds* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries, and 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 that exclusively benefit individuals, private organizations, or other governments. The Town's private purpose trust fund is comprised of education scholarships, elderly and disabled trusts, and other human service related trusts.

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 Charges

Water and sewer user charges are levied quarterly 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 charges are recorded as receivables in the year of the levy. Unbilled user charges are estimated at year-end and are recorded as revenue in the current period.

Water and sewer user charges 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>	<u>Estimated Useful Life (in years)</u>
Buildings.....	50
Improvements.....	20 - 50
Vehicles and equipment.....	5 - 10
Infrastructure.....	20 - 60
Sewer and water lines.....	60

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows related to pensions and deferred outflows related to other postemployment benefits 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, deferred inflows related to pensions, and deferred inflows related to other postemployment benefits 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 taxes paid in advance and unavailable revenue 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. The general fund is the only governmental fund that can report a positive fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

M. Pensions

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

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Investment Income

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

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, 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 \$14.5 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 \$55,976,896 and the bank balance totaled \$57,953,773. Of the bank balance, \$5,511,689 was covered by Federal Depository Insurance, \$5,413,548 was covered by Depositors Insurance Fund, \$46,976,899 was collateralized, and \$51,637 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2018, carrying amount of deposits for the Pension System totaled \$288,177 and the bank balance totaled \$443,611. 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, 2019, the Town of Arlington had the following investments:

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
Debt securities:					
U.S. treasury notes.....	\$ 2,202,389	\$ 75,964	\$ 1,210,167	\$ 138,143	\$ 778,115
Corporate bonds.....	3,665,420	281,936	1,366,651	1,163,510	853,323
Municipal bonds.....	1,090,433	-	135,756	-	954,677
Total Debt Securities.....	6,958,242	\$ 357,900	\$ 2,712,574	\$ 1,301,653	\$ 2,586,115
Other investments:					
Equity securities.....	14,123,721				
Equity mutual funds.....	8,969,954				
Fixed income mutual funds.....	5,598,965				
Real estate investment trust.....	532,156				
Money market mutual funds.....	225,673				
MMDT - Cash portfolio.....	42,058,615				
Total investments.....	\$ 78,467,326				

As of December 31, 2018, the Pension System had the following investments:

Investment Type	Fair value
Other investments:	
Equity mutual funds.....	\$ 1,719,373
Money market mutual funds.....	6,135,183
Pension Reserve Investment Trust (PRIT).....	144,302,874
Total investments.....	\$ 152,157,430

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 0.18 to 15.31 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, \$6,958,242 in debt securities, \$14,123,721 in equity securities, and \$532,156 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, 2019, the Town’s investments in MMDT which totaled \$42,058,615 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, 2018, the System’s investments in PRIT and open-end mutual funds totaling \$146,022,247 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, 2019, the Town’s investments were rated as follows:

<u>Quality Rating</u>	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>
Aaa.....	\$ 297,870	\$ -
A1.....	294,774	-
A2.....	445,951	83,302
A3.....	807,494	95,773
Aa1.....	129,542	639,756
Aa2.....	240,270	-
Aa3.....	267,752	271,602
Baa1.....	706,498	-
Baa2.....	139,809	-
Baa3.....	335,460	-
Total.....	\$ <u>3,665,420</u>	\$ <u>1,090,433</u>

The Town’s investments in MMDT, money market mutual funds and fixed income mutual funds are 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.

Concentration of Credit Risk

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%

The Town and the System did not have any investments with a single issuer that represented 5 percent or more of the investments of the Town or System, respectively.

Fair 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, 2019:

Investment Type	June 30, 2019	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 notes.....	\$ 2,202,389	\$ 2,202,389	\$ -	\$ -
Corporate bonds.....	3,665,420	-	3,665,420	-
Municipal bonds.....	1,090,433	1,090,433	-	-
Total debt securities.....	<u>6,958,242</u>	<u>3,292,822</u>	<u>3,665,420</u>	<u>-</u>
<u>Other investments:</u>				
Equity securities.....	14,123,721	14,123,721	-	-
Equity mutual funds.....	8,969,954	8,969,954	-	-
Fixed income mutual funds.....	5,598,965	5,598,965	-	-
Real estate investment trust.....	532,156	-	-	532,156
Money market mutual funds.....	225,673	225,673	-	-
Total other investments.....	<u>29,450,469</u>	<u>28,918,313</u>	<u>-</u>	<u>532,156</u>
Total investments measured at fair value.....	<u>36,408,711</u>	<u>\$ 32,211,135</u>	<u>\$ 3,665,420</u>	<u>\$ 532,156</u>
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	<u>42,058,615</u>			
Total investments.....	<u>\$ 78,467,326</u>			

U.S. treasury notes, municipal bonds, equity securities, equity mutual funds, fixed income mutual funds, 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, 2018:

Investment Type	December 31, 0	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>				
Equity mutual funds.....	\$ 1,719,373	\$ 1,719,373	\$ -	-
Money market mutual funds.....	6,135,183	6,135,183	-	-
Total investments measured at fair value.....	7,854,556	<u>\$ 7,854,556</u>	<u>\$ -</u>	<u>-</u>
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	<u>144,302,874</u>			
Total investments.....	<u>\$ 152,157,430</u>			

Equity mutual funds 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.

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, 2019, 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.....	\$ 1,245,366	\$ -	\$ 1,245,366
Tax liens.....	532,676	-	532,676
Community preservation fund surtax.....	11,315	-	11,315
Motor vehicle excise taxes.....	355,743	(78,538)	277,205
Departmental and other.....	129,407	-	129,407
Intergovernmental.....	5,118,324	-	5,118,324
Community preservation state share.....	183,761	-	183,761
Special assessments.....	1,246	-	1,246
Loans.....	417,274	-	417,274
Total.....	\$ <u>7,995,112</u>	\$ <u>(78,538)</u>	\$ <u>7,916,574</u>

At June 30, 2019, receivables for the proprietary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer user charges.....	\$ <u>5,479,047</u>	\$ -	\$ <u>5,479,047</u>

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>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,053,918	\$ -	\$ 1,053,918
Tax liens.....	529,746	2,930	532,676
Community preservation fund surtax.....	-	11,315	11,315
Motor vehicle excise taxes.....	277,205	-	277,205
Departmental and other.....	129,407	-	129,407
Intergovernmental.....	921,022	1,840,013	2,761,035
Special assessments.....	1,246	-	1,246
Loans.....	-	417,274	417,274
Tax foreclosures.....	396,784	-	396,784
Total.....	\$ <u>3,309,328</u>	\$ <u>2,271,532</u>	\$ <u>5,580,860</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, 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.....	29,166,972	10,334,772	-	39,501,744
Total capital assets not being depreciated....	39,692,565	10,334,772	-	50,027,337
<u>Capital assets being depreciated:</u>				
Buildings.....	157,621,879	407,826	-	158,029,705
Improvements.....	26,032,528	2,082,337	-	28,114,865
Vehicles and equipment.....	15,464,907	1,839,676	-	17,304,583
Infrastructure.....	53,771,531	1,842,795	(366,601)	55,247,725
Total capital assets being depreciated.....	252,890,845	6,172,634	(366,601)	258,696,878
<u>Less accumulated depreciation for:</u>				
Buildings.....	(59,767,408)	(3,142,158)	-	(62,909,566)
Improvements.....	(8,671,463)	(1,305,050)	-	(9,976,513)
Vehicles and equipment.....	(9,171,179)	(1,286,509)	-	(10,457,688)
Infrastructure.....	(25,458,922)	(2,118,740)	366,601	(27,211,061)
Total accumulated depreciation.....	(103,068,972)	(7,852,457)	366,601	(110,554,828)
Total capital assets being depreciated, net.....	149,821,873	(1,679,823)	-	148,142,050
Total governmental activities capital assets, net.....	\$ 189,514,438	\$ 8,654,949	\$ -	\$ 198,169,387

	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.....	856,491	-	-	856,491
Improvements.....	3,157,433	-	-	3,157,433
Vehicles and equipment.....	3,584,277	-	-	3,584,277
Infrastructure.....	31,375,702	1,672,182	(179,747)	32,868,137
Total capital assets being depreciated.....	38,973,903	1,672,182	(179,747)	40,466,338
<u>Less accumulated depreciation for:</u>				
Buildings.....	(304,695)	(21,415)	-	(326,110)
Improvements.....	(994,923)	(160,512)	-	(1,155,435)
Vehicles and equipment.....	(2,520,076)	(283,488)	-	(2,803,564)
Infrastructure.....	(7,352,988)	(619,186)	179,747	(7,792,427)
Total accumulated depreciation.....	(11,172,682)	(1,084,601)	179,747	(12,077,536)
Total capital assets being depreciated, net.....	27,801,221	587,581	-	28,388,802
Total business-type activities capital assets, net....	\$ 27,804,175	\$ 587,581	\$ -	\$ 28,391,756

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

Governmental Activities:	
General government.....	\$ 456,057
Public safety.....	1,262,789
Education.....	2,910,640
Public works.....	2,617,033
Community development.....	101,480
Human services.....	17,864
Culture and recreation.....	130,247
Library.....	200,294
Total depreciation expense - governmental activities.....	\$ 7,696,404
Business-Type Activities:	
Water and sewer.....	\$ 894,094
Council on aging.....	5,509
Ed Burns arena.....	76,077
Recreation.....	108,921
Total depreciation expense - business-type activities.....	\$ 1,084,601

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, the Town had an interfund receivable/payable totaling \$615,023 of which \$44,276 exists between the general fund and the community development nonmajor special revenue fund and \$570,747 exists between the general fund and the highway nonmajor special revenue fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

Transfers Out:	Transfers In:							Total
	General fund	Nonmajor governmental funds	Water and sewer enterprise fund	Youth services enterprise fund	Council on aging enterprise fund	Ed Burns arena enterprise fund	Recreation enterprise fund	
General fund.....	\$ -	\$ 2,864,302	\$ 5,610,450	\$ 144,866	\$ 617	\$ 169,060	\$ 7,869	\$ 8,797,164 (1)
Capital borrowing fund.....	316,984	-	-	-	-	-	-	316,984 (2)
Nonmajor governmental funds.....	1,114,443	76,588	-	-	-	-	-	1,191,031 (3)
Ed Burns Arena enterprise fund.....	82,591	-	-	-	-	-	-	82,591 (4)
Total.....	\$ 1,514,018	\$ 2,940,890	\$ 5,610,450	\$ 144,866	\$ 617	\$ 169,060	\$ 7,869	\$ 10,387,770

- (1) Represents budgeted transfers to nonmajor governmental funds from the general fund which primarily consist of the Town’s budgeted share of capital projects. Also represents budgeted transfers from the general fund to the water and sewer, youth services, council on aging, Ed Burns Arena, and recreation enterprise funds.
- (2) Represents transfers from the capital borrowing fund to the general fund to close out funds remaining from completed projects.
- (3) Represents budgeted transfers to the general fund from the ambulance revolving, antenna revolving, parking meters, cemetery perpetual care, and central school funds. Also represents transfers to the general fund from the bond premium and capital tax levy funds. Also represents transfers within nonmajor governmental funds.
- (4) Represents budgeted transfers from the Ed Burns Arena enterprise fund to the general fund.

NOTE 6 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 0	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Funds:							
BAN	Municipal Purpose.....	1.27%	12/07/18	\$ 1,400,000	\$ -	\$ (1,400,000)	\$ -
BAN	Municipal Purpose.....	2.20%	12/07/18	1,955,000	-	(1,955,000)	-
BAN	Municipal Purpose.....	3.00%	12/05/19	-	3,135,558	(2,654,608)	480,950 (1)
Total Governmental Funds.....				\$ 3,355,000	\$ 3,135,558	\$ (6,009,608)	\$ 480,950
Water and Sewer Enterprise Fund:							
BAN	Municipal Purpose.....	2.20%	12/07/18	\$ 31,300	\$ -	\$ (31,300)	\$ -

(1) On the scheduled maturity date of December 5, 2019, \$2,654,608 of bond anticipation notes were permanently financed through the issuance of long-term debt and have been presented accordingly as long-term debt in the financial statements. Of the remaining portion outstanding, \$307,950 was paid down with MSBA reimbursements and \$173,000 was paid down with available funds.

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, 2019, 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, 2019
Urban Renewal Bonds.....	2022	\$ 5,262,000	2.00-4.00	\$ 1,515,000
Municipal Purpose - 2009.....	2020	2,482,000	2.00-3.00	215,000
Municipal Purpose - 2010.....	2031	7,258,000	2.00-4.00	3,620,000
Symmes Property.....	2022	470,000	2.00-3.00	390,000
Municipal Purpose - 2011.....	2022	1,329,000	2.00-3.00	135,000
GOB Refunding of 9/15/01.....	2021	6,311,000	2.00-3.00	1,300,000
Municipal Purpose - 2013.....	2033	12,132,000	2.00-5.00	6,990,000
GOB Refunding of 8/15/03.....	2024	2,205,000	2.00-3.00	835,000
Municipal Purpose - 2013.....	2034	5,551,000	3.00-3.75	3,075,000
Municipal Purpose - 2014.....	2035	11,018,000	2.00-4.00	7,070,000
Municipal Purpose - 2015.....	2030	4,087,000	2.25-5.00	2,615,000
GOB Refunding of 11/13/15.....	2025	3,225,000	2.00-4.00	2,050,000
Municipal Purpose - 2017.....	2046	25,660,000	3.00-4.00	22,905,000
Municipal Purpose - 2018.....	2038	30,955,000	3.00-5.00	29,365,000
Municipal Purpose - 2019.....	2038	4,539,800	3.50-5.00	4,539,800
Municipal Purpose - 2020.....	2049	2,654,608	2.125-5.00	2,654,608
Total Bonds Payable.....				89,274,408
Add: Unamortized premium on bonds.....				5,649,476
Total Bonds Payable, net.....				\$ 94,923,884

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

Year	Principal	Interest	Total
2020.....	\$ 8,014,800	\$ 3,069,438	\$ 11,084,238
2021.....	7,434,608	2,873,193	10,307,801
2022.....	6,350,000	2,565,106	8,915,106
2023.....	5,465,000	2,319,250	7,784,250
2024.....	5,230,000	2,101,907	7,331,907
2025.....	4,795,000	1,901,024	6,696,024
2026.....	4,720,000	1,713,076	6,433,076
2027.....	4,340,000	1,536,841	5,876,841
2028.....	4,275,000	1,367,840	5,642,840
2029.....	4,215,000	1,198,498	5,413,498
2030.....	4,080,000	1,030,813	5,110,813
2031.....	4,060,000	878,262	4,938,262
2032.....	3,655,000	748,753	4,403,753
2033.....	3,575,000	634,888	4,209,888
2034.....	3,140,000	532,838	3,672,838
2035.....	2,970,000	440,132	3,410,132
2036.....	2,615,000	355,557	2,970,557
2037.....	2,605,000	276,372	2,881,372
2038.....	2,335,000	201,205	2,536,205
2039.....	810,000	152,867	962,867
2040.....	655,000	130,311	785,311
2041.....	660,000	110,587	770,587
2042.....	660,000	90,788	750,788
2043.....	660,000	70,641	730,641
2044.....	665,000	50,072	715,072
2045.....	665,000	29,428	694,428
2046.....	395,000	13,003	408,003
2047.....	115,000	5,175	120,175
2048.....	115,000	1,725	116,725
Total.....	\$ <u>89,274,408</u>	\$ <u>26,399,590</u>	\$ <u>115,673,998</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 2019, \$476,523 of such assistance was received. Approximately \$953,000 will be received in future years. Of this amount, approximately \$32,000 represents reimbursement of long-term interest costs, and approximately \$921,000 represents reimbursement of approved construction costs. Accordingly, a \$921,000 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 \$457,000. 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, 2019, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Water and Sewer Bonds - MWRA.....	2022	\$ 9,763,500	0.00	\$ 4,574,050
Municipal Purpose - 2011.....	2022	1,300,000	2.00-3.00	390,000
Municipal Purpose - 2012.....	2033	280,000	2.00-5.00	330,000
Municipal Purpose - 2013.....	2034	1,300,000	3.00-3.75	975,000
Municipal Purpose - 2014.....	2035	1,200,000	4.00	660,000
Municipal Purpose - 2019.....	2039	1,015,200	3.50-5.00	<u>1,015,200</u>
Total Bonds Payable.....				<u>\$ 7,944,250</u>

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

Year	Principal	Interest	Total
2020.....	\$ 1,231,050	\$ 116,350	\$ 1,347,400
2021.....	1,115,850	99,845	1,215,695
2022.....	1,110,850	83,695	1,194,545
2023.....	915,250	70,394	985,644
2024.....	830,250	59,294	889,544
2025.....	640,250	50,369	690,619
2026.....	545,250	44,154	589,404
2027.....	430,250	37,907	468,157
2028.....	300,250	31,628	331,878
2029.....	165,000	25,834	190,834
2030.....	115,000	21,282	136,282
2031.....	110,000	17,488	127,488
2032.....	110,000	13,701	123,701
2033.....	110,000	9,807	119,807
2034.....	90,000	6,172	96,172
2035.....	25,000	4,094	29,094
2036.....	25,000	3,219	28,219
2037.....	25,000	2,329	27,329
2038.....	25,000	1,407	26,407
2039.....	25,000	469	25,469
Total.....	<u>\$ 7,944,250</u>	<u>\$ 699,438</u>	<u>\$ 8,643,688</u>

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Municipal Purpose - 2009.....	2020	\$ 1,000,000	2.00-3.00	\$ 100,000
Municipal Purpose - 2013.....	2033	280,000	2.00-5.00	190,000
Municipal Purpose - 2015.....	2030	275,000	5.00	180,000
Total Bonds Payable.....				\$ 470,000

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

Year	Principal	Interest	Total
2020.....	\$ 145,000	\$ 14,931	\$ 159,931
2021.....	45,000	11,256	56,256
2022.....	45,000	9,156	54,156
2023.....	45,000	7,056	52,056
2024.....	45,000	5,106	50,106
2025.....	45,000	3,306	48,306
2026.....	15,000	2,247	17,247
2027.....	15,000	1,919	16,919
2028.....	15,000	1,572	16,572
2029.....	15,000	1,216	16,216
2030.....	10,000	913	10,913
2031.....	10,000	663	10,663
2032.....	10,000	406	10,406
2033.....	10,000	138	10,138
Total.....	\$ 470,000	\$ 59,884	\$ 529,884

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, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Water mains and water facilities.....	\$ 1,200,000
Water.....	1,100,000
Sewer.....	2,107,500
Water meter replacement.....	300,000
Stratton School renovation.....	1,000,000
Departmental equipment.....	240,000
Radio upgrade replacement.....	1,342,000
Arlington High School reconstruction.....	290,851,820
Dump truck with plow.....	125,000
Dump truck with sander.....	168,000
Boiler replacement.....	150,000
DPW facility - site improvements.....	29,900,000
Gibbs school HVAC catwalks.....	100,000
Hardy playground.....	300,000
Lake Street/Bikeway intersection improvements.....	750,000
Landscape improvements - Bishop School.....	125,000
Portable radio replacement.....	205,000
Repainting.....	100,000
Reservoir improvements Phase II.....	2,450,000
School playground upgrades.....	300,000
Senior Center/Central School renovation.....	8,055,000
Street sweeper.....	225,000
Traffic signal maintenance and upgrades.....	60,000
Voting machines.....	114,000
Total.....	<u>\$ 341,268,320</u>

Changes in long-term liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 91,595,000	\$ 5,894,408	\$ (8,215,000)	\$ -	\$ -	\$ 89,274,408	\$ 8,014,800
Add: Unamortized premium on bonds.....	6,437,658	343,305	(1,131,487)	-	-	5,649,476	707,771
Total bonds payable.....	98,032,658	6,237,713	(9,346,487)	-	-	94,923,884	8,722,571
Compensated absences.....	4,484,000	-	-	2,940,400	(2,631,400)	4,793,000	2,922,400
Workers' compensation.....	204,000	-	-	73,100	(74,000)	203,100	159,800
Net pension liability.....	116,267,228	-	-	31,741,539	(11,325,197)	136,683,570	-
Net other postemployment benefits.....	180,812,886	-	-	22,213,933	(12,155,909)	190,870,910	-
Total governmental activity long-term liabilities.....	\$ 399,800,772	\$ 6,237,713	\$ (9,346,487)	\$ 56,968,972	\$ (26,186,506)	\$ 427,474,464	\$ 11,804,771
Business-Type Activities:							
Long-term bonds payable.....	\$ 9,464,100	\$ 406,500	\$ (1,456,350)	\$ -	\$ -	\$ 8,414,250	\$ 1,376,050
Compensated absences.....	146,900	-	-	84,300	(70,800)	160,400	75,400
Net pension liability.....	6,202,572	-	-	1,314,010	(575,147)	6,941,435	-
Net other postemployment benefits.....	2,912,109	-	-	418,152	(229,123)	3,101,138	-
Total business-type activity long-term liabilities.....	\$ 18,725,681	\$ 406,500	\$ (1,456,350)	\$ 1,816,462	\$ (875,070)	\$ 18,617,223	\$ 1,451,450

Long term liabilities related to both governmental and business-type activities are normally paid from the general fund and enterprise funds, respectively.

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 \$25.3 million and have been reported within the general fund as unassigned and the Town’s municipal insurance funds totaling approximately \$2.7 million have been reported within the general fund as restricted.

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

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 4,849,599	\$ 4,849,599
Restricted for:				
Municipal insurance.....	2,707,499	-	-	2,707,499
Capital borrowing fund.....	-	5,787,359	-	5,787,359
Town revolving funds.....	-	-	1,355,650	1,355,650
Town gifts and grants.....	-	-	1,051,018	1,051,018
School lunch.....	-	-	794,693	794,693
School revolving funds.....	-	-	3,719,194	3,719,194
School gifts and grants.....	-	-	4,036,792	4,036,792
Library funds.....	-	-	55,045	55,045
Receipts reserved for appropriation.....	-	-	634,893	634,893
Special revenue trust funds.....	-	-	795,753	795,753
Other special revenue.....	-	-	2,366,716	2,366,716
Community preservation fund.....	-	-	3,465,892	3,465,892
Symmes property.....	-	-	322,444	322,444
Capital tax levy projects.....	-	-	2,257,824	2,257,824
Other capital projects.....	-	-	42,029	42,029
Cemeteries.....	-	-	852,847	852,847
Cemetery perpetual care.....	-	-	4,815,063	4,815,063
Libraries.....	-	-	3,844,141	3,844,141
Education.....	-	-	234,234	234,234
Committed to:				
Articles and continuing appropriations:				
General government.....	523,413	-	-	523,413
Community development.....	800	-	-	800
Assigned to:				
Encumbrances:				
General government.....	358,566	-	-	358,566
Public safety.....	34,248	-	-	34,248
Education.....	5,276,093	-	-	5,276,093
Public works.....	945,317	-	-	945,317
Community development.....	86,942	-	-	86,942
Human services.....	13,919	-	-	13,919
Culture and recreation.....	11,955	-	-	11,955
Insurance.....	14,342	-	-	14,342
Free cash used for subsequent year budget.....	5,559,782	-	-	5,559,782
Unassigned.....	37,629,185	-	-	37,629,185
Total Fund Balances.....	\$ 53,162,061	\$ 5,787,359	\$ 35,493,827	\$ 94,443,247

NOTE 9 – STABILIZATION FUND

At June 30, 2019, the Town has approximately \$3,453,000 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, included in the general fund, which has a balance of \$248,000.

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, 2019, the Fiscal Stability Fund has a balance of approximately \$21,619,000 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, 2019, the amount of the liability for workers’ compensation claims totaled \$203,100. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2017, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
1900.....	\$ 153,000	\$ 532,396	\$ (481,396)	\$ 204,000	\$ 74,000
2019.....	204,000	536,049	(536,949)	203,100	159,800

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, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$13,476,629 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 \$132,990,182 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, 2018, the ACRS membership consists of the following:

Active members.....	735
Inactive members entitled to a return of contributions.....	331
Retirees and beneficiaries currently receiving benefits.....	<u>601</u>
Total.....	<u>1,667</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 actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2018, was \$12,339,361, 30.67% 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 \$11,887,479. The Town's actual contribution totaled \$11,900,344 and was 30.61% of covered payroll. The actual contribution included pension reimbursements from federal grants received by the Town.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2019, were as follows:

Total pension liability.....	\$	301,662,084
Total pension plan's fiduciary net position.....		<u>(152,567,223)</u>
Total net pension liability.....	\$	<u>149,094,861</u>
The pension plan's fiduciary net position as		
a percentage of the total pension liability.....		50.58%

At June 30, 2019, the Town reported a liability of \$143,625,005 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2018, the Town's proportion was 96.33%, which decreased by 0.03% from its proportion measured at December 31, 2017.

Pension Expense

For the year ended June 30, 2019, the Town recognized pension expense of \$16,584,244. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$15,266,105, and deferred inflows of resources related to pensions of \$950,041.

The balances of deferred outflows/(inflows) of resources related to pension at June 30, 2019, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,036,144	\$ (297,404)	\$ 738,740
Difference between projected and actual earnings, net.....	6,285,358	-	6,285,358
Changes in assumptions.....	7,784,253	(625,022)	7,159,231
Changes in proportion and proportionate share of contributions...	160,350	(27,615)	132,735
Total deferred outflows/(inflows) of resources.....	\$ 15,266,105	\$ (950,041)	\$ 14,316,064

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

<u>Year ended June 30:</u>	
1900.....	\$ 5,137,533
1900.....	3,338,228
1900.....	2,202,497
1900.....	3,637,806
Total.....	\$ 14,316,064

Actuarial Assumptions

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Level 5.50% increase of contribution amount each year until the final year when it decreases by 37.56%.
Remaining amortization period.....	16 years
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.....	7.00% per year net of investment expenses.
Discount rate.....	7.00%

Inflation rate.....	4.50% per year.
Projected salary increases.....	Select and ultimate assumption, based on years of credited service: <ul style="list-style-type: none"> • Group 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% increase in all other years.
Cost of living adjustments.....	3.00% of the first \$15,000 of a member's retirement allowance is assumed to be granted every year.
Mortality rates.....	RP-2014 table adjusted to 2006 and projected generationally with MP-2016 (sex-distinct). (Prior valuation used RP-2000 table projected with Generational Mortality, Scale BB). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. <p style="margin-left: 40px;">Mortality for disabled retirees follows the same table as non-disabled retirees, set forward 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.</p>

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, 2018, are summarized in the table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity.....	12.30%	5.25%
International equities.....	12.30%	5.43%
Emerging equities.....	4.70%	6.90%
Hedged equity.....	8.10%	4.54%
Core bonds.....	9.70%	2.07%
Short-term fixed income.....	1.90%	1.72%
20+ year treasury STRIPS.....	2.80%	1.22%
TIPS.....	3.80%	1.71%
Value added fixed income.....	7.60%	5.21%
Private equity.....	12.90%	8.70%
Real estate.....	9.50%	4.09%
Timberland.....	3.80%	4.65%
Portfolio completion.....	10.60%	4.41%
Total.....	<u>100.00%</u>	

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.01%. 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, 2019, was 7.00%, which decreased from 7.25% at June 30, 2018. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
	<u>December 31, 2018 Measurement Date</u>		
The 's proportionate share of the net pension liability..... \$	<u>176,010,539</u>	<u>143,625,005</u>	<u>117,242,519</u>
ACRS total net pension liability..... \$	<u>182,714,226</u>	<u>149,094,861</u>	<u>121,707,250</u>

Changes in Assumptions and Plan Provisions

The following change in assumptions was reflected in the January 1, 2018, actuarial valuation:

- The discount rate was decreased from 7.25% to 7.00%.
- The Mortality assumption is based upon the RP-2014 table adjusted to 2006 and projected generationally with MP-2016. The previous valuation used the RP-2000 table projected with Generational Mortality, Scale BB.

There were no changes to the plan provisions in the January 1, 2018, 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 20 to 25 percent of their premium costs. For 2019 the Town's age-adjusted contribution to the plan totaled \$7.3 million. For the year ended June 30, 2019, the Town's average contribution rate was 23.65% of covered employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the other postemployment benefit trust fund and enabled the Town to raise taxes necessary to begin pre-funding its other postemployment benefit (OPEB) liabilities.

During 2019, the Town pre-funded future OPEB liabilities totaling \$936,982 by contributing funds to the Other Postemployment Benefit Trust 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, 2019, the balance of this fund totaled \$14,521,818.

Investment policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Select Board 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.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2019:

Active members.....	1,341
Inactive members currently receiving benefits.....	<u>827</u>
 Total.....	 <u><u>2,168</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 208,493,866
Less: OPEB plan's fiduciary net position.....	<u>(14,521,818)</u>
 Net OPEB liability.....	 <u><u>\$ 193,972,048</u></u>
 The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	 6.97%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables.
Interest rate/Discount rate.....	4.02% per year net of investment expenses.
Healthcare cost trend rate.....	9.0% decreasing to 5.0%.
Salary increases.....	Group 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% increase in all other years.
Mortality rates:	
Actives.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.

Retirees.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

Rate of return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.33%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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 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, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity.....	26.00%	5.40%
Developed market equity.....	23.00%	5.80%
Emerging market equity.....	14.00%	7.60%
Short-term bonds.....	4.00%	0.80%
Investment grade bonds.....	14.00%	1.30%
TIPS.....	11.00%	1.00%
High-yield bonds.....	8.00%	3.80%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 4.02% as of June 30, 2019 and 4.27% as of June 30, 2018. To calculate the current rate, the Actuary conducted a cash flow study of the Trust assets and liabilities. Using a rate consistent with the Town’s investment strategy (7.25%), they determined the length of time for which assets would support OPEB benefit payments for current and projected new employees. For the Town, that depletion point comes after approximately eighteen years. The present value of OPEB benefits was calculated using 7.25% before the depletion point and a rate based on 20-year Municipal General Obligation bonds (3.50%) after the depletion point. Finally, a single rate producing an equivalent present value of benefits was calculated. This is the 4.02% blended rate used for the Town.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.02%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (3.02%) or 1-percentage-point higher (5.02%) than the current rate.

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
Net OPEB liability.....	\$ 228,792,393	\$ 193,972,048	\$ 166,203,615

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 159,643,146	\$ 193,972,048	\$ 239,057,690

Changes in Assumptions and Plan Provisions

The following changes in assumptions were reflected in the January 1, 2018, actuarial valuation:

- The discount rate decreased from 4.27% to 4.02%.
- Subsidy benefits for retirees not electing medical coverage was changed to limit it to only those whom were already covered or who had coverage as of July 1, 2011 and are currently not enrolled.

There were no changes to the plan provisions in the January 1, 2018, actuarial valuation.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(a)	Net Position	(a) - (b)
	(a)	(b)	(a) - (b)
Balances at January 00, 1900.....	\$ 196,579,007	\$ 12,854,012	\$ 183,724,995
Changes for the year:			
Service cost.....	8,455,605	-	8,455,605
Interest.....	8,618,226	-	8,618,226
Differences between expected and actual experience..	(5,652,311)	-	(5,652,311)
Changes in assumptions and other inputs.....	6,898,573	-	6,898,573
Benefit payments.....	(6,405,234)	(6,405,234)	-
Contributions.....	-	7,307,064	(7,307,064)
Net investment income.....	-	765,976	(765,976)
Net change.....	<u>11,914,859</u>	<u>1,667,806</u>	<u>10,247,053</u>
Balances at June 30, 2019.....	<u>\$ 208,493,866</u>	<u>\$ 14,521,818</u>	<u>\$ 193,972,048</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$16,610,374. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (4,766,369)	\$ (4,766,369)
Difference between projected and actual earnings, net.....	-	(311,599)	(311,599)
Changes in assumptions.....	<u>5,817,292</u>	<u>-</u>	<u>5,817,292</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 5,817,292</u>	<u>\$ (5,077,968)</u>	<u>\$ 739,324</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
1900.....	\$ 104,663
1900.....	104,663
1900.....	104,663
1900.....	155,768
1900.....	195,339
1900.....	<u>74,228</u>
 Total.....	 \$ <u><u>739,324</u></u>

NOTE 14 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Employee Benefit Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Employee Benefit Trust Funds.

	Pension Trust Fund (as of December #VALUE!	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 6,423,360	\$ -	\$ 6,423,360
Investments:			
Investments in Pension Reserve Investment Trust.....	144,302,874	-	144,302,874
Equity mutual funds.....	1,719,373	8,922,853	10,642,226
Fixed income mutual funds.....	-	5,598,965	5,598,965
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	107,527	-	107,527
Interest and dividends.....	<u>14,089</u>	<u>-</u>	<u>14,089</u>
 TOTAL ASSETS.....	 <u>152,567,223</u>	 <u>14,521,818</u>	 <u>167,089,041</u>
 NET POSITION			
Restricted for pensions.....	152,567,223	-	152,567,223
Restricted for other postemployment benefits.....	<u>-</u>	<u>14,521,818</u>	<u>14,521,818</u>
 TOTAL NET POSITION.....	 \$ <u><u>152,567,223</u></u>	 \$ <u><u>14,521,818</u></u>	 \$ <u><u>167,089,041</u></u>

	Pension Trust Fund (as of December 31,)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 12,352,716	\$ 936,982	\$ 13,289,698
Employer contributions for other postemployment benefit payments.....	-	6,405,234	6,405,234
Member contributions.....	3,881,977	-	3,881,977
Transfers from other systems.....	825,539	-	825,539
3(8)c contributions from other systems.....	494,483	-	494,483
Workers compensation settlements.....	7,000	-	7,000
State COLA reimbursements.....	384,412	-	384,412
Total contributions.....	17,946,127	7,342,216	25,288,343
Net investment income:			
Investment income (loss).....	(2,310,924)	730,824	(1,580,100)
Less: investment expense.....	(857,727)	-	(857,727)
Net investment income (loss).....	(3,168,651)	730,824	(2,437,827)
TOTAL ADDITIONS.....	14,777,476	8,073,040	22,850,516
DEDUCTIONS:			
Administration.....	346,990	-	346,990
Transfers to other systems.....	684,842	-	684,842
3(8)c transfer to other systems.....	467,265	-	467,265
Retirement benefits and refunds.....	18,786,341	-	18,786,341
Other postemployment benefit payments.....	-	6,405,234	6,405,234
TOTAL DEDUCTIONS.....	20,285,438	6,405,234	26,690,672
NET INCREASE (DECREASE) IN NET POSITION.....	(5,507,962)	1,667,806	(3,840,156)
NET POSITION AT BEGINNING OF YEAR.....	158,075,185	12,854,012	170,929,197
NET POSITION AT END OF YEAR.....	\$ 152,567,223	\$ 14,521,818	\$ 167,089,041

NOTE 15 – COMMITMENTS

On June 11, 2019, voters approved a debt exclusion to rebuild the Arlington High School at an estimated cost of \$290.8 million. The Town has been approved to receive assistance from the Massachusetts School Building Authority (MSBA) for 49.72% of eligible construction costs.

Town Meeting approved two other major building projects. The Department of Public Works offices, repair shops, salt shed, and other buildings are being renovated or replaced with new buildings in a project estimated at \$29.9 million funded in part by the general fund and by the water and sewer enterprise fund. The former Central School building will undergo \$8 million in renovations for the sections that house the Senior Center (to be renamed the Community Center) and the Health and Human Services Department Offices.

NOTE 16 – 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2019, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

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, 2019

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 122,094,556	\$ 122,094,556	\$ 122,094,556	\$ 122,391,262	\$ -	\$ 296,706
Tax liens.....	-	-	-	-	170,948	-	170,948
Motor vehicle excise taxes.....	-	4,551,000	4,551,000	4,551,000	5,332,866	-	781,866
Hotel/motel tax.....	-	325,000	325,000	325,000	479,530	-	154,530
Meals tax.....	-	400,000	400,000	400,000	467,654	-	67,654
Penalties and interest on taxes.....	-	355,000	355,000	355,000	409,223	-	54,223
Fees and rentals.....	-	373,000	373,000	373,000	504,444	-	131,444
Payments in lieu of taxes.....	-	18,000	18,000	18,000	25,361	-	7,361
Intergovernmental - state aid.....	-	20,459,289	20,459,289	20,459,289	20,500,200	-	40,911
Departmental and other.....	-	3,084,000	3,084,000	3,084,000	4,404,179	-	1,320,179
Investment income.....	-	65,000	65,000	65,000	900,779	-	835,779
TOTAL REVENUES.....	-	151,724,845	151,724,845	151,724,845	155,586,446	-	3,861,601
EXPENDITURES:							
Current:							
General Government							
Finance Committee.....	56	10,550	10,606	10,550	8,712	898	940
Select Board.....	14,534	562,156	576,690	584,461	485,693	3,131	95,637
Town Manager.....	101	652,265	652,366	652,363	643,438	2,327	6,598
Town Manager Article - Study Vehicular Traffic Volume.....	640	-	640	640	70	-	570
Town Manager Article - Scenic Byway.....	-	2,000	2,000	2,000	1,563	-	437
Human Resources.....	4,255	337,688	341,943	337,618	318,918	2,107	16,593
Human Resources Article - Positions Reclassification.....	-	54,429	54,429	-	-	-	-
Human Resources Article - Indemnification.....	-	9,399	9,399	9,399	8,980	-	419
Information Technology.....	15,080	925,453	940,533	1,044,603	932,410	112,173	20
Comptroller.....	126,724	319,278	446,002	460,534	310,217	138,103	12,214
Treasurer / Collector.....	26,305	667,866	694,171	706,236	578,815	3,286	124,135
Postage.....	-	174,371	174,371	175,756	86,021	40,000	49,735
Board of Assessors.....	78	321,794	321,872	324,976	306,825	2,015	16,136
Article - Revaluation Funds.....	53,102	-	53,102	164,574	60,608	103,966	-
Legal.....	12,938	493,553	506,491	555,181	519,041	35,035	1,105
Legal Article - Legal Defense Fund.....	19,000	-	19,000	19,000	-	19,000	-
Legal Article - Workers Compensation Reserve.....	167,761	-	167,761	167,761	50,722	117,039	-
Town Clerk.....	187	268,575	268,762	283,641	262,503	14,023	7,115
Board of Registrars.....	15	69,165	69,180	70,592	62,746	468	7,378
Parking.....	-	122,931	122,931	124,734	77,793	5,000	41,941
Zoning Board of Appeals.....	758	32,781	33,539	33,090	21,111	-	11,979
Article - Collective Bargaining.....	-	472,054	472,054	283,408	-	283,408	-
Total General Government.....	441,534	5,496,308	5,937,842	6,011,117	4,736,186	881,979	392,952
Public Safety							
Police Services.....	21,580	8,214,590	8,236,170	8,250,599	8,191,760	15,885	42,954
Fire Services.....	4,949	7,597,863	7,602,812	7,607,583	7,565,639	18,363	23,581
Inspections.....	1,911	499,086	500,997	507,425	503,117	-	4,308
Total Public Safety.....	28,440	16,311,539	16,339,979	16,365,607	16,260,516	34,248	70,843
Education							
Public Schools.....	217,178	66,253,022	66,470,200	66,402,014	60,855,415	5,276,093	270,506
Minuteman Regional.....	-	4,936,724	4,936,724	4,936,724	4,936,724	-	-
Total Education.....	217,178	71,189,746	71,406,924	71,338,738	65,792,139	5,276,093	270,506
Public Works							
Public Works.....	459,427	9,584,530	10,043,957	9,967,832	9,067,365	897,794	2,673
Facilities.....	44,237	671,782	716,019	692,350	591,335	45,073	55,942
Recycling Committee.....	252	3,000	3,252	3,000	519	2,450	31
Total Public Works.....	503,916	10,259,312	10,763,228	10,663,182	9,659,219	945,317	58,646
Community Development							
Planning & Community Development.....	2,506	599,304	601,810	688,923	532,963	85,428	70,532
Planning & Community Development Article - Vision 2020...	3,485	3,000	6,485	6,485	3,350	800	2,335
Redevelopment Board.....	4,669	30,800	35,469	50,492	47,973	1,514	1,005
Total Community Development.....	10,660	633,104	643,764	745,900	584,286	87,742	73,872
Human Services							
Human Services Administration.....	24	537,317	537,341	544,824	540,978	3,264	582
Veterans' Services.....	8,502	410,332	418,834	411,846	351,824	10,035	49,987
Council on Aging.....	-	301,875	301,875	304,650	301,921	574	2,155
Commission on Disability.....	-	3,000	3,000	3,000	2,865	46	89
Human Rights Commission.....	-	7,500	7,500	7,500	7,483	-	17
Senior Citizen Community Service Program.....	-	7,500	7,500	7,500	7,034	-	466
Veterans, Memorial, and Patriot's Day Celebrations.....	-	5,667	5,667	5,667	5,647	-	20
Town Day Celebrations.....	-	5,000	5,000	5,000	5,000	-	-
Flags on Graves of Veterans.....	-	4,500	4,500	4,500	690	-	3,810
Total Human Services.....	8,526	1,282,691	1,291,217	1,294,487	1,223,442	13,919	57,126

(Continued)

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Culture and Recreation							
Library.....	9,927	2,434,306	2,444,233	2,459,907	2,350,775	10,261	98,871
Arlington Historical Commission.....	109	2,660	2,769	2,769	2,220	109	440
Article - Zoning bylaw recodification.....	48,869	-	48,869	48,869	48,693	-	176
Historic District Commissions.....	413	5,100	5,513	5,513	3,508	1,475	530
Arlington Commission on Arts and Culture.....	-	40,000	40,000	35,000	34,890	110	-
Total Culture and Recreation.....	59,318	2,482,066	2,541,384	2,552,058	2,440,086	11,955	100,017
Pension Benefits							
Contributory Pension.....	-	11,887,479	11,887,479	11,887,479	11,887,479	-	-
Non-Contributory Pension.....	-	18,018	18,018	18,018	16,010	-	2,008
Total Pension Benefits.....	-	11,905,497	11,905,497	11,905,497	11,903,489	-	2,008
Insurance.....	40,884	16,039,773	16,080,657	16,041,579	15,144,500	14,342	882,737
Reserve Fund.....	-	1,553,287	1,553,287	1,267,775	-	-	1,267,775
State and County Charges.....	-	3,309,209	3,309,209	3,309,209	3,272,899	-	36,310
Debt Service: Principal.....	-	7,633,064	7,633,064	7,620,000	7,620,000	-	-
Debt Service: Interest.....	-	3,243,642	3,243,642	3,288,205	3,288,205	-	-
TOTAL EXPENDITURES.....	1,310,456	151,339,238	152,649,694	152,403,354	141,924,967	7,265,595	3,212,792
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,310,456)	385,607	(924,849)	(678,509)	13,661,479	(7,265,595)	7,074,393
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	4,320,708	4,320,708	4,320,708	4,320,974	-	266
Transfers out.....	-	(9,499,690)	(9,499,690)	(9,534,146)	(9,780,590)	-	(246,444)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(5,178,982)	(5,178,982)	(5,213,438)	(5,459,616)	-	(246,178)
NET CHANGE IN FUND BALANCE.....	(1,310,456)	(4,793,375)	(6,103,831)	(5,891,947)	8,201,863	(7,265,595)	6,828,215
BUDGETARY FUND BALANCE, Beginning of year.....	-	22,110,049	22,110,049	22,110,049	22,110,049	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,310,456)	\$ 17,316,674	\$ 16,006,218	\$ 16,218,102	\$ 30,311,912	\$ (7,265,595)	\$ 6,828,215

See notes to required supplementary information.

(Concluded)

Pension Plan Schedules Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability and Related Ratios 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	December 31, 2017	December 31, 2018
Total pension liability:					
Service cost.....	\$ 4,744,410	\$ 4,956,084	\$ 5,193,088	\$ 5,534,373	\$ 5,773,049
Interest.....	18,685,017	19,166,240	18,902,482	19,909,615	20,432,747
Changes in benefit terms.....	-	-	-	-	658,813
Differences between expected and actual experience.....	-	(1,851,544)	1,290,391	810,484	203,912
Changes in assumptions.....	-	-	5,894,235	(1,167,885)	7,648,397
Benefit payments.....	(17,126,706)	(17,015,692)	(17,446,008)	(18,002,395)	(18,227,014)
Net change in total pension liability.....	6,302,721	5,255,088	13,834,188	7,084,192	16,489,904
Total pension liability - beginning.....	<u>252,695,991</u>	<u>258,998,712</u>	<u>264,253,800</u>	<u>278,087,988</u>	<u>285,172,180</u>
Total pension liability - ending (a).....	<u>\$ 258,998,712</u>	<u>\$ 264,253,800</u>	<u>\$ 278,087,988</u>	<u>\$ 285,172,180</u>	<u>\$ 301,662,084</u>
Plan fiduciary net position:					
Employer contributions.....	\$ 9,993,280	\$ 10,546,215	\$ 11,122,754	\$ 11,718,809	\$ 12,352,716
Member contributions.....	3,321,267	3,458,362	3,517,426	3,830,531	3,881,977
Net investment income (loss).....	9,565,706	1,459,650	8,995,186	21,725,359	(3,168,651)
Administrative expenses.....	(277,509)	(290,212)	(333,705)	(324,776)	(346,990)
Retirement benefits and refunds.....	(17,126,706)	(17,015,692)	(17,446,008)	(18,002,395)	(18,227,014)
Net increase (decrease) in fiduciary net position.....	5,476,038	(1,841,677)	5,855,653	18,947,528	(5,507,962)
Fiduciary net position - beginning of year.....	<u>129,637,643</u>	<u>135,113,681</u>	<u>133,272,004</u>	<u>139,127,657</u>	<u>158,075,185</u>
Fiduciary net position - end of year (b).....	<u>\$ 135,113,681</u>	<u>\$ 133,272,004</u>	<u>\$ 139,127,657</u>	<u>\$ 158,075,185</u>	<u>\$ 152,567,223</u>
Net pension liability - ending (a)-(b).....	<u>\$ 123,885,031</u>	<u>\$ 130,981,796</u>	<u>\$ 138,960,331</u>	<u>\$ 127,096,995</u>	<u>\$ 149,094,861</u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%	50.03%	55.43%	50.58%
Covered payroll.....	\$ 32,938,880	\$ 35,280,374	\$ 36,525,658	\$ 39,067,336	\$ 40,230,025
Net pension liability as a percentage of covered payroll.....	376.11%	371.26%	380.45%	325.33%	370.61%

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2018.....	\$ 12,339,361	\$ (12,352,716)	\$ (13,355)	\$ 40,230,025	30.71%
December 31, 2017.....	11,696,077	(11,718,809)	(22,732)	39,067,336	30.00%
December 31, 2016.....	11,086,329	(11,122,754)	(36,425)	36,525,658	30.45%
December 31, 2015.....	10,508,369	(10,546,215)	(37,846)	35,280,374	29.89%
December 31, 2014.....	9,960,539	(9,960,539)	-	32,938,880	30.24%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2018.....	-2.01%
December 31, 2017.....	15.89%
December 31, 2016.....	6.41%
December 31, 2015.....	0.95%
December 31, 2014.....	6.70%

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.

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**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018.....	96.33%	\$ 143,625,005	\$ 38,877,055	369.43%	50.58%
December 31, 2017.....	96.36%	122,469,800	37,808,501	323.92%	55.43%
December 31, 2016.....	96.18%	133,636,966	35,322,501	378.33%	50.03%
December 31, 2015.....	96.13%	125,895,428	33,983,355	370.46%	50.43%
December 31, 2014.....	96.12%	119,059,301	31,699,372	375.59%	52.17%

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019.....	\$ 11,887,479	\$ (11,900,344)	\$ (12,865)	\$ 38,877,055	30.61%
June 30, 2018.....	11,268,184	(11,290,091)	(21,907)	38,753,714	29.13%
June 30, 2017.....	10,659,672	(10,694,705)	(35,033)	36,205,564	29.54%
June 30, 2016.....	10,098,704	(10,135,087)	(36,383)	34,832,939	29.10%
June 30, 2015.....	9,571,203	(9,571,203)	-	32,491,856	29.46%

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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 132,990,182	\$ 13,476,629	54.84%
2018.....	126,810,806	13,235,613	54.25%
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

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.

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.

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
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 8,975,024	\$ 8,639,166	\$ 8,455,605
Interest.....	9,135,413	10,228,498	8,618,226
Differences between expected and actual experience....	-	(41,500,767)	(5,652,311)
Changes of assumptions.....	-	(8,506,953)	6,898,573
Benefit payments.....	(6,796,528)	(6,370,083)	(6,405,234)
Net change in total OPEB liability.....	11,313,909	(37,510,139)	11,914,859
Total OPEB liability - beginning.....	222,775,237	234,089,146	196,579,007
Total OPEB liability - ending (a).....	\$ 234,089,146	\$ 196,579,007	\$ 208,493,866
Plan fiduciary net position			
Employer contributions.....	\$ 868,000	\$ 899,678	\$ 936,982
Employer contributions for OPEB payments.....	6,796,528	6,370,083	6,405,234
Net investment income.....	1,149,114	753,028	730,824
Benefit payments.....	(6,796,528)	(6,370,083)	(6,405,234)
Net change in plan fiduciary net position.....	2,017,114	1,652,706	1,667,806
Plan fiduciary net position - beginning of year.....	9,184,192	11,201,306	12,854,012
Plan fiduciary net position - end of year (b).....	\$ 11,201,306	\$ 12,854,012	\$ 14,521,818
Net OPEB liability - ending (a)-(b).....	\$ 222,887,840	\$ 183,724,995	\$ 193,972,048
Plan fiduciary net position as a percentage of the total OPEB liability.....	4.79%	6.54%	6.97%
Covered-employee payroll.....	\$ 77,756,000	\$ 79,311,000	\$ 72,168,412
Net OPEB liability as a percentage of covered-employee payroll.....	286.65%	231.65%	268.78%

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**

<u>Year</u>	<u>Statutorily determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2019.....	\$ 7,342,216	\$ (7,342,216)	\$ -	72,168,412	10.17%
June 30, 2018 (1).....	12,177,000	(7,269,761)	4,907,239	79,311,000	9.17%
June 30, 2017 (1).....	18,409,000	(7,665,000)	10,744,000	77,756,000	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.

(1) Actuarially determined contribution.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2019.....	5.33%
June 30, 2018.....	6.24%
June 30, 2017.....	11.61%

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.

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 2019 original budget includes approximately \$160.8 million in current year authorized appropriations and other amounts to be raised and \$1.3 million in encumbrances and appropriations were carried over from previous years. During 2019, the Town's overall budget was decreased by approximately \$212,000.

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, 2019, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$	8,201,863
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(1,962,202)
Activity of the municipal building insurance fund recorded in the general fund for GAAP.....		(267,055)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(97,100)
Net change in recording 60 day receipts.....		85,253
Net change in recording accrued expenditures.....		(201,772)
Net change in recording accrued payroll.....		(4,802,590)
Recognition of revenue for on-behalf payments.....		13,476,629
Recognition of expenditures for on-behalf payments.....		(13,476,629)
Net change in fund balance - GAAP basis.....	\$	<u>956,397</u>

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

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

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's 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.

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 change in assumptions was reflected in the January 1, 2018 actuarial valuation:

- The discount rate was decreased from 7.25% to 7.00%.
- The Mortality assumption is based upon the RP-2014 table adjusted to 2006 and projected generationally with MP-2016. The previous valuation used the RP-2000 table projected with Generational Mortality, Scale BB.

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. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

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. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

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.

D. Changes of Assumptions

The following changes in assumptions were reflected in the January 1, 2018, actuarial valuation:

- The discount rate decreased from 4.27% to 4.02%.
- Subsidy benefits for retirees not electing medical coverage was changed to limit it to only those whom were already covered or who had coverage as of July 1, 2011 and are currently not enrolled.

E. Changes in Provisions

None.

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.

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 nonmajor 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.

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**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2019

	<i>Special Revenue Funds</i>						
	Town Revolving Funds	Town Gifts & Grants	Community Development Grants	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
ASSETS							
Cash and cash equivalents.....	\$ 1,442,858	\$ 1,122,231	\$ -	\$ 847,101	\$ 3,735,171	\$ 3,821,882	\$ 55,376
Investments.....	-	-	-	-	-	-	-
Receivables, net of uncollectibles:							
Tax liens.....	-	-	-	-	-	-	-
Community preservation fund surtax.....	-	-	-	-	-	-	-
Intergovernmental.....	-	-	1,387,295	-	-	286,306	-
Community preservation state share.....	-	-	-	-	-	-	-
Loans.....	-	-	417,274	-	-	-	-
TOTAL ASSETS.....	\$ 1,442,858	\$ 1,122,231	\$ 1,804,569	\$ 847,101	\$ 3,735,171	\$ 4,108,188	\$ 55,376
LIABILITIES							
Warrants payable.....	\$ 87,208	\$ 71,213	\$ 3,000	\$ 52,408	\$ 15,977	\$ 71,396	\$ 331
Due to other funds.....	-	-	44,276	-	-	-	-
TOTAL LIABILITIES.....	87,208	71,213	47,276	52,408	15,977	71,396	331
DEFERRED INFLOWS OF RESOURCES							
Taxes paid in advance.....	-	-	-	-	-	-	-
Unavailable revenue.....	-	-	1,757,293	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES...	-	-	1,757,293	-	-	-	-
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	-	-
Restricted.....	1,355,650	1,051,018	-	794,693	3,719,194	4,036,792	55,045
TOTAL FUND BALANCES.....	1,355,650	1,051,018	-	794,693	3,719,194	4,036,792	55,045
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 1,442,858	\$ 1,122,231	\$ 1,804,569	\$ 847,101	\$ 3,735,171	\$ 4,108,188	\$ 55,376

(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
\$ 634,893	\$ 88,562	\$ 2,555,320	\$ 3,347,142	\$ 328,565	\$ -	\$ 17,979,101	\$ 2,587,818	\$ 42,029	\$ 2,629,847
-	707,191	-	-	-	-	707,191	-	-	-
-	-	-	2,930	-	-	2,930	-	-	-
-	-	-	11,315	-	-	11,315	-	-	-
-	-	-	-	-	1,070,741	2,744,342	-	-	-
-	-	-	183,761	-	-	183,761	-	-	-
-	-	-	-	-	-	417,274	-	-	-
<u>\$ 634,893</u>	<u>\$ 795,753</u>	<u>\$ 2,555,320</u>	<u>\$ 3,545,148</u>	<u>\$ 328,565</u>	<u>\$ 1,070,741</u>	<u>\$ 22,045,914</u>	<u>\$ 2,587,818</u>	<u>\$ 42,029</u>	<u>\$ 2,629,847</u>
\$ -	\$ -	\$ 188,604	\$ 61,673	\$ 6,121	\$ -	\$ 557,931	\$ 329,994	\$ -	\$ 329,994
-	-	-	-	-	570,747	615,023	-	-	-
-	-	188,604	61,673	6,121	570,747	1,172,954	329,994	-	329,994
-	-	-	3,338	-	-	3,338	-	-	-
-	-	-	14,245	-	499,994	2,271,532	-	-	-
-	-	-	17,583	-	499,994	2,274,870	-	-	-
-	-	-	-	-	-	-	-	-	-
634,893	795,753	2,366,716	3,465,892	322,444	-	18,598,090	2,257,824	42,029	2,299,853
634,893	795,753	2,366,716	3,465,892	322,444	-	18,598,090	2,257,824	42,029	2,299,853
<u>\$ 634,893</u>	<u>\$ 795,753</u>	<u>\$ 2,555,320</u>	<u>\$ 3,545,148</u>	<u>\$ 328,565</u>	<u>\$ 1,070,741</u>	<u>\$ 22,045,914</u>	<u>\$ 2,587,818</u>	<u>\$ 42,029</u>	<u>\$ 2,629,847</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2019

	<i>Permanent Funds</i>					Total Nonmajor Governmental Funds
	Cemeteries	Cemetery Perpetual Care	Libraries	Education	Subtotal	
ASSETS						
Cash and cash equivalents.....	\$ -	\$ 147,491	\$ 180,878	\$ -	\$ 328,369	\$ 20,937,317
Investments.....	967,347	6,926,660	6,084,118	290,292	14,268,417	14,975,608
Receivables, net of uncollectibles:						
Tax liens.....	-	-	-	-	-	2,930
Community preservation fund surtax.....	-	-	-	-	-	11,315
Intergovernmental - other.....	-	-	-	-	-	2,744,342
Community preservation state share.....	-	-	-	-	-	183,761
Loans.....	-	-	-	-	-	417,274
TOTAL ASSETS.....	\$ 967,347	\$ 7,074,151	\$ 6,264,996	\$ 290,292	\$ 14,596,786	\$ 39,272,547
LIABILITIES						
Warrants payable.....	\$ -	\$ -	\$ 902	\$ -	\$ 902	\$ 888,827
Due to other funds.....	-	-	-	-	-	615,023
TOTAL LIABILITIES.....	-	-	902	-	902	1,503,850
DEFERRED INFLOWS OF RESOURCES						
Taxes paid in advance.....	-	-	-	-	-	3,338
Unavailable revenue.....	-	-	-	-	-	2,271,532
TOTAL DEFERRED INFLOWS OF RESOURCES..	-	-	-	-	-	2,274,870
FUND BALANCES						
Nonspendable.....	114,500	2,259,088	2,419,953	56,058	4,849,599	4,849,599
Restricted.....	852,847	4,815,063	3,844,141	234,234	9,746,285	30,644,228
TOTAL FUND BALANCES.....	967,347	7,074,151	6,264,094	290,292	14,595,884	35,493,827
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 967,347	\$ 7,074,151	\$ 6,264,996	\$ 290,292	\$ 14,596,786	\$ 39,272,547

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

YEAR ENDED JUNE 30, 2019

	<i>Special Revenue Funds</i>						
	Town Revolving Funds	Town Gifts & Grants	Community Development Grants	School Lunch	School Revolving Funds	School Gifts & Grants	Library Funds
REVENUES:							
Tax liens.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and rentals.....	112,350	-	-	-	-	-	61,245
Intergovernmental - other.....	-	1,683,770	1,559,742	401,151	-	5,047,447	-
Departmental and other.....	3,020,063	202,666	225	1,227,952	3,401,705	3,117,222	4,537
Community preservation taxes.....	-	-	-	-	-	-	-
Community preservation state match.....	-	-	-	-	-	-	-
Contributions and donations.....	62,914	134,743	-	-	3,461	-	39,057
Investment income.....	133	-	508	-	-	-	-
TOTAL REVENUES.....	3,195,460	2,021,179	1,560,475	1,629,103	3,405,166	8,164,669	104,839
EXPENDITURES:							
Current:							
General government.....	965,217	-	-	-	-	-	-
Public safety.....	1,578,058	235,391	-	-	-	-	-
Education.....	-	-	-	1,454,168	2,625,812	7,303,019	-
Public works.....	3,112	50,167	-	-	-	-	-
Community development.....	-	1,262,599	1,563,942	-	-	-	-
Human services.....	248,932	558,406	-	-	-	-	-
Culture and recreation.....	234,349	-	-	-	-	-	-
Library.....	-	79,737	-	-	-	-	107,329
Community preservation.....	-	-	-	-	-	-	-
Employee benefits.....	-	-	-	-	-	-	-
Debt service:							
Principal.....	-	-	-	-	-	-	-
Interest.....	-	-	-	-	-	-	-
TOTAL EXPENDITURES.....	3,029,668	2,186,300	1,563,942	1,454,168	2,625,812	7,303,019	107,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	165,792	(165,121)	(3,467)	174,935	779,354	861,650	(2,490)
OTHER FINANCING SOURCES (USES):							
Premium from issuance of bonds.....	-	-	-	-	-	-	-
Transfers in.....	9,275	60,847	-	-	-	-	-
Transfers out.....	(255,767)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(246,492)	60,847	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	(80,700)	(104,274)	(3,467)	174,935	779,354	861,650	(2,490)
FUND BALANCES AT BEGINNING OF YEAR.....	1,436,350	1,155,292	3,467	619,758	2,939,840	3,175,142	57,535
FUND BALANCES AT END OF YEAR.....	\$ 1,355,650	\$ 1,051,018	\$ -	\$ 794,693	\$ 3,719,194	\$ 4,036,792	\$ 55,045

(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
\$ -	\$ -	\$ -	\$ 1,197	\$ -	\$ -	\$ 1,197	\$ -	\$ -	\$ -
-	-	85,340	-	-	-	258,935	-	-	-
-	-	54,680	-	131,992	570,747	9,449,529	-	-	-
76,950	-	1,374,645	-	671,250	-	13,097,215	-	-	-
-	-	-	1,469,599	-	-	1,469,599	-	-	-
-	-	-	275,520	-	-	275,520	-	-	-
-	-	108,853	-	-	-	349,028	-	-	-
-	29,823	5,318	-	-	-	35,782	-	-	-
<u>76,950</u>	<u>29,823</u>	<u>1,628,836</u>	<u>1,746,316</u>	<u>803,242</u>	<u>570,747</u>	<u>24,936,805</u>	-	-	-
-	-	407,754	-	-	-	1,372,971	644,330	-	644,330
-	-	33,099	-	-	-	1,846,548	320,492	-	320,492
-	1,000	-	-	-	-	11,383,999	403,707	-	403,707
-	-	50,129	-	-	700,000	803,408	1,474,263	2,150	1,476,413
-	-	635,078	-	-	-	3,461,619	20,217	41,400	61,617
-	1,315	18,458	-	143,093	-	970,204	-	-	-
-	9,832	100,726	-	-	-	344,907	17,770	-	17,770
-	8,037	900	-	-	-	196,003	42,974	-	42,974
-	-	-	1,356,769	-	-	1,356,769	-	-	-
-	-	114,703	-	-	-	114,703	-	-	-
-	-	-	-	595,000	-	595,000	-	-	-
-	-	-	-	76,250	-	76,250	-	-	-
-	20,184	1,360,847	1,356,769	814,343	700,000	22,522,381	2,923,753	43,550	2,967,303
<u>76,950</u>	<u>9,639</u>	<u>267,989</u>	<u>389,547</u>	<u>(11,101)</u>	<u>(129,253)</u>	<u>2,414,424</u>	<u>(2,923,753)</u>	<u>(43,550)</u>	<u>(2,967,303)</u>
-	-	83,105	-	-	-	83,105	-	-	-
-	-	-	-	-	-	70,122	2,795,027	10,000	2,805,027
(250,000)	(65,741)	(382,859)	-	(266)	-	(954,633)	(76,398)	-	(76,398)
(250,000)	(65,741)	(299,754)	-	(266)	-	(801,406)	2,718,629	10,000	2,728,629
(173,050)	(56,102)	(31,765)	389,547	(11,367)	(129,253)	1,613,018	(205,124)	(33,550)	(238,674)
807,943	851,855	2,398,481	3,076,345	333,811	129,253	16,985,072	2,462,948	75,579	2,538,527
<u>\$ 634,893</u>	<u>\$ 795,753</u>	<u>\$ 2,366,716</u>	<u>\$ 3,465,892</u>	<u>\$ 322,444</u>	<u>\$ -</u>	<u>\$ 18,598,090</u>	<u>\$ 2,257,824</u>	<u>\$ 42,029</u>	<u>\$ 2,299,853</u>

(Continued)

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

YEAR ENDED JUNE 30, 2019

	<u>Permanent Funds</u>					Total Nonmajor Governmental Funds
	<u>Cemeteries</u>	<u>Cemetery Perpetual Care</u>	<u>Libraries</u>	<u>Education</u>	<u>Subtotal</u>	
REVENUES:						
Tax liens.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,197
Fees and rentals.....	-	-	-	-	-	258,935
Intergovernmental - other.....	-	-	-	-	-	9,449,529
Departmental and other.....	-	-	-	-	-	13,097,215
Community preservation taxes.....	-	-	-	-	-	1,469,599
Community preservation state match.....	-	-	-	-	-	275,520
Contributions and donations.....	-	16,000	9,711	-	25,711	374,739
Investment income.....	40,693	304,699	274,180	11,269	630,841	666,623
TOTAL REVENUES.....	40,693	320,699	283,891	11,269	656,552	25,593,357
EXPENDITURES:						
Current:						
General government.....	-	-	-	-	-	2,017,301
Public safety.....	-	-	-	-	-	2,167,040
Education.....	-	-	-	415	415	11,788,121
Public works.....	4,538	33,343	-	-	37,881	2,317,702
Community development.....	-	-	-	-	-	3,523,236
Human services.....	-	-	-	-	-	970,204
Culture and recreation.....	-	-	-	-	-	362,677
Library.....	-	-	131,297	-	131,297	370,274
Community preservation.....	-	-	-	-	-	1,356,769
Employee benefits.....	-	-	-	-	-	114,703
Debt service:						
Principal.....	-	-	-	-	-	595,000
Interest.....	-	-	-	-	-	76,250
TOTAL EXPENDITURES.....	4,538	33,343	131,297	415	169,593	25,659,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	36,155	287,356	152,594	10,854	486,959	(65,920)
OTHER FINANCING SOURCES (USES):						
Premium from issuance of bonds.....	-	-	-	-	-	83,105
Transfers in.....	-	-	65,741	-	65,741	2,940,890
Transfers out.....	-	(160,000)	-	-	(160,000)	(1,191,031)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(160,000)	65,741	-	(94,259)	1,832,964
NET CHANGE IN FUND BALANCES.....	36,155	127,356	218,335	10,854	392,700	1,767,044
FUND BALANCES AT BEGINNING OF YEAR.....	931,192	6,946,795	6,045,759	279,438	14,203,184	33,726,783
FUND BALANCES AT END OF YEAR.....	\$ 967,347	\$ 7,074,151	\$ 6,264,094	\$ 290,292	\$ 14,595,884	\$ 35,493,827

(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, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 32,770	\$ 865,449	\$ (867,237)	\$ 30,982
LIABILITIES				
Warrants payable.....	\$ 9,385	\$ 205,107	\$ (214,492)	\$ -
Liabilities due depositors.....	23,385	660,342	(652,745)	30,982
TOTAL LIABILITIES.....	\$ 32,770	\$ 865,449	\$ (867,237)	\$ 30,982

Statistical Section



Town Hall in the Spring

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

	2010	2011	2012	2013	2014 (1)	2015	2016	2017 (2)	2018	2019
Governmental activities										
Net investment in capital assets.....	\$ 87,746,066	\$ 88,836,285	\$ 92,844,805	\$ 97,950,516	\$ 104,460,350	\$ 104,863,992	\$ 103,704,315	\$ 103,203,353	\$ 106,071,887	\$ 109,953,884
Restricted.....	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144	20,701,128	22,105,819	23,581,105
Unrestricted.....	<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>(227,419,971)</u>	<u>(236,703,046)</u>	<u>(248,947,335)</u>
Total governmental activities net position.....	\$ <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>(103,515,490)</u>	\$ <u>(108,525,340)</u>	\$ <u>(115,412,346)</u>
Business-type activities										
Net investment in capital assets.....	\$ 10,253,410	\$ 13,065,709	\$ 14,543,666	\$ 14,827,000	\$ 16,204,401	\$ 17,203,440	\$ 17,852,129	\$ 20,736,946	\$ 20,877,369	\$ 22,091,083
Unrestricted.....	<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>6,650,123</u>	<u>6,471,875</u>	<u>6,218,352</u>
Total business-type activities net position.....	\$ <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>27,387,069</u>	\$ <u>27,349,244</u>	\$ <u>28,309,435</u>
Primary government										
Net investment in capital assets.....	\$ 97,999,476	\$ 101,901,994	\$ 107,388,471	\$ 112,777,516	\$ 120,664,751	\$ 122,067,432	\$ 121,556,444	\$ 123,940,299	\$ 126,949,256	\$ 132,044,967
Restricted.....	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144	20,701,128	22,105,819	23,581,105
Unrestricted.....	<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>(220,769,848)</u>	<u>(230,231,171)</u>	<u>(242,728,983)</u>
Total primary government net position.....	\$ <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>(76,128,421)</u>	\$ <u>(81,176,096)</u>	\$ <u>(87,102,911)</u>

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

(2) = Unrestricted net position has been revised to reflect the implementation of GASB Statement #75.

Fund Balances, Governmental Funds

Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Reserved.....	\$ 1,807,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	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	2,974,554	2,707,499
Committed.....	-	-	1,373,224	1,256,780	854,878	946,837	353,626	291,639	292,857	524,213
Assigned.....	-	1,695,144	2,616,386	4,230,527	3,806,700	7,058,067	8,308,109	6,236,202	5,610,974	12,301,164
Unassigned.....	-	9,076,608	16,808,113	17,915,224	26,292,774	29,667,361	35,231,747	41,337,204	43,327,279	37,629,185
Total general fund.....	\$ 6,315,285	\$ 15,336,455	\$ 26,094,334	\$ 28,439,263	\$ 35,718,003	\$ 41,533,106	\$ 47,457,384	\$ 51,132,001	\$ 52,205,664	\$ 53,162,061
All Other Governmental Funds										
Reserved.....	\$ 3,323,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	12,074,204	-	-	-	-	-	-	-	-	-
Capital projects funds.....	4,637,515	-	-	-	-	-	-	-	-	-
Permanent funds.....	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	4,850,291	4,849,599
Restricted.....	-	16,047,091	22,314,764	23,801,892	25,166,155	25,212,323	37,693,918	37,262,898	42,369,725	36,431,587
Unassigned.....	-	-	(2,107,489)	(2,083,643)	-	-	-	(59,580)	(268,024)	-
Total all other governmental funds.....	\$ 23,528,170	\$ 19,151,972	\$ 23,904,994	\$ 25,952,517	\$ 29,502,386	\$ 30,427,910	\$ 42,521,218	\$ 42,053,834	\$ 46,951,992	\$ 41,281,186

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

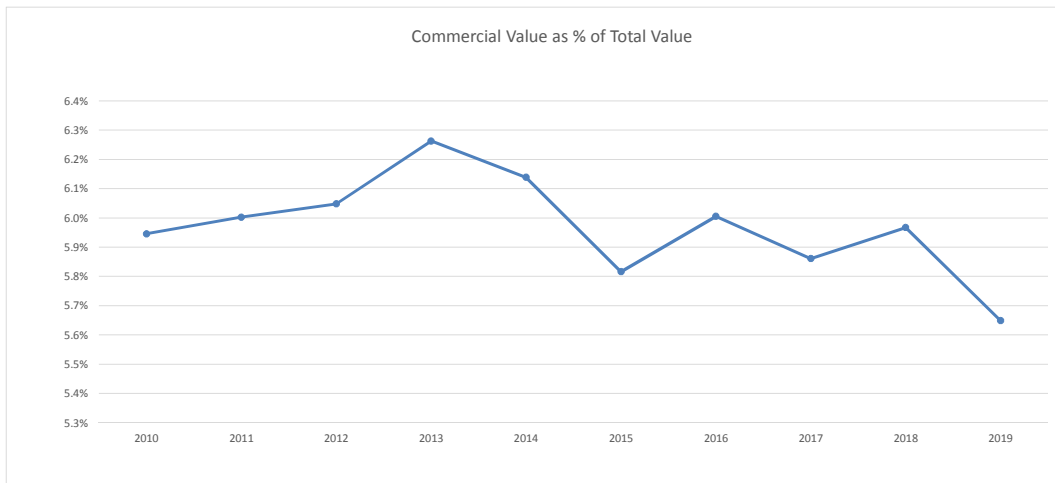
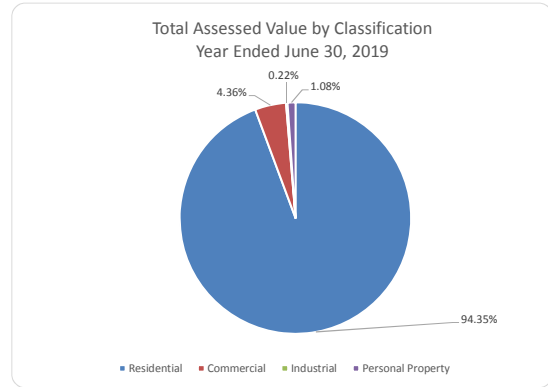
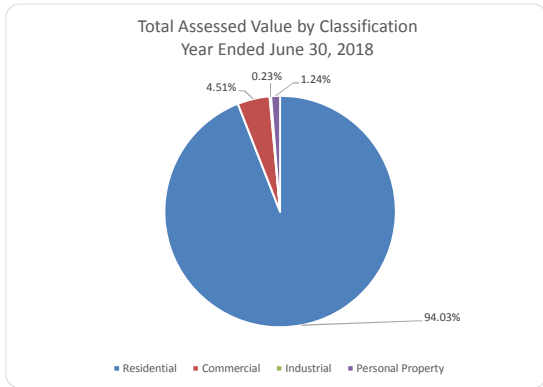
Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 82,576,221	\$ 85,395,133	\$ 94,165,259	\$ 97,106,730	\$ 100,601,880	\$ 104,356,339	\$ 106,883,915	\$ 110,785,109	\$ 116,018,996	\$ 122,379,415
Tax liens.....	375,618	299,848	251,050	384,619	355,573	574,342	449,555	470,129	89,006	172,145
Motor vehicle excise taxes.....	3,757,148	3,898,459	3,937,078	4,066,173	4,560,606	4,668,133	4,952,881	4,775,678	5,551,687	5,332,866
Hotel/motel tax.....	165,114	240,164	262,094	283,497	300,875	330,739	363,125	303,939	378,783	479,530
Meals tax.....	-	-	307,037	326,726	413,163	401,870	409,308	415,173	444,161	467,654
Penalties and interest of taxes.....	267,528	338,835	252,493	352,869	294,295	420,679	388,691	295,521	314,667	409,223
Fees and rentals.....	66,050	67,640	85,381	83,497	57,259	150,377	924,428	779,888	630,476	763,379
Payments in lieu of taxes.....	6,971	-	13,973	14,419	50,941	24,750	-	51,519	25,337	25,361
Intergovernmental - state aid.....	13,728,884	14,325,634	15,212,039	14,523,627	17,631,102	17,535,096	18,612,573	19,250,175	20,991,079	20,500,200
Intergovernmental - School Building Authority.....	2,531,085	2,531,085	2,531,085	2,474,796	2,474,773	2,906,266	2,474,773	2,474,773	104,259	568,133
Intergovernmental - Teachers Retirement.....	11,265,262	11,922,467	12,323,526	12,533,490	12,613,641	5,409,767	8,517,586	11,927,082	13,235,613	13,476,629
Intergovernmental - other.....	10,892,877	11,622,776	11,873,510	17,433,487	10,904,385	8,613,964	9,861,854	9,041,330	9,932,712	9,449,529
Departmental and other.....	11,780,145	13,160,357	14,254,287	12,494,313	14,751,042	13,891,222	15,502,783	15,588,461	17,760,883	17,501,394
Community preservation taxes.....	-	-	-	-	-	-	1,563,920	1,612,843	1,516,816	1,469,599
Community preservation state match.....	-	-	-	-	-	-	252,700	208,000	232,965	275,520
Contributions and donations.....	958,915	206,037	853,012	1,122,155	446,350	806,893	266,459	357,663	305,596	410,910
Investment income.....	273,786	1,522,798	239,339	1,291,139	2,124,371	942,238	76,771	2,283,783	2,149,636	2,062,485
Total Revenues.....	138,645,604	145,531,233	156,561,163	164,491,537	167,580,256	161,032,675	171,501,322	180,621,066	189,682,672	195,743,972
Expenditures:										
General government.....	4,678,915	4,770,832	5,591,207	5,371,079	5,768,149	6,431,820	6,037,176	6,745,748	7,898,079	7,258,016
Public safety.....	14,348,411	14,250,660	14,784,140	15,984,429	15,830,964	16,723,891	16,975,539	17,835,695	18,192,528	18,127,106
Education.....	51,546,279	48,632,925	51,636,708	57,793,536	60,955,050	65,744,720	69,554,312	71,210,337	76,372,013	82,208,930
Public works.....	9,059,177	8,528,793	8,373,331	9,499,359	9,441,365	10,189,404	9,013,675	10,050,701	13,095,510	10,796,738
Community development.....	4,265,770	5,298,426	4,793,799	5,300,676	3,313,848	2,847,981	3,062,102	2,666,189	3,780,962	3,957,347
Human services.....	1,312,893	1,353,561	1,434,642	1,573,147	1,494,567	1,672,351	1,809,479	1,796,175	2,105,473	2,188,646
Library.....	2,139,370	2,111,433	2,267,915	2,202,428	2,324,108	2,428,630	2,528,623	2,532,885	2,722,171	2,721,049
Culture and recreation.....	345,759	537,771	693,334	436,180	748,310	911,712	1,066,656	1,784,548	538,904	429,431
Community preservation.....	-	-	-	-	-	-	-	403,542	507,421	522,497
Pension benefits.....	6,576,109	6,950,943	7,322,678	7,700,658	8,138,390	8,639,027	9,133,401	9,614,800	11,278,993	11,903,489
Pension benefits - Teachers Retirement.....	11,265,262	11,922,467	12,323,526	12,533,490	12,613,641	5,409,767	8,517,586	11,927,082	13,235,613	13,476,629
Property and liability insurance.....	264,569	246,375	258,592	261,950	292,555	309,399	328,044	326,617	331,138	337,399
Employee benefits.....	16,892,684	16,183,767	13,573,190	14,676,220	15,074,284	15,840,665	15,918,197	16,091,140	15,151,804	15,558,786
Claims and judgments.....	25,000	-	-	-	-	-	-	70,000	-	-
State and county charges.....	2,671,798	2,725,122	2,762,765	3,060,174	3,009,401	3,077,899	3,089,181	3,118,634	3,173,429	3,272,899
Capital outlay.....	4,794,301	10,378,952	8,782,789	19,458,251	8,719,465	11,280,462	10,853,054	21,541,712	30,048,312	16,507,406
Debt service:										
Principal.....	5,810,000	6,189,000	6,338,000	6,550,000	7,257,000	7,276,000	7,823,000	8,002,000	8,175,000	8,215,000
Interest.....	2,014,095	1,971,479	1,663,330	1,706,492	1,696,169	1,665,452	1,982,228	1,924,703	3,337,614	3,364,455
Total Expenditures.....	138,010,392	142,052,506	142,599,946	164,108,069	156,677,266	160,449,180	167,692,253	187,642,508	209,944,964	200,845,823
Excess (deficiency) of revenues over (under) expenditures.....	635,212	3,478,727	13,961,217	383,468	10,902,990	583,495	3,809,069	(7,021,442)	(20,262,292)	(5,101,851)
Other Financing Sources (Uses):										
Issuance of bonds.....	2,559,000	7,258,000	7,449,350	5,786,650	5,551,000	11,018,000	19,319,000	14,030,300	28,652,700	5,894,408
Issuance of refunding bonds.....	-	-	6,311,000	2,205,000	-	-	3,225,000	-	-	-
Premium from issuance of bonds and notes.....	329,870	269,339	300,352	1,135,212	284,084	910,686	767,947	2,050,693	3,584,992	343,305
Premium from issuance of refunding bonds.....	-	-	476,376	198,118	-	-	197,395	-	-	-
Payments to refunded bond escrow agent.....	-	-	(6,705,093)	(2,330,150)	-	-	(3,422,395)	-	-	-
Gain on sale of capital assets.....	-	-	-	2,873,618	-	65,000	-	28,000	-	-
Transfers in.....	4,839,125	2,050,358	2,676,197	3,199,736	7,266,605	5,035,917	3,347,260	3,985,470	7,847,816	4,454,908
Transfers out.....	(10,713,337)	(8,411,452)	(8,958,498)	(9,059,200)	(13,176,070)	(10,872,471)	(9,225,690)	(9,865,788)	(13,419,006)	(10,305,179)
Total other financing sources (uses).....	(2,985,342)	1,166,245	1,549,684	4,008,984	(74,381)	6,157,132	14,208,517	10,228,675	26,666,502	387,442
Net change in fund balance.....	\$ (2,350,130)	\$ 4,644,972	\$ 15,510,901	\$ 4,392,452	\$ 10,828,609	\$ 6,740,627	\$ 18,017,586	\$ 3,207,233	\$ 6,404,210	\$ (4,714,409)
Debt service as a percentage of noncapital expenditures.....	5.87%	6.20%	5.98%	5.71%	6.05%	5.99%	6.25%	5.98%	6.40%	6.28%

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 (1)	Total Town Value
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	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	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
2018	9,089,724,151	12.13	435,538,655	21,771,100	119,511,960	576,821,715	12.13	12.13	9,666,545,866
2019	10,391,294,601	11.26	479,923,418	23,734,500	118,455,700	622,113,618	11.26	11.26	11,013,408,219



(1) 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	2019			2010		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
FHF Arlington 360 LLC	Residential	\$ 67,624,800	1	0.61%			
US Reif Brigham Square	Residential & Commercial	41,782,400	2	0.38%			
Boston Gas Company	Utility	38,504,480	3	0.35%			
Nostalgia Properties LLC	Residential	37,144,001	4	0.34%			
NSTAR	Utility	36,358,280	5	0.33%	\$ 29,550,090	3	0.43%
Mirak-Bendetson Dev LLC	Residential	33,321,000	6	0.30%			
Old Colony Realty Partners LLC	Residential	27,036,100	7	0.25%			
Brentwood Realty Partners LLC	Residential	22,589,300	8	0.21%			
Millbrook Square Apartments Co.	Residential	21,006,200	9	0.19%	15,254,800	9	0.22%
Claremont Arlington Suites LLC	Hotel	20,833,600	10	0.19%			
Arlington Center Garage	Auto Sales, Service, & Leasing				47,971,900	1	0.70%
Wilfert, David & James	Commercial & Residential				45,500,100	2	0.66%
New England Telephone	Telephone				27,373,450	4	0.40%
Davidson Arthur & Henry	Commercial & Residential				25,056,700	5	0.36%
Johnson, Elbridge S. Jr.	Commercial & Residential				24,112,280	6	0.35%
Johnson, Arthur W. Tr.	Commercial & Residential				22,486,200	7	0.33%
Keyspan	Utility				17,473,780	8	0.25%
WNC Somerset Company	Golf Course				13,319,500	10	0.19%
	Totals	\$ 346,200,161		3.14%	\$ 268,098,800		3.89%

Source: Assessor's Department

Property Tax Levies and Collections

Last Ten Years

Year	(1) Total Tax Levy	Less Reserve for Abatements & Exemptions	(1) 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 (2)
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	95,002,494	808,924	94,193,570	99.15%	93,056,606	98.79%	296,321	93,352,927	99.11%
2013	98,009,381	1,454,204	96,555,177	98.52%	96,171,161	99.60%	460,167	96,631,328	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	105,285,021	1,534,082	103,750,939	98.54%	103,386,357	99.65%	624,694	104,011,051	100.25%
2016	108,977,901	1,746,721	107,231,180	98.40%	108,549,654	101.23%	503,133	109,052,787	101.70%
2017	112,439,838	1,202,533	111,237,305	98.93%	111,001,544	99.79%	215,560	111,217,104	99.98%
2018	117,255,201	1,156,229	116,098,972	99.01%	115,609,420	99.58%	203,219	115,812,639	99.75%
2019	124,010,977	1,245,171	122,765,806	99.00%	122,045,631	99.41%	-	122,045,631	99.41%



(1) Includes tax liens.

(2) 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)	General Obligation Bonds (1)	General Obligation Bonds (1)	General Obligation Bonds (1)				
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	
2018	98,032,658	9,464,100	107,496,758		4.56%	45,263	2,375	
2019	94,923,884	8,414,250	103,338,134		4.30%	45,716	2,260	

(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	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2010	\$ 57,272,959	0.83%	\$ 1,392
2011	57,432,014	0.83%	1,401
2012	59,494,995	0.86%	1,426
2013	60,794,279	0.84%	1,419
2014	59,425,929	0.81%	1,387
2015	64,679,780	0.83%	1,480
2016	76,470,777	0.90%	1,737
2017	83,819,420	0.94%	1,870
2018	107,496,758	1.11%	2,375
2019	103,338,134	0.94%	2,260

(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, 2019

<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.....	\$ 5,390,295	1.74%	\$ 93,899
Town direct debt.....			<u>94,923,884</u>
Total direct and overlapping debt.....			<u>\$ 95,017,783</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equalized Valuation.....	\$ 7,558,648	\$ 7,388,658	\$ 7,388,658	\$ 7,527,776	\$ 7,527,776	\$ 7,913,085	\$ 7,913,085	\$ 9,073,201	\$ 9,073,201	\$ 10,614,147
Debt Limit -5% of Equalized Valuation.....	\$ 377,932	\$ 369,433	\$ 369,433	\$ 376,389	\$ 376,389	\$ 395,654	\$ 395,654	\$ 453,660	\$ 453,660	\$ 530,707
Less:										
Outstanding debt applicable to limit.....	28,224	31,562	30,076	32,759	32,369	38,985	38,078	58,621	83,170	81,088
Authorized and unissued debt applicable to limit.....	23,212	39,139	44,327	32,940	39,777	27,646	31,789	63,587	15,713	341,268
Legal debt margin.....	\$ 326,496	\$ 298,732	\$ 295,030	\$ 310,690	\$ 304,243	\$ 329,023	\$ 325,787	\$ 331,452	\$ 354,777	\$ 108,351
Total debt applicable to the limit as a percentage of debt limit.....	13.61%	19.14%	20.14%	17.46%	19.17%	16.84%	17.66%	26.94%	21.80%	79.58%

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
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%
2018	45,263	2,357,974,294	52,095	42.3	5,741	2.1%
2019	45,716	2,405,369,577	52,616	42.3	5,968	2.1%

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	2019			2010		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Armstrong Ambulance	Medical Transportation	350	1	3.82%	350	1	4.37%
American Alarm	Security Specialists	200	2	2.18%	108	6	1.35%
Mirak Hyundai, Inc.	Car Dealership	200	3	2.18%			
Whole Foods Market	Grocery Store	148	4	1.62%			
Sunrise Assisted Living	Elder Care Facility	125	5	1.36%			
Germain Lawrence, Inc.	Education (Special Needs)	120	6	1.31%	260	2	3.24%
Park Avenue Nursing Home	Elder Care Facility	110	7	1.20%			
Children's Music Network	Education	100	8	1.09%			
Dearborn Academy	Education	100	9	1.09%	88	9	1.10%
Mirak Chevrolet, Inc.	Car Dealership	100	10	1.09%	103	8	1.29%
Parish of St. Agnes	Catholic Elementary School & Youth Center				150	3	1.87%
Stop & Shop	Grocery Store				131	4	1.63%
Commonwealth of Massachusetts	Social Services				120	5	1.50%
United States Post Office	Mail Delivery Service				104	7	1.30%
Johnny's Foodmaster	Grocery Store				79	10	0.99%
	Totals	<u>1553</u>		<u>16.95%</u>	<u>1493</u>		<u>18.63%</u>

Source: Massachusetts Department of Employment and Training and Official Statements

Full-time Equivalent Town Employees by Function

Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Function										
General government.....	93	92	94	93	94	92	90	94	94	104
Public safety.....	162	160	163	164	165	166	171	173	170	155
Public works.....	82	79	78	77	77	77	76	76	78	69
Human services.....	13	11	13	13	14	15	15	14	14	22
Culture and recreation.....	6	6	6	5	5	5	5	5	5	9
Total	<u>356</u>	<u>348</u>	<u>354</u>	<u>352</u>	<u>355</u>	<u>355</u>	<u>357</u>	<u>362</u>	<u>361</u>	<u>359</u>

Source: Various Town Departments
Does not include school employees

Operating Indicators by Function/Program

Last Ten Years

<u>Function/Program</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>	<u>2018</u>	<u>2019</u>
General Government										
Registered voters.....	30,010	28,909	30,636	30,541	30,846	30,225	30,225	30,884	30,445	31,365
Town Clerk:										
Births.....	573	534	576	600	564	571	577	519	556	348
Marriages.....	5,218	227	218	227	196	190	198	179	189	139
Deaths.....	361	341	319	313	350	384	384	366	378	291
Dogs licensed.....	1,628	1,800	1,780	1,808	2,273	2,258	2,229	2,214	2,234	2,294
Zoning Board of Appeals petitions filed.....	36	24	17	12	5	15	23	21	20	20
Public Works										
Recycling:										
Solid Waste (tons).....	15,166	14,537	14,214	12,602	12,846	12,603	13,000	12,540	12,714	12,262
Commingled (tons).....	4,300	4,395	4,652	5,257	5,271	5,297	5,400	5,224	5,307	4,994
Yard Waste (tons).....	2,421	2,331	2,381	3,986	3,488	3,505	3,500	2,578	3,194	2,521
Police										
Calls for service ("Emergency Calls").....	26,732	27,483	30,168	32,101	28,629	29,405	28,798	31,792	29,998	29,032
Crimes reported ("Police Reports").....	3,810	3,638	3,488	3,475	3,267	3,616	3,462	4,209	3,762	3,115
Arrests.....	293	226	209	239	179	188	166	113	156	107
Motor vehicle citations.....	3,567	4,049	3,914	3,817	2,855	2,351	1,923	3,100	2,458	1,657
Parking tickets issued.....	13,533	12,548	13,827	14,327	15,383	12,196	12,743	18,171	14,370	17,423
Animal Control:										
Calls for service ("Animal Complaints").....	671	649	547	468	591	414	843	641	633	640
Fire										
Fire related calls.....	2,269	1,960	2,012	1,779	1,963	1,874	2,000	2,028	1,967	1,833
Emergency Medical Service reponses.....	2,779	2,857	2,740	2,767	2,845	3,269	2,768	3,177	3,071	3,272
Permits.....	942	861	982	1,032	1,066	972	1,076	1,099	1,049	903
EMS staff (EMTs / First Responders).....	69/3	67/3	73/3	73/2	74/2	71/1	71/1	77/0	77/0	77/0
Health & Human Services										
Board of Health:										
Permits issued.....	305	390	414	437	431	443	450	411	435	493
Inspections.....	812	699	1,060	1,260	1,241	1,174	1,200	1,695	1,356	1,464
Recreation										
Season passes:										
Summer.....	1,634	1,832	1,823	1,165	2,915	3,177	3,150	2,794	3,040	2,807
Fall.....	920	1,110	1,263	1,862	1,731	1,924	1,900	1,130	1,651	1,042
Winter.....	1,506	1,207	2,012	1,236	1,860	2,313	1,300	1,300	1,638	2,387
Spring.....	812	772	786	2,826	2,413	2,069	2,000	1,414	1,828	1,306
Res Tags.....	1,467	1,364	1,364	1,480	1,431	1,281	1,360	1,884	1,508	1,217
Kids Care Memberships.....	n/a	n/a	n/a	42	85	148	150	144	147	130
Libraries										
Circulation.....	625,673	641,692	665,215	671,331	697,679	735,002	757,028	731,597	741,209	749,636
Visitors.....	319,673	321,898	325,550	325,915	313,203	300,291	296,367	286,667	294,442	343,421
Education										
Minuteman High School day program participants.....	111	102	123	125	156	146	150	121	139	137
Minuteman High School post-graduate program participants..	20	13	16	14	12	6	10	2	6	6

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

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</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>	<u>2018</u>	<u>2019</u>
General Government										
Number of buildings.....	40	40	40	40	40	40	37	37	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
Whittemore Robbins House	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



Robbins Farm Park