

OFFICIAL STATEMENT DATED NOVEMBER 8, 2018

Rating: See "Rating" herein.  
S&P Global Ratings: AAA

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein. The Bonds are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

TOWN OF ARLINGTON, MASSACHUSETTS  
\$5,555,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2018 BONDS

**DATED**  
Date of Delivery

**DUE**  
December 1  
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS-Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable December 1 of the years in which the Bonds mature. Interest on the Bonds will be payable June 1 and December 1, commencing June 1, 2019. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Arlington, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due December 1	Principal Amount	Interest Rate	Yield	Cusip 041609	Due December 1	Principal Amount	Interest Rate	Yield	Cusip 041609
2019	\$ 475,000	5.00 %	1.90 %	E79	2029	\$ 200,000	4.00 %	2.95 %	F94
2020	450,000	5.00	2.04	E87	2030	195,000	4.00	3.08	G28
2021	435,000	5.00	2.12	E95	2031	195,000	4.00	3.18	G36
2022	430,000	3.00	2.21	F29	2032	195,000	4.00	3.28	G44
2023	415,000	5.00	2.29	F37	2033	195,000	3.375	3.50	G51
2024	320,000	5.00	2.38	F45	2034	185,000	3.50	3.60	G69
2025	320,000	5.00	2.46	F52	2035	185,000	3.50	3.70	G77
2026	280,000	5.00	2.57	F60	2036	180,000	3.625	3.75	G85
2027	280,000	5.00	2.65	F78	2037	180,000	3.75	3.80	G93
2028	260,000	5.00	2.76	F86	2038	180,000	3.75	3.85	H27

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Arlington, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about December 6, 2018, against payment to the Town in federal funds.

Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Thursday, November 8, 2018, 11:00 a.m. (Eastern Time).

Location of Sale: Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Arlington, Massachusetts.

Issue: \$5,555,000 General Obligation Municipal Purpose Loan of 2018 Bonds, see "THE BONDS Book-Entry-Transfer System" herein.

Official Statement Dated: November 8, 2018.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially December 1, 2019 through December 1, 2038 as detailed herein.

Interest Payable: Semi-annually June 1 and December 1, commencing June 1, 2019.

Purpose and Authority: The Bonds are authorized by the Town for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.

Security: The Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

Credit Rating: S&P Global Ratings has applied a rating of AAA to the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$60,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds are not designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts.

Legal Opinion: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: Hilltop Securities Inc., Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about December 6, 2018, against payment in federal funds.

Issuer Official: Questions concerning the Official Statement should be addressed to Ms. Phyllis L. Marshall, Treasurer, Town of Arlington, Massachusetts Telephone (781) 316-3031 or Peter Frazier, Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4409.

**NOTICE OF SALE**

**TOWN OF ARLINGTON, MASSACHUSETTS  
\$5,890,000\* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2018 BONDS**

The Town of Arlington, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Thursday, November 8, 2018, for the purchase of the following described General Obligation Municipal Purpose Loan of 2018 Bonds of the Town (the "Bonds"):

\$5,890,000\* General Obligation Municipal Purpose Loan of 2018 Bonds payable December 1 of the years and in the amounts as follows:

Due December 1	Principal Amount*	Due December 1	Principal Amount*
2019	\$ 525,000	2029	\$ 200,000 **
2020	510,000	2030	200,000 **
2021	490,000	2031	200,000 **
2022	485,000	2032	200,000 **
2023	475,000	2033	200,000 **
2024	325,000	2034	190,000 **
2025	325,000	2035	190,000 **
2026	285,000	2036	185,000 **
2027	285,000	2037	180,000 **
2028	260,000 **	2038	180,000 **

\*Preliminary, subject to change.

\*\*Callable maturities. May be combined into not more than three Term Bonds as described herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable June 1, 2019 and semi-annually thereafter on each June 1 and December 1 until maturity.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of Hilltop Securities Inc., Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before December 1, 2027 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after December 1, 2028 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after December 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after December 1, 2028, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one, two or three term bonds, and shall be subject to mandatory redemption or mature a par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds.

Term bonds, if any, shall be subject to mandatory redemption on December 1 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

### **Bidding Parameters**

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 5.0%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$60,000 WILL BE CONSIDERED.**

**The current Bond structure does not reflect any premium.** Any premium above the \$60,000 amount required, will be used to reduce the par amount of the Bonds. The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by decreasing the aggregate principal amount and to increase or decrease the principal amount of each maturity by such amounts as necessary to (i) produce sufficient funds for each project being financed and reflect the actual amount of the net premium to be received by the Town, and (ii) to structure the debt service on each of the purposes of the Bonds to be as close to equal on an annual basis as practicable. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for the Bonds by local time 4 p.m. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Phyllis L. Marshall, Treasurer, Town of Arlington, Massachusetts c/o Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to Hilltop Securities Inc. telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by Hilltop Securities Inc. Hilltop Securities Inc. will act as agent for the bidder, but neither the Town nor Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Select Board of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Arlington has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the

purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for a rating on the Bonds. Any such fee paid to S&P Global Ratings would be borne by the Town.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds are not designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the “Code”).

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord, LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated November 1, 2018, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

### **Establishment of Issue Price**

The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by Hilltop Securities Inc. (the “Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email or facsimile, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.**

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Successful Bidder may, at its option, will use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A the Successful Bidder shall provide to the Town on or before the closing date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), and
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Bonds to the Public and Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Issuer on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Bonds, including underwriters in an underwriting syndicate or

selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

The Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute or resell the Bonds to the public, then, whether or not the competitive sale requirements were met, the reoffering price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Arlington and the Bonds is contained in the Preliminary Official Statement dated November 1, 2018, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about December 6, 2018 for settlement in federal funds.

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TOWN OF ARLINGTON, MASSACHUSETTS  
/s/ Ms. Phyllis L. Marshall, Treasurer

November 1, 2018



**Issue Price Certificate for Use If the Competitive  
Sale Requirements Are Met  
\$5,890,000\*  
Town of Arlington, Massachusetts  
General Obligation Municipal Purpose Loan of 2018 Bonds**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Town of Arlington, Massachusetts (the "Issuer").

**1. Reasonably Expected Initial Offering Prices.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 8, 2018.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

Dated: December \_\_, 2018

Successful Bidder

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
\*Preliminary, subject to change.

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
**(To be Attached)**

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**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
**(To Be Attached)**

**Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the Hold the Price Rule Is Not Imposed  
\$5,890,000\*  
Town of Arlington, Massachusetts  
General Obligation Municipal Purpose Loan of 2018 Bonds  
ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the (“Successful Bidder”), on behalf of itself and [NAMES OF OTHER SUCCESSFUL BIDDER]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Arlington, Massachusetts (The “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

2. For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until the 10% test has been satisfied as to each Maturity of the Bonds or all of the Bonds are sold to the Public, the Successful Bidder agrees to promptly report to the Town of Arlington’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”) the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the State or the Financial Advisor that it no longer needs to do so.

3. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Underwriter* means (i) any person, including the Successful Bidder that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

Dated: December\_\_\_ 2018

SUCCESSFUL BIDDER

By: \_\_\_\_\_  
Name:  
Title:

\*Preliminary, subject to change.

SALE PRICES  
[(Attached)]

**Issue Price Certificate for Use If the Competitive Sale Requirements Are Not Met and the Hold the Price Rule Is Imposed**  
**\$5,890,000\***  
**TOWN OF ARLINGTON, MASSACHUSETTS**  
**GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2018 BONDS**

**DATED DECEMBER 6, 2018**

**ISSUE PRICE CERTIFICATE AND RECIEPT**

The undersigned, on behalf of \_\_\_\_\_ (the (“[Successful Bidder][Representative]”), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Arlington, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

2. For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) \_\_\_\_\_, 2018 or (ii) the date on which the “Successful Bidder][Representative] sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

3. Defined Terms.

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the bonds if the Issue and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the delivery of such bonds of the Issue, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

\*Preliminary, subject to change.

Dated: December \_\_, 2018

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name:  
Title:

**[SCHEDULE A  
SALE PRICES  
(To be Attached)]**

## OFFICIAL STATEMENT

### TOWN OF ARLINGTON, MASSACHUSETTS

#### **\$5,555,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2018 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Arlington, Massachusetts (the "Town") in connection with the sale of \$5,555,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2018 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

### THE BONDS

#### **Description of the Bonds**

The Bonds will be dated their date of delivery and will bear interest payable June 1, 2019 and semi-annually thereafter on each June 1 and December 1 until maturity. The Bonds shall mature on December 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

#### **Redemption Provisions**

##### **Optional Redemption**

Bonds maturing on or prior to December 1, 2027 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after December 1, 2028 shall be subject to redemption prior to maturity, at the option of the Town, on or after December 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

##### **Notice of Redemption**

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

##### **Record Date**

The record date for each payment of interest on the Bonds (the "Record Date") is the fifteenth day of the month proceeding the interest payment date, provided that, if such date is not a business day, the Record Date shall be the next succeeding business day. Under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

## Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Town or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of



customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, amounts originally authorized, dates of Town approval, and statutory authority for the current offering of Bonds:

Purpose	This Issue	Original Bond Authorization	Anticipation Notes Outstanding	Statutory Reference	Dates of Approval
Sewer	\$ 558,700	\$ 800,000	\$ 590,000	Ch. 44, s. 7(1)	4/26/17, art. 42
Water Meter Replacement	456,500	2,000,000	250,000	Ch. 44, s. 8(6)	5/14/14, art. 30
Hardy Elementary School Reconstruction	1,300,000	1,300,000	1,300,000	Ch. 44, s. 7(1)	2/12/18, art. 5
Dallin School chiller	250,000	250,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Ottoson School HVAC unit	250,000	250,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Truck with Sander	166,000	166,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Bucket Truck	150,000	150,000		Ch. 44, s. 7(1)	4/25/18, art. 30
School Bus (77 passenger)	130,000	130,000		Ch. 44, s. 7(1)	4/25/18, art. 30
School Bus (53 passenger)	110,000	110,000		Ch. 44, s. 7(1)	4/25/18, art. 30
School Security	105,000	105,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Dump truck with plow	92,000	92,000		Ch. 44, s. 7(1)	4/25/18, art. 30
School food service truck	55,000	55,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Bridge School Construction Mystic	1,100,000	1,100,000		Ch. 44, s. 7(1)	4/25/18, art. 30
School District PC Replacement	149,800	410,000		Ch. 44, s. 7(1)	4/25/18, art. 30
HVAC Replacement	237,000	237,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Hardy Playground	200,000	200,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Town Hall Renovations	100,000	100,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Library Elevator Overhaul	85,000	85,000		Ch. 44, s. 7(1)	4/25/18, art. 30
Traffic Signal Upgrade	60,000	60,000		Ch. 44, s. 7(1)	4/25/18, art. 30
	<u>\$ 5,555,000</u>		<u>\$ 2,140,000</u> (1)		

(1) This issue will retire bond anticipation notes maturing December 7, 2018.

## Principal Payments by Purpose

Year	Hardy Elementary School	Dallin School Chiller	Ottoson HVAC Unit	Bus #103-77	Bus #107-53	School Security Upgrades	School Food Service Truck	Truck with Sander	Bucket Truck	Dump Truck with Plow
2019	\$ 65,000	\$ 15,000	\$ 15,000	\$ 30,000	\$ 25,000	\$ 25,000	\$ 10,000	\$ 21,000	\$ 25,000	\$ 17,000
2020	65,000	15,000	15,000	25,000	25,000	20,000	10,000	20,000	25,000	15,000
2021	65,000	15,000	15,000	25,000	20,000	20,000	10,000	20,000	20,000	15,000
2022	65,000	15,000	15,000	25,000	20,000	20,000	10,000	15,000	20,000	15,000
2023	65,000	15,000	15,000	25,000	20,000	20,000	5,000	15,000	20,000	10,000
2024	65,000	15,000	15,000				5,000	15,000	20,000	10,000
2025	65,000	15,000	15,000				5,000	15,000	20,000	10,000
2026	65,000	15,000	15,000					15,000		
2027	65,000	15,000	15,000					15,000		
2028	65,000	15,000	15,000					15,000		
2029	65,000	10,000	10,000							
2030	65,000	10,000	10,000							
2031	65,000	10,000	10,000							
2032	65,000	10,000	10,000							
2033	65,000	10,000	10,000							
2034	65,000	10,000	10,000							
2035	65,000	10,000	10,000							
2036	65,000	10,000	10,000							
2037	65,000	10,000	10,000							
2038	65,000	10,000	10,000							
<b>Total</b>	<b>\$ 1,300,000</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 130,000</b>	<b>\$ 110,000</b>	<b>\$ 105,000</b>	<b>\$ 55,000</b>	<b>\$ 166,000</b>	<b>\$ 150,000</b>	<b>\$ 92,000</b>

Year	Bridge Construction Mystic Mill Brook	School District PC Replacement	HVAC Replacement	Hardy Playground	Town Hall Renovations	Library Elevator Overhaul	Traffic Signal Upgrades	Water Meter Replacement	Sewer	TOTAL
2019	\$ 55,000	\$ 34,800	\$ 17,000	\$ 15,000	\$ 5,000	\$ 5,000	\$ 10,000	\$ 51,500	\$ 33,700	\$ 475,000
2020	55,000	30,000	15,000	15,000	5,000	5,000	10,000	50,000	30,000	450,000
2021	55,000	30,000	15,000	15,000	5,000	5,000	5,000	50,000	30,000	435,000
2022	55,000	30,000	15,000	15,000	5,000	5,000	5,000	50,000	30,000	430,000
2023	55,000	25,000	15,000	15,000	5,000	5,000	5,000	50,000	30,000	415,000
2024	55,000	-	15,000	15,000	5,000	5,000	5,000	45,000	30,000	320,000
2025	55,000	-	15,000	15,000	5,000	5,000	5,000	45,000	30,000	320,000
2026	55,000	-	10,000	15,000	5,000	5,000	5,000	45,000	30,000	280,000
2027	55,000	-	10,000	15,000	5,000	5,000	5,000	45,000	30,000	280,000
2028	55,000	-	10,000	15,000	5,000	5,000	5,000	25,000	30,000	260,000
2029	55,000	-	10,000	10,000	5,000	5,000	-	-	30,000	200,000
2030	55,000	-	10,000	10,000	5,000	5,000	-	-	25,000	195,000
2031	55,000	-	10,000	10,000	5,000	5,000	-	-	25,000	195,000
2032	55,000	-	10,000	10,000	5,000	5,000	-	-	25,000	195,000
2033	55,000	-	10,000	10,000	5,000	5,000	-	-	25,000	195,000
2034	55,000	-	10,000		5,000	5,000	-	-	25,000	185,000
2035	55,000	-	10,000		5,000	5,000	-	-	25,000	185,000
2036	55,000	-	10,000		5,000	-	-	-	25,000	180,000
2037	55,000	-	10,000		5,000	-	-	-	25,000	180,000
2038	55,000	-	10,000		5,000	-	-	-	25,000	180,000
<b>Total</b>	<b>\$ 1,100,000</b>	<b>\$ 149,800</b>	<b>\$ 237,000</b>	<b>\$ 200,000</b>	<b>\$ 100,000</b>	<b>\$ 85,000</b>	<b>\$ 60,000</b>	<b>\$ 456,500</b>	<b>\$ 558,700</b>	<b>\$ 5,555,000</b>

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals or, except as described herein, corporations. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

For taxable years that began before January 1, 2018, interest on the Bonds owned by a corporation (other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust) will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum taxable income of such corporation. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

## **Security and Remedies**

*Full Faith and Credit.* General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for “qualified bonds” as described below (see “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and setoffs of state distributions as described below (see “*State Distributions*” below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

*Tax Levy.* The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments”. Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

*No Lien.* Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “INDEBTEDNESS-Authorization Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

*Court Proceedings.* Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

**Restricted Funds.** Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

**State Distributions.** State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by The Commonwealth of Massachusetts (the "Commonwealth") to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

## **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Locke Lord, LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

## **Rating**

S&P Global Ratings has assigned a rating of AAA to the Bonds. Such rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of Hilltop Securities Inc.**

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

## **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**In the past five years, the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

## THE TOWN OF ARLINGTON, MASSACHUSETTS

### General

The Town of Arlington, Massachusetts (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, 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.

### Local Government

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.

### Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Select Board	Daniel J. Dunn, Chair	Elected – 3 years	2020
	Diane M. Mahon, Vice Chair	Elected – 3 years	2020
	Kevin F. Greeley	Elected – 3 years	2019
	John V. Hurd	Elected – 3 years	2021
	Joseph A. Curro, Jr.	Elected – 3 years	2021
Town Manager	Adam W. Chapdelaine	Appointed – 3 years	2022
Town Treasurer/Collector	Phyllis L. Marshall	Appointed	Indefinite
Town Clerk	Stephanie Lucarelli	Elected – 3 years	2020
Comptroller	Ida Cody	Appointed	2020

### Municipal Services

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 certain technical education at the high school level. The Massachusetts Water Resources Authority provides certain 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.

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.



## Education

### Public School Facilities

<u>Name</u>	<u>Date Built</u>	<u>Date Added To (Remodeled)</u>	<u>Capacity</u>
Arlington Sr High School	1912	1938, 1959, 1981	1,600
Ottoson Middle School	1930	1950, 1979, 1996	1,100
Elementary:			
Bishop	1950	2000	350
Brackett	1999		425
Dallin	2006		350
Hardy	1925	1949, 2001	350
Peirce	2002		300
Stratton	1962	1968	450
Thompson	1956	2013	<u>380</u>
Total			5,305

In the spring of 2019, the Town will consider a new high school construction project estimated to cost approximately \$287 million - \$311 million which would be contingent on a Proposition 2 ½ debt exclusion. If approved the Town expects to receive approximately 45% reimbursement on eligible project costs from the Massachusetts School Building Authority (“MSBA”).

### Public School Enrollments

	<u>Actual</u>					<u>Projected</u>
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
K-5	2,721	2,742	2,839	2,956	3,043	3,157
6-8	1,056	1,125	1,130	1,208	1,259	1,319
9-12	1,207	1,294	1,250	1,290	1,325	1,382
Special Ed.	122	96	104	115	114	110
Total	<u>5,106</u>	<u>5,257</u>	<u>5,323</u>	<u>5,569</u>	<u>5,741</u>	<u>5,968</u>

Source: School Department as of October 1 each year. Does not include enrollment for Minuteman Regional Vocational-Technical High School. Special Ed. reflects out of District placements.

### Educational Attainment

<u>Years of School Completed</u>	<u>Arlington</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	725	2.3 %	39,450	3.8 %	216,669	4.9 %
9th to 12th grade, No diploma	774	2.4	44,636	4.3	268,218	6.0
High School Graduate	5,236	16.3	228,467	21.9	1,156,650	25.9
Some College, No Degree	3,280	10.2	143,456	13.7	739,171	16.6
Associate's Degree	1,483	4.6	63,971	6.1	344,724	7.7
Bachelor's Degree	9,273	28.8	268,306	25.7	989,299	22.2
Graduate or Professional Degree	<u>11,415</u>	<u>35.4</u>	<u>255,610</u>	<u>24.5</u>	<u>751,167</u>	<u>16.7</u>
Total	32,186	100.0 %	1,043,896	100.0 %	4,465,898	100.0 %

Source: U.S. Department of Commerce (2012 5-year estimates).

## Population

Year	Arlington		Middlesex County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2013 (est.)	44,028	2.8%	1,552,802	3.3%	6,692,824	2.2%
2010	42,844	1.1	1,503,085	2.6	6,547,629	3.1
2000	42,389	(5.0)	1,465,396	4.8	6,349,097	5.5
1990	44,630	(7.4)	1,398,468	2.3	6,016,425	4.9
1980	48,219	(9.9)	1,367,034	(2.2)	5,737,037	0.8

Source: U.S. Department of Commerce.

## Population Density (1)

Year	Arlington		Middlesex County		Massachusetts	
	Number	Density (2)	Number	Density	Number	Density
2013 (est.)	44,028	8,494.7	1,552,802	1,885.5	6,692,824	853.9
2010	42,844	8,266.3	1,503,085	1,825.1	6,547,629	835.4
2000	42,389	8,179.6	1,465,396	1,779.6	6,349,097	809.8
1990	44,630	8,610.8	1,398,468	1,698.1	6,016,425	767.6
1980	48,219	9,303.3	1,367,034	1,659.9	5,737,037	732.0

(1) Source: U.S. Department of Commerce, Bureau of the Census (2013, 2010, 2000, 1990, 1980).

(2) Based on 5.2 square miles.

## Industry and Commerce

As indicated below, economic activity in the Town largely consists of the wholesale and retail trade and service industries. In 2016, 1,111 firms were located in Arlington, with a total annual payroll \$454,459,413, reported to the U.S. Department of Labor and Training.

Due to the reclassifications the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2012	2013	2014	2015	2016
Construction	946	924	929	919	967
Manufacturing	109	109	106	102	114
Trade, Transportation and Utilities	1,191	1,214	1,301	1,310	1,267
Information	281	283	297	279	272
Financial Activities	507	540	505	551	569
Professional and Business Services	805	821	826	871	948
Education and Health Services	2,575	2,817	2,860	2,925	2,957
Leisure and Hospitality	871	905	921	962	947
Other Services	695	661	647	645	666
Public Administration	452	425	428	445	453
<b>Total Employment</b>	<b>8,432</b>	<b>8,699</b>	<b>8,820</b>	<b>9,009</b>	<b>9,160</b>
Number of Establishments	1,038	1,033	1,073	1,105	1,111
Average Weekly Wages	\$ 844	\$ 871	\$ 904	\$ 945	\$ 954
<b>Total Wages</b>	<b>\$ 369,901,469</b>	<b>\$ 393,859,980</b>	<b>\$ 414,389,367</b>	<b>\$ 442,743,080</b>	<b>\$ 454,459,413</b>

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training, in November 2017 the Town had a total labor force of 26,444 of whom 25,814 were employed and 630 or 2.4% were unemployed as compared with 3.3% for the Commonwealth for that same period.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2012 through 2016 and the unemployment rates for the Commonwealth and the U.S. for the same periods:

<u>Year</u>	<u>Arlington</u>	<u>Massachusetts</u>	<u>United States</u>
2016	2.5%	5.7%	4.9%
2015	3.3	4.9	5.0
2014	3.8	5.8	6.2
2013	4.8	7.1	7.4
2012	4.9	6.7	9.2

Source: Massachusetts Department of Employment and Training. Data based upon place of residence, not place of employment.

## Principal Employers

Excluding the Town, the following are the principal employers located in the Town:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
Armstrong Ambulance	Medical Transportation	350
American Alarm	Security Specialists	200
Mirak Hyundai, Inc.	Auto Sales/Service	200
Whole Foods Market	Supermarket Retail	148
Sunrise Assisted Living	Elder Care Facility	125
Germain Lawrence, Inc.	Education (Special Needs)	120
Park Avenue Nursing Home	Elder Care Facility	110
Children's Music Network	Education	100
Dearborn Academy	Education	100
Mirak Chevrolet	Auto Sales/Service	100
Mirak Parts & Truck Center	Auto Sales/Service	100

Source: Planning Department and the companies listed.

## Income Levels

	<u>Arlington</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>
Per Capita:						
2012 (5 yr. est.)	\$49,166	42.9%	\$42,289	35.5%	\$35,485	36.7%
1999	34,399	60.4	31,199	53.4	25,952	50.7
1989	21,449	141.3	20,343	141.1	17,224	131.0
1979	8,890	NA	8,439	NA	7,457	NA
1969	NA	NA	NA	NA	NA	NA
Median Family Income (2012 (est.))	\$111,086		\$102,480		\$84,380	
Median Household Income (2012 (est.))	\$87,525		\$81,420		\$66,658	
% Below Poverty Level (2012)	4.5%		7.9%		11.0%	

Source: U.S. Department of Commerce.

## Family Income Distribution

	Arlington			Middlesex County			Massachusetts	
	Families	Percent		Families	Percent		Families	Percent
Less than \$10,000	93	0.9 %		8,758	2.4 %		57,204	3.6 %
\$10,000 - \$24,999	468	4.3		22,381	6.1		132,790	8.3
\$25,000 - \$49,000	1,120	10.3		47,577	12.9		260,930	16.3
\$50,000 - \$74,999	1,368	12.6		50,166	13.6		257,973	16.1
\$75,000 - \$99,999	1,606	14.7		50,766	13.7		235,746	14.7
\$100,000 - \$149,999	2,605	23.9		84,320	22.8		331,738	20.7
\$150,000 or more	3,633	33.3		106,960	28.6		327,825	20.3
Total	10,893	100.0 %		370,928	100.1 %		1,604,206	100.0 %

Source: U.S. Department of Commerce (2012 5 yr. est.)

## Household Income Distribution

	Arlington			Middlesex County			Massachusetts	
	Households	Percent		Households	Percent		Households	Percent
Less than \$10,000	825	4.3 %		27,350	4.7 %		159,535	6.3 %
\$10,000 - \$24,999	1,818	9.5		62,187	10.7		345,816	13.7
\$25,000 - \$49,000	2,550	13.4		91,079	15.7		472,301	18.7
\$50,000 - \$74,999	2,977	15.6		87,693	15.1		412,921	16.3
\$75,000 - \$99,999	2,709	14.2		76,803	13.3		329,572	13.0
\$100,000 - \$149,999	3,704	19.4		111,082	19.2		422,194	16.7
\$150,000 or more	4,504	23.6		123,015	21.2		383,355	15.2
Total	19,087	100.0 %		579,209	100.0 %		2,525,694	100.0 %

Source: U.S. Department of Commerce (2012 5 yr. est.).

## Housing Units – Age Distribution – 2012 (5 year estimates)

Year Built	Arlington			Middlesex County			Massachusetts	
	Number	Percent		Number	Percent		Number	Percent
2000 or later	704	3.5 %		43,257	7.1 %		199,233	7.1 %
1980 to 1999	871	4.4		99,270	16.2		508,334	18.1
1940 to 1979	7,980	40.1		244,858	40.1		1,115,159	39.8
1939 or earlier	10,364	52.0		223,953	36.6		981,480	35.0
Total	19,919	100.0 %		611,338	100 %		2,804,206	100.0 %

Source: U.S. Department of Commerce.

## Housing Unit Inventory – 2012 (5 year estimates)

Units	Arlington		Middlesex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1, Detached	8,573	43.0 %	298,215	48.8 %	1,471,460	52.5 %
1, Attached	929	4.7	37,571	6.1	141,098	5.0
2 to 4	6,209	31.2	136,346	22.3	596,892	21.3
5 to 9	697	3.5	31,742	5.2	168,231	6.0
10 to 19	986	4.9	28,685	4.7	120,233	4.3
20 or more	2,525	12.6	76,246	12.5	281,775	10.0
Mobile Home, Trailer, Other	10	0.1	2,533	0.4	24,517	0.9
Total	19,929	100.0 %	611,338	100.0 %	2,804,206	100.0 %

Source: U.S. Department of Commerce.

## Housing Values – Specified Owner-Occupied (One Unit, Detached or Attached)

Units	Arlington		Middlesex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	111	1.0 %	8,186	2.2 %	55,908	3.5 %
\$100,000 - \$199,999	320	2.7	20,196	5.5	201,702	12.6
\$200,000 - \$299,999	643	5.6	58,603	16.0	402,530	25.3
\$300,000 - \$499,999	4,970	43.2	162,541	44.4	603,907	37.8
\$500,000 - \$999,999	5,290	46.0	98,530	26.9	276,805	17.3
\$1,000,000 or more	171	1.5	18,069	4.9	55,107	3.5
Total	11,505	100.0 %	366,125	100.0 %	1,595,959	100.0 %

Source: U.S. Census Bureau (2012 5-year estimate).

## Building Permits

Calendar Year	Number of Permits	Estimated Value
2018 (1)	1,389	\$ 53,129,809
2017	1,721	64,335,658
2016	1,772	59,023,996
2015	2,008	57,186,851
2014	1,760	63,109,553

Source: Board of Assessors.

(1) Issued through October 1, 2018.

## PROPERTY TAXATION

The principal source of revenue of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures, less estimated receipts from other sources, and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Among the sums required by law to be included in the tax levy are debt and interest charges not otherwise provided for, amounts necessary to pay final judgments and, as described below, abatements of taxes in excess of applicable reserves.

A single tax rate applies in the Town for each fiscal year to the taxable valuation of the taxable real and personal property. The rate is equal to the amount to be raised divided by the total taxable valuation.

At present, the taxable valuation is required by law to be based on 100 percent of fair cash value. Legislation was enacted in 1975 to provide that, subject to limited state review, assessors may determine fair cash value by one or a combination of accepted methods, including comparison of sales prices, capitalization of income and replacement cost less depreciation.

### Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the following fiscal years:

	For Fiscal Year				
	2018	2017	2016	2015	2014
Gross Amount to be Raised:					
Appropriations	\$ 167,794,771	\$ 162,807,941	\$ 153,248,525	\$ 149,025,309	\$ 143,577,165
Other Local Expenditures	804,194	802,705	2,417,563	1,256,466	1,669,982
State and County Charges	3,184,573	3,163,446	3,113,547	3,077,946	2,998,089
Overlay Reserve	1,156,229	1,202,533	1,746,721	1,534,082	1,019,663
<b>Total Gross Amount to be Raised</b>	<b>172,939,767</b>	<b>167,976,625</b>	<b>160,526,355</b>	<b>154,893,803</b>	<b>149,264,899</b>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State(1)	20,822,977	21,303,319	20,704,878	20,369,150	19,568,031
Estimated Receipts - Local	29,001,023	26,860,113	26,079,262	24,580,179	23,221,581
Available Funds Appropriated:					
Free Cash	-	-	-	-	-
Other Available Funds	810,000	2,636,056	978,468	1,266,528	1,126,249
Free Cash and Other Revenue Used to Reduce the Tax Rate	5,050,566	4,737,299	3,785,846	3,392,925	3,611,528
<b>Total Estimated Receipts and Revenue</b>	<b>55,684,566</b>	<b>55,536,787</b>	<b>51,548,454</b>	<b>49,608,782</b>	<b>47,527,389</b>
<b>Net Amount to be Raised (Tax Levy)</b>	<b>\$ 117,255,201</b>	<b>\$ 112,439,838</b>	<b>\$ 108,977,901</b>	<b>\$ 105,285,021</b>	<b>\$ 101,737,510</b>
Property Valuation	\$ 9,666,545,866	\$ 8,952,216,406	\$ 8,513,898,549	\$ 7,770,112,271	\$ 7,377,629,421
Tax Levy per \$1,000	\$12.13	\$12.56	\$12.80	\$13.55	\$13.79

Source: Board of Assessors.

Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

(1) Includes state aid as well as other payments from the Commonwealth.

## Assessed and Equalized Valuations

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The following table sets forth the trend in assessed and equalized valuations of the Town:

	For Fiscal Year				
	2018	2017	2016	2015	2014
Real Property	\$9,547,033,906	\$8,837,181,916	\$8,399,083,019	\$7,666,363,651	\$7,272,186,201
Personal Property	119,511,960	115,034,490	114,815,530	103,748,620	105,443,220
Total Assessed Valuation	<u>\$9,666,545,866</u>	<u>\$8,952,216,406</u>	<u>\$8,513,898,549</u>	<u>\$7,770,112,271</u>	<u>\$7,377,629,421</u>
Equalized Valuation (1)	\$9,073,201,400	\$9,073,201,400	\$7,913,085,100	\$7,913,085,100	\$7,527,775,600
Assessed Valuation as a Percent of Equalized Valuation	106.5%	98.6%	107.6%	103.2%	98.0%

(1) Based on equalized valuation in effect for each year as determined biennially by the State Department of Revenue as of January 1 of even numbered calendar years effective for the next two years.

## Classification of Property

The following table shows the breakdown by classification of the total assessed valuation for the following fiscal years:

	Fiscal 2018 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2017 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2016 Assessed Valuation	% of Total Assessed Valuation
Residential	\$ 9,089,724,151	94.0 %	\$ 8,427,530,080	94.1 %	\$ 8,002,595,342	94.0 %
Commercial	435,538,655	4.5	389,586,036	4.4	378,899,077	4.5
Industrial	21,771,100	0.2	20,065,800	0.2	17,588,600	0.2
Personal	119,511,960	1.2	115,034,490	1.3	114,815,530	1.3
Total	<u>\$ 9,666,545,866</u>	<u>100.0 %</u>	<u>\$ 8,952,216,406</u>	<u>100.0 %</u>	<u>\$ 8,513,898,549</u>	<u>100.0 %</u>

Source: Board of Assessors.

## Largest Taxpayers

Following is a list of the ten largest taxpayers in the Town based upon assessed valuations for fiscal year 2018, all of whom are current in their property tax payments:

<u>Name</u>	<u>Nature of Business</u>	<u>Valuation Fiscal Year 2018</u>
FHF Arlington 360 LLC	Residential	\$ 67,624,800
US Reif Brigham Square	Residential & Commercial	41,782,400
Boston Gas Company	Utility	38,504,480
Nostalgia Properties LLC	Residential	37,144,001
NSTAR	Utility	36,358,280
Mirak-Bendetson Dev LLC	Residential	33,321,000
Old Colony Realty Partners LLC	Residential	27,036,100
Brentwood Realty Partners LLC	Residential	22,589,300
Millbrook Sq Apartments Co	Residential	21,006,200
Claremont Arlington Suites LLC	Hotel	20,833,600
Total:		<u>\$346,200,161</u>

Source: Board of Assessors.

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value".

The following table sets forth the trend in equalized valuations of the Town.

<u>January 1</u>	<u>State Equalized Valuation</u>	<u>% Change</u>
2018	\$ 10,614,146,500	14.5 %
2016	9,073,201,400	12.8
2014	7,913,085,100	4.9
2012	7,527,775,600	1.8
2010	7,388,658,200	(2.3)
2008	7,558,647,700	(2.2)

Local assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.

## Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue, but uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.



The following table sets forth the amount of overlay reserve for the last five fiscal years and abatements granted during the fiscal year of levy:

	For Fiscal Year				
	2018	2017	2016	2015	2014
Total Tax Levy	\$ 117,255,201	\$ 112,439,838	\$ 108,977,901	\$ 105,285,021	\$ 101,737,510
Overlay Reserve for Abatements	\$ 1,156,229	\$ 1,202,533	\$ 1,746,721	\$ 1,534,082	\$ 1,019,663
Percent of Tax Levy	1.0%	1.1%	1.6%	1.5%	1.0%
Abatements Granted:					
During Fiscal Year of Levy	\$ 307,570	\$ 316,252	\$ 344,809	\$ 343,829	\$ 323,139

Source: Town Accountant.

## Tax Collections

The Town has accepted a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 15 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum.

The following table presents the total tax levy, the reserve for abatements, the net levy and the amounts collected as of June 30 for each of the last five fiscal years:

	For Fiscal Year				
	2018	2017	2016	2015	2014
Total Tax Levy	\$ 117,255,201	\$ 112,439,838	\$ 108,977,901	\$ 105,285,021	\$ 101,737,510
Overlay Reserve for Abatements	1,156,229	1,202,533	1,746,721	1,534,082	1,019,663
Net Tax Levy (1)	<u>\$ 116,098,972</u>	<u>\$ 111,237,305</u>	<u>\$ 107,231,180</u>	<u>\$ 103,750,939</u>	<u>\$ 100,717,847</u>
Amount Collected During					
Fiscal Year Payable (2)	\$ 117,222,582	\$ 112,265,192	\$ 108,707,180	\$ 104,791,454	\$ 101,147,225
Percent of Net Tax Levy Collected	101.0 %	100.9 %	101.4 %	101.0 %	100.4 %

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatement or other credits.

## Tax Titles and Possessions

Real property (land and buildings) is subject to lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy in insolvency laws). (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates; otherwise, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation where the lien could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable therefore (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by the sale or taking of the property as described below.

Massachusetts law permits a municipality either to sell by public sale, at which the municipality may become the purchaser, or to take real property for nonpayment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months, which may be extended an additional year in the case of certain installment payments, it can be foreclosed by petition to the land court. Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes.

The following shows the trend in tax titles as of the end of the last five fiscal years:

Fiscal Year	Tax Titles
2018	\$ 764,812
2017	545,965
2016	1,016,094
2015	990,780
2014	1,046,173

### **Taxation to Meet Deficits**

As noted elsewhere (see "Abatements and Overlay," above) overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

### **Tax Limitations**

Chapter 59, Section 21C of the General Laws, also known as "Proposition 2½" imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

Proposition 2½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific

subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

### Unused Levy Capacity

The following table sets forth the Town's tax levy limits and unused levy capacity for the following fiscal years:

	For Fiscal Year				
	2018	2017	2016	2015	2014
Primary Levy Limit (1)	\$ 241,663,647	\$ 223,805,410	\$ 212,847,464	\$ 194,252,807	\$ 184,440,736
Prior Fiscal Year Levy Limit	106,050,906	102,420,256	98,617,161	94,987,188	91,310,473
2.5% Levy Growth	2,651,273	2,560,506	2,465,429	2,374,680	2,282,762
New Growth (2)	1,263,812	1,070,144	1,337,666	1,255,293	1,393,953
Overrides	-	-	-	-	-
Growth Levy Limit	109,965,991	106,050,906	102,420,256	98,617,161	94,987,188
Debt Exclusions	1,781,064	878,800	974,221	1,111,442	1,199,114
Other Adjustments(3)	5,593,112	5,593,112	5,593,112	5,593,112	5,593,112
Tax Levy Limit	117,340,167	112,522,818	108,987,589	105,321,715	101,779,414
Tax Levy	117,255,201	112,439,838	108,977,901	105,285,021	101,737,510
Unused Levy Capacity (4)	\$ 84,966	\$ 82,980	\$ 9,688	\$ 36,694	\$ 41,904
Unused Primary Levy Capacity (5)	\$ 131,697,656	\$ 117,754,504	\$ 110,427,208	\$ 95,635,646	\$ 89,453,548

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations certified by the Department of Revenue.

(3) Represents water and sewer debt service as permitted pursuant to G.L. Chapter 59, Section 21C(n).

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

## **Impact of Proposition 2 1/2**

As illustrated by the table above, the Town's primary response to the fiscal constraints imposed by Proposition 2 1/2 has been to exempt a significant portion of its long-term debt from Proposition 2 1/2. In addition, on June 11, 2005, voters passed a \$6 million operating override to support ongoing funding for schools, libraries, youth services, police, fire, DPW, and other town services. Most recently the Town passed another \$6,490,000 operating override in June 2011 for fiscal years 2012 and beyond.

## **Sale of Tax Receivables**

Legislation enacted in 1996 authorizes public sales by cities and towns of delinquent property tax receivables, individually or in bulk. The City does not expect to utilize this option at the present time.

## **Pledged Taxes**

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Town Finances - Tax Increment Financing for Development Districts" below).

## **Initiative Petitions**

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on State and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual town meeting, which takes place in April. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. The Town operates self-supporting enterprise funds for water and sewer, youth recreation, council on aging, transportation and the ice rink.

### Operating Budget Trends

The following table sets forth the trend in the Town's operating budgets as voted at Town Meeting for fiscal years 2015 through 2019:

	Fiscal Year				
	2019	2018	2017	2016	2015
Debt	\$ 11,721,436	\$ 11,630,983	\$ 11,348,327	\$ 9,039,058	\$ 9,000,501
DPW	11,302,585	11,655,827	10,078,535	8,819,500	9,883,615
Government	23,396,074	22,681,424	21,340,168	20,860,421	22,440,966
Health	1,263,087	1,205,115	1,062,481	1,030,433	1,086,166
Insurance	17,850,681	17,719,504	16,920,564	16,359,582	14,993,391
Library	2,459,506	2,354,236	2,266,117	2,248,573	2,109,041
Pension	11,905,497	11,323,505	9,641,782	9,140,241	8,643,368
Public Safety	15,815,442	15,681,846	15,215,039	14,612,713	14,419,550
State Assessment	3,285,065	3,184,573	3,163,446	3,070,254	3,070,254
Education	66,253,022	60,928,485	57,001,333	53,574,114	50,729,968
<b>TOTAL</b>	<b>\$ 165,252,395</b>	<b>\$ 158,365,498</b>	<b>\$ 148,037,792</b>	<b>\$ 138,754,889</b>	<b>\$ 136,376,820</b>
<b>Enterprise Funds:</b>					
Water/Sewer	21,337,916	20,785,848	19,974,341	19,856,374	19,818,229
Arlington Youth Counsel Center	657,700	630,000	585,488	598,899	594,740
COA Transportation	90,322	99,335	103,000	126,414	123,025
Ed Burns Arena	632,521	597,534	641,940	607,680	603,493
Recreational	1,790,634	639,354	680,023	612,350	585,367
<b>TOTAL:</b>	<b>24,509,093</b>	<b>22,752,071</b>	<b>21,984,792</b>	<b>21,801,717</b>	<b>21,724,854</b>

### Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since enactment, the Town's net school spending has exceeded the minimum required local contribution.

## Revenues

**State Aid** - In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following table sets forth the amount of state aid received by the Town for fiscal years 2014 through 2018 and an estimate for fiscal year 2019:

<u>Fiscal Year</u>	<u>Total Received From State</u>
2019 (est.)	\$19,901,977
2018	19,116,640
2017	18,591,432
2016	18,903,175
2015	17,462,884
2014	17,093,258

## State School Building Assistance Program

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "MSBA") to finance and administer the school building assistance program. The MSBA has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

The maximum reimbursement rate for new project grant applications submitted to the MSBA on or after July 1, 2007 is 80% of approved project costs. The MSBA promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The MSBA expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the MSBA and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

**Federal Aid:** In addition to state aid, the Town receives funds from the federal government for various purposes. The following table shows federal monies received for fiscal years 2014 through 2018:

<u>Fiscal Year</u>	<u>Total Received from Federal Government</u>
2018	\$6,138,243
2017	6,260,197
2016	6,676,347
2015	5,651,876
2014	6,769,618

(1) Does not include federal aid received for schools.

**Motor Vehicle Excise Tax:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

The following table shows actual receipts for fiscal years 2014 through 2018:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2018	\$5,551,687
2017	4,775,878
2016	4,952,881
2015	4,668,135
2014	4,560,608

(1) Net after refunds. Includes receipts for prior years.

### Local Options Meals Tax

On November 16, 2009, the Town adopted the local meals excise tax to be effective January 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold.

The revenue from this tax is as follows:

<u>Fiscal</u> <u>Year</u>		<u>Revenues</u>
2019 (Projected)	\$	400,000
2018		444,161
2017		415,173
2016		409,308
2015		401,870
2015		323,258

### Room Occupancy Tax

Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. On November 16, 2009, the Town adopted an increase in the room occupancy tax to the maximum rate of 6% to be effective January 1, 2010. The revenue from this tax is as follows:

<u>Fiscal</u> <u>Year</u>		<u>Revenues</u>
2019 (Projected)	\$	325,000
2018		378,783
2017		303,939
2016		363,125
2015		330,739
2015		233,083

### Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any



time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

**The Town has adopted a 1.5% CPA surcharge which commenced in fiscal 2016. The Town levied \$1,466,826 for CPA in fiscal 2018 and received \$232,965 in state matching grants. The CPA Trust Fund balance as of June 30, 2018 was \$2,800,826.**

### **Annual Audits**

The accounts of the Town of Arlington are audited annually by Powers & Sullivan, Certified Public Accountants, of Wakefield, Massachusetts. A copy of the fiscal 2017 audit is attached hereto as Appendix A. A similar audit for fiscal 2018 is underway is expected to be complete by January, 2019.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, not have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set forth in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

### **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, a Statement of Revenues and Expenditures (Governmental Funds) for fiscal years ended June 30, 2017, June 30, 2016, June 30, 2015 and June 30, 2014, as extracted from the audited financial statements for those years.

**TOWN OF ARLINGTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2017 (1)**

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

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2016 (1)**

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

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2015 (1)**

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

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS- YEAR ENDED JUNE 30, 2017 (1)**

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes, Net of Tax Refunds	\$ 110,993,109	\$ -	\$ 1,612,843	\$ 112,605,952
Tax Liens	470,129	-	-	470,129
Motor Vehicle Excise Taxes	4,775,678	-	-	4,775,678
Hotel/Motel Tax	303,939	-	-	303,939
Meals Tax	415,173	-	-	415,173
Fees and Rentals	627,570	-	152,318	779,888
Intergovernmental	33,652,030	-	9,041,330	42,693,360
Departmental and Other	3,916,500	-	12,019,001	15,935,501
Contributions	885	-	356,778	357,663
Investment Income	656,103	193	1,627,487	2,283,783
<b>TOTAL REVENUES</b>	<b>\$ 155,811,116</b>	<b>\$ 193</b>	<b>\$ 24,809,757</b>	<b>\$ 180,621,066</b>
<b>EXPENDITURES</b>				
Current:				
General Government	4,828,903	505,700	2,001,807	7,336,410
Public Safety	15,800,268	1,457,285	2,144,223	19,401,776
Education	60,376,765	15,205,150	11,305,038	86,886,953
Public Works	9,743,931	771,459	3,326,252	13,841,642
Community Development	619,670	-	2,158,041	2,777,711
Human Services	978,872	-	852,303	1,831,175
Library	2,222,415	34,710	299,268	2,556,393
Culture and Recreation	17,553	645,230	1,272,689	1,935,472
Pension Benefits	21,541,882	-	-	21,541,882
Property and Liability Insurance	326,617	-	-	326,617
Employee Benefits	16,020,082	-	71,058	16,091,140
Claims and judgments	70,000	-	-	70,000
State and County Charges	3,118,634	-	-	3,118,634
Debt Service:				
Principal	7,432,000	-	570,000	8,002,000
Interest	1,816,828	-	107,875	1,924,703
<b>TOTAL EXPENDITURES</b>	<b>144,914,420</b>	<b>18,619,534</b>	<b>24,108,554</b>	<b>187,642,508</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 10,896,696</b>	<b>\$ (18,619,341)</b>	<b>\$ 701,203</b>	<b>\$ (7,021,442)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds	-	14,030,300	-	14,030,300
Premium from issuance of bonds	-	-	2,050,693	2,050,693
Sale of capital assets	-	-	28,000	28,000
Transfers in	1,049,116	62,650	2,873,704	3,985,470
Transfers out	(8,271,195)	(425,184)	(1,169,409)	(9,865,788)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,222,079)</b>	<b>13,667,766</b>	<b>3,782,988</b>	<b>10,228,675</b>
Net Change in Fund Balances	3,674,617	(4,951,575)	4,484,191	3,207,233
Fund Balances at Beginning of Year	47,457,384	13,418,759	29,102,459	89,978,602
Fund Balances at End of Year	<b>\$ 51,132,001</b>	<b>\$ 8,467,184</b>	<b>\$ 33,586,650</b>	<b>\$ 93,185,835</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS- YEAR ENDED JUNE 30, 2016 (1)**

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes, Net of Tax Refunds	\$ 107,136,615	\$ -	\$ 1,563,920	\$ 108,700,535
Tax Liens	449,555	-	-	449,555
Motor Vehicle Excise Taxes	4,952,881	-	-	4,952,881
Hotel/Motel Tax	363,125	-	-	363,125
Meals Tax	409,308	-	-	409,308
Fees and Rentals	749,189	-	175,239	924,428
Intergovernmental	29,604,932	-	9,861,854	39,466,786
Departmental and Other	4,204,530	-	11,686,944	15,891,474
Contributions	372	-	266,087	266,459
Investment Income	230,237	89	(153,555)	76,771
<b>TOTAL REVENUES</b>	<b>\$ 148,100,744</b>	<b>\$ 89</b>	<b>\$ 23,400,489</b>	<b>\$ 171,501,322</b>
<b>EXPENDITURES</b>				
Current:				
General Government	4,463,201	546,198	1,311,592	6,320,991
Public Safety	14,970,548	5,769,829	2,111,469	22,851,846
Education	57,843,805	2,631,019	11,059,760	71,534,584
Public Works	8,474,878	1,332,706	1,401,376	11,208,960
Community Development	647,060	2,781	2,412,261	3,062,102
Human Services	1,049,000	97,657	755,550	1,902,207
Library	2,199,394	14,534	317,874	2,531,802
Culture and Recreation	7,968	421,663	1,058,493	1,488,124
Pension Benefits	17,650,987	-	-	17,650,987
Property and Liability Insurance	328,044	-	-	328,044
Employee Benefits	15,918,197	-	-	15,918,197
State and County Charges	3,089,181	-	-	3,089,181
Debt Service:				-
Principal	7,268,000	-	555,000	7,823,000
Interest	1,862,553	-	119,675	1,982,228
<b>TOTAL EXPENDITURES</b>	<b>135,772,816</b>	<b>10,816,387</b>	<b>21,103,050</b>	<b>167,692,253</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 12,327,928</b>	<b>\$ (10,816,298)</b>	<b>\$ 2,297,439</b>	<b>\$ 3,809,069</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds	-	19,319,000	-	19,319,000
Issuance of refunding bonds	3,225,000	-	-	3,225,000
Premium from issuance of bonds	767,947	-	-	767,947
Premium from issuance of refunding bonds	197,395	-	-	197,395
Payment to refunded bond escrow agent	(3,422,395)	-	-	(3,422,395)
Transfers in	905,362	-	2,441,898	3,347,260
Transfers out	(8,076,959)	(120,000)	(1,028,731)	(9,225,690)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,403,650)</b>	<b>19,199,000</b>	<b>1,413,167</b>	<b>14,208,517</b>
Net Change in Fund Balances	5,924,278	8,382,702	3,710,606	18,017,586
Fund Balances at Beginning of Year	41,533,106	5,036,057	25,391,853	71,961,016
Fund Balances at End of Year	<b>\$ 47,457,384</b>	<b>\$ 13,418,759</b>	<b>\$ 29,102,459</b>	<b>\$ 89,978,602</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS- YEAR ENDED JUNE 30, 2015 (1)**

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes, Net of Tax Refunds	\$ 104,356,047	\$ -	\$ 292	\$ 104,356,339
Tax Liens	574,342	-	-	574,342
Motor Vehicle Excise Taxes	4,668,133	-	-	4,668,133
Hotel/Motel Tax	330,739	-	-	330,739
Meals Tax	401,870	-	-	401,870
Fees and Rentals	-	-	150,377	150,377
Intergovernmental	25,856,129	84,847	8,524,117	34,465,093
Departmental and Other	4,437,506	-	9,899,145	14,336,651
Contributions	5,325	-	801,568	806,893
Investment Income	148,715	42	793,481	942,238
<b>TOTAL REVENUES</b>	<b>\$ 140,778,806</b>	<b>\$ 84,889</b>	<b>\$ 20,168,980</b>	<b>\$ 161,032,675</b>
<b>EXPENDITURES</b>				
Current:				
General Government	4,382,354	336,129	1,724,547	6,443,030
Public Safety	14,931,323	6,311,101	1,986,536	23,228,960
Education	54,577,944	1,016,447	10,584,619	66,179,010
Public Works	10,331,426	1,380,351	2,210,102	13,921,879
Community Development	702,159	11,867	2,225,496	2,939,522
Human Services	1,084,361	480	587,510	1,672,351
Library	2,087,496	132,150	217,235	2,436,881
Culture and Recreation	4,206	544,073	861,059	1,409,338
Pension Benefits	14,048,794	-	-	14,048,794
Property and Liability Insurance	309,399	-	-	309,399
Employee Benefits	15,765,665	-	75,000	15,840,665
State and County Charges	3,077,899	-	-	3,077,899
Debt Service:				
Principal	6,731,000	-	545,000	7,276,000
Interest	1,532,702	-	132,750	1,665,452
<b>TOTAL EXPENDITURES</b>	<b>129,566,728</b>	<b>9,732,598</b>	<b>21,149,854</b>	<b>160,449,180</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 11,212,078</b>	<b>\$ (9,647,709)</b>	<b>\$ (980,874)</b>	<b>\$ 583,495</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bonds	-	11,018,000	-	11,018,000
Premium from issuance of bonds	910,686	-	-	910,686
Sale of Capital Assets	-	-	65,000	65,000
Transfers in	2,115,933	109,995	2,809,989	5,035,917
Transfers out	(8,423,594)	(41,062)	(2,407,815)	(10,872,471)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,396,975)</b>	<b>11,086,933</b>	<b>467,174</b>	<b>6,157,132</b>
Net Change in Fund Balances	5,815,103	1,439,224	(513,700)	6,740,627
Fund Balances at Beginning of Year	35,718,003	3,596,833	25,905,553	65,220,389
Fund Balances at End of Year	<b>\$ 41,533,106</b>	<b>\$ 5,036,057</b>	<b>\$ 25,391,853</b>	<b>\$ 71,961,016</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF ARLINGTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS- YEAR ENDED JUNE 30, 2014 (1)**

	General	Capital Borrowing Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes, Net of Tax Refunds	\$ 100,601,880	\$ -	\$ -	\$ 100,601,880
Tax Liens	355,573	-	-	355,573
Motor Vehicle Excise Taxes	4,560,606	-	-	4,560,606
Hotel/Motel Tax	300,875	-	-	300,875
Meals Tax	413,163	-	-	413,163
Fees and Rentals	-	-	57,259	57,259
Licenses and Permits	-	-	-	-
Intergovernmental	32,719,516	1,058,974	9,845,411	43,623,901
Departmental and Other	4,751,928	-	10,344,350	15,096,278
Contributions	52,098	-	394,252	446,350
Investment Income	124,840	40	1,999,491	2,124,371
<b>TOTAL REVENUES</b>	<b>\$ 143,880,479</b>	<b>\$ 1,059,014</b>	<b>\$ 22,640,763</b>	<b>\$ 167,580,256</b>
<b>EXPENDITURES</b>				
Current:				
General Government	4,431,538	259,452	1,121,709	5,812,699
Public Safety	13,778,482	1,239,675	2,124,233	17,142,390
Education	51,356,068	3,050,940	9,497,172	63,904,180
Public Works	9,293,247	1,019,175	2,224,778	12,537,200
Community Development	669,896	17,956	2,969,971	3,657,823
Human Services	919,575	525	574,467	1,494,567
Library	2,036,487	443,864	253,257	2,733,608
Culture and Recreation	11,806	598,122	703,431	1,313,359
Pension Benefits	20,752,031	-	-	20,752,031
Property and Liability Insurance	292,555	-	-	292,555
Employee Benefits	14,749,534	-	324,750	15,074,284
State and County Charges	3,009,401	-	-	3,009,401
Debt Service:				
Principal	6,867,000	-	390,000	7,257,000
Interest	1,550,494	-	145,675	1,696,169
<b>TOTAL EXPENDITURES</b>	<b>129,718,114</b>	<b>6,629,709</b>	<b>20,329,443</b>	<b>156,677,266</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 14,162,365</b>	<b>\$ (5,570,695)</b>	<b>\$ 2,311,320</b>	<b>\$ 10,902,990</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bonds	-	5,551,000	-	5,551,000
Premium from issuance of bonds	-	-	284,084	284,084
Transfers in	1,604,119	2,874,475	2,788,011	7,266,605
Transfers out	(8,487,744)	-	(4,688,326)	(13,176,070)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,883,625)</b>	<b>8,425,475</b>	<b>(1,616,231)</b>	<b>(74,381)</b>
Net Change in Fund Balances	7,278,740	2,854,780	695,089	10,828,609
Fund Balances at Beginning of Year	28,439,263	742,053	25,210,464	54,391,780
<b>Fund Balances at End of Year</b>	<b>\$ 35,718,003</b>	<b>\$ 3,596,833</b>	<b>\$ 25,905,553</b>	<b>\$ 65,220,389</b>

(1) Extracted from audited financial statements of the Town.



## Unassigned General Fund Balances and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts, and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the trend in the Town's unassigned general fund balances and free cash:

<u>Year</u>	<u>Unassigned General Fund Balance for Fiscal Year Ending June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2018	N.A.	\$11,119,563
2017	\$41,337,204	9,186,749
2016	35,231,747	9,701,131
2015	29,667,361	9,074,598
2014	26,292,774	6,871,692
2013	17,915,224	6,085,848

(1) Source: Audited Financial Statements.

## Stabilization Fund

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from such fund by a two-thirds vote of town meeting for any municipal purpose.

The following sets forth the trend in the Stabilization Fund:

<u>As of June 30</u>	<u>Amount</u>
2018	\$3,269,090
2017	3,119,606
2016	2,992,020
2015	2,879,460
2014	2,773,250

## Fiscal Stability Stabilization Fund

The Town created a Fiscal Stability Stabilization Fund pursuant to Article 75 of the 2011 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 were projected. The Fund was initially expected to be drawn down over five fiscal years.

The following sets for the trend in the Fiscal Stability Stabilization Fund:

<u>As of June 30</u>	<u>Amount</u>
2018	\$24,010,773
2017	23,481,076
2016	21,850,650
2015	18,000,920
2014	13,685,484

### **Retiree Health Insurance Trust Fund**

The Town maintains a Healthcare Trust Fund pursuant to Chapter 12 of the Acts of 1988 to meet the Town's unfunded liability for retiree health insurance. The Town utilizes the annual decrease in the non-contributory pension fund appropriation to add to the Fund. The Town appropriates to the Fund the difference between \$500,000 and the next year's non-contributory pension appropriation. See "THE ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM-Other Post-Employment Benefits" below.

The following sets for the trend in the Retiree Health Insurance Trust Fund:

<u>As of June 30</u>	<u>Amount</u>
2018	\$12,854,011
2017	11,201,306
2016	9,184,192
2015	8,377,656
2014	7,427,776

### **Building Insurance Trust Fund**

The Town maintains a Building Insurance Trust pursuant to Section 13 of Chapter 40 of the Massachusetts General Laws to cover insurance deductibles in the event of fire or other damage to Town owned buildings. The Town's deductible is \$100,000 per building. The balance in the fund at June 30, 2014 was \$771,307, at June 30, 2015 was \$752,491, at June 30, 2016 was \$734,957, at June 30, 2017 was \$720,989, and at June 30, 2018 was \$711,798.

### **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above).

The Town has not established any such development districts.

## **Investment of Town Funds**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT") or in shares in SEC-Registered money market funds with the highest possible rating from at least one nationally recognized statistical rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

MMDT funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any securities that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

## **Capital Planning**

The Capital Planning Committee was established by the 1986 Arlington Town Meeting to assist the Town Manager in preparing a long-range capital improvement plan. The Committee consists of the Town Manager, Superintendent of Schools, Treasurer, Comptroller (or their designees), a representative of the Finance Committee and four registered voters of the Town appointed by the Moderator.

Town Meeting in recent years has approved road improvements, improvements to public facilities for compliance with the Americans with Disabilities Act, renovations of several parks and playgrounds, continuous improvements and upgrades to data processing equipment and technology, replacement of critical police and fire equipment and other capital projects that are important to the Town's service delivery and future growth.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue serial bonds or notes. Revenue anticipation notes and temporary notes in anticipation of authorized federal and state aid generally may be issued by the Treasurer with the approval of the Selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts (the "MFOB").

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, bonds for water, gas, electric and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and, subject to special debt limits, bonds for housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the MFOB, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid

by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town has not borrowed in anticipation of revenue since the implementation of quarterly billing for real estate taxes, which began July 1, 1991.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Clean Water and Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**Direct Debt Summary  
As of June 30, 2018 (1)**

**General Obligation Bonds:**

Within the General Debt Limit (2)			
Sewers & Drains	\$	2,207,500	
Schools		49,662,000	
Departmental Equipment		912,000	
Other General		<u>30,388,000</u>	
Total within the debt limit			\$ 83,169,500
Outside the General Debt Limit			
Sewers & Drains		200,000	
School (3)		6,500,000	
Water		5,632,900	
General		<u>3,448,000</u>	
Total outside the debt limit			<u>\$ 15,780,900</u>
Total Long Term Debt			\$ 98,950,400
Bonds dated December 6, 2018			5,555,000
<b>Short Term Indebtedness</b>			
Bond Anticipation Notes (4)	\$	5,495,000	
Less:			
To be retired with Proceeds from this issue of Bonds		(2,140,000)	
To be retired with MSBA funds		(319,442)	
Pending - New Money Bond Anticipation Notes (5)		<u>100,000</u>	
Total Short Term Debt after This Issue			<u>3,135,558</u>
<b>Total Direct Debt after This Issue</b>			<u><u>\$ 107,640,958</u></u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liabilities.
- (2) Based on the Town's equalized valuation of \$9,073,201,400 effective as of January 1, 2016, its Normal General Debt Limit is \$453,660,070 and its Double General Debt Limit is \$907,320,140. (See "INDEBTEDNESS – Debt Limits," above.)
- (3) The unpaid balance of state school construction grants as of June 30, 2017 was approximately \$1,429,569. Said grants are payable in equal annual installments over the life of the school bonds.
- (4) Payable December 7, 2018.
- (5) To be issued at the same time, payable December 5, 2019.

**Key Debt Ratios**

The following table sets forth the ratio of debt to assessed and equalized valuation and per capita debt ratios at the end of the last five fiscal years. The table considers the principal amount of general obligation bonds of the Town of Arlington only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole or in part by non-tax revenues.

	As of June 30,				
	2018	2017	2016	2015	2014
Amount (1)	\$98,950,400	\$76,443,200	\$58,105,916	\$62,937,232	\$58,406,772
Per Capita (2)	\$2,309.55	\$1,784.22	\$1,356.22	\$1,468.99	\$1,363.24
Percent of Assessed Valuation (3)	1.11%	0.85%	0.68%	0.81%	0.79%
Percent of Equalized Valuation (4)	1.09%	0.84%	0.73%	0.80%	0.78%
Per Capita as a percent of Personal Income Per Capita (2)	4.85%	3.75%	2.85%	3.09%	2.87%

- (1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, bond anticipation notes, unfunded pension liability and other post-employment benefits liability.
- (2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.
- (3) Source: Board of Assessors - Assessed valuation as of the prior January 1.
- (4) Source: State Department of Revenue. The equalized valuation used here is the equalized valuation in effect for that year.

## Annual Debt Service as of June 30, 2018 (1)

Fiscal Year	Long-Term Debt Outstanding (2)		School Construction Aid	Net Debt Service	Percent Principal Retired
	Principal	Interest			
2019	\$ 9,671,350	\$ 3,299,506	\$ (476,523)	\$ 12,494,333	9.8 %
2020	8,895,850	2,963,188	(476,523)	11,382,515	18.8
2021	8,055,850	2,653,725	(476,523)	10,233,052	26.9
2022	6,965,850	2,376,813	-	9,342,663	33.9
2023	5,890,250	2,137,531	-	8,027,781	39.9
2024	5,585,250	1,928,513	-	7,513,763	45.5
2025	5,060,250	1,739,606	-	6,799,856	50.7
2026	4,855,250	1,564,716	-	6,419,966	55.6
2027	4,400,250	1,401,375	-	5,801,625	60.0
2028	4,205,250	1,244,228	-	5,449,478	64.3
2029	4,025,000	1,086,847	-	5,111,847	68.3
2030	3,920,000	929,425	-	4,849,425	72.3
2031	3,895,000	784,906	-	4,679,906	76.2
2032	3,490,000	662,166	-	4,152,166	79.8
2033	3,410,000	554,175	-	3,964,175	83.2
2034	2,945,000	457,819	-	3,402,819	86.2
2035	2,715,000	372,113	-	3,087,113	88.9
2036	2,360,000	295,988	-	2,655,988	91.3
2037	2,355,000	225,263	-	2,580,263	93.7
2038	2,080,000	158,738	-	2,238,738	95.8
2039	555,000	119,213	-	674,213	96.3
2040	555,000	102,563	-	657,563	96.9
2041	555,000	85,913	-	640,913	97.5
2042	555,000	69,263	-	624,263	98.0
2043	555,000	52,266	-	607,266	98.6
2044	555,000	34,922	-	589,922	99.2
2045	555,000	17,578	-	572,578	99.7
2046	285,000	4,453	-	289,453	100.0
Total	<u>\$ 98,950,400</u>	<u>\$ 27,322,808</u>	<u>\$ (1,429,569)</u>	<u>\$ 124,843,639</u>	

- (1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.  
(2) Principal totaling \$46,012,300 and interest totaling \$15,393,486 is exempt from Proposition 2 ½.

### Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately \$9.662 million of authorized unissued debt for various capital projects including schools (\$2.6 million), water (\$2.8 million), sewer (\$2.7 million) and various other capital improvement projects.

In addition to the proposed new high school project (\$227-\$331 million), which is contingent on a debt exclusion and 45% MSBA reimbursement, the Town is considering a new DPW facility (est. \$20 million to commence 2020-2021), and a Central School improvement project (\$4-\$5 million commencing 2020).

## Overlapping Debt

The Town is a member of the MBTA and the MWRA, and is one of 10 members of the Minuteman Regional Vocational-Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the MBTA, the MWRA and the School District, the Town 's share of such debt and the fiscal 2019 dollar assessment for each:

	Outstanding Debt as of June 30, 2018	Authorized Unissued	Arlington's Estimated Share	Dollar Assessment Fiscal 2019 (1)
MBTA (2)	\$ 5,728,840,000	(2)	1.742%	\$ 2,962,802
MWRA (3)				
Water	2,044,213,000	(3)	2.084%	5,207,787
Sewer	3,449,020,000		1.874%	8,649,531
Minuteman Reg. Voc. Tech School District (4)	-		-	4,936,724

(1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.

(2) Source: MBTA. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital purposes. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(3) Source: MWRA. The MWRA provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to \$6.1 billion outstanding at any time for its corporate purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(4) Source: Business Manager, Minuteman Regional Vocational-Technical School District. Fiscal 2018 dollar assessment. Arlington is a member along with the Towns of Acton, Belmont, Bolton, Concord, Dover, Lancaster, Lexington, Needham, and Stow. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993. The District recently approved \$144.9 million for a new high school, of which approximately 44.75% is expected to be paid in grants from the Massachusetts School Building Authority. The District authorized a new \$144 million school project and the Town has been assessed \$800,000 for such debt in FY19.

## Contracts

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.



Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a five year contact with Wheelabrator Inc. of North Andover for the disposal of solid waste. The contract expires June 30, 2020 and calls for the payment of \$54.58 per ton of solid waste for the period of July 1, 2016 through June 30, 2017.

As of July 1, 2012, the Town entered into a ten year contract with JRM Hauling and Recycling which will expire on June 30, 2022. The following table presents the actual cost to the Town for solid waste disposal and collection for fiscal years 2014 through 2018:

<u>Fiscal Year</u>	<u>Disposal</u>	<u>Collection</u>
2018	\$845,123	\$2,373,773
2017	804,284	2,327,629
2016	824,527	2,281,597
2015	926,627	2,242,480
2014	924,922	2,193,120

Except for the above and for the transportation of students to school, which contracts are from one to three years in length, the Town has not entered into any long-term contracts of a substantial nature.

#### **THE ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated

valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town contributes to the Arlington Contributory Retirement System (the "System"), a cost-sharing, multiple-employer retirement system administered by the Arlington Contributory Retirement Board (the "Board"). Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth of Massachusetts Teachers Contributory Retirement System to which the Town does not contribute. The System provides retirement, disability and death benefits to plan members and beneficiaries. The Town also provides non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents.

The annual appropriations of the Town to the System and non-contributory pensions for the last five fiscal years and the amount budgeted for the current fiscal year are as follows:

<u>Fiscal Year</u>	<u>System</u>	<u>Non-Contributory</u>	<u>Total</u>
2019 (budgeted)	\$11,887,479	\$18,018	\$11,905,497
2018	11,268,184	13,970	11,282,154
2017	10,659,672	87,000	10,746,672
2016	10,098,704	85,240	10,183,944
2015	9,571,203	85,240	9,656,443
2014	9,008,899	107,123	9,116,022

Source: Town Accountant.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides various benefit improvements, which may be accepted by local option. On June 12, 1990 the Town voted to accept the Chapter 697 benefit improvements, the most significant of which removed the \$30,000 cap on the amount of compensation that may be considered in the calculation of pension benefits for members hired after 1978. Members hired after 1978 are now required to contribute an additional 2% of their compensation in excess of \$30,000 to help pay for the improved benefit.

In 1998, the Town of Arlington Town Meeting and the Town of Arlington Retirement Board accepted Chapter 17 of the Acts of 1997 that provides the Retirement Board with the authority to grant cost-of-living adjustments ("COLA") each year of up to the lesser of 3% or the CPI on the first \$12,000 of retirement benefits. In addition, the Board adopted a new 20-year funding schedule, which has been approved by the PERAC. The funding schedule incorporates the assumption that an annual 3% COLA is granted. Therefore, if no COLA or less than a 3% COLA is granted in any year, it will result in an actuarial gain and reduce the appropriation level. This schedule is expected to result in the System becoming fully funded as of fiscal 2035 with an assumed 7.25% rate of return. See Appendix A for further information relating to the System.

**Funding Schedule (As of January 1, 2016)**

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution	% Change
2018	\$ 2,529,987	\$ 141,629,105	\$ 9,286,232	\$ (120,142)	\$ 11,696,077	5.50 %
2019	2,643,836	142,141,916	9,815,667	(120,142)	12,339,361	5.50
2020	2,762,809	144,054,060	10,375,359	(120,142)	13,018,026	5.50
2021	2,887,135	145,503,486	10,967,024	(120,142)	13,734,017	5.50
2022	3,017,057	144,290,355	11,592,474	(120,142)	14,489,389	5.50
2023	3,152,824	142,218,477	12,253,623	(120,142)	15,286,305	5.50
2024	3,294,701	139,494,556	12,952,493	(120,142)	16,127,052	5.50
2025	3,442,963	135,716,363	13,691,219	(120,142)	17,014,040	5.50
2026	3,597,896	130,871,967	14,472,058	(120,142)	17,949,812	5.50
2027	3,759,801	124,838,902	15,297,392	(120,142)	18,937,051	5.50
2028	3,928,992	117,483,269	16,169,739	(120,142)	19,978,589	5.50
2029	4,105,797	108,658,761	17,091,757	(120,142)	21,077,412	5.50
2030	4,290,558	98,205,613	18,066,254	(120,142)	22,236,670	5.50
2031	4,483,633	85,949,463	19,096,195	(120,142)	23,459,686	5.50
2032	4,685,397	71,700,129	20,184,714	(120,142)	24,749,969	5.50
2033	4,896,239	55,250,282	21,335,120	(120,142)	26,111,217	5.50
2034	5,116,570	36,374,012	22,550,906	(120,142)	27,547,334	5.50
2035	5,346,816	14,825,281	14,825,281	(120,142)	20,051,955	(27.21)
2036	5,587,423	-	-	(120,142)	5,467,281	(72.73)

Source: January 1, 2016 Actuarial Valuation Report of the Arlington Retirement System, PERAC.

**Schedule of Funding Progress**

As indicated in the table below, as of January 1, 2016, the date of the latest actuarial valuation, the System's funded ratio was 51 percent:

**SCHEDULES OF FUNDING PROGRESS**

(Dollars in Thousands)

	A	B	B-A	A/B	C	(B-A)/C UAAL as a % of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	
1/1/2016	\$ 137,743	\$ 272,618	\$ 134,875	51%	\$ 34,725	388%
1/1/2015	\$ 130,162	\$ 255,494	\$ 125,332	51%	\$ 33,534	374%
1/1/2014	\$ 123,495	\$ 250,412	\$ 126,917	49%	\$ 31,804	399%
1/1/2013	\$ 116,431	\$ 236,967	\$ 120,536	49%	\$ 30,010	402%
1/1/2012	\$ 111,307	\$ 229,785	\$ 118,478	48%	\$ 28,611	414%

The foregoing data do not include the retirement system costs or liabilities of any larger entity, such as the county, of which the Town is a constituent part and for which the Town is assessed a share of expenses.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The Governmental Accounting Standards Board ("GASB") Statement Nos. 43 and 45, require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town's last actuarial valuation report was completed as of January 1, 2016, and at that time the Unfunded Actuarial Accrued Liability was approximately \$122,935,099 (assuming a 7.25% discount rate) and the Annual Required Contribution was \$11,024,765 for fiscal 2017. On May 23, 2005 the Town established an Irrevocable OPEB Trust Fund. The balance of this fund as of June 30, 2018 was \$12,854,011.

## COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 925 employees, of whom approximately 85 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of Employees</u>	<u>Contract Expires (1)</u>
International Association of Firefighters	Fire	76	6/30/21
American Federation of State, County and Municipal Employees	Public Works/ Custodial & Maintenance	143	6/30/18
Arlington Education Association	School	490	8/31/21
Arlington Administrators Associations	School	30	8/31/21
Arlington Ranking Police Officers Association	Police	16	6/30/18
Arlington Patrolmen's Betterment Association	Police	48	6/30/18
Service Employees International Union	Various	31	6/30/21 (2)
Robbins Library Professional Association	Library	13	6/30/21
Arlington Administrative Assistants	School	34	6/30/19
		<u>785</u>	

(1) Expired contracts are currently in negotiations.

(2) School employees have settled; Town employees are still in negotiations regarding the 6/30/18 expired contract.

## LITIGATION

At present there are a number of suits pending in which the Town is a defendant. In the opinion of the Town, there is no litigation either pending or threatened which is considered likely to result, either individually or in the aggregate, in final judgments, which would materially affect the Town's financial position.

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TOWN OF ARLINGTON, MASSACHUSETTS  
/s/ Phyllis L. Marshall, Treasurer

November 8, 2018

# Town of Arlington, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended June 30, 2017**

Adam Chapdelaine, Town Manager  
Richard Viscay, Comptroller

Prepared by the Comptroller

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



Whittemore Robbins House



# TOWN OF ARLINGTON, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended  
June 30, 2017



Prepared by:  
The Comptroller

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TOWN OF ARLINGTON, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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# ***Introductory Section***



Robbins Library

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# ***Introductory Section***

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

**Adam W. Chapdelaine  
Town Manager**

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**Letter of Transmittal**

December 22, 2017

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

Subsequent to the close of each year, state law requires the Town of Arlington to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Arlington, Massachusetts, for the year ending June 30, 2017, for your review.

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

This report consists of management's representations concerning the finances of the Town of Arlington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. In order to provide a reasonable basis for making these financial representations, management continues to review and improve its established comprehensive internal controls. The framework for these controls is designed to protect, to the extent possible, the government's assets from loss, theft or misuse. The cost of internal controls should not outweigh their benefits. As a result, the Town of Arlington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2017, are fairly presented in conformity with GAAP.

The Town of Arlington's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Arlington for the year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the Town of

Arlington's financial statements for the year ended June 30, 2017, and that they are, in fact, fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### **Profile of the Town**

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

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

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

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

### **Budgetary Controls**

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

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department level. The Town



Comptroller is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. During the last 60 days of a fiscal year, the Town Manager may request Finance Committee approval of transfers from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

### **Factors Affecting Economic Conditions**

#### Local Economy

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

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

According to the Massachusetts Department of Employment and Training, in July 2017 the Town had a total labor force of 26,957 of whom 26,123 were employed and 799 or 2.6% were unemployed as compared with 4.4% for the Commonwealth.

In 2017 the average assessed value of a single family home in Arlington was \$655,985, an increase of approximately 5.6% from the previous year. The current economic environment indicates that property values are on the rise. Building permit activity over the last year has been strong; a good indicator that that building construction and renovation will convert to increased tax dollars.

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

The Town continues to be faced with and meet its financial challenges. Since FY2002 local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and in FY2017 ends in a cumulative increase of 20%. Arlington, on the other hand, has only recently experienced an increase above the FY2002 level. In FY2006, Arlington's state aid was 15% below what it received in FY2002, while the average of all municipalities saw a slight increase. In FY2014 the cumulative year-to-year change since FY2002 was a slight increase of 1.1%, however in FY2018, Arlington's state aid remains disproportional from other municipalities statewide despite increases in aid. To further illustrate this impact, the average state aid for municipalities in Massachusetts increased 27.3% from FY2002, while in FY2017 Arlington's cumulative year-to-year change since FY2002 is an increase of 13.2%.

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

#### Long-Term Financial Planning

Beginning in the fall of 2014, the Long Range Planning Committee (LRPC) held a series of discussions focused on the future of Town and School budgets and the amount by which they should grow on an annual basis. These

discussions were prompted by the desire of committee members to explore strategies that could extend the life of the current Long Range Plan (LRP) and thereby forestall the next time an operating override would need to be considered. These discussions resulted in a number of recommendations being adopted for the FY2016 budget based upon the following principles:

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

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

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

#### Major Initiatives

The Town continues to invest in its buildings and other infrastructure to maintain high quality public services. The ongoing rise in student enrollments and aging school buildings has led the Town to undertake several major capital projects. In the fall of 2017, the renovation of the Stratton Elementary School and the addition of six classrooms to the Thompson Elementary School were completed and work began to renovate the previously closed Gibbs School Middle School to house the Town's sixth grade. That year the Town has also hired an owner's project manager and an architect to solicit community feedback and begin preparation of design documents for renovations to or replacement of Arlington High School. Town Meeting also approved funding for a six room expansion of the Hardy Elementary School.

#### **Awards and Acknowledgements**

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

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its CAFR for the year ended June 30, 2016. This was the first year that the Town submitted a CAFR to the GFOA. In order to receive this prestigious award, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Adam W. Chapdelaine  
Town Manager

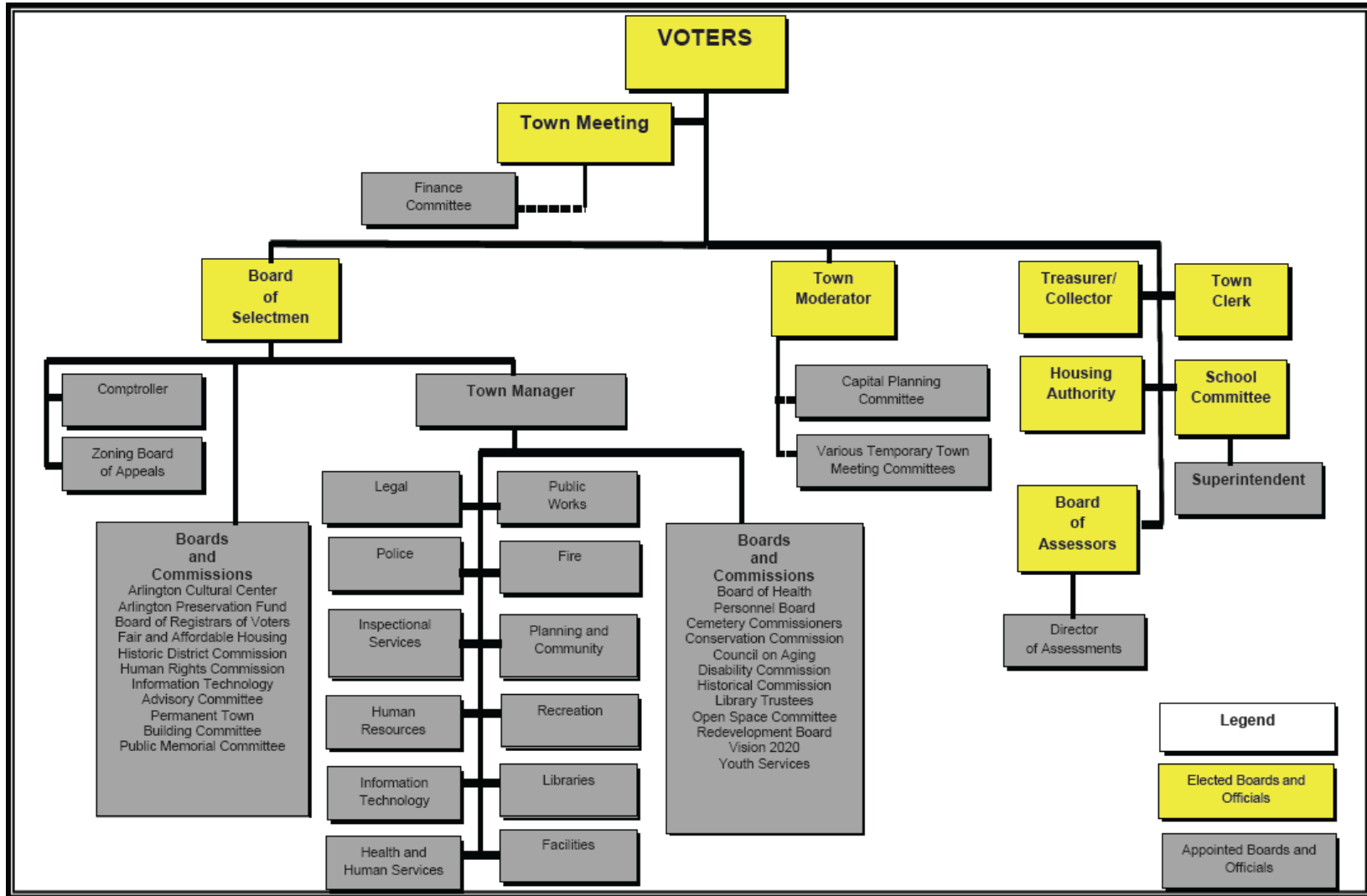
# Town of Arlington, Massachusetts

## Principal Executive Officers

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

# Town of Arlington, Massachusetts

## Organizational Chart



**Legend**

- Elected Boards and Officials
- Appointed Boards and Officials



Government Finance Officers Association

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

Presented to

**Town of Arlington  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Town of Arlington**

**Massachusetts**

For the Triennium Beginning

**July 1, 2017**

*Christopher P. Morill*

Executive Director

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# ***Financial Section***



Peirce School

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# ***Financial Section***

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## Independent Auditor's Report

To the Board of Selectmen  
Town of Arlington, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts as of and for the year ended June 30, 2017 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts, as of June 30, 2017 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2016), and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Town of Arlington, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Arlington, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

December 22, 2017

***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Arlington, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

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

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

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

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

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

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

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



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

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

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

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

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

## ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25.5 million at the close of 2017.

The largest portion of the Town's net position, \$123.9 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Governmental Activities**

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

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

The \$1.6 million decrease in noncurrent assets (excluding capital) is primarily due to the reduction in the intergovernmental receivable from the Massachusetts School Building Association, as school construction funds are received annually which are used to retire debt outstanding for school construction projects.

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

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

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

The increase in operating grants is related to the Massachusetts Teachers Retirement System's on-behalf payments, which increased the revenue and corresponding expense by \$3.4 million. This increase is a result of a change in the discount rate used in the determination of the net pension liability from 7.50% to 7.25%.

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

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

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

**Business-Type Activities**

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

There was a net increase of \$3.4 million in net position reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in 2017 by approximately \$5.7 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The increase in net position was related to the activity in the water and sewer enterprise fund and the recreation enterprise fund. The water and sewer fund reported an increase in charges for services which was offset by a \$545,000 increase in the MWRA assessment. This assessment comprises 70% of the fund's expenses. The \$2.5 million increase in net position of the water and sewer fund is consistent with prior years. The recreation enterprise fund increased by \$755,000, due to a capital contribution of \$771,000 from governmental activities.

The increase in capital assets consists of the water and sewer enterprise fund's investment in water and sewer lines and water meters, totaling approximately \$3.7 million in 2017, which was funded through available funds.

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$93.2 million which was an increase of \$3.2 million from the prior year.

The general fund reported a \$3.7 million increase in fund balance in the fund based financial statements. This includes the activity of the Town's stabilization funds and insurance trust funds which are reported within the general fund. The Town's stabilization funds totaled \$26.6 million at year end and reported an increase of \$2.6 million from 2016. The operating general fund accounted for the remaining \$1.1 million increase.

The Town's capital borrowing major fund had reported a fund balance of \$8.5 million, a decrease of \$5 million from the prior year. During 2017, the Town recognized \$14 million in bond proceeds in this major fund which represents long-term borrowing used to finance various capital projects identified in the Town's capital improvement plan. Current expenditures in this fund totaled \$18 million and related mainly to school building improvements.

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

### ***General Fund Budgetary Highlights***

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

By category, all actual revenues came in over budget except for hotel/motel tax. The largest revenue variance was in the motor vehicle excise taxes category where estimated revenue is budgeted conservatively and revenues increased from prior year. Other significant revenue surpluses were in intergovernmental, departmental and other, and real estate and personal property, which came in over budget by approximately \$476,000, \$438,000 and \$331,000, respectively. The Town also had a revenue surplus for the unbudgeted tax liens totaling \$470,000. Expenditures for employee benefits came in under budget by approximately \$1.4 million, significantly contributing to the surplus.

### ***Other Postemployment Benefits (OPEB)***

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

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

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

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

An actuarial study determined that Arlington's total Actuarial Accrued Liability as of January 1, 2016, at a 4.0% partially funded discount rate, totaled \$201 million. As of June 30, 2017, the Town has recognized a liability for other postemployment benefits totaling \$73.8 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$18.4 million and the Town's actual contribution of \$7.7 million, which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in the amounts of \$6.5 million and \$868,000, respectively. The assets set aside in trust for future benefits amounted to \$11.2 million at year-end.

The Town of Arlington is serious about addressing this liability within its financial ability and the OPEB Committee will continue to monitor this liability and explore possible additional funding sources.

### ***Capital Asset and Debt Administration***

The Town Manager is responsible for submitting a five-year capital-planning program for all departments to the Board of Selectmen each year. The Capital Planning Committee was created to advise and make recommendations regarding the Capital Plan. Annually the first year of the Capital Plan is submitted to the Town

Meeting as the Capital Budget for appropriation. The Capital Plan is reviewed and revised each year to make changes in priorities and to add an additional year to the planning process.

The goal of the Capital Planning Program is to provide a means of planning for the maintenance and/or improvement of the capital assets and infrastructure of the Town of Arlington. To that end, the policy is that approximately 5% of the projected revenue of the Town is dedicated to capital expenditures including prior and future debt issuances. For the 2017 budget, this allowed for an annual cash expenditure of \$2.5 million and a new borrowing of \$6.9 million (including Water & Sewer). The Town's outstanding long-term debt related to the general government and water & sewer enterprise, as of June 30, 2017, was \$80 million for various CIP related projects.

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

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

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

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

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

The Town is a member of the Massachusetts Water Resources Authority (MWRA), which assesses member communities annually for their proportionate share of the MWRA's debt service. The Town has also adopted Chapter 59 Section 21C Paragraph N of the Massachusetts General Law, which allows for the shifting of the debt service for water and sewer to the tax rate above the limits of Proposition 2 ½. The Town shifted \$5,593,112 in 2017 from the MWRA assessment to the property taxes. During FY 2017, the Town issued an additional \$200,000 in MWRA sewer bonds and \$1,100,000 in MWRA water bonds.

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

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

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

### Capital Assets

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

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

### Debt

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

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

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

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

### ***Requests for Information***

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



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# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2017

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

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

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

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

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

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

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

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	93,185,835
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		166,711,472
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		6,633,450
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		9,310,537
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(655,633)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(71,117,300)	
Unamortized premium on bonds payable.....	(3,773,920)	
Workers' compensation.....	(133,000)	
Compensated absences.....	(4,373,000)	
Net pension liability.....	(126,659,529)	
Other postemployment benefits.....	<u>(72,624,551)</u>	
Net effect of reporting long-term liabilities.....		(278,681,300)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>11,640</u>
Net position of governmental activities.....	\$	<u><u>(3,483,999)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

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

See notes to basic financial statements.



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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 3,207,233
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	21,541,712	
Depreciation expense.....	<u>(7,064,272)</u>	
Net effect of reporting capital assets.....		14,477,440
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(3,486,717)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(14,030,300)	
Premium from issuance of bonds, net of issue costs.....	(2,050,693)	
Debt service principal payments.....	<u>8,002,000</u>	
Net effect of reporting long-term debt.....		(8,078,993)
Net change in accrued interest on long-term debt.....	(172,547)	
Amortization of bond premiums.....	509,634	
Amortization of deferred charge on refunding.....	<u>(17,721)</u>	
Net effect of reporting other debt related activity.....		319,366
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	547,000	
Net change in deferred outflow/(inflow) of resources related to pensions.....	4,414,833	
Net change in net pension liability.....	(7,760,925)	
Net change in other postemployment benefits accrual.....	(10,115,553)	
Net change in workers' compensation accrual.....	<u>20,000</u>	
Net effect of recording long-term liabilities.....		<u>(12,894,645)</u>
Change in net position of governmental activities.....		\$ <u>(6,456,316)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2017

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

See notes to basic financial statements.

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

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

YEAR ENDED JUNE 30, 2017

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

See notes to basic financial statements.

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

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

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

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

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

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

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

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

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

*Joint Venture* – The Town is a member of the Minuteman Career & Technical High School that serves the members students seeking an education in academic and technical studies. The members share in the operations of the Minuteman Career & Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Minuteman Career & Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Minuteman Career & Technical High School and the 2017 assessment was \$3,649,349.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

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

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

### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

### *Government-Wide Financial Statements*

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

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

Program revenues include the following:

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

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

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

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

Investments are carried at fair value.

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

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

Property taxes are levied and based on values assessed on January 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Property taxes levied are recorded as receivables in the year of the levy.

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

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

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

### ***Motor Vehicle Excise Taxes***

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

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

### ***User Fees***

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

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

### ***Departmental and Other***

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

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

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the

provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

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

**Loans**

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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



*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

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

Net position has been "restricted for" the following:

"Loans" represents community development outstanding loan receivable balances.

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

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

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

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

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

*Fund Financial Statements (Fund Balances)*

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

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

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

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

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

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

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

#### M. Pensions

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

#### N. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### O. Investment Income

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

income from the enterprise funds (except the water and sewer enterprise fund) is voluntarily assigned and transferred to the general fund.

#### P. Compensated Absences

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

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### Q. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

#### R. Individual Fund Deficit

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

#### S. Total Column

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

## **NOTE 2 – CASH AND INVESTMENTS**

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

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

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

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

Funds held in the Other Postemployment Benefit (OPEB) Trust Fund are held under the supervision and investment management of the Town's Contributory Retirement Board. The Town Treasurer is the custodian of the OPEB Trust Fund. Investments of approximately \$11.2 million in the OPEB Trust Fund are included within the Town's investments balance in the following disclosures.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Arlington's deposits may not be returned to it. The Town's established policy is to fully collateralize all deposits. At year-end, the carrying amount of deposits totaled \$59,856,932 and the bank balance totaled \$64,304,940. Of the bank balance, \$8,054,195 was covered by Federal Depository Insurance, \$13,947,367 was covered by Depositors Insurance Fund, and \$42,303,378 was fully collateralized. Accordingly, none of the Town's deposits are exposed to custodial credit risk.

At December 31, 2016, carrying amount of deposits for the Pension System totaled \$39,316 and the bank balance totaled \$259,311. All of the bank balance was covered by the Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Investments

As of June 30, 2017, the Town of Arlington had the following investments:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
U.S. Treasury Bonds.....	\$ 2,963,876	\$ 269,955	\$ 1,060,869	\$ 1,010,930	\$ 622,122
Corporate Bonds.....	4,052,881	271,560	1,034,717	1,443,424	1,303,180
Total Debt Securities.....	7,016,757	\$ 541,515	\$ 2,095,586	\$ 2,454,354	\$ 1,925,302
<u>Other Investments:</u>					
Mutual Funds.....	11,201,306				
Equity Securities.....	12,626,988				
Real Estate Investment Trusts.....	291,968				
Money Market Mutual Funds.....	255,105				
MMDT - Cash Portfolio.....	39,047,817				
Total Investments.....	\$ 70,439,941				

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

	<u>Fair Value</u>
<u>Other Investments:</u>	
PRIT.....	\$ 128,298,343
Money Market Mutual Funds.....	7,460,175
Equity Mutual Funds.....	<u>2,837,069</u>
Total Investments.....	<u>\$ 138,595,587</u>

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 years.

Custodial Credit Risk – Investments

The Town’s policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. Of the Town’s investments, \$7,016,757 in debt securities, \$12,626,988 in equity securities, and \$291,968 in real estate investment trusts are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. As of June 30, 2017, the Town’s investments in MMDT which totaled \$39,047,817 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2016, the System’s investments in PRIT and open-end mutual funds totaling \$138,595,587 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

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

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

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

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town’s policy related to Credit Risk consists of tracking the credit worthiness of specific financial institutions at least semiannually. The current practice is to review credit risk quarterly. At June 30, 2017, the Town’s investments were rated as shown on the following page.

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

The Town’s investment in MMDT is unrated.

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

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

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

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

Fair Market Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt Securities:</u>				
U.S. Treasury Bonds.....	\$ 2,963,876	\$ 2,963,876	\$ -	\$ -
Corporate Bonds.....	4,052,881	-	4,052,881	-
Total debt securities.....	7,016,757	2,963,876	4,052,881	-
<u>Other investments:</u>				
Mutual Funds.....	11,201,306	11,201,306	-	-
Equity Securities.....	12,626,988	12,626,988	-	-
Real Estate Investment Trusts.....	291,968	-	-	291,968
Money Market Mutual Funds.....	255,105	255,105	-	-
Total other investments.....	24,375,367	24,083,399	-	291,968
Total investments measured at fair value.....	31,392,124	\$ 27,047,275	\$ 4,052,881	\$ 291,968
<b>Investments measured at amortized cost:</b>				
MMDT - Cash Portfolio.....	39,047,817			
Total investments.....	\$ 70,439,941			

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

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

**Retirement System**

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



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

The System has the following recurring fair value measurements as of December 31, 2016:

Investment Type	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Other investments:</u>				
Money Market Mutual Funds.....	\$ 7,460,175	\$ 7,460,175	\$ -	\$ -
Equity Mutual Funds.....	<u>2,837,069</u>	<u>2,837,069</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	10,297,244	<u>\$ 10,297,244</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments measured at net asset value (NAV):**

PRIT.....	<u>128,298,343</u>
Total investments.....	<u>\$ 138,595,587</u>

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

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

**NOTE 3 – RECEIVABLES**

At June 30, 2017, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 476,754	\$ -	\$ 476,754
Real estate tax deferrals.....	287,608	-	287,608
Tax liens.....	545,964	-	545,964
Motor vehicle excise taxes.....	283,679	(74,173)	209,506
Departmental and other.....	4,406	(214)	4,192
Special assessments.....	869	-	869
Intergovernmental.....	5,244,844	-	5,244,844
Loans.....	622,111	-	622,111
Total.....	<u>\$ 7,466,235</u>	<u>\$ (74,387)</u>	<u>\$ 7,391,848</u>

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

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

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

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

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,525,593	\$ -	\$ -	\$ 10,525,593
Construction in progress.....	18,227,173	8,525,425	(17,095,995)	9,656,603
Total capital assets not being depreciated.....	<u>28,752,766</u>	<u>8,525,425</u>	<u>(17,095,995)</u>	<u>20,182,196</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	130,211,126	22,706,581	-	152,917,707
Improvements.....	21,137,413	2,916,567	-	24,053,980
Vehicles and equipment.....	11,685,714	1,899,398	(834,860)	12,750,252
Infrastructure.....	75,295,478	2,589,736	(2,258,106)	75,627,108
Total capital assets being depreciated.....	<u>238,329,731</u>	<u>30,112,282</u>	<u>(3,092,966)</u>	<u>265,349,047</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(53,566,602)	(3,055,956)	-	(56,622,558)
Improvements.....	(6,359,913)	(1,106,981)	-	(7,466,894)
Vehicles and equipment.....	(7,618,693)	(1,223,247)	834,860	(8,007,080)
Infrastructure.....	(47,303,257)	(1,678,088)	2,258,106	(46,723,239)
Total accumulated depreciation.....	<u>(114,848,465)</u>	<u>(7,064,272)</u>	<u>3,092,966</u>	<u>(118,819,771)</u>
Total capital assets being depreciated, net.....	<u>123,481,266</u>	<u>23,048,010</u>	<u>-</u>	<u>146,529,276</u>
Total governmental activities capital assets, net.....	<u>\$ 152,234,032</u>	<u>\$ 31,573,435</u>	<u>\$ (17,095,995)</u>	<u>\$ 166,711,472</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,954	\$ -	\$ -	\$ 2,954
<u>Capital assets being depreciated:</u>				
Buildings.....	730,566	125,925	-	856,491
Improvements.....	2,512,203	645,230	-	3,157,433
Vehicles and equipment.....	3,516,826	97,839	(139,130)	3,475,535
Infrastructure.....	27,179,532	2,803,998	-	29,983,530
Total capital assets being depreciated.....	<u>33,939,127</u>	<u>3,672,992</u>	<u>(139,130)</u>	<u>37,472,989</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(261,865)	(21,415)	-	(283,280)
Improvements.....	(673,899)	(160,512)	-	(834,411)
Vehicles and equipment.....	(2,053,389)	(318,829)	139,130	(2,233,088)
Infrastructure.....	(6,166,201)	(598,852)	-	(6,765,053)
Total accumulated depreciation.....	<u>(9,155,354)</u>	<u>(1,099,608)</u>	<u>139,130</u>	<u>(10,115,832)</u>
Total capital assets being depreciated, net.....	<u>24,783,773</u>	<u>2,573,384</u>	<u>-</u>	<u>27,357,157</u>
Total business-type activities capital assets, net.....	<u>\$ 24,786,727</u>	<u>\$ 2,573,384</u>	<u>\$ -</u>	<u>\$ 27,360,111</u>

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

**Governmental Activities:**

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

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

**Business-Type Activities:**

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

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

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

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

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

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

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

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

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

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

**NOTE 7 – LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

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

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

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

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2017, \$2,474,773 of such assistance was received. Approximately \$3,046,000 will be received in future years. Of this amount, approximately \$130,000 represents reimbursement of long-term interest costs, and approximately \$2,916,000 represents reimbursement of approved construction costs. Accordingly, a \$2,916,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental fund financial statements. The net change in unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund**

The Town is a member of the Massachusetts Water Resources Authority (MWRA) which offers its members interest free loans for various purposes. The majority of the Town’s Water and Sewer Enterprise Fund debt is issued through this program. The interest imputed on the remaining life of the 0% MWRA bonds totaled

approximately \$512,000. However, the cost on a yearly basis is deemed immaterial. No adjustments have been made to recognize the imputed interest.

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

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

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

	Principal	Interest	Total
2018.....	\$ 1,280,300	\$ 97,619	\$ 1,377,919
2019.....	1,196,100	84,994	1,281,094
2020.....	1,010,600	72,494	1,083,094
2021.....	900,600	60,119	960,719
2022.....	895,600	47,969	943,569
2023.....	700,000	37,869	737,869
2024.....	615,000	29,969	644,969
2025.....	430,000	24,919	454,919
2026.....	335,000	22,454	357,454
2027.....	220,000	19,957	239,957
2028.....	90,000	17,429	107,429
2029.....	90,000	14,885	104,885
2030.....	85,000	12,307	97,307
2031.....	85,000	9,613	94,613
2032.....	85,000	6,826	91,826
2033.....	85,000	3,932	88,932
2034.....	65,000	1,219	66,219
Totals.....	\$ 8,168,200	\$ 564,574	\$ 8,732,774

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

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



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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 145,000	\$ 25,306	\$ 170,306
2019.....	145,000	20,181	165,181
2020.....	145,000	14,931	159,931
2021.....	45,000	11,256	56,256
2022.....	45,000	9,156	54,156
2023.....	45,000	7,056	52,056
2024.....	45,000	5,106	50,106
2025.....	45,000	3,306	48,306
2026.....	15,000	2,247	17,247
2027.....	15,000	1,919	16,919
2028.....	15,000	1,572	16,572
2029.....	15,000	1,216	16,216
2030.....	10,000	913	10,913
2031.....	10,000	663	10,663
2032.....	10,000	406	10,406
2033.....	<u>10,000</u>	<u>138</u>	<u>10,138</u>
Totals.....	\$ <u>760,000</u>	\$ <u>105,372</u>	\$ <u>865,372</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had the following authorized and unissued debt:

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

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 65,089,000	\$ 14,030,300	\$ (8,002,000)	\$ 71,117,300	\$ 8,175,000
Add: Unamortized Premium.....	2,232,861	2,050,693	(509,634)	3,773,920	583,803
Total Long-Term Bonds.....	67,321,861	16,080,993	(8,511,634)	74,891,220	8,758,803
Net Pension Liability.....	118,898,604	20,837,185	(13,076,260)	126,659,529	-
Other Postemployment Benefits.....	62,508,998	17,719,613	(7,604,060)	72,624,551	-
Workers' Compensation.....	153,000	312,337	(332,337)	133,000	83,000
Compensated Absences.....	4,920,000	2,665,000	(3,212,000)	4,373,000	2,570,000
Total governmental activities.....	\$ <u>253,802,463</u>	\$ <u>57,615,128</u>	\$ <u>(32,736,291)</u>	\$ <u>278,681,300</u>	\$ <u>11,411,803</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 9,148,916	\$ 1,300,000	\$ (1,520,716)	\$ 8,928,200	\$ 1,425,300
Net Pension Liability.....	6,996,824	700,960	(720,347)	6,977,437	-
Other Postemployment Benefits.....	1,015,871	232,593	(60,940)	1,187,524	-
Compensated Absences.....	150,000	80,000	(80,000)	150,000	74,000
Total business-type activities.....	\$ <u>17,311,611</u>	\$ <u>2,313,553</u>	\$ <u>(2,382,003)</u>	\$ <u>17,243,161</u>	\$ <u>1,499,300</u>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

The Town's stabilization funds total approximately \$26,601,000 and have been reported within the general fund as unassigned and the Town's municipal insurance funds totaling approximately \$3,267,000 have been reported within the general fund as restricted.

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

	<u>General</u>	<u>Capital Borrowing Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal..... \$	-	-	\$ 4,850,516	\$ 4,850,516
Restricted for:				
Municipal insurance.....	3,266,956	-	-	3,266,956
Capital borrowing funds.....	-	8,467,184	-	8,467,184
Town revolving funds.....	-	-	1,595,649	1,595,649
Town gift and grant funds.....	-	-	1,869,099	1,869,099
Community development grants.....	-	-	49,494	49,494
School lunch.....	-	-	353,286	353,286
School revolving funds.....	-	-	2,369,936	2,369,936
School gift and grant funds.....	-	-	3,112,131	3,112,131
Receipts reserved for appropriation.....	-	-	701,293	701,293
Special revenue trust funds.....	-	-	831,288	831,288
Employee insurance mitigation funds.....	-	-	728,317	728,317
Other special revenue funds.....	-	-	3,806,109	3,806,109
Community Preservation fund.....	-	-	2,773,513	2,773,513
Symmes Property.....	-	-	332,279	332,279
Highway fund.....	-	-	24	24
Capital tax levy projects.....	-	-	1,654,531	1,654,531
Other capital projects.....	-	-	36,395	36,395
Cemeteries.....	-	-	741,907	741,907
Cemetery perpetual care.....	-	-	4,304,273	4,304,273
Libraries.....	-	-	3,335,255	3,335,255
Education permanent funds.....	-	-	200,935	200,935
Committed to:				
General government.....	279,021	-	-	279,021
Public works.....	1,916	-	-	1,916
Community development.....	1,255	-	-	1,255
Human Services.....	3,989	-	-	3,989
Culture and recreation.....	5,458	-	-	5,458
Assigned to:				
General government.....	203,378	-	-	203,378
Public safety.....	37,880	-	-	37,880
Education.....	199,551	-	-	199,551
Public works.....	886,552	-	-	886,552
Community development.....	25,404	-	-	25,404
Human services.....	4,932	-	-	4,932
Culture and recreation.....	27,939	-	-	27,939
Balance the FY18 operating budget.....	4,850,566	-	-	4,850,566
Unassigned.....	41,337,204	-	(59,580)	41,277,624
<b>TOTAL FUND BALANCES..... \$</b>	<b><u>51,132,001</u></b>	<b><u>\$ 8,467,184</u></b>	<b><u>\$ 33,586,650</u></b>	<b><u>\$ 93,185,835</u></b>

**NOTE 9 – STABILIZATION FUND**

At June 30, 2017, the Town has approximately \$3.1 million in a stabilization fund, which is classified as part of the general fund in the fund-based basic financial statements. The Town may use the stabilization fund for general and/or capital purposes upon Town Meeting approval. The Town also has a special education stabilization fund which has a balance of \$1,000.

**NOTE 10 – FISCAL STABILITY STABILIZATION FUND**

The Town created a Fiscal Stability Fund pursuant to Article 65 of the 2005 Annual Town Meeting in accordance with the provisions of the General Laws, Chapter 40, Section 5B, as amended. The fund was established to hold surplus override tax revenues for future years in which operating deficits are projected. A Special Town Meeting held on June 7, 2011 approved a general tax override of \$6,490,000 for this purpose. As of June 30, 2017, the Fiscal Stability Fund has a balance of approximately \$23.5 million which is classified as part of the general fund in the fund-based financial statements.

**NOTE 11 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. During 2012, the Town discontinued a self-insured health insurance plan and joined the Group Insurance Commission of the Commonwealth of Massachusetts (GIC) to provide health insurance benefits for its employees and retirees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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

***Workers’ Compensation***

Workers’ compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers’ compensation liability is based on history and injury type. The estimate of the claims liability also includes amounts for nonincremental claim adjustment expenses.

At June 30, 2017, the amount of the liability for workers’ compensation claims totaled \$133,000. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2015, are as follows:

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

**NOTE 12 – PENSION PLAN**

*Plan Descriptions*

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

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$11,927,082 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$116,924,661 as of the measurement date.

*Benefits Provided*

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

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

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

At December 31, 2016, the ACRS membership consists of the following:

Active members.....	696
Inactive members.....	329
Retirees and beneficiaries currently receiving benefits.....	<u>603</u>
Total.....	<u><u>1,628</u></u>

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2016, was \$11,122,754, 30.35% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$10,659,672. The Town's actual contribution was \$10,694,705, which exceeded the required contribution by \$35,033. The excess contribution is related to a federal grant reimbursement.

*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2017, were as follows:

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

At June 30, 2017, the Town reported a liability of \$133,636,966 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the Town's proportion was 96.17%, which increased by .04% from its proportion measured at December 31, 2015.

*Pension Expense*

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

The balances of deferred outflows/ (inflows) of resources related to pension at June 30, 2017, consist of the following:

<u>Deferred category:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 976,925	\$ (1,039,161)	\$ (62,236)
Changes of assumptions.....	4,462,386	-	4,462,386
Difference between projected and actual investment earnings.....	5,365,245	-	5,365,245
Changes in proportion and proportionate share of contributions.....	<u>58,042</u>	<u>-</u>	<u>58,042</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 10,862,598</u>	<u>\$ (1,039,161)</u>	<u>\$ 9,823,437</u>

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

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

*Actuarial Assumptions*

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

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Level 5.50% increase of contribution amount.
Remaining amortization period.....	18 years for the fresh start base.
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 4 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return.....	7.25%
Discount rate.....	7.25%
Inflation rate.....	3.00% per year.

Projected salary increases.....	4.00% Ultimate rate, plus the following steps and longevity: <ul style="list-style-type: none"> <li>• Group 1 and 2: 3.75% for the first 6 years of service</li> <li>• Group 4: 1.00% in year 5, 0.99% in year 10, 0.98% in year 15, 0.971% in year 20 and 0.962% in year 25</li> </ul>
Cost of living adjustments.....	3.0% of the first \$15,000 of a member's retirement allowance is assumed to be granted every year.
Mortality rates.....	RP-2000 table projected with Generational mortality, Scale BB with a base year of 2000 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. In-service death is assumed to be 55% accidental for group 1 and 2 and 90% accidental for group 4.

*Investment Policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Global Equity		
Large cap equities.....	4.37%	14.50%
Small/mid cap equities.....	4.61%	3.50%
International equities.....	4.69%	16.00%
Emerging equities.....	6.42%	6.00%
Core Fixed Income		
Core Bonds.....	0.97%	5.00%
20+ year Treasuries.....	0.73%	2.00%
TIPS.....	0.73%	5.00%
Value-Added Fixed Income		
High-yield Bonds.....	2.67%	1.50%
Bank Loans.....	2.91%	2.50%
EMD (external).....	2.67%	1.00%
EMD (local currency).....	3.40%	0.00%
Distressed Debt.....	5.88%	3.00%
Other Credit Opportunities.....	3.73%	2.00%
Private equity.....	6.31%	11.00%
Real estate.....	3.40%	10.00%
Timberland.....	2.91%	4.00%
Hedge funds/Portfolio Completion.....	3.38%	13.00%
Total.....		100.00%



*Rate of Return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate*

The discount rate used to measure the total pension liability at June 30, 2017, was 7.25%, which changed from 7.50% at June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate* – The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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

*Changes in Assumptions and Plan Provisions*

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

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

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

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s participation in the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Chapter 32B of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

contributes 75 to 80 percent of the cost of current-year premiums for healthcare insurance for eligible retired plan members and their spouses and may contribute additional amounts to pre-fund benefits. Plan members receiving benefits contribute the remaining 15 to 25 percent of their premium costs. For 2017, the Town's age-adjusted contribution to the plan totaled \$7.7 million. For the year ended June 30, 2017, the Town's average contribution rate was 9.86% of covered-payroll.

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

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

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

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

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

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

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

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

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

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

*Investment Policy*

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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

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

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

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

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

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

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

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

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

**Schedule of Employer Contributions**

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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2016	\$ 8,889,640	\$ 200,987,480	\$ 192,097,840	4%	\$ 77,756,000	247.1%
1/1/2014	7,042,157	192,488,324	185,446,167	4%	67,939,000	273.0%
1/1/2012	4,263,204	174,062,552	169,799,348	2%	56,390,000	301.1%

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

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The blended rate of investment return was calculated by starting with the Town's expected rate of return of 4.0% and taking into account the expected contributions to the trust. The blended rate used is 4.4%. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**NOTE 14 – COMMITMENTS**

As of June 30, 2017, the Town was entering the final stages of the renovation of the Stratton Elementary School, the final elementary school to be renovated as part of a multi-year plan. This project requires the procurement of modular classrooms to house students during construction. The total budget for the modular classrooms and construction is approximately \$15 million. The Town has designed a six classroom expansion to the Thompson Elementary School in response to growing school enrollment which began construction during fiscal year 2017. The expected cost of this project is \$4 million.

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

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

**NOTE 15 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

**NOTE 16 – SUBSEQUENT EVENTS**

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

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

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

- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

## ***Required Supplementary Information***



# ***General Fund Budgetary Comparison Schedule***

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

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

YEAR ENDED JUNE 30, 2017

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

(Continued)

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

YEAR ENDED JUNE 30, 2017

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

(Continued)

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

YEAR ENDED JUNE 30, 2017

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

(Continued)

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

YEAR ENDED JUNE 30, 2017

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

See notes to required supplementary information.

(Concluded)

# ***Pension Plan Schedules Retirement System***

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016
<b>Total pension liability:</b>			
Service cost.....	\$ 4,744,410	\$ 4,956,084	\$ 5,193,088
Interest.....	18,685,017	19,166,240	18,902,482
Changes in assumptions.....	-	-	5,894,235
Differences between expected and actual experience.....	-	(1,851,544)	1,290,391
Benefit payments.....	(17,126,706)	(17,015,692)	(17,446,008)
Net change in total pension liability.....	6,302,721	5,255,088	13,834,188
Total pension liability, beginning.....	252,695,991	258,998,712	264,253,800
Total pension liability, ending (a).....	<u>\$ 258,998,712</u>	<u>\$ 264,253,800</u>	<u>\$ 278,087,988</u>
<b>Plan fiduciary net position:</b>			
Employer contributions.....	\$ 9,993,280	\$ 10,546,215	\$ 11,122,754
Member contributions.....	3,321,267	3,458,362	3,517,426
Net investment income (loss).....	9,565,706	1,459,650	8,995,186
Retirement benefits and refunds.....	(17,126,706)	(17,015,692)	(17,446,008)
Administrative expenses.....	(277,509)	(290,212)	(333,705)
Net increase (decrease) in fiduciary net position.....	5,476,038	(1,841,677)	5,855,653
Fiduciary net position at beginning of year.....	129,637,643	135,113,681	133,272,004
Fiduciary net position at end of year (b).....	<u>\$ 135,113,681</u>	<u>\$ 133,272,004</u>	<u>\$ 139,127,657</u>
<b>Net pension liability - ending (a) - (b).....</b>	<u><b>\$ 123,885,031</b></u>	<u><b>\$ 130,981,796</b></u>	<u><b>\$ 138,960,331</b></u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%	50.03%
Covered-employee payroll.....	\$ 32,938,880	\$ 35,280,374	\$ 36,525,658
Net pension liability as a percentage of covered-employee payroll.....	376.11%	371.26%	380.45%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS  
ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Actuarially determined contribution..... \$	9,960,539	\$ 10,508,369	\$ 11,086,329
Contributions in relation to the actuarially determined contribution.....	<u>(9,960,539)</u>	<u>(10,546,215)</u>	<u>(11,122,754)</u>
Contribution deficiency (excess)..... \$	<u>                  -</u>	<u>          (37,846)</u>	<u>          (36,425)</u>
Covered-employee payroll..... \$	32,938,880	\$ 35,280,374	\$ 36,525,658
Contributions as a percentage of covered- employee payroll.....	30.24%	29.89%	30.45%

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

See notes to required supplementary information.



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

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	December 31, 2014	December 31, 2015	December 31, 2016
Annual money-weighted rate of return, net of investment expense.....	6.70%	0.95%	6.41%

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

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

See notes to required supplementary information.

# ***Pension Plan Schedules – Town***

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	96.12%	96.13%	96.18%
Town's proportionate share of the net pension liability (asset)..... \$	119,059,301	\$ 125,895,428	\$ 133,636,966
Town's covered employee payroll..... \$	31,699,372	\$ 33,983,355	\$ 35,322,501
Net pension liability as a percentage of covered-employee payroll.....	375.59%	370.46%	378.33%
Plan fiduciary net position as a percentage of the total pension liability.....	52.17%	50.43%	50.03%

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

See notes to required supplementary information.

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

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

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2017	\$ 116,924,661	\$ 11,927,082	52.73%
2016	105,014,197	8,517,586	55.38%
2015	77,866,611	5,409,767	61.64%

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

## GASB #74

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

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

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

## GASB #45

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

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

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

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

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

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

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

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

See notes to required supplementary information.



**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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June 30, 2017

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

See notes to required supplementary information.

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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2016	\$ 8,889,640	\$ 200,987,480	\$ 192,097,840	4%	\$ 77,756,000	247.1%
1/1/2014	7,042,157	192,488,324	185,446,167	4%	67,939,000	273.0%
1/1/2012	4,263,204	174,062,552	169,799,348	2%	56,390,000	301.1%

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 18,408,943	\$ 7,665,000	42%
6/30/2016	16,421,448	7,693,448	47%
6/30/2014	18,436,385	6,831,782	37%
6/30/2013	17,304,029	6,779,020	39%
6/30/2012	14,630,220	7,938,699	54%

See notes to required supplementary information.

**ACTUARIAL METHODS AND ASSUMPTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Actuarial Methods:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Costs are based on the projected unit credit cost method
Amortization method.....	Amortization is based on assumed payroll increase of 3.25%
Remaining amortization period.....	22 years as of January 1, 2016, closed
Asset valuation method.....	Market value of assets

Actuarial Assumptions:

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

Plan Membership:

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

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING**

A. Budgetary Information

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

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

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The 2017 original budget includes approximately \$146.4 million in current year authorized appropriations and other amounts to be raised and \$4.1 million in encumbrances and appropriations were carried over from previous years. During 2017, the Town’s overall budget was increased by approximately \$386,000.

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

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented as follows:

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

### C. Appropriation Deficits

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

## **NOTE B – PENSION PLAN**

### ***Pension Plan Schedules – Retirement System***

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

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

Amounts reported for the differences between expected and actual experience totaled \$1.3 million as of December 31, 2016. There were also reported amounts for the changes in benefit terms and changes in assumptions of \$5.9 million as of December 31, 2016.

#### B. Schedule of Contributions

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

#### C. Schedule of Investment Returns

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

### ***Pension Plan Schedules - Town***

#### A. Schedule of the Town's Proportionate Share of the Net Pension Liability

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

#### B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount

to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

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

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

#### D. Changes in Assumptions

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

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

#### E. Changes in Plan Provisions

None

### **NOTE C – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

#### ***The Other Postemployment Benefit Plan***

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

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

##### B. Schedule of the Town's Contributions

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

### C. Schedule of Investment Returns

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

#### ***The Town***

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 4%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

### A. Schedule of Funding Progress

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

### B. Schedule of Employer Contributions

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

### C. Schedule of Actuarial Methods and Assumptions

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

# ***Other Supplementary Information***



# ***Combining Statements and Individual Fund Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Capital Project Funds***

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

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

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

### ***Permanent Funds***

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

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

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2017

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

(Continued)

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

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2017

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

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

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

(Continued)



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

(Continued)

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

YEAR ENDED JUNE 30, 2017

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

(Concluded)

# ***Agency Fund***

## Fund Description

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

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2017

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

# ***Statistical Section***



Highland Fire Station

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# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

## ***Demographic and Economic Information***

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

## ***Operating Information***

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

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

**Net Position By Component**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 89,599,804	\$ 87,212,587	\$ 87,746,066	\$ 88,836,285	\$ 92,844,805	\$ 97,950,516	\$ 104,460,350	\$ 104,863,992	\$ 103,704,315	\$ 103,203,353
Restricted.....	10,210,306	8,734,994	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144	20,701,128
Unrestricted.....	<u>23,463,615</u>	<u>15,974,024</u>	<u>8,151,845</u>	<u>4,035,012</u>	<u>9,036,338</u>	<u>6,869,530</u>	<u>(111,690,572)</u>	<u>(117,522,507)</u>	<u>(119,932,142)</u>	<u>(127,388,480)</u>
Total governmental activities net position.....	<u>\$ 123,273,725</u>	<u>\$ 111,921,605</u>	<u>\$ 104,724,314</u>	<u>\$ 104,613,882</u>	<u>\$ 114,347,751</u>	<u>\$ 119,200,059</u>	<u>\$ 9,431,741</u>	<u>\$ 4,998,325</u>	<u>\$ 2,972,317</u>	<u>\$ (3,483,999)</u>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 7,129,911	\$ 8,515,544	\$ 10,253,410	\$ 13,065,709	\$ 14,543,666	\$ 14,827,000	\$ 16,204,401	\$ 17,203,440	\$ 17,852,129	\$ 20,736,946
Unrestricted.....	<u>9,597,999</u>	<u>9,491,968</u>	<u>8,635,937</u>	<u>9,320,188</u>	<u>8,200,267</u>	<u>8,966,332</u>	<u>3,125,804</u>	<u>5,537,768</u>	<u>7,743,484</u>	<u>8,243,339</u>
Total business-type activities net position.....	<u>\$ 16,727,910</u>	<u>\$ 18,007,512</u>	<u>\$ 18,889,347</u>	<u>\$ 22,385,897</u>	<u>\$ 22,743,933</u>	<u>\$ 23,793,332</u>	<u>\$ 19,330,205</u>	<u>\$ 22,741,208</u>	<u>\$ 25,595,613</u>	<u>\$ 28,980,285</u>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 96,729,715	\$ 95,728,131	\$ 97,999,476	\$ 101,901,994	\$ 107,388,471	\$ 112,777,516	\$ 120,664,751	\$ 122,067,432	\$ 121,556,444	\$ 123,940,299
Restricted.....	10,210,306	8,734,994	8,826,403	11,742,585	12,466,608	14,380,013	16,661,963	17,656,840	19,200,144	20,701,128
Unrestricted.....	<u>33,061,614</u>	<u>25,465,992</u>	<u>16,787,782</u>	<u>13,355,200</u>	<u>17,236,605</u>	<u>15,835,862</u>	<u>(108,564,768)</u>	<u>(111,984,739)</u>	<u>(112,188,658)</u>	<u>(119,145,141)</u>
Total primary government net position.....	<u>\$ 140,001,635</u>	<u>\$ 129,929,117</u>	<u>\$ 123,613,661</u>	<u>\$ 126,999,779</u>	<u>\$ 137,091,684</u>	<u>\$ 142,993,391</u>	<u>\$ 28,761,946</u>	<u>\$ 27,739,533</u>	<u>\$ 28,567,930</u>	<u>\$ 25,496,286</u>

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



**Changes in Net Position**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 9,674,926	\$ 10,522,085	\$ 9,914,031	\$ 9,947,609	\$ 10,355,512	\$ 10,813,564	\$ 11,362,970	\$ 11,994,175	\$ 11,984,655	\$ 13,172,189
Public safety.....	19,974,263	22,816,248	23,893,787	23,871,641	23,275,317	25,861,607	25,960,607	26,530,179	27,170,555	29,438,861
Education.....	70,688,522	77,464,198	79,863,607	77,192,270	80,540,822	80,812,950	95,698,115	92,752,859	100,991,589	107,943,200
Public works.....	9,788,561	10,631,214	12,913,532	12,048,448	11,598,855	12,993,064	13,073,357	13,783,618	12,652,291	14,089,422
Community development.....	4,169,059	4,268,507	4,545,071	5,576,161	5,029,219	5,683,462	3,658,595	3,235,477	3,428,730	3,048,321
Property and natural resources.....	2,624,450	2,044,335	-	-	-	-	-	-	-	-
Human services.....	1,294,867	1,376,459	1,617,701	1,739,411	1,792,014	2,023,675	1,880,010	2,112,859	2,254,316	2,285,633
Library.....	2,916,575	3,187,101	3,357,258	3,262,313	3,352,988	3,375,967	3,605,979	3,655,453	3,905,708	3,984,518
Culture and recreation.....	216,814	897,563	338,759	481,634	652,529	795,686	926,550	1,085,309	1,286,389	1,329,712
Claims and judgments.....	106,500	25,000	25,000	-	-	-	-	-	-	70,000
Interest.....	2,217,666	1,910,994	1,792,028	1,749,050	1,361,552	1,802,643	1,231,900	1,544,213	1,529,365	1,605,337
<b>Total government activities expenses.....</b>	<b>123,672,203</b>	<b>135,143,704</b>	<b>138,260,774</b>	<b>135,868,537</b>	<b>137,958,808</b>	<b>154,162,618</b>	<b>157,398,083</b>	<b>156,694,142</b>	<b>165,203,598</b>	<b>176,967,193</b>
<b>Business-type activities:</b>										
Water/Sewer.....	13,863,832	14,510,909	15,053,016	15,957,414	16,430,637	17,587,856	18,010,392	18,305,620	18,063,661	18,750,207
Youth Services.....	471,096	523,919	416,415	420,751	387,042	465,735	582,744	590,265	585,950	587,722
Council on Aging.....	95,907	103,857	90,648	80,716	100,544	121,014	120,856	109,930	114,109	81,089
Ed Burns Arena.....	452,795	519,886	491,960	538,807	603,557	601,659	646,235	610,885	632,989	605,009
Recreation.....	546,685	561,902	550,909	575,960	587,327	627,364	671,791	665,280	664,753	758,047
<b>Total business-type activities expenses.....</b>	<b>15,430,315</b>	<b>16,220,473</b>	<b>16,602,948</b>	<b>17,573,648</b>	<b>18,109,107</b>	<b>19,403,628</b>	<b>20,032,018</b>	<b>20,281,980</b>	<b>20,061,462</b>	<b>20,782,074</b>
<b>Total primary government expenses.....</b>	<b>\$ 139,102,518</b>	<b>\$ 151,364,177</b>	<b>\$ 154,863,722</b>	<b>\$ 153,442,185</b>	<b>\$ 156,067,915</b>	<b>\$ 173,566,246</b>	<b>\$ 177,430,101</b>	<b>\$ 176,976,122</b>	<b>\$ 185,265,060</b>	<b>\$ 197,749,267</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
General government charges for services.....	\$ 1,939,783	\$ 1,785,164	\$ 2,054,603	\$ 2,112,160	\$ 3,052,376	\$ 2,053,773	\$ 2,526,690	\$ 2,246,235	\$ 2,268,154	\$ 1,913,039
Public safety charges for services.....	2,866,575	3,039,873	3,184,903	3,514,618	4,359,394	4,374,659	4,234,027	4,355,275	4,795,099	4,321,115
Education charges for services.....	1,793,004	2,674,690	3,184,888	3,683,999	3,380,703	2,164,240	2,611,699	2,957,503	3,410,682	3,423,190
Other charges for services.....	1,478,202	1,478,734	1,741,943	1,722,409	1,889,450	2,075,978	2,322,698	2,517,365	3,685,216	3,503,615
Education operating grants and contributions.....	21,598,957	23,327,897	24,789,033	25,590,462	26,207,950	26,803,620	30,016,694	23,079,726	27,595,657	31,485,908
Other operating grants and contributions.....	4,873,529	4,575,412	6,030,842	5,823,061	5,669,665	6,654,675	4,731,763	3,712,772	3,372,823	3,006,122
Education capital grants and contributions.....	-	-	-	-	2,573,103	6,013,420	1,056,974	84,847	-	-
Other capital grant and contributions.....	-	1,261,570	439,717	818,797	279,891	787,547	1,574,503	251,334	930,611	480,762
<b>Total government activities program revenues.....</b>	<b>34,550,050</b>	<b>38,212,340</b>	<b>42,198,929</b>	<b>43,265,506</b>	<b>47,412,532</b>	<b>50,927,912</b>	<b>49,077,048</b>	<b>39,205,057</b>	<b>46,058,242</b>	<b>48,133,751</b>
<b>Business-type activities:</b>										
Charges for services - Water/Sewer.....	9,806,499	9,792,681	10,277,465	13,342,361	10,718,706	13,126,789	14,433,144	15,434,590	14,332,631	14,921,004
Charges for services - Youth Services.....	30,033	30,945	26,549	68,539	195,357	224,617	273,070	296,069	270,051	329,933
Charges for services - Council on Aging.....	74,529	15,820	40,716	43,927	31,312	15,449	37,909	18,441	17,551	14,333
Charges for services - Ed Burns Arena.....	463,373	511,681	518,884	539,889	553,362	557,404	596,111	593,985	603,721	629,928
Charges for services - Recreation.....	543,257	486,886	558,475	544,353	531,798	538,383	566,459	659,888	770,213	741,733
Operation grants and contributions.....	164,234	267,723	111,396	129,185	107,968	91,703	147,512	199,514	227,591	206,521
Capital grants and contributions.....	-	-	38,871	-	-	-	-	600,000	750,000	600,000
<b>Total business-type activities program revenues.....</b>	<b>11,081,925</b>	<b>11,105,736</b>	<b>11,570,356</b>	<b>14,668,254</b>	<b>12,138,503</b>	<b>14,554,345</b>	<b>16,054,205</b>	<b>17,802,487</b>	<b>16,971,758</b>	<b>17,443,452</b>
<b>Total primary government program revenues.....</b>	<b>\$ 45,631,975</b>	<b>\$ 49,318,076</b>	<b>\$ 53,769,285</b>	<b>\$ 57,933,760</b>	<b>\$ 59,551,035</b>	<b>\$ 65,482,257</b>	<b>\$ 65,131,253</b>	<b>\$ 57,007,544</b>	<b>\$ 63,030,000</b>	<b>\$ 65,577,203</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (89,122,153)	\$ (96,931,364)	\$ (96,061,845)	\$ (92,603,031)	\$ (90,546,276)	\$ (103,234,706)	\$ (108,321,035)	\$ (117,489,085)	\$ (119,145,356)	\$ (128,833,442)
Business-type activities.....	(4,348,390)	(5,114,737)	(5,032,592)	(2,905,394)	(5,970,604)	(4,849,283)	(3,977,813)	(2,479,493)	(3,089,704)	(3,338,622)
<b>Total primary government net expense.....</b>	<b>\$ (93,470,543)</b>	<b>\$ (102,046,101)</b>	<b>\$ (101,094,437)</b>	<b>\$ (95,508,425)</b>	<b>\$ (96,516,880)</b>	<b>\$ (108,083,989)</b>	<b>\$ (112,298,848)</b>	<b>\$ (119,968,578)</b>	<b>\$ (122,235,060)</b>	<b>\$ (132,172,064)</b>
<b>General Revenues and other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 78,126,629	\$ 80,231,602	\$ 82,619,163	\$ 85,205,036	\$ 94,167,638	\$ 97,190,236	\$ 100,765,625	\$ 104,296,793	\$ 108,629,550	\$ 112,583,026
Tax liens.....	219,611	195,242	365,156	297,796	459,150	510,933	220,270	609,501	449,555	386,418
Motor vehicle and other excise taxes.....	3,951,799	3,775,626	3,757,148	3,898,459	3,921,568	4,066,173	4,560,606	4,668,133	5,021,825	4,775,678
Hotel/motel tax.....	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125	303,939
Meals tax.....	-	-	-	-	307,037	326,726	413,163	401,870	409,308	415,173
Penalties and interest on taxes.....	186,195	172,006	267,528	338,835	252,493	352,869	294,295	420,679	388,691	295,521
Grants and contributions not restricted to specific programs.....	9,756,787	8,937,673	7,202,804	7,057,873	6,939,154	7,046,868	7,502,207	7,133,944	7,660,494	7,906,743
Unrestricted investment income.....	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,122,915	940,814	75,230	2,282,581
Gain on sale of capital assets.....	-	-	-	-	-	2,873,618	-	65,000	28,000	28,000
Miscellaneous.....	23,969	10,967	88,067	292,732	13,973	14,419	77,981	24,750	51,519	51,519
Transfers.....	(6,021,497)	(6,339,143)	(5,874,212)	(6,361,094)	(6,282,301)	(5,859,464)	(5,909,465)	(5,836,554)	(5,878,430)	(6,651,472)
<b>Total governmental activities.....</b>	<b>86,116,552</b>	<b>85,579,234</b>	<b>88,864,554</b>	<b>92,492,599</b>	<b>100,280,145</b>	<b>108,087,014</b>	<b>110,348,472</b>	<b>113,055,669</b>	<b>117,198,867</b>	<b>122,377,126</b>
<b>Business-type activities:</b>										
Unrestricted investment income.....	93,272	55,196	40,215	40,850	46,339	39,218	39,822	53,942	65,679	71,822
Transfers.....	6,021,497	6,339,143	5,874,212	6,361,094	6,282,301	5,859,464	5,909,465	5,836,554	5,878,430	6,651,472
<b>Total business-type activities.....</b>	<b>6,114,769</b>	<b>6,394,339</b>	<b>5,914,427</b>	<b>6,401,944</b>	<b>6,328,640</b>	<b>5,898,682</b>	<b>5,949,287</b>	<b>5,890,496</b>	<b>5,944,109</b>	<b>6,723,294</b>
<b>Total primary government.....</b>	<b>\$ 92,231,321</b>	<b>\$ 91,973,573</b>	<b>\$ 94,778,981</b>	<b>\$ 98,894,543</b>	<b>\$ 106,608,785</b>	<b>\$ 113,985,696</b>	<b>\$ 116,297,759</b>	<b>\$ 118,946,165</b>	<b>\$ 123,142,976</b>	<b>\$ 129,100,420</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ (3,005,601)	\$ (11,352,130)	\$ (7,197,291)	\$ (110,432)	\$ 9,733,869	\$ 4,852,308	\$ 2,027,437	\$ (4,433,416)	\$ (1,946,489)	\$ (6,456,316)
Business-type activities.....	1,766,379	1,279,602	881,835	3,496,550	358,036	1,049,399	1,971,474	3,411,003	2,854,405	3,384,672
<b>Total primary government.....</b>	<b>\$ (1,239,222)</b>	<b>\$ (10,072,528)</b>	<b>\$ (6,315,456)</b>	<b>\$ 3,386,118</b>	<b>\$ 10,091,905</b>	<b>\$ 5,901,707</b>	<b>\$ 3,998,911</b>	<b>\$ (1,022,413)</b>	<b>\$ 907,916</b>	<b>\$ (3,071,644)</b>

**Fund Balances, Governmental Funds**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved.....	\$ 2,393,731	\$ 1,898,508	\$ 1,807,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	7,888,649	3,369,774	4,507,981	-	-	-	-	-	-	-
Restricted.....	-	-	-	4,564,703	5,296,611	5,036,732	4,763,651	3,860,841	3,563,902	3,266,956
Committed.....	-	-	-	-	1,373,224	1,256,780	854,878	946,837	353,626	291,639
Assigned.....	-	-	-	1,695,144	2,616,386	4,230,527	3,806,700	7,058,067	8,308,109	6,236,202
Unassigned.....	-	-	-	9,076,608	16,808,113	17,915,224	26,292,774	29,667,361	35,231,747	41,337,204
<b>Total general fund.....</b>	<b>\$ 10,282,380</b>	<b>\$ 5,268,282</b>	<b>\$ 6,315,285</b>	<b>\$ 15,336,455</b>	<b>\$ 26,094,334</b>	<b>\$ 28,439,263</b>	<b>\$ 35,718,003</b>	<b>\$ 41,533,106</b>	<b>\$ 47,457,384</b>	<b>\$ 51,132,001</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 3,101,303	\$ 3,061,237	\$ 3,323,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	16,310,165	14,651,511	12,074,204	-	-	-	-	-	-	-
Capital projects funds.....	4,517,673	5,720,409	4,637,515	-	-	-	-	-	-	-
Permanent funds.....	4,768,594	3,492,146	3,492,830	-	-	-	-	-	-	-
Nonspendable.....	-	-	-	3,104,881	3,697,719	4,234,268	4,336,231	5,215,587	4,827,300	4,850,516
Restricted.....	-	-	-	16,047,091	22,314,764	23,801,892	25,166,155	25,212,323	37,693,918	37,262,898
Unassigned.....	-	-	-	-	(2,107,489)	(2,083,643)	-	-	-	(59,580)
<b>Total all other governmental funds.....</b>	<b>\$ 28,697,735</b>	<b>\$ 26,925,303</b>	<b>\$ 23,528,170</b>	<b>\$ 19,151,972</b>	<b>\$ 23,904,994</b>	<b>\$ 25,952,517</b>	<b>\$ 29,502,386</b>	<b>\$ 30,427,910</b>	<b>\$ 42,521,218</b>	<b>\$ 42,053,834</b>

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

**Changes in Fund Balances, Governmental Funds**

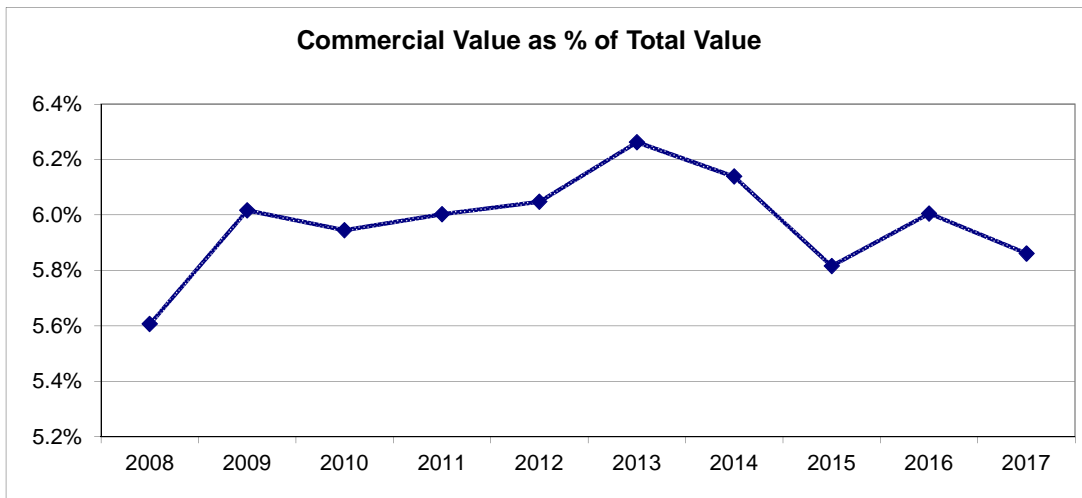
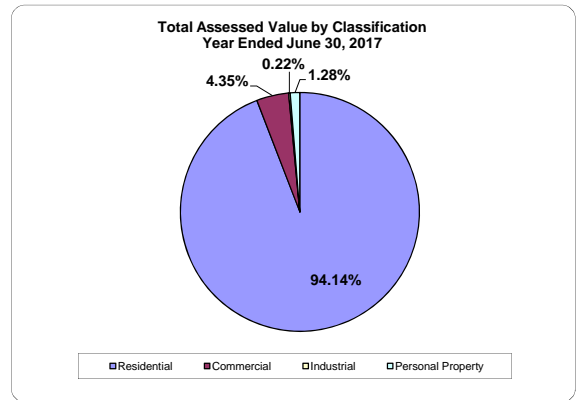
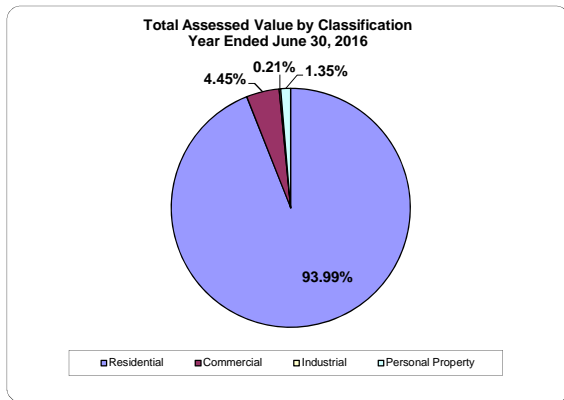
**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 78,008,137	\$ 79,978,351	\$ 82,576,221	\$ 85,395,133	\$ 94,165,259	\$ 97,106,730	\$ 100,601,880	\$ 104,356,339	\$ 108,700,535	\$ 112,605,952
Tax liens.....	171,278	244,944	375,618	299,848	251,050	384,619	355,573	574,342	449,555	470,129
Motor vehicle excise taxes.....	3,951,799	3,775,636	3,757,148	3,898,459	3,937,078	4,066,173	4,560,606	4,668,133	4,952,881	4,775,678
Hotel/motel tax.....	123,522	136,490	165,114	240,164	262,094	283,497	300,875	330,739	363,125	303,939
Meals tax.....	-	-	-	-	307,037	326,726	413,163	401,870	409,308	415,173
Fees and rentals.....	73,291	89,967	66,050	67,640	85,381	83,497	57,259	150,377	924,428	779,888
Intergovernmental.....	36,437,015	36,831,692	38,418,108	40,401,962	41,940,160	46,965,400	43,623,901	34,465,093	39,466,786	42,693,360
Departmental and other.....	9,706,447	10,981,708	12,054,644	13,499,192	14,520,753	12,861,601	15,096,278	14,336,651	15,891,474	15,935,501
Contributions.....	710,213	502,217	958,915	206,037	853,012	1,122,155	446,350	806,893	266,459	357,663
Investment income.....	(250,463)	(1,541,229)	273,786	1,522,798	239,339	1,291,139	2,124,371	942,238	76,771	2,283,783
<b>Total Revenues.....</b>	<b>128,931,239</b>	<b>130,999,776</b>	<b>138,645,604</b>	<b>145,531,233</b>	<b>156,561,163</b>	<b>164,491,537</b>	<b>167,580,256</b>	<b>161,032,675</b>	<b>171,501,322</b>	<b>180,621,066</b>
<b>Expenditures:</b>										
General government.....	5,261,701	5,260,780	4,678,915	4,770,832	5,591,207	5,371,079	5,768,149	6,431,820	6,037,176	7,023,366
Public safety.....	12,941,458	14,162,603	14,348,411	14,250,660	14,784,140	15,984,429	15,830,964	16,723,891	16,975,539	17,835,695
Education.....	48,090,490	50,338,732	51,546,279	48,632,925	51,636,708	57,793,536	60,955,050	65,744,720	69,554,312	71,210,337
Public works.....	6,656,033	7,908,979	9,059,177	8,528,793	8,373,331	9,499,359	9,441,365	10,189,404	9,013,675	10,050,701
Community development.....	4,135,079	4,064,825	4,265,770	5,298,426	4,793,799	5,300,676	3,313,848	2,847,981	3,062,102	2,666,189
Property and natural resources.....	2,439,785	1,552,496	-	-	-	-	-	-	-	-
Human services.....	989,023	1,050,278	1,312,893	1,353,561	1,434,642	1,573,147	1,494,567	1,672,351	1,809,479	1,796,175
Library.....	2,088,820	2,013,140	2,139,370	2,111,433	2,267,915	2,202,428	2,324,108	2,428,630	2,528,623	2,532,885
Culture and recreation.....	227,660	885,563	345,759	537,771	693,334	436,180	748,310	911,712	1,066,656	1,910,472
Pension benefits.....	16,842,738	17,250,470	17,841,371	18,873,410	19,646,204	20,234,148	20,752,031	14,048,794	17,650,987	21,541,882
Property and liability insurance.....	288,699	294,097	264,569	246,375	258,592	261,950	292,555	309,399	328,044	326,617
Employee benefits.....	14,513,129	18,214,186	16,892,684	16,183,767	13,573,190	14,676,220	15,074,284	15,840,665	15,918,197	16,091,140
Claims and judgments.....	106,500	25,000	25,000	-	-	-	-	-	-	70,000
State and county charges.....	2,622,634	2,645,607	2,671,798	2,725,122	2,762,765	3,060,174	3,009,401	3,077,899	3,089,181	3,118,634
Capital outlay.....	4,707,996	2,611,501	4,794,301	10,378,952	8,782,789	19,458,251	8,719,465	11,280,462	10,853,054	21,541,712
Debt service:										
Principal.....	5,450,000	5,502,000	5,810,000	6,189,000	6,338,000	6,550,000	7,257,000	7,276,000	7,823,000	8,002,000
Interest.....	2,274,860	2,036,008	2,014,095	1,971,479	1,663,330	1,706,492	1,696,169	1,665,452	1,982,228	1,924,703
<b>Total Expenditures.....</b>	<b>129,636,605</b>	<b>135,816,265</b>	<b>138,010,392</b>	<b>142,052,506</b>	<b>142,599,946</b>	<b>164,108,069</b>	<b>156,677,266</b>	<b>160,449,180</b>	<b>167,692,253</b>	<b>187,642,508</b>
Excess (deficiency) of revenues over (under) expenditures.....	(705,366)	(4,816,489)	635,212	3,478,727	13,961,217	383,468	10,902,990	583,495	3,809,069	(7,021,442)
<b>Other Financing Sources (Uses):</b>										
Issuance of bonds.....	9,697,000	3,875,000	2,559,000	7,258,000	7,449,350	5,786,650	5,551,000	11,018,000	19,319,000	14,030,300
Issuance of refunding bonds.....	11,690,000	-	-	-	6,311,000	2,205,000	-	-	3,225,000	-
Premium from issuance of bonds and notes.....	160,288	129,850	329,870	269,339	300,352	1,135,212	284,084	910,686	767,947	2,050,693
Premium from issuance of refunding bonds.....	220,455	-	-	-	476,376	198,118	-	-	197,395	-
Payments to refunded bond escrow agent.....	(11,910,455)	-	-	-	(6,705,093)	(2,330,150)	-	-	(3,422,395)	-
Sale of capital assets.....	-	-	-	-	-	2,873,618	-	65,000	-	28,000
Transfers in.....	2,135,214	3,034,844	4,839,125	2,050,358	2,676,197	3,199,736	7,266,605	5,035,917	3,347,260	3,985,470
Transfers out.....	(8,036,711)	(9,009,735)	(10,713,337)	(8,411,452)	(8,958,498)	(9,059,200)	(13,176,070)	(10,872,471)	(9,225,690)	(9,865,788)
<b>Total other financing sources (uses).....</b>	<b>3,955,791</b>	<b>(1,970,041)</b>	<b>(2,985,342)</b>	<b>1,166,245</b>	<b>1,549,684</b>	<b>4,008,984</b>	<b>(74,381)</b>	<b>6,157,132</b>	<b>14,208,517</b>	<b>10,228,675</b>
<b>Net change in fund balance.....</b>	<b>\$ 3,250,425</b>	<b>\$ (6,786,530)</b>	<b>\$ (2,350,130)</b>	<b>\$ 4,644,972</b>	<b>\$ 15,510,901</b>	<b>\$ 4,392,452</b>	<b>\$ 10,828,609</b>	<b>\$ 6,740,627</b>	<b>\$ 18,017,586</b>	<b>\$ 3,207,233</b>
Debt service as a percentage of noncapital expenditures.....	6.18%	5.66%	5.87%	6.20%	5.98%	5.71%	6.05%	5.99%	6.25%	5.98%

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential & Personal Property Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total Town Value	
2008	\$ 6,497,342,842	\$ 11.45	\$ 293,832,142	\$ 21,739,500	\$ 70,349,800	\$ 385,921,442	\$ 11.45	\$ 11.45	\$ 6,883,264,284	
2009	(1) 6,382,182,512	11.92	304,834,211	21,787,300	81,968,320	408,589,831	11.92	11.92	6,790,772,343	
2010	6,482,931,507	12.11	294,051,850	20,969,800	94,783,100	409,804,750	12.11	12.11	6,892,736,257	
2011	6,510,546,607	12.41	296,363,250	20,696,800	98,709,740	415,769,790	12.41	12.41	6,926,316,397	
2012	(1) 6,534,177,068	13.66	297,247,489	20,969,800	102,400,210	420,617,499	13.66	13.66	6,954,794,567	
2013	6,750,291,829	13.61	332,259,203	16,149,400	102,576,650	450,985,253	13.61	13.61	7,201,277,082	
2014	6,924,743,377	13.79	331,293,424	16,149,400	105,443,220	452,886,044	13.79	13.79	7,377,629,421	
2015	(1) 7,318,205,556	13.55	332,008,695	16,149,400	103,748,620	451,906,715	13.55	13.55	7,770,112,271	
2016	8,002,595,342	12.80	378,899,077	17,588,600	114,815,530	511,303,207	12.80	12.80	8,513,898,549	
2017	8,427,530,080	12.56	389,586,036	20,065,800	115,034,490	524,686,326	12.56	12.56	8,952,216,406	



(1) Revaluation year.

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

Source: Assessor's Department, Town of Arlington

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

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

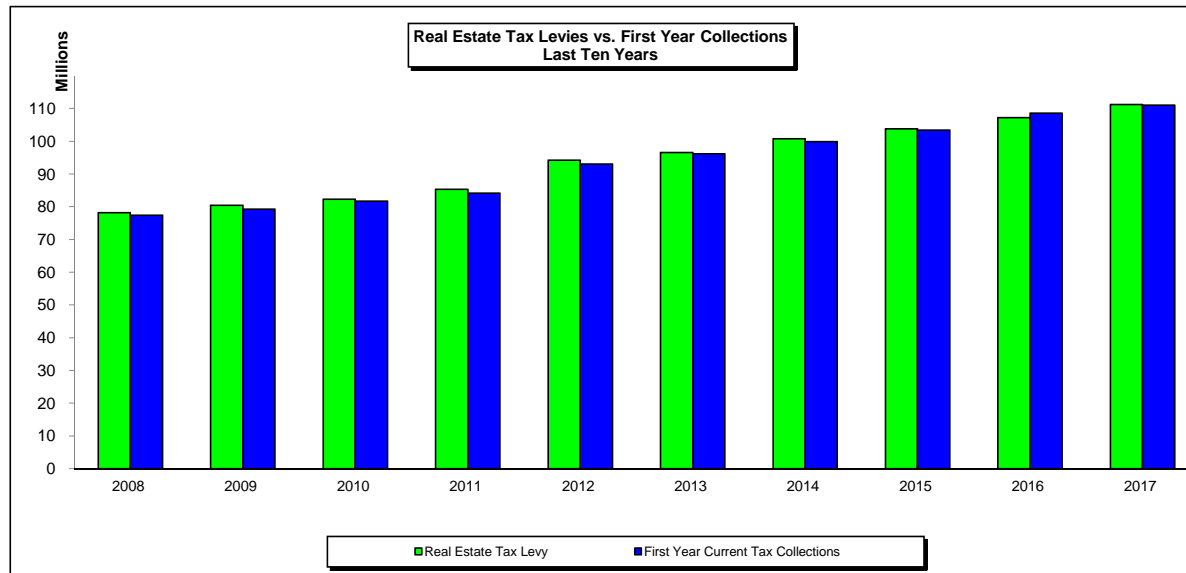
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

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

**Property Tax Levies and Collections**

**Last Ten Years**

Year	(2) Total Tax Levy	Less Reserve for Abatements & Exemptions	(2) Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (3)
2007	\$ 76,778,351	\$ 1,194,924	\$ 75,583,427	98.44%	\$ 75,624,882	100.05%	\$ 293,396	\$ 75,918,278	100.44%
2008	78,813,376	651,772	78,161,604	99.17%	77,409,085	99.04%	253,346	77,662,431	99.36%
2009	(1) 80,946,006	566,909	80,379,097	99.30%	79,261,095	98.61%	306,100	79,567,195	98.99%
2010	83,471,036	1,153,427	82,317,609	98.62%	81,696,636	99.25%	467,579	82,164,215	99.81%
2011	85,958,974	670,331	85,288,643	99.22%	84,147,130	98.66%	663,386	84,810,516	99.44%
2012	(1) 95,002,494	808,924	94,193,570	99.15%	93,056,606	98.79%	294,592	93,351,198	99.11%
2013	98,009,381	1,454,204	96,555,177	98.52%	96,171,161	99.60%	457,984	96,629,145	100.08%
2014	101,737,510	1,019,663	100,717,847	99.00%	99,833,961	99.12%	356,262	100,190,223	99.48%
2015	(1) 105,285,021	1,534,082	103,750,939	98.54%	103,386,357	99.65%	624,667	104,011,024	100.25%
2016	108,977,901	1,746,721	107,231,180	98.40%	108,549,654	101.23%	503,273	109,052,927	101.70%
2017	112,439,838	1,202,533	111,237,305	98.93%	111,001,544	99.79%	-	111,001,544	99.79%



(1) Revaluation year.

(2) Includes tax liens.

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

Source: Official Statements, Town of Arlington.

**Ratios of Outstanding Debt by Type**

**Last Ten Years**

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

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

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

Source: Audited Financial Statements, U. S. Census

**Ratios of General Bonded Debt Outstanding**

**Last Ten Years**

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

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

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

Source: Audited Financial Statements, U. S. Census



**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2017**

<u>Overlapping Entities</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Debt repaid with property taxes			
Massachusetts Bay Transit Authority.....	\$ 5,656,191	1.74%	\$ 98,531
Town direct debt.....			<u>74,891,220</u>
Total direct and overlapping debt.....			<u>\$ 74,989,751</u>

Source: Official Statements

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

**Computation of Legal Debt Margin**

**Last Ten Years**

**(Amounts in Thousands)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalized Valuation.....	\$ 7,189,084	\$ 7,558,648	\$ 7,558,648	\$ 7,388,658	\$ 7,388,658	\$ 7,527,776	\$ 7,527,776	\$ 7,913,085	\$ 7,913,085	\$ 9,073,201
Debt Limit -5% of Equalized Valuation.....	\$ 359,454	\$ 377,932	\$ 377,932	\$ 369,433	\$ 369,433	\$ 376,389	\$ 376,389	\$ 395,654	\$ 395,654	\$ 453,660
Less:										
Outstanding debt applicable to limit.....	28,026	28,593	28,224	31,562	30,076	32,759	32,369	38,985	38,078	58,621
Authorized and unissued debt applicable to limit.....	9,558	19,238	23,212	39,139	44,327	32,940	39,777	27,646	31,789	63,587
Legal debt margin.....	\$ 321,870	\$ 330,101	\$ 326,496	\$ 337,871	\$ 295,030	\$ 310,690	\$ 304,243	\$ 329,023	\$ 325,787	\$ 331,452
Total debt applicable to the limit as a percentage of debt limit.....	10.46%	12.66%	13.61%	8.54%	20.14%	17.46%	19.17%	16.84%	17.66%	26.94%

Source: Assessor's Office

## Demographic and Economic Statistics

### Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2008	41,224	\$ 1,464,565,048	\$ 35,527	41.9	4,683	3.6%
2009	41,075	1,585,125,325	38,591	41.9	4,787	6.3%
2010	41,144	1,731,380,664	42,081	41.9	4,843	6.1%
2011	40,993	1,882,152,602	45,914	41.9	4,914	4.7%
2012	41,724	1,820,710,188	43,637	41.9	4,967	3.8%
2013	42,844	1,722,500,176	40,204	41.9	5,106	4.8%
2014	42,844	1,860,029,416	43,414	41.9	5,999	3.8%
2015	43,711	1,995,581,994	45,654	41.9	5,323	3.3%
2016	44,028	2,093,883,624	47,558	41.9	5,304	2.6%
2017	44,815	2,311,512,885	51,579	42.3	5,524	4.8%

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

**Principal Employers**  
**Current Year and Nine Years Ago**

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

Source: Massachusetts Department of Employment and Training and Official Statements

**Full-time Equivalent Town Employees by Function**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function										
General government.....	94	98	93	92	94	93	94	92	90	94
Public safety.....	160	162	162	160	163	164	165	166	171	173
Education.....	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public works.....	88	82	82	79	78	77	77	77	76	76
Human services.....	19	13	13	11	13	13	14	15	15	14
Culture and recreation.....	6	6	6	6	6	5	5	5	5	5
Total .....	<u>367</u>	<u>361</u>	<u>356</u>	<u>348</u>	<u>354</u>	<u>352</u>	<u>355</u>	<u>355</u>	<u>357</u>	<u>362</u>

Source: Various Town Departments

**Operating Indicators by Function/Program**

**Last Ten Years**

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

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

**Capital Asset Statistics by Function/Program**

**Last Ten Years**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Number of buildings.....	40	40	40	40	40	40	40	40	37	37
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools.....	7	7	7	7	7	7	7	7	7	7
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Number of buildings.....	2	2	2	2	2	2	2	2	2	2
Number of garages.....	2	2	2	2	2	2	2	2	2	2
Number of Salt Sheds.....	2	2	2	2	2	2	2	2	2	2
Roads - Public (miles).....	92	92	92	92	92	92	92	92	92	92
Sidewalks - Public (miles).....	131	131	131	131	131	131	131	131	131	131
Handicap Ramps.....	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552
Water Mains (miles).....	130	130	130	130	130	130	130	130	130	130
Pressure Regulating Valves.....	6	6	6	6	6	6	6	6	6	6
Sewer Mains (miles).....	117	117	117	117	117	117	117	117	117	117
Sewer Manholes.....	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356
Sewer Pumping Stations.....	9	9	9	9	9	9	9	9	9	9
Storm Drains (miles).....	77	77	77	77	77	77	77	77	77	77
Drain Manholes.....	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566
Catch Basins.....	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700
Traffic Signals.....	29	29	29	29	29	29	29	29	29	29
Pedestrian Activated Flashers.....	3	3	3	3	3	3	3	3	3	3
Beacons, School Zones, Flashers.....	8	8	8	8	8	8	8	8	8	8
Cemetery Buildings.....	2	2	2	2	2	2	2	2	2	2
Cemetery Acreage.....	68	68	68	68	68	68	68	68	68	68
Human Services										
Council on aging - senior center.....	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Recreation land (acreage).....	279	279	279	279	279	279	279	279	279	279
Playgrounds.....	16	16	16	16	16	16	16	16	16	16
Ball fields.....	24	24	24	24	24	24	24	24	24	24
Basketball Courts.....	11	11	11	11	11	11	11	11	11	11
Tennis Complexes.....	4	4	4	4	4	4	4	4	4	4
Splash Pools/Spray Parks.....	2	2	2	2	2	2	2	2	2	2
Off Leash Recreational Area (for dogs).....	1	1	1	1	1	1	1	1	1	1
Bocce Courts.....	1	1	1	1	1	1	1	1	1	1
Ice Skating Rinks.....	1	1	1	1	1	1	1	1	1	1
Libraries.....	2	2	2	2	2	2	2	2	2	2

Source: Various Town Departments



Spy Pond Park





111 Huntington Avenue  
Boston, MA 02199  
Telephone: 617-239-0100  
Fax: 617-227-4420  
www.lockelord.com

(Date of Delivery)

Phyllis L. Marshall, Treasurer  
Town of Arlington  
Arlington, Massachusetts

\$5,555,000  
Town of Arlington, Massachusetts  
General Obligation Municipal Purpose Loan of 2018 Bonds  
Dated December 6, 2018

We have acted as bond counsel to the Town of Arlington, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Bonds is included in computing a corporation’s adjusted current earnings for taxable years beginning before January 1, 2018. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply

with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Arlington, Massachusetts (the “Issuer”) in connection with the issuance of its \$5,555,000 General Obligation Municipal Purpose Loan of 2018 Bonds dated December 6, 2018 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated November 8, 2018 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
  13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: December 6, 2018

TOWN OF ARLINGTON,  
MASSACHUSETTS

By: \_\_\_\_\_  
Treasurer

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[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]