

TOWN OF BURLINGTON, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2019

On the cover:

This "Welcome to Burlington" sits at the intersection of Cambridge Street and Mall Road, serving as waypoint for residents and visitors alike. (by Richard Caplan)



This photo was taken in May of 2019, at the grand opening of the newly-constructed Fire Station 2, located on Terrace Hall Avenue. (by Rich Horsford)

TOWN OF BURLINGTON, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019



Prepared by:

Accounting Department

TOWN OF BURLINGTON, MASSACHUSETTS

Comprehensive Annual Financial Report For the Year ended June 30, 2019

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Introductory Section



This photo, of the chapel and nearby tree, was taken at Pine Haven Cemetery on Bedford Street. (by Richard Caplan)

Introductory Section



TOWN OF BURLINGTON

Board of Selectmen/Town Administrator's Office

Paul Sagarino, Jr., Town Administrator

Betty McDonough, Office Manager

Letter of Transmittal

December 30, 2019

To the Honorable Members of the Board of Selectmen and citizens of the Town of Burlington:

State law requires the Town of Burlington to publish at the close of each year 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, I hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Burlington, Massachusetts, for the year ending June 30, 2019, for your review.

The CAFR is intended for use by elected and appointed Town officials, as well as any other party with an interest in the management, development, and progress of the Town, such as, financial institutions, credit rating agencies, bond analysts, and the residents and tax payers of the Town of Burlington. The report is designed to present complex financial data in a manner that is easy for the user to review and interpret.

This report consists of management's representations concerning the finances of the Town of Burlington. 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.

Because the cost of internal controls should not outweigh their benefits, the Town of Burlington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Town of Burlington'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 Burlington for the year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Burlington's financial statements for the year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditors 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 Burlington 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 Burlington's separately issued Single Audit Report.

Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The Town's MD&A can be found immediately following the independent auditor's report from Powers & Sullivan, LLC.

Profile of the Town

The Town of Burlington is located in Middlesex County, approximately 14 miles from Boston. It is bordered on the west by the Town of Bedford, on the north and northeast by the Town of Billerica and the Town of Wilmington, and on the south and southeast by the City of Woburn and the Town of Lexington. Established as a Town in 1799, Burlington occupies a land area of 11.88 square miles. According to the 2018 census conducted by the Burlington Town Clerk, Burlington is home to a population of approximately 25,634.

The Town is governed by a 126-member representative Town Meeting, and a five member Board of Selectmen assisted by a Town Administrator. Local school affairs are administered by a School Committee of five persons, elected for three years on a staggered basis. Local taxes are assessed by a Board of Assessors elected for staggered three-year terms.

The Town of Burlington provides general government services for the territory within its boundaries, including police and fire protection, collection and disposal of solid waste and recycling, public education for grades K-12, sewer services, street maintenance, public libraries, parks, and recreational facilities. The principal services provided by the Commonwealth of Massachusetts are: jails and houses of correction, registries of deeds, and probate.

The Shawsheen Valley Regional Technical-Vocational School District provides vocational technical education for the Town.

The Burlington Housing Authority provides housing for eligible low-income families and handicapped persons. The Massachusetts Bay Transportation Authority provides rail and bus service to the Town and the Minibus (Burlington B-Line) serves the Town locally. The Town of Burlington has its own wells and water treatment system and is a member of Massachusetts Water Resource Authority (MWRA) for sewer services only. However, in planning for the future, the Town has recognized that it is prudent to join the MWRA for water services as well. In 2019, the Town was accepted and is now taking the steps necessary to connect to the system to supplement the Town's existing water production.

Local Economy

Upon its completion in 1954, Route 128 acted as a catalyst for commercial expansion in Burlington. Economic Development continues to be a priority for the Board and the Administration as we understand the direct correlation between a healthy, diverse and growing commercial sector and its impact on the Town's ability to engage in infrastructure upgrades, moderate increases in real estate taxes for our residents, and provide consistent delivery of services. Our tax structure in Burlington is very unique as it has one of the highest ratios of commercial to residential property value in the State. In many communities, it is not uncommon to have a property tax valuation comprised at a ratio of 95% residential and 5% commercial. In Burlington, that ratio is 39%

commercial to 61% residential. Further, the commercial tax levy comprises 61% of the total tax levy, while the residential contributes only 39%. This results in a property tax levy consisting of \$69.6 million in property taxes from commercial property owners as compared to \$42.4 million from residential homeowners.

During 2019, the Town of Burlington continued a trend of commercial development. Burlington has a very high occupancy rate and a strong appeal to businesses, particularly in regard to rental space for offices. With the amenities the Town provides, it is considered the premier alternative to downtown Boston and Cambridge and a prime commercial location for the entire state. It has been stated that Burlington serves as the “economic capital” for the 128 belt. Millipore/Sigma opened their new headquarters in 2017 and is readying to open an addition that that began several years sooner than originally predicted. They will provide an anchor for the life/science sector in Burlington. Life Time Athletic opened a health and fitness resort in April of 2018. Our commercial growth continues to be strong. Northeastern University, which maintains a campus within Town, has announced a partnership with the U.S. Army Research Laboratory which will locate its northeast regional hub at the university’s George J. Kostas Research Institute for Homeland Security. This exciting new initiative will partner Army staff, with university researchers, and other partners to develop innovative technologies to keep our soldiers safe in battle. Several new restaurants have opened over the course of 2019. The District and Third Ave. development areas continue to grow and thrive. The Simon Company began its renovations at the former Sears site at the Burlington Mall which will add retail/restaurant space for the future. Plans were also announced by The Simon Company to do a major overhaul of the Mall’s existing common areas. The mall ownership is keeping an eye on the future while continuing to thrive in the present, as one of the most successful malls in New England.

The Town is also keeping an eye on the future, as the Planning Board is nearing completion of a new master plan that will convey a community-based vision for the future, with guidance for the realization of those goals.

Long Term Financial Health

The Town of Burlington has performed admirably when it comes to financial stability and will continue to employ a conservative methodology in managing its budgeting and tax levy. As noted above, the commercial base that the Town enjoys has afforded it the opportunity to be fiscally conservative while maintaining a high level of service and without having to impose higher property taxes or onerous fees. Unlike many Massachusetts communities, layoffs or reductions in services have been avoided. The success of this past year clearly highlights the situation. This past year, the overall growth in the budget was 4.33% while the tax levy increased at 5.0%. The increase to the average single-family tax bill was 3.8%. The Town of Burlington increased its unused taxing capacity to \$11.5 million in 2019 and currently has a Stabilization Fund of \$8.8 million with an additional Other Postemployment Benefits Fund of \$8.2 million. Free Cash was certified at over \$11.0 million for June 30, 2019 and the Town’s bond rating remains at the highest possible level at AAA by Standard & Poor’s which is reflective of the status of our finances. We take a lot of pride in this financial success but also understand that we need to continue to be cognizant of maintaining a sustainable outlook in our forecasts so as to not jeopardize it. The Town will continue to forecast all expected revenues very conservatively, while moderating the growth of our overall budget.

In the spring of 2019, the Administration engaged the services of the Technical Assistance Bureau of the Division of Local Services to complete a review of the structure of the Town’s financial departments. The review presented several proposed modifications that the Administration will consider implementing over time. Partaking in this analysis indicates the Administration’s continuing commitment to ensuring that its financial team is operating at the highest level. In April of 2019, the Town voted to change the Treasurer/Collector position from elected to appointed.

Over the years, the Town has developed financial and capital plans that guide decision making during the budget process. The finance team regularly meets with the Board of Selectmen, School Committee and Ways and Means Committee to develop financial guidelines to provide direction for all boards, committees, officials and departments.

In 2012, the Town began its funding of Other Postemployment Benefits and has contributed over \$8.2 million to that reserve over the last seven years. In the spring of 2019 the Town began the process of a revaluation of our OPEB liability to make any necessary adjustments to our policies and funding schedule.

Budgetary Controls

The Town Accountant is responsible for preparing the budget and reviewing it with the various departments, boards and committees. This budget is then presented to the Town Administrator who, in turn, after review, presents the budget to the Board of Selectmen. The Selectmen review all requests and Town-wide issues and present a budget to Town Meeting for approval. A fifteen-member Ways and Means Committee made up of citizen volunteers appointed by the Town Moderator reviews the budget and makes recommendations to Town Meeting. A separate Capital Committee made up of seven citizen volunteers appointed by the Town Moderator reviews capital expenditure plans.

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 salary and expense level. The Town Accountant 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 year, the Ways and Means Committee, upon request of the Town Administrator, may approve a transfer from a reserve fund previously established by Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Acknowledgements

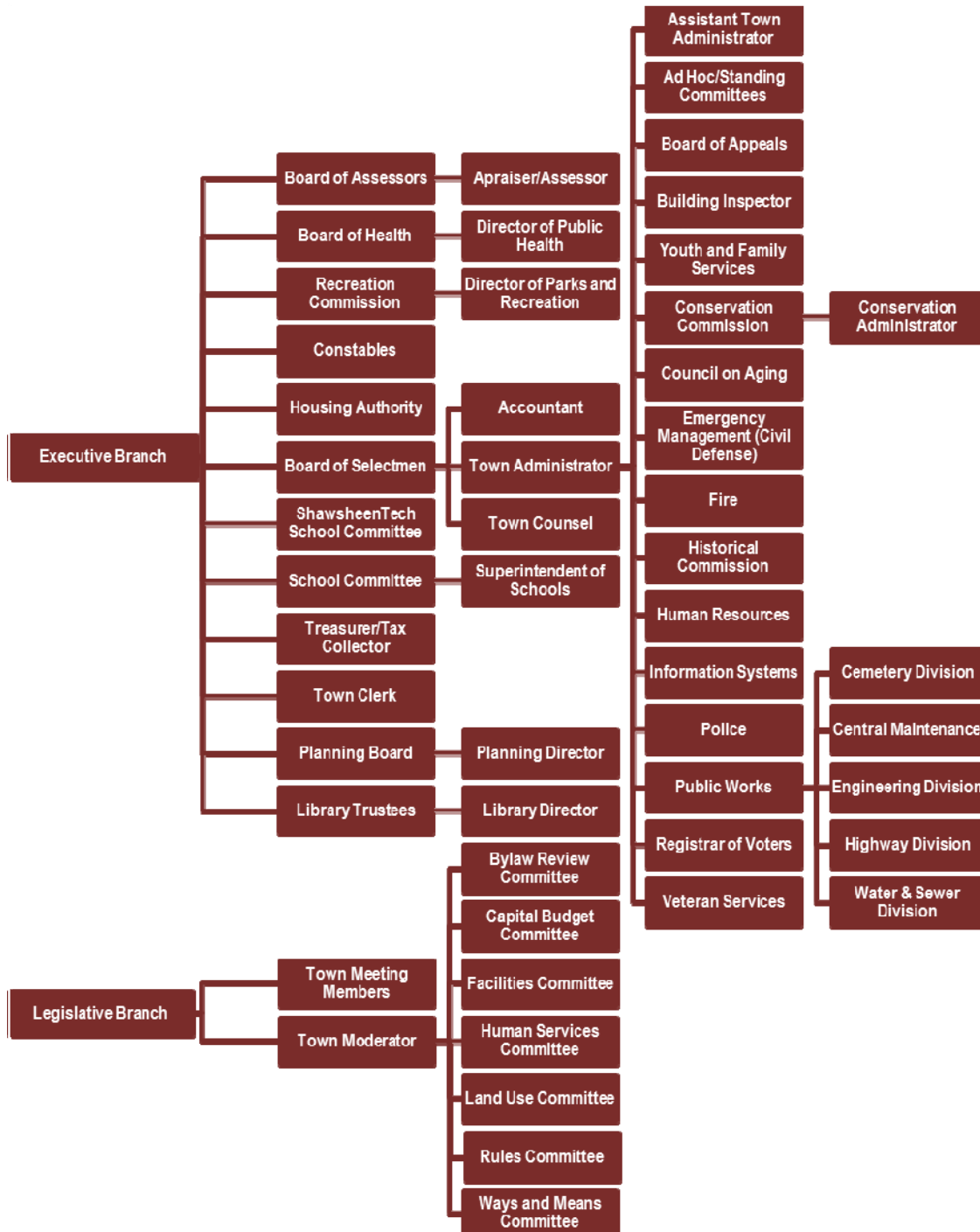
We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Selectmen and Audit Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the Town, including its finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Paul F. Sagarino, Jr." The signature is written in a cursive, flowing style.

Paul Sagarino, Jr.
Town Administrator

The Town of Burlington



Principal Town Officials

Elected Officials

Term Expires

| | | |
|--------------------|-------------------------------|------|
| Board of Selectmen | Joseph E. Morandi, Chair | 2021 |
| | Jim Tigges, Vice Chair | 2020 |
| | Robert C. Hogan | 2022 |
| | Michael S. Runyan | 2021 |
| | Nicholas Priest | 2022 |
| Moderator | William Beyer | 2020 |
| Town Clerk | Amy E. Warfield | 2021 |
| Assessors | Louise Crocker | 2020 |
| | Catherine O'Neil | 2022 |
| | Paul Sheehan | 2021 |
| School Committee | Kristin A. Russo, Chair | 2020 |
| | Thomas Murphy, Jr, Vice Chair | 2022 |
| | Christine Monaco | 2022 |
| | Stephen A. Nelson | 2020 |
| | Martha A. Simon | 2021 |

Appointed Officials

| | | |
|-------------------------------------|--------------------|------|
| Town Administrator | Paul Sagarino, Jr. | |
| Assistant Town Administrator/ | | |
| Town Accountant | John Danizio | |
| Superintendent of Schools | Eric M. Conti | |
| Assistant Superintendent of Schools | Patrick E. Larkin | |
| Assessor | James Doherty | |
| Treasurer/Collector | Brian Curtin | 2019 |



Government Finance Officers Association

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

Presented to

**Town of Burlington
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Financial Section



This photo depicts the walking bridge located at Rahanis Park. Rahanis Park is home to several athletic fields, tennis and basketball courts, and a new dog park. (by Richard Caplan).

Financial Section

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Burlington, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Burlington, Massachusetts, as of and for the year ended June 30, 2019, 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 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 of 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, each major fund, and the aggregate remaining fund information of the Town of Burlington, Massachusetts, as of June 30, 2019, 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 financials statement that collectively comprise the Town of Burlington, Massachusetts' basic financial statements. The introductory section, combining and individual fund 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 statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 statement 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 on our consideration of the Town of Burlington, 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 Burlington, Massachusetts' internal control over financial reporting and compliance.



December 30, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Burlington, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town of Burlington's financial statements have significant departures from GAAP the independent auditors may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and our ability to borrow money at favorable interest rates. The Town of Burlington has enjoyed an unmodified opinion on its financial statements for many years.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town of Burlington exceeded its assets and deferred outflows of resources at the close of the most recent year by \$21.2 million (net position).
- The Town recognized their total net pension liability of \$127.4 million along with a deferred outflow and (inflow) of resources related to pension of \$15.1 million and (\$2.4 million), respectively, on the statement of net position.
- The Town recognized their total net other postemployment liability of \$100.4 million along with a deferred outflow and (inflow) of resources related to pension of \$2.0 million and (\$62,000), respectively, on the statement of net position.
- Beginning net position for the governmental activities has been restated to reflect the change in measurement date for GASB Statement #75 from the beginning of the year to the end of the year. (See Note 16 for further details regarding the revised balances).
- At the close of the current year, the Town's general fund reported an ending fund balance of \$45.6 million, an increase of \$3.9 million in comparison with the prior year. Total fund balance represents 29.7% of total general fund expenditures. Approximately \$34.0 million of this total amount is available for appropriation at the government's discretion, \$2.5 million is committed for capital articles approved by Town Meeting and \$9.2 million is assigned for encumbrances carried forward to the subsequent year.
- The Town's total debt (short-term and long-term combined) was \$60.6 million at year end, a net increase of \$865,000 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Burlington's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to

address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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 of the Town's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the 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 the 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 (i.e. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements report functions that are primarily supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, education, public works, water and sewer, human services, culture and recreation, and interest.

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 is useful in assessing the Town of Burlington's near-term 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

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 info 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 is reporting two major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization fund is reported within the general fund as unassigned. The Town of Burlington 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 statement is presented as Required Supplementary Information after the notes to the financial statements.

Proprietary funds. The Town of Burlington maintains one proprietary fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and worker's compensation benefits. These services have been included within governmental activities in the government-wide financial statements.

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.

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.

Financial highlights. The following pages provide financial highlights of the government-wide financial statements for 2019 in comparison to 2018.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Burlington, government-wide liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$21.2 million at the close of 2019.

Net position of \$132.1 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, vehicles and equipment), less 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 the Town of Burlington's net position totaling \$3.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$156.9 million deficit, due to the cumulative effect of recording \$127.4 million net pension liability and \$100.4 million of net OPEB liability through June 30, 2019.

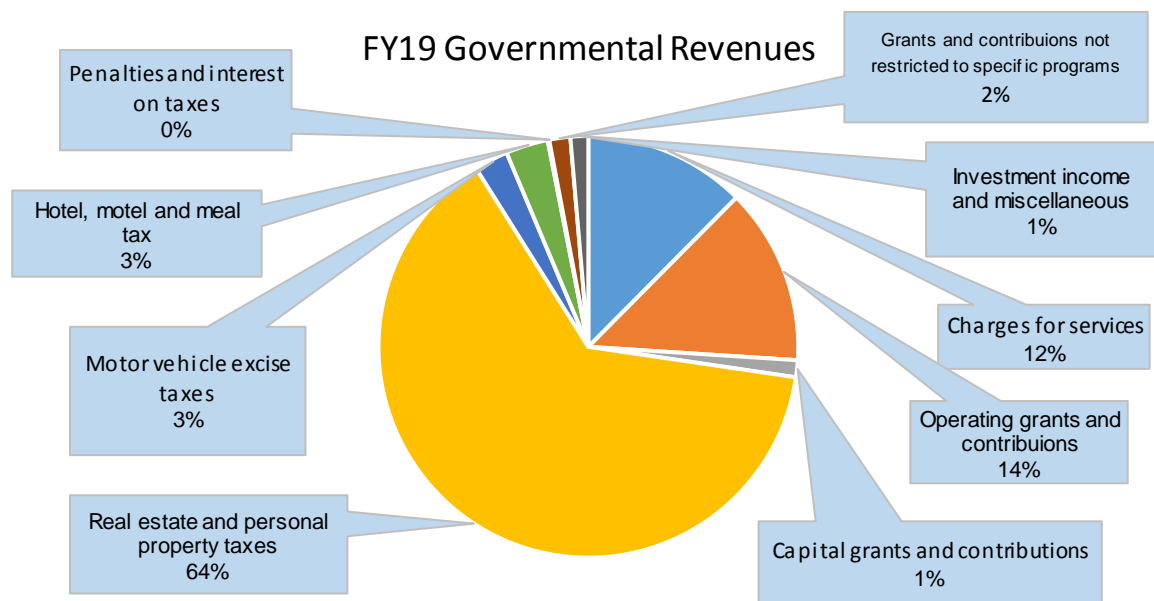
The financial analysis of the Town's governmental activities is presented on the following pages.

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For governmental activities, liabilities exceeded assets by \$21.2 million at the close of 2019.

| | June 30, 2019 | Restated June 30, 2018 |
|---|------------------------|------------------------------|
| Assets: | | |
| Current assets..... | \$ 93,224,538 | \$ 85,782,579 |
| Capital assets, non depreciable..... | 40,040,708 | 33,951,892 |
| Capital assets, net of accumulated depreciation.... | 138,453,490 | 141,603,799 |
| Total assets..... | 271,718,736 | 261,338,270 |
| Deferred outflows of resources..... | 17,115,137 | 18,746,145 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 15,676,386 | 15,939,450 |
| Noncurrent liabilities (excluding debt)..... | 231,144,433 | 222,821,890 |
| Current debt..... | 9,728,331 | 5,770,400 |
| Noncurrent debt..... | 50,919,369 | 54,586,733 |
| Total liabilities..... | 307,468,519 | 299,118,473 |
| Deferred inflows of resources..... | 2,540,006 | 6,047,450 |
| Net position: | | |
| Net investment in capital assets..... | 132,131,027 | 128,322,641 |
| Restricted..... | 3,564,309 | 1,261,514 |
| Unrestricted..... | (156,869,988) | (154,665,663) |
| Total net position..... | \$ (21,174,652) | \$ (25,081,508) |
| Program Revenues: | | |
| Charges for services..... | \$ 21,963,098 | \$ 21,980,753 |
| Operating grants and contributions..... | 23,832,469 | 21,612,082 |
| Capital grants and contributions..... | 2,274,702 | 2,283,589 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 112,160,859 | 107,849,572 |
| Tax and other liens..... | 171,838 | 339,317 |
| Motor vehicle and other excise taxes..... | 4,580,117 | 4,701,101 |
| Hotel/motel tax..... | 5,719,911 | 4,653,341 |
| Penalties and interest on taxes..... | 229,796 | 415,121 |
| Payments in lieu of taxes..... | 521,085 | 521,086 |
| Grants and contributions not restricted to specific programs..... | 2,849,798 | 2,755,822 |
| Unrestricted investment income..... | 2,121,185 | 756,072 |
| Miscellaneous..... | 291,774 | 272,599 |
| Total revenues..... | 176,716,632 | 168,140,455 |
| Expenses: | | |
| General government..... | 10,757,015 | 10,436,272 |
| Public safety..... | 28,589,937 | 27,413,036 |
| Education..... | 96,324,627 | 96,626,764 |
| Public works..... | 15,451,109 | 15,331,714 |
| Human services..... | 2,960,887 | 2,800,110 |
| Water and sewer..... | 10,183,413 | 9,778,407 |
| Culture and recreation..... | 6,777,770 | 6,531,690 |
| Interest..... | 1,765,018 | 1,760,462 |
| Total expenses..... | 172,809,776 | 170,678,455 |
| Change in net position..... | 3,906,856 | (2,538,000) |
| Net position, beginning of year, as restated..... | (25,081,508) | (22,543,508) |
| Net position, end of year..... | \$ (21,174,652) | \$ (25,081,508) |

- The governmental activities net position increased by \$3.9 million during the current year. The increase in net position is primarily due to the increase operating grants and contributions by \$2.2 million as well as real estate and personal property collections increasing by \$4.3 million from the prior year. These increases are offset by the OPEB and pension liability increasing \$1.4 million and \$5.9 million, net of deferred outflows/(inflows) of resources.
- Charges for services represent about 12.4% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Board of Selectmen are included in this category.
- Operating grants and contributions account for 13.5% of the governmental activities resources. Most of these resources apply to education operations.
- Capital grants and contributions account for 1.3% of the governmental activities resources. Most of these resources apply to roadway improvements.



- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprise 64% of all resources. Real estate and personal property tax collections increased 4% from the prior year. In Massachusetts, proposition 2 ½ allows municipalities to increase tax levies up to 2 ½ percent of the prior levy limit adjusted for new construction and certain approved debt service. Other taxes and other revenues comprised a total of 9.3% of the governmental activities resources. These primarily include excise taxes, hotel motel and meals tax, penalties and interest on taxes, and investment earnings.
- Education is by far the largest governmental activity of the Town with 56% of total governmental expenses. Program revenues of \$26.5 million provided direct support to education and \$69.9 million in taxes and other general revenue were needed to cover the remaining 2019 operating expenses.
- Public safety and public works are the second and third largest activities of the Town. Approximately \$23.9 million and \$11.4 million, respectively, of taxes and other revenue were needed to cover their 2019 operating expenses.

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 governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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.

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$61.8 million, an increase of \$3.5 million from the prior year. This increase is due to a \$3.9 million increase in the general fund, \$2.7 million increase in the public works capital project fund due to the timing of construction projects, a decrease in the nonmajor funds of \$3.2 million from timing differences between the receipt and expenditures of grant funds.

The general fund is the chief operating fund of the Town of Burlington. The general fund balance increased by \$3.9 million during the current year. This increase is due to stronger than expected collections in practically all revenue categories. Another contributing factor was, with the exception of snow and ice, budgetary turn backs of appropriations by departments.

The Town also maintains a stabilization fund, which has been classified within the unassigned general fund balance in the governmental funds financial statements to remain compliant with GASB 54. The stabilization fund has a year-end balance of \$9.5 million which represents 6.1% of general fund expenditures. The funds can be used for general or capital purposes upon Town Meeting approval.

The public works capital projects fund is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, sidewalks, drainage, and other infrastructure. The fund spent \$2.5 million on construction projects, reported a transfer in of \$4.1 million from the general fund, and recorded bond proceeds of \$278,000. At the end of the current year, the fund had a fund balance surplus of \$7.6 million. These projects are being funded by a combination of local revenues, grants and bonds.

At the end of the current year, unassigned fund balance of the general fund totaled \$34.0 million, while total fund balance totaled \$45.6 million. The \$2.5 million of committed fund balance represents amounts that have been appropriated for specific purposes. The \$9.2 million of assigned fund balance represents amounts that have been encumbered at year-end to meet contractual obligations at year end. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.1% of total general fund expenditures, while total fund balance represents 29.7% of that same amount.

General Fund Budgetary Highlights

The final general fund budget appropriations, including transfers, were approximately \$3.1 million lower than the original budget primarily due to decreases in public works and general government.

General fund revenues came in over budget by \$6.7 million. The majority of this surplus, \$2.0 million (30%), was generated from licenses and permits, \$1.4 million (22%) was generated from hotel, motel and meals tax, and \$1.3 million (20%) was generated from real estate and personal property taxes, net of tax refunds.

Actual general fund expenditures, including carryovers, were higher than budgeted amounts by \$1.1 million, or less than 1%.

Capital Asset and Debt Administration

Major capital additions during the period included building improvements, purchase of vehicles and equipment, water and sewer projects, and various infrastructure improvements.

In conjunction with the annual operating budget the Town annually prepares a capital budget for the upcoming year and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town has an “AAA” bond rating from Standard and Poor’s Ratings Services. The Town continues to maintain strong market access for both note and bond sales. During the current year the Town issued \$277,500 in MWRA bonds and paid down \$3.5 million in principal payments. At the end of the year the Town had total bonded debt outstanding of \$53.3 million of which \$22.0 million is related to school projects, \$3.7 million is related to the water treatment facility, \$2.8 million is related to road construction, \$7.0 million is related to water and sewer construction, \$8.4 million is related to the fire station remodeling, and the balance of \$9.4 million is related to other capital projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town.

Please refer to notes 4, 7, and 8 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 Burlington’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 Town Accountant, 29 Center Street, Burlington, MA 01803.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2019

| | Governmental Activities |
|---|-------------------------------|
| ASSETS | |
| CURRENT: | |
| Cash and cash equivalents..... | \$ 70,349,540 |
| Investments..... | 15,362,604 |
| Receivables, net of allowance for uncollectibles: | |
| Real estate and personal property taxes..... | 938,002 |
| Tax liens..... | 1,525,818 |
| Motor vehicle and other excise taxes..... | 243,050 |
| Water and Sewer fees..... | 2,660,538 |
| Departmental and other..... | 483,964 |
| Intergovernmental..... | 1,569,180 |
| Tax foreclosures..... | 91,842 |
| Total current assets..... | <u>93,224,538</u> |
| NONCURRENT: | |
| Capital assets, nondepreciable..... | 40,040,708 |
| Capital assets, net of accumulated depreciation..... | <u>138,453,490</u> |
| Total noncurrent assets..... | <u>178,494,198</u> |
| TOTAL ASSETS..... | <u>271,718,736</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions..... | 15,106,042 |
| Deferred outflows related to other postemployment benefits..... | <u>2,009,095</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>17,115,137</u> |
| LIABILITIES | |
| CURRENT: | |
| Warrants payable..... | 2,520,033 |
| Accrued payroll..... | 4,579,112 |
| Health claims payable..... | 1,324,144 |
| Tax refunds payable..... | 1,455,000 |
| Accrued interest..... | 1,183,835 |
| Other liabilities..... | 1,071,729 |
| Capital lease obligations..... | 291,533 |
| Compensated absences..... | 2,525,000 |
| Workers' compensation..... | 726,000 |
| Notes payable..... | 5,970,000 |
| Bonds payable..... | <u>3,758,331</u> |
| Total current liabilities..... | <u>25,404,717</u> |
| NONCURRENT: | |
| Compensated absences..... | 3,269,000 |
| Net pension liability..... | 127,441,167 |
| Net OPEB liability..... | 100,434,266 |
| Bonds payable..... | <u>50,919,369</u> |
| Total noncurrent liabilities..... | <u>282,063,802</u> |
| TOTAL LIABILITIES..... | <u>307,468,519</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Taxes paid in advance..... | 41,515 |
| Deferred inflows related to pensions..... | 2,436,140 |
| Deferred inflows related to other postemployment benefits..... | <u>62,351</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>2,540,006</u> |
| NET POSITION | |
| Net investment in capital assets..... | 132,131,027 |
| Restricted for: | |
| Permanent funds: | |
| Expendable..... | 233,223 |
| Nonexpendable..... | 715,465 |
| Gifts and grants..... | 2,615,621 |
| Unrestricted..... | <u>(156,869,988)</u> |
| TOTAL NET POSITION..... | <u>\$ (21,174,652)</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | | Program Revenues | | | | |
|-------------------------------|----------------|----------------------|------------------------------------|----------------------------------|-----------------------|--|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government..... | \$ 10,757,015 | \$ 1,772,087 | \$ 36,292 | \$ - | \$ (8,948,636) | |
| Public safety..... | 28,589,937 | 3,991,844 | 622,479 | - | (23,975,614) | |
| Education..... | 96,324,627 | 4,429,931 | 22,024,529 | - | (69,870,167) | |
| Public works..... | 15,451,109 | 871,345 | 919,138 | 2,274,702 | (11,385,924) | |
| Human services..... | 2,960,887 | 399,310 | 193,200 | - | (2,368,377) | |
| Water and sewer..... | 10,183,413 | 9,312,909 | - | - | (870,504) | |
| Culture and recreation..... | 6,777,770 | 1,185,672 | 36,831 | - | (5,555,267) | |
| Interest..... | 1,765,018 | - | - | - | (1,765,018) | |
| Total Primary Government..... | \$ 172,809,776 | \$ 21,963,098 | \$ 23,832,469 | \$ 2,274,702 | \$ (124,739,507) | |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | <u>Primary Government</u> |
|---|--|
| | <u>Governmental</u> <u>Activities</u> |
| Changes in net position: | |
| Net (expense) revenue from previous page..... \$ | (124,739,507) |
| <i>General revenues:</i> | |
| Real estate and personal property taxes, net of tax refunds payable..... | 112,160,859 |
| Tax and other liens..... | 171,838 |
| Motor vehicle and other excise taxes..... | 4,580,117 |
| Hotel/motel tax..... | 5,719,911 |
| Penalties and interest on taxes..... | 229,796 |
| Payments in lieu of taxes..... | 521,085 |
| Grants and contributions not restricted to specific programs..... | 2,849,798 |
| Unrestricted investment income..... | 2,121,185 |
| Miscellaneous..... | 291,774 |
| Total general revenues and transfers..... | <u>128,646,363</u> |
| Change in net position..... | 3,906,856 |
| <i>Net position:</i> | |
| Beginning of year, as restated..... | <u>(25,081,508)</u> |
| End of year..... \$ | <u><u>(21,174,652)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

| | General | Public Works Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 43,680,548 | \$ 13,607,571 | \$ 7,810,153 | \$ 65,098,272 |
| Investments..... | 8,678,461 | - | 862,978 | 9,541,439 |
| Receivables, net of uncollectibles: | | | | |
| Real estate and personal property taxes..... | 938,002 | - | - | 938,002 |
| Tax liens..... | 1,525,818 | - | - | 1,525,818 |
| Motor vehicle and other excise taxes..... | 243,050 | - | - | 243,050 |
| Water and sewer fees..... | 2,660,538 | - | - | 2,660,538 |
| Departmental and other..... | 229,006 | - | 3,450 | 232,456 |
| Intergovernmental..... | 701,378 | - | 867,802 | 1,569,180 |
| Tax foreclosures..... | 91,842 | - | - | 91,842 |
| TOTAL ASSETS..... | \$ 58,748,643 | \$ 13,607,571 | \$ 9,544,383 | \$ 81,900,597 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 1,764,626 | \$ 82,856 | \$ 671,915 | \$ 2,519,397 |
| Accrued payroll..... | 4,570,073 | - | 9,039 | 4,579,112 |
| Tax refunds payable..... | 1,455,000 | - | - | 1,455,000 |
| Other liabilities..... | 427,247 | - | - | 427,247 |
| Notes payable..... | - | 5,970,000 | - | 5,970,000 |
| TOTAL LIABILITIES..... | 8,216,946 | 6,052,856 | 680,954 | 14,950,756 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Taxes paid in advance..... | 41,515 | - | - | 41,515 |
| Unavailable revenue..... | 4,854,946 | - | 274,475 | 5,129,421 |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 4,896,461 | - | 274,475 | 5,170,936 |
| FUND BALANCES | | | | |
| Nonspendable..... | - | - | 715,465 | 715,465 |
| Restricted..... | - | 7,554,715 | 7,873,489 | 15,428,204 |
| Committed..... | 2,497,653 | - | - | 2,497,653 |
| Assigned..... | 9,168,060 | - | - | 9,168,060 |
| Unassigned..... | 33,969,523 | - | - | 33,969,523 |
| TOTAL FUND BALANCES..... | 45,635,236 | 7,554,715 | 8,588,954 | 61,778,905 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 58,748,643 | \$ 13,607,571 | \$ 9,544,383 | \$ 81,900,597 |

See notes to basic financial statements.

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

JUNE 30, 2019

| | |
|--|------------------------|
| Total governmental fund balances..... | \$ 61,778,905 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | 178,494,198 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | 5,129,421 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | 14,616,646 |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | 9,354,679 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | (1,183,835) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | |
| Bonds payable..... | (54,677,700) |
| Net pension liability..... | (127,441,167) |
| Net OPEB liability..... | (100,434,266) |
| Capital lease obligations..... | (291,533) |
| Workers' compensation..... | (726,000) |
| Compensated absences..... | (5,794,000) |
| Net effect of reporting long-term liabilities..... | (289,364,666) |
| Net position of governmental activities..... | \$ <u>(21,174,652)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | General | Public Works Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 112,529,600 | \$ - | \$ - | \$ 112,529,600 |
| Tax liens..... | 154,966 | - | - | 154,966 |
| Motor vehicle and other excise taxes..... | 4,728,466 | - | - | 4,728,466 |
| Hotel/motel tax..... | 5,719,911 | - | - | 5,719,911 |
| Water and sewer charges..... | 9,837,388 | - | - | 9,837,388 |
| Ambulance..... | 860,094 | - | - | 860,094 |
| Penalties and interest on taxes..... | 229,796 | - | - | 229,796 |
| Fees and rentals..... | 457,792 | - | - | 457,792 |
| Payments in lieu of taxes..... | 521,085 | - | - | 521,085 |
| Licenses and permits..... | 3,030,530 | - | - | 3,030,530 |
| Intergovernmental - Teachers Retirement..... | 12,171,000 | - | - | 12,171,000 |
| Intergovernmental..... | 9,468,582 | 832,500 | 5,978,927 | 16,280,009 |
| Departmental and other..... | 1,032,185 | - | 6,562,443 | 7,594,628 |
| Contributions and donations..... | - | - | 54,453 | 54,453 |
| Investment income..... | 1,456,214 | - | 64,044 | 1,520,258 |
| Miscellaneous..... | 290,784 | - | 310,524 | 601,308 |
| TOTAL REVENUES..... | 162,488,393 | 832,500 | 12,970,391 | 176,291,284 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 5,958,159 | - | 1,223,549 | 7,181,708 |
| Public safety..... | 16,880,026 | - | 6,978,659 | 23,858,685 |
| Education..... | 64,799,620 | - | 6,047,333 | 70,846,953 |
| Public works..... | 8,923,841 | 2,192,415 | 980,369 | 12,096,625 |
| Water and sewer..... | 9,594,565 | 268,699 | 97,166 | 9,960,430 |
| Human services..... | 1,574,299 | - | 285,252 | 1,859,551 |
| Culture and recreation..... | 3,428,882 | - | 1,251,781 | 4,680,663 |
| Pension benefits..... | 9,418,623 | - | - | 9,418,623 |
| Pension benefits - Teachers Retirement..... | 12,171,000 | - | - | 12,171,000 |
| Employee benefits..... | 14,875,813 | - | - | 14,875,813 |
| State and county charges..... | 765,795 | - | - | 765,795 |
| Debt service: | | | | |
| Principal..... | 3,544,357 | - | - | 3,544,357 |
| Interest..... | 1,919,842 | - | 27,593 | 1,947,435 |
| TOTAL EXPENDITURES..... | 153,854,822 | 2,461,114 | 16,891,702 | 173,207,638 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 8,633,571 | (1,628,614) | (3,921,311) | 3,083,646 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Issuance of bonds..... | - | 277,500 | - | 277,500 |
| Premium from issuance of bonds..... | 148,487 | 4,980 | - | 153,467 |
| Transfers in..... | 42,526 | 4,088,051 | 818,452 | 4,949,029 |
| Transfers out..... | (4,900,910) | - | (48,119) | (4,949,029) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (4,709,897) | 4,370,531 | 770,333 | 430,967 |
| NET CHANGE IN FUND BALANCES..... | 3,923,674 | 2,741,917 | (3,150,978) | 3,514,613 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 41,711,562 | 4,812,798 | 11,739,932 | 58,264,292 |
| FUND BALANCES AT END OF YEAR..... | \$ 45,635,236 | \$ 7,554,715 | \$ 8,588,954 | \$ 61,778,905 |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | | |
|--|--------------------|-------------------------|
| Net change in fund balances - total governmental funds..... | \$ | 3,514,613 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital outlay..... | 11,484,236 | |
| Depreciation expense..... | <u>(8,545,729)</u> | |
| Net effect of reporting capital assets..... | | 2,938,507 |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | |
| | | (175,579) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Principal payments on capital leases..... | 283,306 | |
| Issuance of bonds..... | (277,500) | |
| Premium from issuance of bonds..... | (153,467) | |
| Net amortization of premium from issuance of bonds..... | 371,204 | |
| Debt service principal payments..... | <u>3,544,357</u> | |
| Net effect of reporting long-term debt..... | | 3,767,900 |
| <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..... | (232,000) | |
| Net change in accrued interest on long-term debt..... | (188,787) | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | 4,182,920 | |
| Net change in net pension liability..... | (10,073,074) | |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits... | (3,308,690) | |
| Net change in net OPEB liability..... | 1,911,531 | |
| Net change in workers' compensation liability..... | <u>(216,000)</u> | |
| Net effect of recording long-term liabilities..... | | (7,924,100) |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>1,785,515</u> |
| Change in net position of governmental activities..... | \$ | <u><u>3,906,856</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

| | Governmental Activities - Internal Service Fund |
|---|--|
| ASSETS | |
| CURRENT: | |
| Cash and cash equivalents..... | \$ 5,251,268 |
| Investments..... | 5,821,165 |
| Receivables, net of allowance for uncollectibles: | |
| Departmental and other..... | <u>251,508</u> |
| TOTAL ASSETS..... | <u>11,323,941</u> |
| LIABILITIES | |
| CURRENT: | |
| Warrants payable..... | 645,118 |
| Health claims payable..... | <u>1,324,144</u> |
| TOTAL LIABILITIES..... | <u>1,969,262</u> |
| NET POSITION | |
| Unrestricted..... | <u>\$ 9,354,679</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Fund |
|--|--|
| <u>OPERATING REVENUES:</u> | |
| Employee contributions..... | \$ 5,033,285 |
| Employer contributions..... | <u>9,283,205</u> |
| TOTAL OPERATING REVENUES | <u>14,316,490</u> |
| <u>OPERATING EXPENSES:</u> | |
| Employee benefits..... | <u>13,131,902</u> |
| OPERATING INCOME (LOSS)..... | 1,184,588 |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | |
| Investment income..... | <u>600,927</u> |
| CHANGE IN NET POSITION..... | 1,785,515 |
| NET POSITION AT BEGINNING OF YEAR..... | <u>7,569,164</u> |
| NET POSITION AT END OF YEAR..... | \$ <u><u>9,354,679</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Fund |
|---|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | |
| Receipts from interfund services provided..... | \$ 14,316,490 |
| Payments for interfund services used..... | <u>(13,001,910)</u> |
| NET CASH FROM OPERATING ACTIVITIES..... | <u>1,314,580</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | |
| Net proceeds from sales and purchases of investments..... | (1,518,707) |
| Investment income..... | <u>600,927</u> |
| NET CASH FROM INVESTING ACTIVITIES..... | <u>(917,780)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 396,800 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | <u>4,854,468</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | <u>\$ 5,251,268</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> | |
| <u>FROM OPERATING ACTIVITIES:</u> | |
| Operating income (loss)..... | \$ <u>1,184,588</u> |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Changes in assets and liabilities: | |
| Departmental and other..... | (217,015) |
| Warrants payable..... | 292,045 |
| Health claims payable..... | <u>54,962</u> |
| Total adjustments..... | <u>129,992</u> |
| NET CASH FROM OPERATING ACTIVITIES..... | <u>\$ 1,314,580</u> |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

| | Other Postemployment Benefit Trust Fund | Private Purpose Trust Funds | Agency Funds |
|--|--|-----------------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ - | \$ 35,379 | \$ 866,920 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 8,228,960 | - | - |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | - | - | 322,513 |
| TOTAL ASSETS..... | 8,228,960 | 35,379 | 1,189,433 |
| LIABILITIES | | | |
| Accrued payroll..... | - | - | 85,152 |
| Liabilities due depositors..... | - | - | 1,104,281 |
| TOTAL LIABILITIES..... | - | - | 1,189,433 |
| NET POSITION | | | |
| Restricted for other postemployment benefits..... | 8,228,960 | - | - |
| Held in trust for other purposes..... | - | 35,379 | - |
| TOTAL NET POSITION..... | \$ 8,228,960 | \$ 35,379 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

| | Other Postemployment Benefit Trust Fund | Private Purpose Trust Funds |
|---|--|-----------------------------------|
| <u>ADDITIONS:</u> | | |
| Contributions: | | |
| Employer contributions..... | \$ 1,152,876 | \$ - |
| Employer contributions for other postemployment benefit payments..... | 5,316,110 | - |
| Retirement benefits - workers compensation settlements..... | - | 11,707 |
| Private donations..... | - | 8,052 |
| | <u>6,468,986</u> | <u>19,759</u> |
| Total contributions..... | | |
| Net investment income: | | |
| Investment income..... | 422,179 | 261 |
| | <u>422,179</u> | <u>261</u> |
| TOTAL ADDITIONS..... | <u>6,891,165</u> | <u>20,020</u> |
| <u>DEDUCTIONS:</u> | | |
| Other postemployment benefit payments..... | 5,316,110 | - |
| Educational scholarships..... | - | 16,726 |
| | <u>5,316,110</u> | <u>16,726</u> |
| TOTAL DEDUCTIONS..... | | |
| NET INCREASE (DECREASE) IN NET POSITION..... | 1,575,055 | 3,294 |
| NET POSITION AT BEGINNING OF YEAR..... | 6,653,905 | 32,085 |
| NET POSITION AT END OF YEAR..... | \$ <u>8,228,960</u> | \$ <u>35,379</u> |

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Burlington, 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 Town's significant accounting policies are described herein.

A. Reporting Entity

The Town of Burlington, Massachusetts is a municipal corporation that is governed by an elected Board of Selectmen. As required by GAAP, these basic financial statements present the government and its component units, entities for which the Town is considered to be financially accountable.

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. The Town has no component units that require inclusion in these basic financial statements.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town is a member of the Shawsheen Valley Technical High School that serves the members' students seeking an education in academic, technical and agriculture studies. Shawsheen Valley Technical High School is governed by a nine-member school committee consisting of two voting appointed representatives from the Town of Burlington. The members' share in the operations of the Shawsheen Valley Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Shawsheen Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Shawsheen Technical High School and the 2019 assessment was \$2,291,429. The School issues a publicly available audited financial report that may be obtained by contacting the School located at 100 Cook Street, Billerica, MA 01821.

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 changes in net position) report information on all of the non-fiduciary activities of the primary government. *Governmental activities* are primarily supported by taxes, charges for services and intergovernmental revenues. The Town does not report any *business-type activities* since the user fees charged are not designed to recover all the costs of providing these services.

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 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.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

Taxes and other items not identifiable as program revenues are reported as general revenues. The effect of interfund activity has been removed from the government-wide financial statements. However, the effect of

interfund services provided and used between functions is not eliminated as the 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.

Real estate and personal property tax revenues are considered 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 *public works capital project fund* is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, sidewalks, and other infrastructure.

The nonmajor governmental funds consist of other special revenue, 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 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 proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. The Town accounts for its risk financing activities related to health insurance in the internal service fund.

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 *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 that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund consists primarily of student activity funds, planning deposits, and police and fire details.

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 and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate tax liens are processed by the last day in September following the last billing cycle on delinquent properties. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed six months after the close of the valuation 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 of 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. 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.

Water and Sewer Fees

User fees are levied monthly 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 December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

The revenue generated by the water rates is designed to cover all operation and maintenance costs associated with the production of water, maintenance of water facilities and operation and maintenance of the water main infrastructure. The revenue generated by the sewer rates is designed to cover the costs of the Massachusetts Water Resources Authority (MWRA) assessment.

Both water and sewer capital costs are funded through other General fund revenues.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details, and ambulance fees are recorded as receivables in the year accrued. The allowance of 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, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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.

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 Financial Statements

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in 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 service concession arrangements are recorded at acquisition value.

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|---------------------------------|---|
| Land improvements..... | 20 |
| Buildings..... | 40 |
| Buildings and improvements..... | 20-40 |
| Machinery and equipment..... | 5-10 |
| Vehicles..... | 5-20 |
| Infrastructure..... | 20-50 |

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

In addition to liabilities, the statement of financial 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 recorded deferred inflows of resources related to OPEB, pensions, and advance tax collections 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 recorded unavailable revenue and advance tax collections 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

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. 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 internal service funds are eliminated from the governmental activities in the statement of net position. 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 reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts that 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:

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

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor-restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Gifts and grants” represents restrictions placed on assets from outside parties such as gifts, and state and federal grants.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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 balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are 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 high level of decision-making authority that can, by adoption of a Town Meeting warrant article, 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. Assignments are made by management and exist until the purpose of the assignment has either been satisfied or management removes the assignment.

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

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the

order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. 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 the Middlesex County Retirement System (MCRS) and the Massachusetts Teachers Retirement System (MTRS). Additions to/deductions from the System's 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.

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 proprietary funds 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 upon maturity of the liability.

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

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

R. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined 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 Massachusetts General Laws.

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 assets in the Pool is the same as the value of the Pool shares.

The effective weighted duration rate for PRIT investments ranged from .18 to 15.31 years.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned. At year-end, the carrying amount of deposits totaled \$68,936,745 and the bank balance totaled \$69,631,573. Of the bank balance, \$3,250,152 was covered by Federal Depository Insurance, \$2,889,193 was covered by SIF insurance, \$9,776,076 was covered by DIF insurance and \$53,716,152 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Town has not adopted a formal investment policy related to custodial credit risk of deposits.

Investments

As of June 30, 2019, the Town of Burlington had the following investments:

| Investment Type | Fair value | Maturities | | | | |
|--|---------------|--------------|--------------|------------|---------------|------------|
| | | Under 1 Year | 1-5 Years | 6-10 Years | Over 10 Years | |
| <u>Debt securities:</u> | | | | | | |
| U.S. treasury bonds..... | \$ 3,009,647 | \$ 797,303 | \$ 1,888,385 | \$ 323,959 | \$ - | AAA |
| Government sponsored enterprises..... | 2,795,369 | 814,956 | 1,118,971 | 225,765 | 635,677 | AAA to BAA |
| Corporate bonds..... | 3,544,889 | 2,199,369 | 1,192,308 | 153,212 | - | BBB+ to A+ |
| Total debt securities..... | 9,349,905 | \$ 3,811,628 | \$ 4,199,664 | \$ 702,936 | \$ 635,677 | |
| <u>Other investments:</u> | | | | | | |
| Equity securities..... | 4,997,976 | | | | | |
| Fixed income..... | 1,014,723 | | | | | |
| Pension Reserve Investment Trust (PRIT)..... | 8,228,960 | | | | | |
| MMDT - Cash portfolio..... | 2,315,094 | | | | | |
| Total investments..... | \$ 25,906,658 | | | | | |

Investments in MMDT and PRIT are unrated.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments of \$2,795,369 in government sponsored enterprises, \$3,009,647 in U.S. treasury notes, \$3,544,889 in corporate bonds, and \$4,997,976 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and are not held in the Town's name.

The Town has not adopted a formal investment policy related to custodial credit risk for investments.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for most investment types.

The Town's investment policy regarding repurchase agreements is as follows; utilize repurchase agreements only on a limited basis and then only with major Massachusetts financial institutions when no other more favorable action is possible and then only of a duration of no more than three days.

Credit Risk

The Town's formal investment policy regarding credit risk states the Treasurer shall subscribe to information reports from a recognized bank rating company. Direct investment in an institution shall be restricted to those ranked in the upper half of rating categories utilized by said company unless the Treasurer obtains additional adequate security for the investment or otherwise determines and documents in writing that the rating provided does not properly reflect the strength of the institution. Maintenance of disbursement or other types of accounts at institutions below a mid-range rating shall be limited, to the maximum extent possible, to a balance below \$100,000. When the rating falls to a "warning stage" or when more than one-half of an institution's capital and surplus has been lost in a 12-month period, any accounts shall be closed forthwith.

Concentration of Credit Risk

The Town has adopted a policy on the amount that may be invested in any one issuer. The policy is as follows; investment in a single institution may not exceed 10% of the institution’s capital and surplus position as of the most recent quarterly data available to the Treasurer, nor may any investment in a single institution (other than MMDT) exceed 35% of the Treasurer’s cash balance at any time. Up to 100% of available cash may be invested in the State’s Treasurer’s pooled fund.

The Town places no limit on the amount the Town may invest in any on issuer. As of June 30, 2019, the Town had more than 5% of its investments in the following securities:

| <u>Issuer</u> | <u>Percentage of Total Investments</u> |
|-----------------------------------|--|
| United States Treasury Notes..... | 9% |

Fair Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2019:

| Investment Type | June 30, 2019 | Fair Value Measurements Using | | |
|---|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 3,009,647 | \$ 3,009,647 | \$ - | \$ - |
| Government sponsored enterprises..... | 2,795,369 | 2,795,369 | - | - |
| Corporate bonds..... | 3,544,889 | - | 3,544,889 | - |
| Total debt securities..... | 9,349,905 | 5,805,016 | 3,544,889 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 4,997,976 | 4,997,976 | - | - |
| Fixed income..... | 1,014,723 | 1,014,723 | - | - |
| Total other investments..... | 6,012,699 | 6,012,699 | - | - |
| Total investments measured at fair value..... | 15,362,604 | \$ 11,817,715 | \$ 3,544,889 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT - Cash portfolio..... | 2,315,094 | | | |
| Investments measured at net asset value: | | | | |
| Pension Reserve Investment Trust (PRIT)..... | 8,228,960 | | | |
| Total investments..... | \$ 25,906,658 | | | |

Government sponsored enterprises, U.S. treasury notes, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town does not have investments classified in Level 3.

PRIT investments are valued using the net asset value 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 Town does not have the ability to control any of the investment decisions relative to its funds in PRIT.

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

NOTE 3 - RECEIVABLES

At June 30, 2019, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|-----------------|------------------------------------|---------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 1,267,706 | \$ (329,704) | \$ 938,002 |
| Tax liens..... | 1,525,818 | - | 1,525,818 |
| Motor vehicle and other excise taxes..... | 516,174 | (273,124) | 243,050 |
| Water and sewer fees..... | 2,660,538 | - | 2,660,538 |
| Departmental and other..... | 412,389 | (179,933) | 232,456 |
| Intergovernmental - other..... | 1,569,180 | - | 1,569,180 |
| Total..... | \$ 7,951,805 | \$ (782,761) | \$ 7,169,044 |

Governmental funds report *unavailable revenues* 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 revenues* reported in the governmental funds were as follows:

| | General Fund | Other Governmental Funds | Total |
|--|-----------------|--------------------------------|--------------|
| <u>Receivables and other asset type:</u> | | | |
| Real estate and personal property taxes..... | \$ 146,207 | \$ - | \$ 146,207 |
| Tax liens..... | 1,525,818 | - | 1,525,818 |
| Motor vehicle and other excise taxes..... | 243,050 | - | 243,050 |
| Water and sewer fees..... | 2,660,538 | - | 2,660,538 |
| Departmental and other..... | 229,006 | 3,450 | 232,456 |
| Intergovernmental - other..... | - | 271,025 | 271,025 |
| Tax foreclosures..... | 91,842 | - | 91,842 |
| Total..... | \$ 4,896,461 | \$ 274,475 | \$ 5,170,936 |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 18,595,910 | \$ - | \$ - | \$ 18,595,910 |
| Construction in progress..... | 15,355,982 | 10,237,258 | (4,148,442) | 21,444,798 |
| Total capital assets not being depreciated.... | 33,951,892 | 10,237,258 | (4,148,442) | 40,040,708 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 7,906,874 | 549,587 | - | 8,456,461 |
| Buildings..... | 93,766,400 | - | - | 93,766,400 |
| Buildings and improvements..... | 38,251,909 | 629,531 | - | 38,881,440 |
| Machinery and equipment..... | 11,821,963 | 282,903 | (366,622) | 11,738,244 |
| Vehicles..... | 10,653,187 | 1,333,815 | (104,956) | 11,882,046 |
| Infrastructure..... | 134,047,637 | 2,599,584 | - | 136,647,221 |
| Total capital assets being depreciated..... | 296,447,970 | 5,395,420 | (471,578) | 301,371,812 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (3,606,420) | (307,877) | - | (3,914,297) |
| Buildings..... | (38,268,760) | (1,693,519) | - | (39,962,279) |
| Buildings and improvements..... | (20,000,834) | (1,471,169) | - | (21,472,003) |
| Machinery and equipment..... | (9,970,826) | (916,981) | 366,622 | (10,521,185) |
| Vehicles..... | (6,093,696) | (789,953) | 104,956 | (6,778,693) |
| Infrastructure..... | (76,903,635) | (3,366,230) | - | (80,269,865) |
| Total accumulated depreciation..... | (154,844,171) | (8,545,729) | 471,578 | (162,918,322) |
| Total capital assets being depreciated, net..... | 141,603,799 | (3,150,309) | - | 138,453,490 |
| Total governmental activities capital assets, net..... | \$ 175,555,691 | \$ 7,086,949 | \$ (4,148,442) | \$ 178,494,198 |

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

| | |
|---|--------------|
| Governmental Activities: | |
| General government..... | \$ 686,940 |
| Public safety..... | 618,275 |
| Education..... | 2,753,882 |
| Public works..... | 4,025,352 |
| Health and human services..... | 7,822 |
| Culture and recreation..... | 453,458 |
| Total depreciation expense - governmental activities..... | \$ 8,545,729 |

NOTE 5 – INTERFUND TRANSFERS

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

| Transfers Out: | Transfers In: | | | | |
|----------------------------------|---------------|-------------------------------|-----------------------------|--------------|-----|
| | General fund | Public Works Capital Projects | Nonmajor governmental funds | Total | |
| General fund..... | \$ - | \$ 4,088,051 | \$ 812,859 | \$ 4,900,910 | (1) |
| Nonmajor governmental funds..... | 42,526 | - | 5,593 | 48,119 | (2) |
| Total..... | \$ 42,526 | \$ 4,088,051 | \$ 818,452 | \$ 4,949,029 | |

- (1) Represents transfers of \$4,088,051 from the general fund to the public works capital project fund, a transfer of \$50,000 to the mini bus special revenue fund, and a transfer of \$762,859 to the fire capital projects fund.
- (2) Represents transfers of \$1,038 from the sealer weights special revenue fund and \$41,488 from the cross connection special revenue fund to the general fund, and a transfer of \$5,593 from the school choice special revenue fund to the school lunch special revenue fund.

NOTE 6 – CAPITAL LEASES

The Town has entered into lease agreements as lessees for a Town wide computer network and School equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| Asset: | Governmental Activities |
|-------------------------------------|-------------------------|
| Machinery and equipment..... | \$ 2,646,868 |
| Less: accumulated depreciation..... | (2,062,567) |
| Total..... | \$ 584,301 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

| Years ending June 30: | Governmental Activities |
|--|----------------------------|
| 2020..... | \$ 300,000 |
| Less: amounts representing interest..... | (8,467) |
| Present value of minimum lease payments..... | \$ 291,533 |

NOTE 7 - 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 respectively.

Details related to the short-term debt activity for the year ended June 30, 2019, are as follows:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2018 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2019 |
|-------------------------------|------------------------|-------------|----------|--------------------------------|--------------------|----------------------|--------------------------------|
| BAN | Municipal Purpose..... | 2.00% | 07/20/18 | \$ 1,620,000 | \$ - | \$ (1,620,000) | \$ - |
| BAN | Municipal Purpose..... | 2.75% | 07/19/19 | - | 5,970,000 | - | 5,970,000 |
| Total Governmental Funds..... | | | | \$ 1,620,000 | \$ 5,970,000 | \$ (1,620,000) | \$ 5,970,000 |

On the scheduled due date of July 19, 2019, \$4,700,000 was rolled into a new BAN with an interest rate of 2.25% and a due date of July 17, 2020. The remaining \$1,270,000 was paid down subsequent to year-end.

NOTE 8 - 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 general obligation indebtedness at June 30, 2019, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2018 | Issued | Redeemed | Outstanding at June 30, 2019 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|------------|--------------|------------------------------------|
| Municipal Purpose Bonds of 2001..... | 2019 | \$ 2,150,000 | 5.43 | \$ 105,000 | \$ - | \$ 105,000 | \$ - |
| MWPAT 2007..... | 2027 | 7,797,482 | 2.00 | 3,902,791 | - | 399,769 | 3,503,022 |
| MWPAT 2008..... | 2028 | 300,000 | 2.00 | 165,196 | - | 15,073 | 150,123 |
| Municipal Purpose Bonds of 2008..... | 2027 | 3,321,000 | 4.00 - 5.00 | 1,080,000 | - | 145,000 | 935,000 |
| Municipal Purpose Bonds of 2010..... | 2030 | 6,100,000 | 1.50 - 4.00 | 2,035,000 | - | 380,000 | 1,655,000 |
| Municipal Purpose Bonds of 2011..... | 2036 | 8,800,000 | 3.00 - 5.00 | 5,360,000 | - | 490,000 | 4,870,000 |
| Municipal Purpose Bonds of 2012..... | 2042 | 12,200,000 | 2.00 - 5.00 | 8,655,000 | - | 585,000 | 8,070,000 |
| Municipal Purpose Bonds of 2013..... | 2042 | 13,976,000 | 2.00 - 4.00 | 12,345,000 | - | 350,000 | 11,995,000 |
| Municipal Purpose Bonds of 2016..... | 2036 | 11,270,000 | 2.00 - 5.00 | 9,705,000 | - | 780,000 | 8,925,000 |
| MWRA 2016..... | 2021 | 235,200 | 0.00 | 141,120 | - | 47,040 | 94,080 |
| MWRA 2017..... | 2027 | 224,750 | 0.00 | 202,275 | - | 22,475 | 179,800 |
| Municipal Purpose Bonds of 2018..... | 2047 | 12,860,000 | 3.00 - 5.00 | 12,860,000 | - | 225,000 | 12,635,000 |
| MWRA 2019..... | 2029 | 277,500 | 0.00 | - | 277,500 | - | 277,500 |
| Total Bonds Payable..... | | | | 56,556,382 | 277,500 | 3,544,357 | 53,289,525 |
| Add: Unamortized premium on bonds..... | | | | 1,605,912 | 153,467 | 371,204 | 1,388,175 |
| Total Bonds Payable, net..... | | | | \$ 58,162,294 | \$ 430,967 | \$ 3,915,561 | \$ 54,677,700 |

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

| Year | Principal | Interest | Total |
|------------|---------------|---------------|---------------|
| 2020..... | \$ 3,560,487 | \$ 1,929,855 | \$ 5,490,342 |
| 2021..... | 3,254,037 | 1,788,445 | 5,042,482 |
| 2022..... | 3,125,720 | 1,656,172 | 4,781,892 |
| 2023..... | 3,049,619 | 1,534,888 | 4,584,507 |
| 2024..... | 3,078,698 | 1,419,545 | 4,498,243 |
| 2025..... | 3,107,960 | 1,306,434 | 4,414,394 |
| 2026..... | 2,822,409 | 1,198,409 | 4,020,818 |
| 2027..... | 2,822,049 | 1,095,812 | 3,917,861 |
| 2028..... | 2,215,796 | 1,001,024 | 3,216,820 |
| 2029..... | 2,222,750 | 915,121 | 3,137,871 |
| 2030..... | 2,145,000 | 835,402 | 2,980,402 |
| 2031..... | 1,890,000 | 759,451 | 2,649,451 |
| 2032..... | 1,810,000 | 691,355 | 2,501,355 |
| 2033..... | 1,810,000 | 623,437 | 2,433,437 |
| 2034..... | 1,810,000 | 554,190 | 2,364,190 |
| 2035..... | 1,850,000 | 485,668 | 2,335,668 |
| 2036..... | 1,630,000 | 422,954 | 2,052,954 |
| 2037..... | 1,225,000 | 372,505 | 1,597,505 |
| 2038..... | 1,270,000 | 328,621 | 1,598,621 |
| 2039..... | 1,305,000 | 282,864 | 1,587,864 |
| 2040..... | 1,345,000 | 235,096 | 1,580,096 |
| 2041..... | 1,390,000 | 185,548 | 1,575,548 |
| 2042..... | 1,100,000 | 155,979 | 1,255,979 |
| 2043..... | 545,000 | 111,214 | 656,214 |
| 2044..... | 560,000 | 91,875 | 651,875 |
| 2045..... | 575,000 | 72,013 | 647,013 |
| 2046..... | 600,000 | 51,451 | 651,451 |
| 2047..... | 625,000 | 39,551 | 664,551 |
| 2048..... | 545,000 | - | 545,000 |
| Total..... | \$ 53,289,525 | \$ 20,144,879 | \$ 73,434,404 |

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loan portion is payable in five equal annual installments. At June 30, 2019, the outstanding principal amount of these loans totaled \$273,880.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the Town had the following authorized and unissued debt:

| Purpose | Amount |
|--|----------------------|
| Fire Station Construction..... | \$ 225,000 |
| Mill Pond Automated Sludge Removal..... | 1,270,000 |
| MWRA..... | 5,300,000 |
| DPW/Recreation Facility..... | 16,500,000 |
| Sewer Infiltration and Inflow Removal..... | 2,220,000 |
| Total..... | <u>\$ 25,515,000</u> |

Changes in Long-term Liabilities

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

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|---|-----------------------|------------------------------|--------------------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 56,556,382 | \$ 277,500 | \$ (3,544,357) | \$ - | \$ - | \$ 53,289,525 | \$ 3,560,487 |
| Add: Unamortized premium on bonds..... | 1,605,912 | 153,467 | (371,204) | - | - | 1,388,175 | 197,844 |
| Total bonds payable..... | 58,162,294 | 430,967 | (3,915,561) | - | - | 54,677,700 | 3,758,331 |
| Capital lease obligations..... | 574,839 | - | - | - | (283,306) | 291,533 | 291,533 |
| Compensated absences..... | 5,562,000 | - | - | 2,686,000 | (2,454,000) | 5,794,000 | 2,525,000 |
| Workers' compensation..... | 510,000 | - | - | 726,000 | (510,000) | 726,000 | 726,000 |
| Net pension liability..... | 117,368,093 | - | - | 19,527,697 | (9,454,623) | 127,441,167 | - |
| Net other postemployment benefits..... | 93,610,746 | - | - | 13,714,684 | (6,891,164) | 100,434,266 | - |
| Total governmental activity long-term liabilities..... | <u>\$ 275,787,972</u> | <u>\$ 430,967</u> | <u>\$ (3,915,561)</u> | <u>\$ 36,654,381</u> | <u>\$ (19,593,093)</u> | <u>\$ 289,364,666</u> | <u>\$ 7,300,864</u> |

Compensated absence liabilities, net pension liabilities, and other postemployment benefit liabilities related to governmental activities are normally paid from the general fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Types Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balance, 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.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances, 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 spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any changes to the purpose of the fund along with any additions to or appropriations from the fund required a two-thirds vote of the legislative body. At year-end, the balance of the General Stabilization fund is \$9.5 million and is reported as unassigned fund balance within the General Fund.

As of June 30, 2019, the governmental fund balances consisted of the following:

| | General | Public Works Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------|-------------------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ 715,465 | \$ 715,465 |
| Restricted for: | | | | |
| Public works capital projects..... | - | 7,554,715 | - | 7,554,715 |
| Town revolving funds..... | - | - | 1,745,226 | 1,745,226 |
| School revolving funds..... | - | - | 876,263 | 876,263 |
| Town gifts..... | - | - | 389,171 | 389,171 |
| School gifts..... | - | - | 32,826 | 32,826 |
| School activity programs..... | - | - | 1,067,757 | 1,067,757 |
| Federal grants..... | - | - | 483,294 | 483,294 |
| Special purposes funds..... | - | - | 555,077 | 555,077 |
| State & local grants..... | - | - | 1,439,305 | 1,439,305 |
| Town capital projects..... | - | - | 1,010,291 | 1,010,291 |
| School capital projects..... | - | - | 41,056 | 41,056 |
| Town libraries..... | - | - | 920 | 920 |
| Cemetery perpetual care..... | - | - | 232,299 | 232,299 |
| Conservation..... | - | - | 4 | 4 |
| Committed to: | | | | |
| Articles and continuing appropriations: | | | | |
| Ways and means..... | 98,339 | - | - | 98,339 |
| Management information systems..... | 6,744 | - | - | 6,744 |
| Town clerk..... | 19,860 | - | - | 19,860 |
| Conservation..... | 6,440 | - | - | 6,440 |
| Planning board..... | 6,231 | - | - | 6,231 |
| Police department..... | 125,859 | - | - | 125,859 |
| Fire department..... | 345,569 | - | - | 345,569 |
| Building department..... | 22,020 | - | - | 22,020 |
| Education..... | 893,339 | - | - | 893,339 |
| Public works..... | 955,887 | - | - | 955,887 |
| Health and human services..... | 9,963 | - | - | 9,963 |
| Culture and recreation..... | 7,402 | - | - | 7,402 |
| Assigned to: | | | | |
| Encumbrances: | | | | |
| General government..... | 2,770 | - | - | 2,770 |
| Assessors..... | 34,407 | - | - | 34,407 |
| Central administration..... | 6,405 | - | - | 6,405 |
| Legal Expenses..... | 29,924 | - | - | 29,924 |
| Management information systems..... | 326 | - | - | 326 |
| Conservation..... | 185 | - | - | 185 |
| Planning board..... | 14,006 | - | - | 14,006 |
| Negotiated settlements..... | 831,208 | - | - | 831,208 |
| Police department..... | 88,108 | - | - | 88,108 |
| Fire department..... | 549,457 | - | - | 549,457 |
| Building department..... | 322 | - | - | 322 |
| Emergency management service..... | 5,678 | - | - | 5,678 |
| Education..... | 1,266,491 | - | - | 1,266,491 |
| Public works..... | 199,594 | - | - | 199,594 |
| Rubbish and garbage..... | 75,000 | - | - | 75,000 |
| Street light..... | 190,695 | - | - | 190,695 |
| DEP drinking water..... | 960 | - | - | 960 |
| Health and human services..... | 329 | - | - | 329 |
| Culture and recreation..... | 26,763 | - | - | 26,763 |
| Employee benefits..... | 125,856 | - | - | 125,856 |
| FY20 capital budget..... | 5,719,576 | - | - | 5,719,576 |
| Unassigned..... | 33,969,523 | - | - | 33,969,523 |
| Total Fund Balances..... | \$ 45,635,236 | \$ 7,554,715 | \$ 8,588,954 | \$ 61,778,905 |

NOTE 10 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the member units. The system is administered by the Middlesex Retirement Board (the "Board") on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://middlesexretirement.org>.

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 requirement of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, education collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$12,170,634 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$120,102,352 as of the measurement date.

Benefits Provided

Both Systems provides 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 System provides for 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. There were no changes in pension benefits since the last measurement date.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System 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 System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution, which equaled its actual contribution for the year ended June 30, 2019, was \$9,454,623 and 27.99% 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.

Pension Liabilities

At June 30, 2019, the Town reported a liability of \$127,441,167 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportionate share 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, actuarially determined. At December 31, 2018, the Town's proportion was 8.17%, which was a decrease of 0.10% from the last measurement date.

Pension Expense

For the year ended June 30, 2019, the Town recognized a pension expense of \$15,344,777. At June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to pensions of \$15,106,042 and (\$2,436,140), respectively, from the net difference between projected and actual investment earnings on pension plan investments.

The balances of deferred outflows and inflows at June 30, 2019, consist of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|----------------------|
| Differences between expected and actual experience..... | \$ 260,737 | \$ (444,206) | \$ (183,469) |
| Difference between projected and actual earnings..... | 5,680,520 | - | 5,680,520 |
| Changes in assumptions..... | 7,920,220 | - | 7,920,220 |
| Changes in proportion and proportionate share of contributions... | 1,244,565 | (1,991,934) | (747,369) |
| Total deferred outflows/(inflows) of resources..... | \$ <u>15,106,042</u> | \$ <u>(2,436,140)</u> | \$ <u>12,669,902</u> |

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

Year ended June 30:

| | | |
|------------|----|-------------------|
| 2020..... | \$ | 4,966,229 |
| 2021..... | | 3,855,220 |
| 2022..... | | 1,983,489 |
| 2023..... | | 1,864,964 |
| Total..... | \$ | <u>12,669,902</u> |

Actuarial Assumptions

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

| | |
|--|---|
| Valuation date..... | January 1, 2018 |
| Actuarial cost method..... | Entry Age Normal Cost Method. |
| Amortization method..... | Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments. |
| Remaining amortization period..... | As of July 1, 2018, 1 year remaining for 2002 ERI liability, 2 years remaining for 2003 ERI liability, 4 years remaining for 2010 ERI liability, and 17 years for remaining unfunded liability. |
| Asset valuation method..... | Fair value for GASB 67. For funding purposes, the difference between the expected return and the actual investment return on a fair value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the fair value. |
| Inflation rate..... | 3.25% (previously 3.5%). |
| Projected salary increases..... | Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4. |
| Rates of retirement..... | Varies based upon age for general employees, police and fire employees. |
| Rates of disability..... | For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected). |
| Cost of living adjustments..... | 3.0% of the first \$14,000 of retirement income. |
| Mortality rates: | |
| Pre-Retirement..... | The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. |
| Healthy Retiree..... | The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. |
| Disabled Retiree..... | The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017. |
| Investment rate of return/Discount rate..... | 7.50%, net of pension plan investment expense, including inflation previously 7.75% |

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--|--|---|
| Domestic equity..... | 17.50% | 6.15% |
| International developed markets equity.. | 15.50% | 7.11% |
| International emerging markets equity... | 6.00% | 9.41% |
| Core fixed income..... | 12.00% | 1.68% |
| High-yield fixed income..... | 10.00% | 4.13% |
| Real estate..... | 10.00% | 4.90% |
| Commodities..... | 4.00% | 4.71% |
| Hedge funds, GTAA, Risk parity..... | 13.00% | 3.94% |
| Private equity..... | 12.00% | 10.28% |
| Total..... | 100.00% | |

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -2.52%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amount actually invested.

Discount rate

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

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

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

| | 1% Decrease (6.50%) | Current Discount (7.50%) | 1% Increase (8.50%) |
|---|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of the net pension liability..... | \$ 154,591,850 | \$ 127,441,167 | \$ 104,549,161 |

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report.

Changes in Assumptions

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.75% to 7.50%.
- The inflation rate was reduced to 3.25% from the previous rate of 3.50%.

Changes in Plan Provisions

None.

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. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for approximately 90% of its health insurance and 100% of its workers' compensation activities. The self-insured health insurance activities are accounted for in the Internal Service Fund. Workers' compensation activities are accounted for in the General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR) that includes non-incremental claims adjustments. The result of the process to estimate the claims liability is not an exact amount as it depends on many factors.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

(a) *Health Insurance*

Approximately 10% of the Town's health insurance activities are premium based plans. The remaining 90% of employee health insurance claims are administered by a third party administrator and were funded from the Town's Internal Service Fund. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage. The estimate of IBNR claims is based on a historical trend analysis and recent trends and represents approximately 1.3 months of average claims experience.

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End |
|-----------|------------------------------------|--|--------------------|------------------------|
| 2018..... | \$ 1,279,588 | \$ 13,137,813 | \$ (13,148,219) | \$ 1,269,182 |
| 2019..... | 1,269,182 | 12,893,402 | (12,838,440) | 1,324,144 |

(b) *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 Town estimates its IBNR claims based on history and injury type. At June 30, 2019, the amount of the liability for workers' compensation claims totaled \$726,000. Changes in the reported liability are as follows:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End | Current Portion |
|-----------|------------------------------------|--|--------------------|------------------------|--------------------|
| 2018..... | \$ 410,000 | \$ 495,000 | \$ (395,000) | \$ 510,000 | \$ 510,000 |
| 2019..... | 510,000 | 499,000 | (283,000) | 726,000 | 726,000 |

Except for the internal service fund, all other claims and judgement and other similar liabilities are liquidated by the general fund.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Burlington 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 insurance plan, which covers both active and retired members. Chapter 32B of the MGL 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 – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 80% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute 20% of their premium costs. For the year ended June 30, 2019, the Town contributed approximately \$6.5 million to the plan.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2019, the Town pre-funded future OPEB liabilities totaling \$1,153,000 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2019, the net position of the OPEB trust fund totaled \$8.2 million.

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.

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

| | |
|--|---------------------|
| Active members..... | 623 |
| Inactive members currently receiving benefits..... | <u>821</u> |
| Total..... | <u><u>1,444</u></u> |

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

| | |
|--|------------------------------|
| Total OPEB liability..... | \$ 108,663,226 |
| Less: OPEB plan's fiduciary net position..... | <u>(8,228,960)</u> |
| Net OPEB liability..... | <u><u>\$ 100,434,266</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 7.57% |

Significant Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019.

| | |
|------------------------------------|--|
| Valuation date..... | Actuarially determined contribution for fiscal year ending June 30, 2019 was determined with the December 31, 2018 actuarial valuation. |
| Actuarial cost method..... | Individual Entry Age Normal - Level percentage of payroll |
| Amortization method..... | Level percentage of payroll. |
| Remaining amortization period..... | 27 years from December 31, 2018. |
| Asset valuation method..... | Fair Value |
| Investment rate of return..... | 7.25% |
| Discount rate..... | 7.25% |
| Inflation rate..... | 3.25% |
| Health care trend rates..... | Non-Medicare: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50% per year. Medicare: 8.00% decreasing by 0.25% for 14 years to an ultimate level of 4.50% per year. Administrative expense: 3.00%. Part B premium: 4.50%. Contribution: Retiree contributions are expected to increase with medical trend. |
| Mortality rates..... | Pre-Retirement (non-Teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017. Healthy Retiree (non-Teachers): - RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017. Disabled Retiree (non-Teacher):-RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017. Pre-Retirement (Teacher): RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016. Healthy Retiree (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2016. Disabled Retiree (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016. |

Rate of return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to

produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the table on the following page.

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|---|--|---|
| Domestic equity..... | 21.00% | 6.16% |
| International developed markets equity..... | 13.00% | 6.69% |
| International emerging markets equity..... | 5.00% | 9.47% |
| Core fixed income..... | 15.00% | 1.89% |
| High-yield fixed income..... | 8.00% | 4.00% |
| Real estate..... | 10.00% | 4.58% |
| Commodities..... | 4.00% | 4.77% |
| Hedge fund, GTAA, Risk parity..... | 11.00% | 3.68% |
| Private equity..... | 13.00% | 10.00% |
| Total..... | 100.00% | |

Discount rate – The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2019, and 7.50% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to projected future benefits payments.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.25%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 114,294,627 | \$ 100,434,266 | \$ 88,922,717 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 7.25%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | 1% Decrease (6.25%) | Current Trend (7.25%) | 1% Increase (8.25%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability..... | \$ 87,617,692 | \$ 100,434,266 | \$ 116,126,336 |

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a) - (b) |
| Measurement date at June 30, 2018..... | \$ 103,744,269 | \$ 6,653,906 | \$ 97,090,363 |
| Changes for the year: | | | |
| Service cost..... | 2,174,548 | - | 2,174,548 |
| Interest..... | 7,744,557 | - | 7,744,557 |
| Changes of benefit terms..... | (2,094,953) | - | (2,094,953) |
| Differences between expected and actual experience..... | 1,725,041 | - | 1,725,041 |
| Changes of assumptions..... | 685,874 | - | 685,874 |
| Contributions - employer..... | - | 6,468,986 | (6,468,986) |
| Net investment income..... | - | 422,178 | (422,178) |
| Benefit payments..... | (5,316,110) | (5,316,110) | - |
| Net change..... | 4,918,957 | 1,575,054 | 3,343,903 |
| Measurement date at June 30, 2019..... | \$ <u>108,663,226</u> | \$ <u>8,228,960</u> | \$ <u>100,434,266</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$7.7 million. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|---------------------|
| Differences between expected and actual experience..... | \$ 1,437,535 | \$ - | \$ 1,437,535 |
| Difference between projected and actual earnings..... | - | (62,351) | (62,351) |
| Changes in assumptions..... | 571,560 | - | 571,560 |
| Total deferred outflows/(inflows) of resources..... | \$ <u>2,009,095</u> | \$ <u>(62,351)</u> | \$ <u>1,946,744</u> |

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

Measurement date year ended June 30:

| | |
|------------|---------------------|
| 2020..... | \$ 373,029 |
| 2021..... | 373,029 |
| 2022..... | 373,028 |
| 2023..... | 425,839 |
| 2024..... | <u>401,819</u> |
| Total..... | \$ <u>1,946,744</u> |

Changes of Assumptions:

- The discount rate was reduced from 7.50% to 7.25%.
- The per capita costs and trends were updated to reflect current experience.
- The percentage of future spouses electing retiree health coverage was increased from 65% to 60%.
- The mortality and salary increase assumptions for non teachers were changed to match the assumptions used in the Middlesex County Retirement System Actuarial Valuation and Review as of January 1, 2018, dated July 31, 2018, completed by Segal Consulting, and the mortality assumptions for teachers were changed to match the Massachusetts Teachers' Retirement System Actuarial Valuation Report as of January 1, 2018, dated October 10, 2018.
- The excise tax on high cost health plans beginning in 2022 was recalculated with this valuation.

Changes in Plan Provisions – None.

NOTE 13 - COMMITMENTS

The Town is committed to expend \$25,515,000 for the various projects listed below:

| Purpose | Amount |
|--|----------------------|
| Fire Station Construction..... | \$ 225,000 |
| Mill Pond Automated Sludge Removal..... | 1,270,000 |
| MWRA..... | 5,300,000 |
| DPW/Recreation Facility..... | 16,500,000 |
| Sewer Infiltration and Inflow Removal..... | 2,220,000 |
| Total..... | <u>\$ 25,515,000</u> |

NOTE 14 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2019, which is the date the financial statements were available to be issued.

NOTE 16 – RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities has been restated to reflect the change in beginning balance for GASB Statement #75 due a change in the measurement date from the beginning of the year to the end of the year. To reflect this change, the Town has restated the beginning balance of the governmental activities by \$8,735,051. Accordingly, previously reported net position, a deficit balance of \$16,346,457, has been changed to a deficit balance of \$25,081,508.

NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

Required Supplementary Information

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General Fund

Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|--------------------|--------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 111,128,115 | \$ 111,128,115 | \$ 112,457,427 | \$ - | \$ 1,329,312 |
| Tax liens..... | - | - | 154,966 | - | 154,966 |
| Motor vehicle and other excise taxes..... | 3,933,515 | 3,933,515 | 4,728,466 | - | 794,951 |
| Hotel, motel, and meals tax..... | 4,275,000 | 4,275,000 | 5,719,911 | - | 1,444,911 |
| Ambulance..... | 775,000 | 775,000 | 860,094 | - | 85,094 |
| Water charges..... | 3,425,000 | 3,425,000 | 3,520,628 | - | 95,628 |
| Penalties and interest on taxes..... | 400,000 | 400,000 | 229,796 | - | (170,204) |
| Fees and rentals..... | 400,000 | 400,000 | 457,792 | - | 57,792 |
| Payments in lieu of taxes..... | 520,000 | 520,000 | 521,085 | - | 1,085 |
| Licenses and permits..... | 1,000,000 | 1,000,000 | 3,030,530 | - | 2,030,530 |
| Intergovernmental..... | 9,463,879 | 9,463,879 | 9,468,582 | - | 4,703 |
| Departmental and other..... | 925,000 | 925,000 | 1,032,185 | - | 107,185 |
| Investment income..... | 250,000 | 250,000 | 902,602 | - | 652,602 |
| Miscellaneous..... | 210,000 | 210,000 | 290,784 | - | 80,784 |
| TOTAL REVENUES..... | 136,705,509 | 136,705,509 | 143,374,848 | - | 6,669,339 |
| EXPENDITURES: | | | | | |
| GENERAL GOVERNMENT | | | | | |
| TOWN MEETING & REPORTS | | | | | |
| Salaries..... | 3,721 | 2,571 | 2,571 | - | - |
| Expenses..... | 12,575 | 16,161 | 16,160 | - | 1 |
| TOTAL..... | 16,296 | 18,732 | 18,731 | - | 1 |
| MODERATOR | | | | | |
| Salaries..... | 150 | 150 | 150 | - | - |
| WAYS AND MEANS | | | | | |
| Salaries..... | 5,756 | 5,756 | 3,632 | 78 | 2,046 |
| Expenses..... | 273 | 273 | - | - | 273 |
| Capital Articles..... | 3,944 | 157,975 | 59,636 | 98,339 | - |
| TOTAL..... | 9,973 | 164,004 | 63,268 | 98,417 | 2,319 |
| CAPITAL BUDGET COMMITTEE | | | | | |
| Salaries..... | 838 | 838 | 234 | - | 604 |
| TOWN ADMINISTRATION/ SELECTMEN | | | | | |
| Salaries..... | 539,283 | 608,457 | 608,457 | - | - |
| Expenses..... | 12,500 | 12,500 | 11,249 | 413 | 838 |
| Special accounts..... | 17,500 | 17,500 | 15,199 | 2,279 | 22 |
| Capital Articles..... | 40,000 | 20,000 | 20,650 | - | (650) |
| TOTAL..... | 609,283 | 658,457 | 655,555 | 2,692 | 210 |
| ACCOUNTING | | | | | |
| Salaries..... | 358,665 | 363,420 | 361,981 | - | 1,439 |
| Expenses..... | 5,795 | 3,359 | 3,349 | - | 10 |
| TOTAL..... | 364,460 | 366,779 | 365,330 | - | 1,449 |
| ASSESSORS | | | | | |
| Salaries..... | 306,269 | 314,049 | 314,049 | - | - |
| Expenses..... | 102,685 | 97,703 | 62,586 | 34,407 | 710 |
| Capital Articles..... | 95,000 | 95,000 | 95,000 | - | - |
| TOTAL..... | 503,954 | 506,752 | 471,635 | 34,407 | 710 |
| TREASURER/ COLLECTOR | | | | | |
| Salaries..... | 692,494 | 685,686 | 673,616 | - | 12,070 |
| Expenses..... | 25,414 | 33,134 | 31,603 | - | 1,531 |
| Capital Articles..... | 200 | 200 | - | - | 200 |
| TOTAL..... | 718,108 | 719,020 | 705,219 | - | 13,801 |
| CENTRAL ADMINISTRATION | | | | | |
| Central supply..... | 115,124 | 115,124 | 113,680 | 1,444 | - |
| Central machines..... | 25,658 | 25,658 | 24,169 | 1,489 | - |
| Town insurance..... | 1,059,703 | 1,059,703 | 992,850 | 3,472 | 63,381 |
| Financial audit..... | 80,000 | 80,000 | 57,172 | - | 22,828 |
| TOTAL..... | 1,280,485 | 1,280,485 | 1,187,871 | 6,405 | 86,209 |
| LEGAL | | | | | |
| Legal expenses..... | 202,000 | 213,644 | 141,558 | 29,924 | 42,166 |

(Continued)

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

YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---------------------------------------|--------------------|-----------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| HUMAN RESOURCES | | | | | |
| Salaries..... | 124,513 | 128,717 | 127,684 | - | 1,033 |
| Expenses..... | 4,305 | 4,305 | 3,287 | - | 1,018 |
| Special accounts..... | 14,998 | 14,998 | 13,921 | - | 1,077 |
| TOTAL..... | 143,816 | 148,020 | 144,892 | - | 3,128 |
| MANAGEMENT INFORMATION SYSTEMS | | | | | |
| Salaries..... | 337,181 | 344,237 | 344,236 | - | 1 |
| Expenses..... | 236,626 | 225,484 | 224,507 | 326 | 651 |
| Capital Articles..... | 88,000 | 97,120 | 90,376 | 6,744 | - |
| TOTAL..... | 661,807 | 666,841 | 659,119 | 7,070 | 652 |
| TOWN CLERK | | | | | |
| Salaries..... | 306,452 | 310,362 | 298,531 | - | 11,831 |
| Expenses..... | 18,800 | 18,347 | 15,753 | - | 2,594 |
| Special accounts..... | 77,162 | 77,615 | 77,615 | - | - |
| Capital Articles..... | 80,000 | 80,000 | 60,140 | 19,860 | - |
| TOTAL..... | 482,414 | 486,324 | 452,039 | 19,860 | 14,425 |
| REGISTRAR OF VOTERS | | | | | |
| Salaries..... | 1,200 | 1,200 | 1,200 | - | - |
| Expenses..... | 7,015 | 7,015 | 6,346 | - | 669 |
| TOTAL..... | 8,215 | 8,215 | 7,546 | - | 669 |
| CONSERVATION | | | | | |
| Salaries..... | 216,068 | 219,737 | 216,098 | 185 | 3,454 |
| Expenses..... | 10,129 | 10,129 | 2,806 | - | 7,323 |
| Special accounts..... | 18,800 | 18,800 | 7,536 | - | 11,264 |
| Capital Articles..... | 19,227 | 19,227 | 12,786 | 6,440 | 1 |
| TOTAL..... | 264,224 | 267,893 | 239,226 | 6,625 | 22,042 |
| PLANNING BOARD | | | | | |
| Salaries..... | 297,986 | 303,681 | 303,194 | - | 487 |
| Expenses..... | 35,476 | 35,476 | 18,420 | 14,006 | 3,050 |
| Capital Articles..... | 6,231 | 6,231 | - | 6,231 | - |
| TOTAL..... | 339,693 | 345,388 | 321,614 | 20,237 | 3,537 |
| BOARD OF APPEALS | | | | | |
| Salaries..... | 13,481 | 15,731 | 15,731 | - | - |
| Expenses..... | 250 | 250 | 248 | - | 2 |
| TOTAL..... | 13,731 | 15,981 | 15,979 | - | 2 |
| NEGOTIATED SETTLEMENTS..... | 1,661,431 | 902,881 | 71,672 | 831,208 | 1 |
| Total General Government..... | 7,280,878 | 6,770,404 | 5,521,638 | 1,056,845 | 191,921 |
| PUBLIC SAFETY | | | | | |
| POLICE DEPARTMENT | | | | | |
| Salaries..... | 7,626,696 | 8,298,612 | 8,135,891 | 19,050 | 143,671 |
| Expenses..... | 564,898 | 564,898 | 522,901 | 42,063 | (66) |
| Special accounts..... | 101,500 | 101,500 | 74,487 | 26,995 | 18 |
| Capital Articles..... | 390,685 | 390,685 | 264,826 | 125,859 | - |
| TOTAL..... | 8,683,779 | 9,355,695 | 8,998,105 | 213,967 | 143,623 |
| FIRE DEPARTMENT | | | | | |
| Salaries..... | 6,962,043 | 6,968,322 | 6,461,051 | 458,447 | 48,824 |
| Expenses..... | 494,737 | 496,901 | 368,001 | 57,220 | 71,680 |
| Special accounts..... | 225,847 | 222,382 | 176,051 | 33,790 | 12,541 |
| Capital Articles..... | 1,201,725 | 438,839 | 91,970 | 345,569 | 1,300 |
| TOTAL..... | 8,884,352 | 8,126,444 | 7,097,073 | 895,026 | 134,345 |
| BUILDING DEPARTMENT | | | | | |
| Salaries..... | 639,908 | 642,892 | 642,892 | - | - |
| Expenses..... | 39,817 | 39,817 | 30,176 | 322 | 9,319 |
| Capital Articles..... | 109,853 | 108,458 | 86,438 | 22,020 | - |
| TOTAL..... | 789,578 | 791,167 | 759,506 | 22,342 | 9,319 |
| SEALER OF WEIGHTS | | | | | |
| Expenses..... | 7,800 | 7,800 | 7,500 | - | 300 |

(Continued)

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

YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|-------------------------------------|--------------------|-------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| EMERGENCY MANAGEMENT SERVICE | | | | | |
| Salaries..... | 10,000 | 10,039 | 10,039 | - | - |
| Expenses..... | 8,100 | 8,815 | 7,503 | 558 | 754 |
| Special accounts..... | 6,254 | 5,500 | 300 | 5,120 | 80 |
| TOTAL..... | 24,354 | 24,354 | 17,842 | 5,678 | 834 |
| Total Public Safety..... | 18,389,863 | 18,305,460 | 16,880,026 | 1,137,013 | 288,421 |
| EDUCATION | | | | | |
| PUBLIC SCHOOLS | | | | | |
| Salaries and expenditures..... | 66,981,014 | 67,597,714 | 62,560,895 | 4,983,473 | 53,346 |
| Capital articles..... | 1,435,305 | 1,335,160 | 377,999 | 893,339 | 63,822 |
| TOTAL..... | 68,416,319 | 68,932,874 | 62,938,894 | 5,876,812 | 117,168 |
| REGIONAL SCHOOL ASSESSMENTS..... | 2,399,929 | 2,399,929 | 2,363,681 | - | 36,248 |
| Total Education..... | 70,816,248 | 71,332,803 | 65,302,575 | 5,876,812 | 153,416 |
| PUBLIC WORKS | | | | | |
| Salaries..... | 5,089,900 | 5,102,853 | 5,101,278 | - | 1,575 |
| Expenses..... | 3,679,663 | 3,666,122 | 3,442,388 | 169,911 | 53,823 |
| Special accounts..... | 499,232 | 499,232 | 458,869 | 29,683 | 10,680 |
| Capital Articles..... | 5,288,251 | 2,288,251 | 1,325,617 | 955,887 | 6,747 |
| TOTAL..... | 14,557,046 | 11,556,458 | 10,328,152 | 1,155,481 | 72,825 |
| SNOW AND ICE | | | | | |
| Expenses..... | 350,390 | 350,000 | 526,025 | - | (176,025) |
| RUBBISH AND GARBAGE | | | | | |
| Expenses..... | 2,053,481 | 2,053,481 | 1,888,541 | 75,000 | 89,940 |
| STREET LIGHT | | | | | |
| Expenses..... | 499,594 | 499,594 | 307,329 | 190,695 | 1,570 |
| DEP DRINKING WATER | | | | | |
| Expenses..... | 15,000 | 15,000 | 9,107 | 960 | 4,933 |
| Total Public Works..... | 17,475,511 | 14,474,533 | 13,059,154 | 1,422,136 | (6,757) |
| HUMAN SERVICES | | | | | |
| BOARD OF HEALTH | | | | | |
| Salaries..... | 511,667 | 516,053 | 473,587 | 161 | 42,305 |
| Expenses..... | 31,652 | 31,652 | 29,916 | 6 | 1,730 |
| Special accounts..... | 75,037 | 75,037 | 63,799 | - | 11,238 |
| Capital Articles..... | 9,963 | 9,963 | - | 9,963 | - |
| TOTAL..... | 628,319 | 632,705 | 567,302 | 10,130 | 55,273 |
| COUNCIL ON AGING | | | | | |
| Salaries..... | 340,546 | 342,770 | 330,320 | - | 12,450 |
| Expenses..... | 7,960 | 7,960 | 4,051 | 162 | 3,747 |
| Special accounts..... | 7,442 | 7,442 | 6,942 | - | 500 |
| TOTAL..... | 355,948 | 358,172 | 341,313 | 162 | 16,697 |
| VETERANS' SERVICES | | | | | |
| Salaries..... | 119,787 | 121,568 | 121,568 | - | - |
| Expenses..... | 6,100 | 6,063 | 4,505 | - | 1,558 |
| Special accounts..... | 113,700 | 113,700 | 88,928 | - | 24,772 |
| TOTAL..... | 239,587 | 241,331 | 215,001 | - | 26,330 |
| YOUTH AND FAMILY SERVICES | | | | | |
| Salaries..... | 419,835 | 429,034 | 428,892 | - | 142 |
| Expenses..... | 24,256 | 24,256 | 20,911 | - | 3,345 |
| TOTAL..... | 444,091 | 453,290 | 449,803 | - | 3,487 |
| DISABILITY ACCESS | | | | | |
| Salaries..... | 1,949 | 1,949 | 481 | - | 1,468 |
| Expenses..... | 400 | 400 | 399 | - | 1 |
| TOTAL..... | 2,349 | 2,349 | 880 | - | 1,469 |
| Total Human Services..... | 1,670,294 | 1,687,847 | 1,574,299 | 10,292 | 103,256 |

(Continued)

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

YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| CULTURE AND RECREATION | | | | | |
| PUBLIC LIBRARY | | | | | |
| Salaries..... | 1,290,444 | 1,292,528 | 1,273,879 | - | 18,649 |
| Expenses..... | 72,363 | 72,363 | 72,363 | - | - |
| Special accounts..... | 158,525 | 158,525 | 158,525 | - | - |
| TOTAL..... | 1,521,332 | 1,523,416 | 1,504,767 | - | 18,649 |
| RECREATION DEPARTMENT | | | | | |
| Salaries..... | 1,449,455 | 1,451,835 | 1,375,967 | 272 | 75,596 |
| Expenses..... | 280,969 | 280,969 | 253,142 | 22,121 | 5,706 |
| Special accounts..... | 19,855 | 19,855 | 15,356 | 910 | 3,589 |
| Capital Articles..... | 288,387 | 285,138 | 273,444 | 7,402 | 4,292 |
| TOTAL..... | 2,038,666 | 2,037,797 | 1,917,909 | 30,705 | 89,183 |
| HISTORICAL COMMISSION | | | | | |
| Expenses..... | 11,714 | 11,714 | 6,206 | 3,460 | 2,048 |
| Total Culture and Recreation..... | 3,571,712 | 3,572,927 | 3,428,882 | 34,165 | 109,880 |
| PENSION BENEFITS | | | | | |
| County retirement..... | 9,454,623 | 9,454,623 | 9,418,623 | - | 36,000 |
| EMPLOYEE BENEFITS | | | | | |
| Health insurance..... | 14,138,675 | 14,138,675 | 13,842,789 | 125,856 | 170,030 |
| Medicare tax..... | 1,098,597 | 1,098,597 | 1,081,030 | - | 17,567 |
| TOTAL..... | 15,237,272 | 15,237,272 | 14,923,819 | 125,856 | 187,597 |
| CAPITAL IMPROVEMENTS..... | 300,000 | 300,000 | 300,000 | - | - |
| RESERVE FUND..... | 200,000 | 181,665 | - | - | 181,665 |
| STATE AND COUNTY ASSESSMENTS..... | 765,795 | 765,795 | 765,795 | - | - |
| Debt service: | | | | | |
| Principal..... | 3,249,842 | 3,249,842 | 3,249,842 | - | - |
| Interest..... | 2,020,615 | 2,028,971 | 2,144,842 | - | (115,871) |
| TOTAL EXPENDITURES..... | 150,432,653 | 147,362,142 | 136,569,495 | 9,663,119 | 1,129,528 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | |
| OVER (UNDER) EXPENDITURES..... | (13,727,144) | (10,656,633) | 6,805,353 | (9,663,119) | 7,798,867 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Premium from issuance of bonds..... | - | - | 148,487 | - | 148,487 |
| Transfers in..... | 742,453 | 742,453 | 792,453 | - | 50,000 |
| Transfers out..... | (5,670,294) | (5,670,294) | (5,670,294) | - | - |
| TOTAL OTHER FINANCING | | | | | |
| SOURCES (USES)..... | (4,927,841) | (4,927,841) | (4,729,354) | - | 198,487 |
| NET CHANGE IN FUND BALANCE..... | (18,654,985) | (15,584,474) | 2,075,999 | (9,663,119) | 7,997,354 |
| BUDGETARY FUND BALANCE, Beginning of year..... | 33,248,393 | 33,248,393 | 33,248,393 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 14,593,408 | \$ 17,663,919 | \$ 35,324,392 | \$ (9,663,119) | \$ 7,997,354 |

(Concluded)

See notes to required supplementary information.

Pension Plan Schedules

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 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 Special Funding Amounts of 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 complied, information is presented for those years for which information is available.

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

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered- payroll | Net pension liability as a percentage of covered- payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|---------------------|---|--|
| December 31, 2018..... | 8.172% | \$ 127,441,167 | \$ 33,783,442 | 377.23% | 46.40% |
| December 31, 2017..... | 8.270% | 117,368,093 | 32,393,793 | 362.32% | 49.27% |
| December 31, 2016..... | 8.111% | 114,929,674 | 31,361,657 | 366.47% | 45.49% |
| December 31, 2015..... | 8.105% | 104,556,462 | 30,378,636 | 344.18% | 46.13% |
| December 31, 2014..... | 8.162% | 98,053,205 | 29,210,227 | 335.68% | 47.65% |

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
MIDDLESEX COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered- payroll | Contributions as a percentage of covered- payroll |
|--------------------|---|--|--|---------------------|--|
| June 30, 2019..... | \$ 9,454,623 | \$ (9,454,623) | - \$ | 34,121,376 | 27.71% |
| June 30, 2018..... | 8,877,933 | (8,877,933) | - | 33,409,166 | 26.57% |
| June 30, 2017..... | 8,404,267 | (8,404,267) | - | 31,675,274 | 26.53% |
| June 30, 2016..... | 7,895,297 | (7,895,297) | - | 30,682,442 | 25.73% |
| June 30, 2015..... | 7,511,305 | (7,511,305) | - | 29,502,229 | 25.46% |

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| <u>Year</u> | <u>Commonwealth's 100% Share of the Associated Net Pension Liability</u> | <u>Expense and Revenue Recognized for the Commonwealth's Support</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u> |
|-------------|--|--|---|
| 2019..... | \$ 120,102,352 | \$ 12,170,634 | 54.84% |
| 2018..... | 114,385,482 | 11,938,746 | 54.25% |
| 2017..... | 113,026,510 | 11,529,445 | 52.73% |
| 2016..... | 98,121,938 | 7,958,562 | 55.38% |
| 2015..... | 75,221,631 | 5,226,008 | 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 Benefits Plan Schedules

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

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

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

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

| | June 30, 2017 | June 30, 2018 | June 30, 2019 |
|---|-----------------------------|-----------------------------|------------------------------|
| Total OPEB Liability | | | |
| Service Cost..... | \$ 2,029,964 | \$ 2,101,013 | \$ 2,174,548 |
| Interest..... | 7,074,192 | 7,410,905 | 7,744,557 |
| Changes of benefit terms..... | - | - | (2,094,953) |
| Differences between expected and actual experience.... | - | - | 1,725,041 |
| Changes of assumptions..... | - | - | 685,874 |
| Benefit payments..... | <u>(4,508,617)</u> | <u>(4,869,350)</u> | <u>(5,316,110)</u> |
| Net change in total OPEB liability..... | 4,595,539 | 4,642,568 | 4,918,957 |
| Total OPEB liability - beginning..... | <u>94,506,162</u> | <u>99,101,701</u> | <u>103,744,269</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 99,101,701</u> | <u>\$ 103,744,269</u> | <u>\$ 108,663,226</u> |
| Plan fiduciary net position | | | |
| Employer contributions..... | \$ 846,500 | \$ 597,325 | \$ 1,152,876 |
| Employer contributions for OPEB payments..... | 4,508,617 | 4,869,350 | 5,316,110 |
| Net investment income..... | 599,191 | 565,625 | 422,178 |
| Benefit payments..... | <u>(4,508,617)</u> | <u>(4,869,350)</u> | <u>(5,316,110)</u> |
| Net change in plan fiduciary net position..... | 1,445,691 | 1,162,950 | 1,575,054 |
| Plan fiduciary net position - beginning of year..... | <u>4,045,265</u> | <u>5,490,956</u> | <u>6,653,906</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 5,490,956</u> | <u>\$ 6,653,906</u> | <u>\$ 8,228,960</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 93,610,745</u> | <u>\$ 97,090,363</u> | <u>\$ 100,434,266</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 5.54% | 6.41% | 7.57% |
| Covered-employee payroll..... | \$ 59,098,583 | \$ 61,874,961 | \$ 64,525,649 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 158.40% | 156.91% | 155.65% |

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2019..... | \$ 8,188,043 | \$ (6,468,986) | \$ 1,719,057 | \$ 64,525,649 | 10.03% |
| June 30, 2018..... | 7,600,044 | (5,466,675) | 2,133,369 | 61,874,961 | 8.84% |
| June 30, 2017..... | 6,294,020 | (5,355,117) | 938,903 | 59,098,583 | 9.06% |

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

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2019..... | 5.48% |
| June 30, 2018..... | 9.37% |
| June 30, 2017..... | 19.84% |

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.

Notes to Required Supplementary Information

NOTE A - BUDGETARY BASIS OF ACCOUNTING**1. Budgetary Information**

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

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of 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 Town is statutorily required to pay debt service, 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 majority vote of Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2019 approved budget for the General Fund authorized approximately \$150.8 million in appropriations and other amounts to be raised and \$8.7 million in encumbrances and appropriations carried over from previous years. During 2019, the Town decreased the original budget by \$3.1 million.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019, is presented on the following page:

| | |
|--|---------------------|
| Net change in fund balance - budgetary basis..... | \$ 2,075,999 |
| <u>Perspective differences:</u> | |
| Perspective differences in reporting of sewer fund activities..... | 649,478 |
| Activity of the stabilization fund recorded in the recorded in the general fund for GAAP..... | 623,069 |
| <u>Basis of accounting differences:</u> | |
| Net change in recording tax refunds payable..... | (25,000) |
| Net change in recording 60 day receipts..... | 97,173 |
| Net change in recording accrued expenditures..... | 699,927 |
| Net change in recording accrued payroll..... | (196,972) |
| Recognition of revenue for on-behalf payments..... | 12,171,000 |
| Recognition of expenditures for on-behalf payments..... | (12,171,000) |
| Net change in fund balance - GAAP basis..... | \$ <u>3,923,674</u> |

3. Excess of Expenditures over Appropriations

For the year ended June 30, 2019, actual expenditures exceeded appropriations for public works snow and ice budget. These over-expenditures will be raised and funded through available funds during 2020.

NOTE B – PENSION PLAN

Pension Plan Schedules

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.

Schedule of Town's Contributions

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

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 a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.75% to 7.50%.

- The inflation rate was reduced to 3.25% from the previous rate of 3.50%.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit Plan

The 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.

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-employee payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are reported on the following page.

| | |
|------------------------------------|---|
| Valuation date..... | Actuarially determined contribution for fiscal year ending June 30, 2019 was determined with the December 31, 2018 actuarial valuation. |
| Actuarial cost method..... | Individual Entry Age Normal - Level percentage of payroll |
| Amortization method..... | Level percentage of payroll. |
| Remaining amortization period..... | 27 years from December 31, 2018. |
| Asset valuation method..... | Fair Value |
| Investment rate of return..... | 7.25% |
| Discount rate..... | 7.25% |
| Inflation rate..... | 3.25% |

| | |
|------------------------------|---|
| Health care trend rates..... | Non-Medicare: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50% per year. Medicare: 8.00% decreasing by 0.25% for 14 years to an ultimate level of 4.50% per year. Administrative expense: 3.00%. Part B premium: 4.50%. Contribution: Retiree contributions are expected to increase with medical trend. |
| Mortality rates..... | <p>Pre-Retirement (non-Teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017.</p> <p>Healthy Retiree (non-Teachers): - RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017.</p> <p>Disabled Retiree (non-Teacher):-RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017.</p> <p>Pre-Retirement (Teacher): RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.</p> <p>Healthy Retiree (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2016.</p> <p>Disabled Retiree (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.</p> |

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.

Changes of Assumptions

- The discount rate was reduced from 7.50% to 7.25%.
- The per capita costs and trends were updated to reflect current experience.
- The percentage of future spouses electing retiree health coverage was increased from 65% to 60%.
- The mortality and salary increase assumptions for non teachers were changed to match the assumptions used in the Middlesex County Retirement System Actuarial Valuation and Review as of January 1, 2018, dated July 31, 2018, completed by Segal Consulting, and the mortality assumptions for teachers were changed to match the Massachusetts Teachers' Retirement System Actuarial Valuation Report as of January 1, 2018, dated October 10, 2018.
- The excise tax on high cost health plans beginning in 2022 was recalculated with this valuation.

Changes in Provisions

None.

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Combining and Individual Fund Statements

The combining financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type.

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 Fund – This fund is used to account for various municipal programs such as affordable housing monitoring, recreation activities, and wetland protection.

School Revolving Fund – This fund is used to account for various school programs, such as operation of public school lunch program, athletic receipts, and tuition costs.

Town Gifts Fund – This fund is used to account for gifts which have been accepted by the Town to be used for the purpose specified by the donor.

School Gifts Fund – This fund is used to account for gifts which have been accepted by the School Department to be used for the purpose specified by the donor.

School Activity Programs Fund – This fund is used to account for school activity, such as operation of after school programs, summer programs, and integrated preschool.

Federal Grant Fund – This fund is used to account for all federal grants used for Town and School related projects and activities.

State and Local Grant Fund – This fund is used to account for all state and local grants used for Town and School related projects and activities.

Town Special Purpose Funds - These funds are used to account for specific revenues that are legally restricted, such as insurance recoveries, sale of graves and real estate, and handicap fines.

Capital Projects

Capital project funds are used to account for financial resources used in the acquisition or construction of major capital facilities (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The Town's grouping for non-major capital project funds is as described as follows:

Town Capital Projects Fund – This fund is used to account for and report financial resources for the acquisition or construction of non-school capital facilities and other capital assets of the governmental funds

School Capital Projects Fund – This fund is used to account for and report financial resources for the acquisition or construction of school capital facilities.

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.

Town Libraries Fund – These funds are used to account for all contributions received to support the public library.

Cemetery Perpetual Care Fund – These funds are used to account for all contributions associated with cemetery care and maintenance.

Conservation Fund – These funds are used to account for all contributions associated supporting the land conservation within the Town.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2019

| | Special Revenue Funds | | | | | | |
|---|-------------------------------------|---------------------------------------|-----------------------|-------------------------|---|---------------------------|-------------------------------------|
| | <u>Town Revolving Funds</u> | <u>School Revolving Funds</u> | <u>Town Gifts</u> | <u>School Gifts</u> | <u>School Activity Programs</u> | <u>Federal Grants</u> | <u>State & Local Grants</u> |
| ASSETS | | | | | | | |
| Cash and cash equivalents..... | \$ 1,873,346 | \$ 924,835 | \$ 419,740 | \$ 38,068 | \$ 1,077,217 | \$ 496,471 | \$ 978,180 |
| Investments..... | - | - | - | - | - | - | - |
| Receivables, net of uncollectibles: | | | | | | | |
| Departmental and other..... | 3,450 | - | - | - | - | - | - |
| Intergovernmental..... | - | - | - | - | - | - | 867,802 |
| TOTAL ASSETS..... | \$ 1,876,796 | \$ 924,835 | \$ 419,740 | \$ 38,068 | \$ 1,077,217 | \$ 496,471 | \$ 1,845,982 |
| LIABILITIES | | | | | | | |
| Warrants payable..... | \$ 121,733 | \$ 48,572 | \$ 30,569 | \$ 5,242 | \$ 9,460 | \$ 13,177 | \$ 133,000 |
| Accrued payroll..... | 6,387 | - | - | - | - | - | 2,652 |
| TOTAL LIABILITIES..... | 128,120 | 48,572 | 30,569 | 5,242 | 9,460 | 13,177 | 135,652 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue..... | 3,450 | - | - | - | - | - | 271,025 |
| FUND BALANCES | | | | | | | |
| Nonspendable..... | - | - | - | - | - | - | - |
| Restricted..... | 1,745,226 | 876,263 | 389,171 | 32,826 | 1,067,757 | 483,294 | 1,439,305 |
| TOTAL FUND BALANCES..... | 1,745,226 | 876,263 | 389,171 | 32,826 | 1,067,757 | 483,294 | 1,439,305 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 1,876,796 | \$ 924,835 | \$ 419,740 | \$ 38,068 | \$ 1,077,217 | \$ 496,471 | \$ 1,845,982 |

| Capital Project Funds | | | | | Permanent Funds | | | | Total Nonmajor Governmental Funds |
|-----------------------------------|---------------------|-----------------------------|-------------------------------|---------------------|-------------------|-------------------------------|-----------------|-------------------|--|
| Town Special Purposes Funds | Subtotal | Town Capital Projects | School Capital Projects | Subtotal | Town Libraries | Cemetery Perpetual Care | Conservation | Subtotal | |
| \$ 570,211 | \$ 6,378,068 | \$ 1,305,319 | \$ 41,056 | \$ 1,346,375 | \$ 5,417 | \$ 79,249 | \$ 1,044 | \$ 85,710 | \$ 7,810,153 |
| - | - | - | - | - | - | 862,978 | - | 862,978 | 862,978 |
| - | 3,450 | - | - | - | - | - | - | - | 3,450 |
| - | 867,802 | - | - | - | - | - | - | - | 867,802 |
| <u>\$ 570,211</u> | <u>\$ 7,249,320</u> | <u>\$ 1,305,319</u> | <u>\$ 41,056</u> | <u>\$ 1,346,375</u> | <u>\$ 5,417</u> | <u>\$ 942,227</u> | <u>\$ 1,044</u> | <u>\$ 948,688</u> | <u>\$ 9,544,383</u> |
| \$ 15,134 | \$ 376,887 | \$ 295,028 | \$ - | \$ 295,028 | \$ - | \$ - | \$ - | \$ - | \$ 671,915 |
| - | 9,039 | - | - | - | - | - | - | - | 9,039 |
| 15,134 | 385,926 | 295,028 | - | 295,028 | - | - | - | - | 680,954 |
| - | 274,475 | - | - | - | - | - | - | - | 274,475 |
| - | - | - | - | - | 4,497 | 709,928 | 1,040 | 715,465 | 715,465 |
| 555,077 | 6,588,919 | 1,010,291 | 41,056 | 1,051,347 | 920 | 232,299 | 4 | 233,223 | 7,873,489 |
| 555,077 | 6,588,919 | 1,010,291 | 41,056 | 1,051,347 | 5,417 | 942,227 | 1,044 | 948,688 | 8,588,954 |
| <u>\$ 570,211</u> | <u>\$ 7,249,320</u> | <u>\$ 1,305,319</u> | <u>\$ 41,056</u> | <u>\$ 1,346,375</u> | <u>\$ 5,417</u> | <u>\$ 942,227</u> | <u>\$ 1,044</u> | <u>\$ 948,688</u> | <u>\$ 9,544,383</u> |

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

YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | | | |
|---|------------------------------|------------------------------|-------------------|------------------|--------------------------------|-------------------|-------------------------|
| | Town Revolving Funds | School Revolving Funds | Town Gifts | School Gifts | School Activity Programs | Federal Grants | State & Local Grants |
| REVENUES: | | | | | | | |
| Intergovernmental - other..... | \$ 5,500 | \$ - | \$ - | \$ - | \$ - | \$ 1,474,592 | \$ 4,498,835 |
| Departmental and other..... | 1,492,170 | 2,368,872 | 129,649 | 11,960 | 1,889,821 | - | 587,232 |
| Contributions and donations..... | - | - | 19,725 | 2,428 | - | - | - |
| Investment income..... | 294 | - | - | - | - | - | - |
| Miscellaneous..... | 95,000 | - | - | 5,727 | - | - | 121,396 |
| TOTAL REVENUES..... | 1,592,964 | 2,368,872 | 149,374 | 20,115 | 1,889,821 | 1,474,592 | 5,207,463 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government..... | 304,794 | - | 10,946 | - | - | - | 587,330 |
| Public safety..... | 9,557 | - | 439 | - | - | 340,058 | 230,982 |
| Education..... | - | 1,983,813 | - | 18,553 | 1,592,004 | 719,657 | 1,733,306 |
| Public works..... | 1,493 | - | - | - | - | - | 978,876 |
| Health and human services..... | 51,414 | - | 25,994 | - | - | - | 177,381 |
| Water and sewer..... | 57,663 | - | - | - | - | - | - |
| Culture and recreation..... | 1,159,542 | - | 57,897 | - | - | - | 34,342 |
| Debt service: | | | | | | | |
| Interest..... | 27,593 | - | - | - | - | - | - |
| TOTAL EXPENDITURES..... | 1,612,056 | 1,983,813 | 95,276 | 18,553 | 1,592,004 | 1,059,715 | 3,742,217 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (19,092) | 385,059 | 54,098 | 1,562 | 297,817 | 414,877 | 1,465,246 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in..... | 50,000 | 5,593 | - | - | - | - | - |
| Transfers out..... | (42,526) | (5,593) | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 7,474 | - | - | - | - | - | - |
| NET CHANGE IN FUND BALANCES..... | (11,618) | 385,059 | 54,098 | 1,562 | 297,817 | 414,877 | 1,465,246 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 1,756,844 | 491,204 | 335,073 | 31,264 | 769,940 | 68,417 | (25,941) |
| FUND BALANCES AT END OF YEAR..... | \$ 1,745,226 | \$ 876,263 | \$ 389,171 | \$ 32,826 | \$ 1,067,757 | \$ 483,294 | \$ 1,439,305 |

| | | Capital Project Funds | | | Permanent Funds | | | | Total Nonmajor Governmental Funds |
|-----------------------------------|--------------|-----------------------------|-------------------------------|--------------|-------------------|-------------------------------|--------------|------------|--|
| Town Special Purposes Funds | Subtotal | Town Capital Projects | School Capital Projects | Subtotal | Town Libraries | Cemetery Perpetual Care | Conservation | Subtotal | |
| \$ - | \$ 5,978,927 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,978,927 |
| 81,500 | 6,561,204 | 1,239 | - | 1,239 | - | - | - | - | 6,562,443 |
| - | 22,153 | - | - | - | - | 32,300 | - | 32,300 | 54,453 |
| 62 | 356 | - | - | - | 24 | 63,659 | 5 | 63,688 | 64,044 |
| 87,411 | 309,534 | - | 990 | 990 | - | - | - | - | 310,524 |
| 168,973 | 12,872,174 | 1,239 | 990 | 2,229 | 24 | 95,959 | 5 | 95,988 | 12,970,391 |
| 320,478 | 1,223,548 | - | - | - | - | - | 1 | 1 | 1,223,549 |
| 32,100 | 613,136 | 6,365,523 | - | 6,365,523 | - | - | - | - | 6,978,659 |
| - | 6,047,333 | - | - | - | - | - | - | - | 6,047,333 |
| - | 980,369 | - | - | - | - | - | - | - | 980,369 |
| 30,463 | 285,252 | - | - | - | - | - | - | - | 285,252 |
| - | 57,663 | 39,503 | - | 39,503 | - | - | - | - | 97,166 |
| - | 1,251,781 | - | - | - | - | - | - | - | 1,251,781 |
| - | 27,593 | - | - | - | - | - | - | - | 27,593 |
| 383,041 | 10,486,675 | 6,405,026 | - | 6,405,026 | - | - | 1 | 1 | 16,891,702 |
| (214,068) | 2,385,499 | (6,403,787) | 990 | (6,402,797) | 24 | 95,959 | 4 | 95,987 | (3,921,311) |
| - | 55,593 | 762,859 | - | 762,859 | - | - | - | - | 818,452 |
| - | (48,119) | - | - | - | - | - | - | - | (48,119) |
| - | 7,474 | 762,859 | - | 762,859 | - | - | - | - | 770,333 |
| (214,068) | 2,392,973 | (5,640,928) | 990 | (5,639,938) | 24 | 95,959 | 4 | 95,987 | (3,150,978) |
| 769,145 | 4,195,946 | 6,651,219 | 40,066 | 6,691,285 | 5,393 | 846,268 | 1,040 | 852,701 | 11,739,932 |
| \$ 555,077 | \$ 6,588,919 | \$ 1,010,291 | \$ 41,056 | \$ 1,051,347 | \$ 5,417 | \$ 942,227 | \$ 1,044 | \$ 948,688 | \$ 8,588,954 |

Agency Fund

The Agency Fund is used to account for assets held in a purely custodial capacity. The Town's agency fund consists primarily of student activities and planning deposits.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2019

| | June 30, 2018 | Additions | Deletions | June 30, 2019 |
|---|-------------------|---------------------|-----------------------|---------------------|
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 668,319 | \$ 3,915,775 | \$ (3,717,174) | \$ 866,920 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Departmental and other..... | 268,178 | 322,513 | (268,178) | 322,513 |
| TOTAL ASSETS..... | <u>\$ 936,497</u> | <u>\$ 4,238,288</u> | <u>\$ (3,985,352)</u> | <u>\$ 1,189,433</u> |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 22,717 | \$ 310,330 | \$ (333,047) | \$ - |
| Payroll liabilities..... | 11,343 | 73,809 | - | 85,152 |
| Liabilities due depositors..... | 902,437 | 3,854,149 | (3,652,305) | 1,104,281 |
| TOTAL LIABILITIES..... | <u>\$ 936,497</u> | <u>\$ 4,238,288</u> | <u>\$ (3,985,352)</u> | <u>\$ 1,189,433</u> |

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Statistical Section



This photo was taken at the Mill Pond Reservoir. Surrounding the Reservoir, is a 140-acre conservation area featuring wooded trails, wetlands and more.(by Richard Caplan)

Statistical Section

This part of the Town of Burlington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

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 reports for the relevant year.

Town of Burlington, Massachusetts

Net Position By Component

Last Ten Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|------------------------|
| Governmental activities: | | | | | | | | | | |
| Net Investment in capital assets..... | \$ 73,581,193 | \$ 82,470,226 | \$ 96,639,005 | \$ 106,844,287 | \$ 112,419,808 | \$ 117,056,689 | \$ 116,649,672 | \$ 121,730,037 | \$ 128,322,641 | \$ 132,131,027 |
| Restricted..... | 1,963,823 | 2,515,660 | 2,998,905 | 1,313,764 | 959,629 | 2,365,972 | 3,214,610 | 3,345,429 | 1,261,514 | 3,564,309 |
| Unrestricted..... | <u>11,172,692</u> | <u>13,749,367</u> | <u>19,910,758</u> | <u>20,586,182</u> | <u>(74,474,053)</u> | <u>(75,794,406)</u> | <u>(73,402,091)</u> | <u>(138,883,923)</u> | <u>(154,665,663)</u> | <u>(156,869,988)</u> |
| Total governmental activities net position..... | <u>\$ 86,717,708</u> | <u>\$ 98,735,253</u> | <u>\$ 119,548,668</u> | <u>\$ 128,744,233</u> | <u>\$ 38,905,384</u> | <u>\$ 43,628,255</u> | <u>\$ 46,462,191</u> | <u>\$ (13,808,457)</u> | <u>\$ (25,081,508)</u> | <u>\$ (21,174,652)</u> |
| Business-type activities: | | | | | | | | | | |
| Net Investment in capital assets..... | 1,108,685 | - | - | - | - | - | - | - | - | - |
| Unrestricted..... | <u>19,782</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total business-type activities net position..... | <u>\$ 1,128,467</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Primary government: | | | | | | | | | | |
| Net Investment in capital assets..... | 74,689,878 | 82,470,226 | 96,639,005 | 106,844,287 | 112,419,808 | 117,056,689 | 116,649,672 | 121,730,037 | 128,322,641 | 132,131,027 |
| Restricted..... | 1,963,823 | 2,515,660 | 2,998,905 | 1,313,764 | 959,629 | 2,365,972 | 3,214,610 | 3,345,429 | 1,261,514 | 3,564,309 |
| Unrestricted..... | <u>11,192,474</u> | <u>13,749,367</u> | <u>19,910,758</u> | <u>20,586,182</u> | <u>(74,474,053)</u> | <u>(75,794,406)</u> | <u>(73,402,091)</u> | <u>(138,883,923)</u> | <u>(154,665,663)</u> | <u>(156,869,988)</u> |
| Total primary government net position..... | <u>\$ 87,846,175</u> | <u>\$ 98,735,253</u> | <u>\$ 119,548,668</u> | <u>\$ 128,744,233</u> | <u>\$ 38,905,384</u> | <u>\$ 43,628,255</u> | <u>\$ 46,462,191</u> | <u>\$ (13,808,457)</u> | <u>\$ (25,081,508)</u> | <u>\$ (21,174,652)</u> |

The Town discontinued the operation of the Ice Palace Enterprise fund in 2011.

The Town implemented GASB 75 and recorded their OPEB Liability for the first time in 2018 and adjusted 2017 for the beginning balance change.

The Town implemented GASB 68 and recorded their Net Pension Liability for the first time in 2015 and adjusted 2014 for the beginning balance change.

The Town changed the measurement date for GASB 75 and had to adjusted 2018 for the beginning balance change.

Town of Burlington, Massachusetts
Changes in Net Position
Last Ten Years

| | Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government..... | \$ 7,813,766 | \$ 8,385,657 | \$ 8,234,335 | \$ 8,973,916 | \$ 8,933,778 | \$ 8,657,177 | \$ 8,635,518 | \$ 9,065,395 | \$ 10,436,272 | \$ 10,757,015 |
| Public safety..... | 19,775,102 | 19,983,723 | 19,886,936 | 21,329,943 | 20,004,254 | 22,379,342 | 23,631,927 | 25,310,669 | 27,413,036 | 28,589,937 |
| Education..... | 66,909,094 | 70,186,700 | 73,899,689 | 74,101,607 | 81,817,139 | 77,578,174 | 83,728,960 | 90,342,349 | 96,626,764 | 96,324,627 |
| Public works..... | 10,134,929 | 9,708,911 | 9,530,650 | 10,678,127 | 10,966,318 | 13,331,433 | 14,849,928 | 13,994,668 | 15,331,714 | 15,451,109 |
| Water and sewer..... | 8,327,213 | 8,405,199 | 9,226,171 | 9,250,784 | 8,838,002 | 9,239,696 | 8,216,296 | 9,205,607 | 9,778,407 | 10,183,413 |
| Human services..... | 1,851,921 | 2,075,523 | 2,090,245 | 2,124,869 | 2,098,766 | 2,177,276 | 2,489,924 | 2,757,820 | 2,800,110 | 2,960,887 |
| Culture and recreation..... | 4,793,427 | 4,889,380 | 5,085,224 | 5,154,268 | 5,293,996 | 5,271,687 | 5,791,638 | 6,296,889 | 6,531,690 | 6,777,770 |
| Interest..... | 959,569 | 1,285,155 | 1,223,790 | 1,917,491 | 1,823,582 | 1,448,616 | 1,999,825 | 1,633,845 | 1,760,462 | 1,765,018 |
| Total government activities expenses..... | 120,565,021 | 124,920,248 | 129,177,040 | 133,531,005 | 139,775,835 | 140,083,401 | 149,344,016 | 158,607,242 | 170,678,455 | 172,809,776 |
| Business-type activities: | | | | | | | | | | |
| Ice Palace..... | 64,543 | 59,588 | - | - | - | - | - | - | - | - |
| Total primary government expenses..... | \$ 120,629,564 | \$ 124,979,836 | \$ 129,177,040 | \$ 133,531,005 | \$ 139,775,835 | \$ 140,083,401 | \$ 149,344,016 | \$ 158,607,242 | \$ 170,678,455 | \$ 172,809,776 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Education charges for services..... | \$ 2,326,499 | \$ 2,500,576 | \$ 3,055,634 | \$ 2,871,218 | \$ 3,160,902 | \$ 3,378,914 | \$ 3,627,629 | \$ 3,761,899 | \$ 4,073,689 | \$ 4,429,931 |
| Public Safety charges for services..... | 1,742,183 | 2,020,420 | 2,160,275 | 2,583,570 | 3,477,953 | 3,800,655 | 3,916,389 | 3,965,025 | 4,390,332 | 3,991,844 |
| Water and sewer charges for services..... | 5,605,736 | 9,879,275 | 8,795,125 | 8,701,323 | 9,335,360 | 9,463,040 | 9,812,063 | 9,282,262 | 9,219,351 | 9,312,909 |
| Other charges for services..... | 3,102,622 | 3,264,617 | 3,346,047 | 3,160,184 | 4,014,165 | 4,127,637 | 3,686,716 | 3,806,968 | 4,297,381 | 4,228,414 |
| Operating grants and contributions..... | 18,700,912 | 17,694,926 | 19,797,276 | 20,362,729 | 20,108,510 | 14,584,113 | 17,655,199 | 20,566,651 | 21,612,082 | 23,832,469 |
| Capital grant and contributions..... | 3,318,410 | 8,551,819 | 18,489,036 | 5,714,298 | 3,686,648 | 3,047,454 | 2,087,136 | 2,234,822 | 2,283,589 | 2,274,702 |
| Total government activities program revenues..... | 34,796,362 | 43,911,633 | 55,643,393 | 43,393,322 | 43,783,538 | 38,401,813 | 40,785,132 | 43,617,627 | 45,876,424 | 48,070,269 |
| Business-type activities: | | | | | | | | | | |
| Charges for services..... | 190,158 | 135,693 | - | - | - | - | - | - | - | - |
| Total primary government program revenues..... | \$ 34,986,520 | \$ 44,047,326 | \$ 55,643,393 | \$ 43,393,322 | \$ 43,783,538 | \$ 38,401,813 | \$ 40,785,132 | \$ 43,617,627 | \$ 45,876,424 | \$ 48,070,269 |
| Net (Expense)/Program Revenue | | | | | | | | | | |
| Governmental activities..... | \$ (85,768,659) | \$ (81,008,615) | \$ (73,533,647) | \$ (90,137,683) | \$ (95,992,297) | \$ (101,681,588) | \$ (108,558,884) | \$ (114,989,615) | \$ (124,802,031) | \$ (124,739,507) |
| Business-type activities..... | 125,615 | 76,105 | - | - | - | - | - | - | - | - |
| Total primary government net (expense)/program revenue..... | \$ (85,643,044) | \$ (80,932,510) | \$ (73,533,647) | \$ (90,137,683) | \$ (95,992,297) | \$ (101,681,588) | \$ (108,558,884) | \$ (114,989,615) | \$ (124,802,031) | \$ (124,739,507) |

(Continued)

Town of Burlington, Massachusetts
Changes in Net Position
Last Ten Years

| | Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Revenues and other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | \$ 78,024,335 | \$ 81,198,186 | \$ 83,728,004 | \$ 87,525,940 | \$ 91,085,231 | \$ 94,505,632 | \$ 97,533,719 | \$ 102,423,648 | \$ 107,849,572 | \$ 112,160,859 |
| Tax liens..... | 461,580 | 210,130 | 559,358 | 371,618 | 567,733 | 281,302 | 265,140 | 170,429 | 339,317 | 171,838 |
| Motor vehicle excise taxes..... | 2,886,060 | 3,166,382 | 3,139,309 | 3,468,964 | 3,554,381 | 3,636,722 | 4,569,562 | 4,371,621 | 4,701,101 | 4,580,117 |
| Hotel, motel and meals taxes..... | 1,287,634 | 1,871,735 | 3,349,317 | 3,636,393 | 3,657,526 | 4,255,813 | 4,553,039 | 4,406,850 | 4,653,341 | 5,719,911 |
| Penalties and interest on taxes..... | 300,476 | 334,113 | 338,128 | 383,922 | 291,353 | 255,365 | 502,940 | 462,059 | 415,121 | 229,796 |
| Payment in lieu of taxes..... | 548,087 | 521,092 | 520,000 | 520,347 | 520,000 | 521,090 | 521,090 | 521,088 | 521,086 | 521,085 |
| Grants and contributions not restricted to specific programs..... | 2,424,372 | 2,331,313 | 2,328,361 | 2,366,346 | 2,389,509 | 2,446,724 | 2,448,330 | 2,626,949 | 2,755,822 | 2,849,798 |
| Unrestricted investment income..... | 252,090 | 239,593 | 199,527 | 335,618 | 273,217 | 236,962 | 746,779 | 687,963 | 756,072 | 2,121,185 |
| Gain of sale of capital assets..... | - | 605,316 | - | 521,600 | - | - | - | - | - | - |
| Miscellaneous..... | 517,228 | 1,343,728 | 185,058 | 202,500 | 181,101 | 264,849 | 252,221 | 311,448 | 272,599 | 291,774 |
| Transfers..... | - | 1,204,572 | - | - | - | - | - | - | - | - |
| Total governmental activities..... | <u>86,701,862</u> | <u>93,026,160</u> | <u>94,347,062</u> | <u>99,333,248</u> | <u>102,520,051</u> | <u>106,404,459</u> | <u>111,392,820</u> | <u>115,982,055</u> | <u>122,264,031</u> | <u>128,646,363</u> |
| Business-type activities: | | | | | | | | | | |
| Transfers..... | - | (1,204,572) | - | - | - | - | - | - | - | - |
| Total primary government general revenues and other changes in net position..... | <u>\$ 86,701,862</u> | <u>\$ 91,821,588</u> | <u>\$ 94,347,062</u> | <u>\$ 99,333,248</u> | <u>\$ 102,520,051</u> | <u>\$ 106,404,459</u> | <u>\$ 111,392,820</u> | <u>\$ 115,982,055</u> | <u>\$ 122,264,031</u> | <u>\$ 128,646,363</u> |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities..... | \$ 933,203 | \$ 12,017,545 | \$ 20,813,415 | \$ 9,195,565 | \$ 6,527,754 | \$ 4,722,871 | \$ 2,833,936 | \$ 992,440 | \$ (2,538,000) | \$ 3,906,856 |
| Business-type activities..... | 125,615 | (1,128,467) | - | - | - | - | - | - | - | - |
| Total primary government changes in net position..... | <u>\$ 1,058,818</u> | <u>\$ 10,889,078</u> | <u>\$ 20,813,415</u> | <u>\$ 9,195,565</u> | <u>\$ 6,527,754</u> | <u>\$ 4,722,871</u> | <u>\$ 2,833,936</u> | <u>\$ 992,440</u> | <u>\$ (2,538,000)</u> | <u>\$ 3,906,856</u> |

The Town discontinued the operation of the Ice Palace Enterprise fund in 2011.

The Town implemented GASB 68 and recorded their Net Pension Liability for the first time in 2015.

The Town implemented GASB 75 and recorded their OPEB Liability for the first time in 2018.

(Concluded)

Town of Burlington, Massachusetts
Fund Balances, Governmental Funds
Last Ten Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| General Fund | | | | | | | | | | |
| Committed..... | \$ - | \$ 1,197,206 | \$ 2,445,246 | \$ 2,635,593 | \$ 1,705,171 | \$ 2,692,084 | \$ 2,642,772 | \$ 3,273,982 | \$ 2,433,344 | \$ 2,497,653 |
| Assigned..... | 1,834,572 | 3,002,537 | 3,892,016 | 5,238,888 | 7,624,521 | 6,861,393 | 8,017,447 | 8,113,732 | 9,851,474 | 9,168,060 |
| Unassigned..... | 10,179,879 | 16,235,802 | 18,150,496 | 21,765,606 | 25,037,238 | 24,057,614 | 27,962,793 | 28,594,939 | 29,426,744 | 33,969,523 |
| Total general fund..... | \$ 12,014,451 | \$ 20,435,545 | \$ 24,487,758 | \$ 29,640,087 | \$ 34,366,930 | \$ 33,611,091 | \$ 38,623,012 | \$ 39,982,653 | \$ 41,711,562 | \$ 45,635,236 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved..... | \$ 3,669,686 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds..... | 3,139,071 | - | - | - | - | - | - | - | - | - |
| Capital projects funds..... | 3,365,397 | - | - | - | - | - | - | - | - | - |
| Permanent funds..... | 124,569 | - | - | - | - | - | - | - | - | - |
| Nonspendable..... | - | 413,880 | 488,630 | 482,459 | 570,480 | 561,251 | 588,055 | 622,860 | 678,191 | 715,465 |
| Restricted..... | - | 6,982,974 | 8,772,669 | 5,679,557 | 3,303,818 | 7,734,094 | 9,707,085 | 7,528,523 | 15,900,480 | 15,428,204 |
| Unassigned..... | - | (260,739) | (281,552) | (1,624,076) | (7,485,398) | - | - | (199,165) | (25,941) | - |
| Total all other governmental funds..... | \$ 10,298,723 | \$ 7,136,115 | \$ 8,979,747 | \$ 4,537,940 | \$ (3,611,100) | \$ 8,295,345 | \$ 10,295,140 | \$ 7,952,218 | \$ 16,552,730 | \$ 16,143,669 |

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

Town of Burlington, Massachusetts

Changes in Fund Balances, Governmental Funds

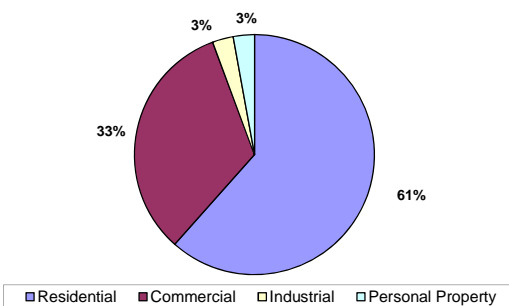
Last Ten Fiscal Years

| | Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|--------------------|-----------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 78,080,006 | \$ 81,079,532 | \$ 83,917,539 | \$ 87,511,573 | \$ 91,419,009 | \$ 94,364,342 | \$ 97,422,787 | \$ 102,441,907 | \$ 108,152,059 | \$ 112,529,600 |
| Tax liens..... | 77,469 | 213,009 | 249,692 | 281,902 | 218,654 | 173,535 | 597,682 | 302,047 | 269,043 | 154,966 |
| Motor vehicle excise taxes..... | 2,850,959 | 3,026,761 | 3,123,877 | 3,525,991 | 3,612,156 | 3,654,777 | 4,445,017 | 4,300,023 | 4,676,730 | 4,728,466 |
| Hotel, motel and meals taxes..... | 1,287,634 | 1,871,735 | 3,349,317 | 3,636,393 | 3,657,526 | 4,255,813 | 4,553,039 | 4,406,850 | 4,653,341 | 5,719,911 |
| Ambulance..... | 522,563 | 475,101 | 618,487 | 743,470 | 659,605 | 691,362 | 854,582 | 883,701 | 861,949 | 860,094 |
| Water and sewer charges..... | 7,012,986 | 9,310,898 | 8,878,775 | 9,240,758 | 10,007,241 | 10,164,519 | 9,857,220 | 9,951,388 | 9,536,910 | 9,837,388 |
| Penalties and interest on taxes..... | 300,476 | 334,113 | 338,128 | 383,922 | 291,353 | 255,365 | 502,940 | 462,059 | 415,121 | 229,796 |
| Fees and rentals..... | 404,593 | 441,306 | 430,100 | 342,461 | 453,264 | 504,411 | 599,641 | 427,463 | 442,342 | 457,792 |
| Payment in lieu of taxes..... | 548,087 | 521,092 | 520,000 | 520,347 | 520,000 | 521,090 | 521,090 | 521,088 | 521,086 | 521,085 |
| Licenses and permits..... | 1,253,915 | 1,411,288 | 1,293,115 | 2,046,545 | 2,772,859 | 2,878,533 | 3,100,402 | 3,028,400 | 3,330,137 | 3,030,530 |
| Intergovernmental..... | 24,278,648 | 29,101,027 | 39,567,666 | 30,078,008 | 24,583,703 | 18,719,275 | 21,580,606 | 25,363,096 | 28,419,651 | 28,451,009 |
| Departmental and other..... | 4,912,444 | 5,322,845 | 6,815,023 | 5,535,692 | 6,044,841 | 6,427,038 | 6,685,738 | 6,849,455 | 7,144,815 | 7,594,628 |
| Contributions..... | 28,016 | 15,709 | 46,174 | 26,489 | 1,501,903 | 1,002,596 | 38,742 | 38,548 | 57,261 | 54,453 |
| Investment income..... | 240,167 | 233,569 | 196,172 | 330,339 | 267,563 | 230,164 | 561,453 | 503,844 | 519,746 | 1,520,258 |
| Miscellaneous..... | 474,972 | 874,808 | 271,503 | 255,126 | 228,519 | 502,723 | 474,277 | 387,817 | 941,300 | 601,308 |
| Total Revenue..... | 122,272,935 | 134,232,793 | 149,615,568 | 144,459,016 | 146,238,196 | 144,345,543 | 151,795,216 | 159,867,686 | 169,941,491 | 176,291,284 |
| Expenditures: | | | | | | | | | | |
| General government..... | 5,352,889 | 5,692,875 | 5,893,759 | 6,394,853 | 6,511,826 | 7,802,938 | 5,804,651 | 5,970,596 | 6,658,485 | 7,121,559 |
| Public safety..... | 13,249,192 | 13,347,165 | 12,833,413 | 13,488,718 | 13,733,599 | 14,870,137 | 14,721,094 | 15,386,842 | 16,412,994 | 17,025,854 |
| Education..... | 45,927,698 | 49,475,780 | 51,719,838 | 53,328,943 | 58,699,538 | 57,398,922 | 60,331,384 | 65,110,130 | 70,225,351 | 70,565,581 |
| Public works..... | 6,467,606 | 5,986,086 | 5,627,985 | 6,342,475 | 6,568,070 | 11,487,236 | 11,196,412 | 8,215,506 | 8,707,745 | 8,685,126 |
| Water and sewer..... | 3,631,069 | 3,205,804 | 3,719,362 | 3,754,705 | 3,200,730 | 3,528,114 | 2,617,549 | 3,391,154 | 9,000,519 | 9,489,639 |
| MWRA assessment..... | 3,988,371 | 4,468,551 | 4,744,850 | 4,745,864 | 4,865,690 | 4,962,214 | 4,930,668 | 5,101,417 | - | - |
| Human services..... | 1,352,605 | 1,439,541 | 1,491,404 | 1,504,393 | 1,503,817 | 1,746,801 | 1,799,828 | 1,769,455 | 1,769,455 | 1,859,551 |
| Culture and recreation..... | 3,476,835 | 3,450,315 | 3,536,753 | 3,864,371 | 3,797,414 | 3,625,733 | 3,887,724 | 4,138,289 | 4,163,638 | 4,253,069 |
| Pension benefits..... | 15,821,783 | 16,495,297 | 17,333,291 | 18,235,052 | 18,916,521 | 12,701,305 | 15,818,297 | 19,897,267 | 20,780,933 | 21,589,623 |
| Employee benefits and insurance..... | 9,964,115 | 10,277,959 | 12,168,672 | 12,080,516 | 11,850,607 | 12,461,960 | 12,823,927 | 13,472,865 | 14,079,015 | 14,875,813 |
| State and county charges..... | 629,368 | 578,764 | 587,147 | 601,693 | 624,546 | 639,045 | 669,535 | 704,531 | 697,443 | 765,795 |
| Capital outlay..... | 13,645,746 | 25,856,866 | 32,941,925 | 16,789,218 | 13,344,606 | 5,488,898 | 7,630,493 | 12,140,365 | 14,318,811 | 11,484,236 |
| Debt service: | | | | | | | | | | |
| Principal..... | 2,966,147 | 2,790,482 | 3,165,380 | 3,801,490 | 4,099,923 | 3,686,506 | 3,629,243 | 3,937,840 | 3,849,542 | 3,544,357 |
| Interest..... | 1,106,719 | 1,284,304 | 1,642,702 | 1,801,458 | 2,043,937 | 1,759,278 | 1,826,655 | 1,864,794 | 1,808,139 | 1,947,435 |
| Payment to bond escrow agent..... | - | - | - | - | - | 793,918 | - | - | - | - |
| Total Expenditures..... | 127,580,143 | 144,349,789 | 157,406,481 | 146,733,749 | 149,760,824 | 142,788,822 | 147,634,433 | 161,131,424 | 172,472,070 | 173,207,638 |
| Excess of revenues over (under) expenditures..... | (5,307,208) | (10,116,996) | (7,790,913) | (2,274,733) | (3,522,628) | 1,556,721 | 4,160,783 | (1,263,738) | (2,530,579) | 3,083,646 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of bonds and notes..... | 10,480,000 | 14,801,675 | 13,145,125 | 1,242,000 | - | 7,712,000 | 1,735,200 | 224,750 | 12,860,000 | 277,500 |
| Issuance of debt refunding..... | - | - | - | - | - | - | 2,058,000 | - | - | - |
| Premium from issuance of refunding bonds..... | - | - | - | - | - | - | 313,910 | - | - | - |
| Payments to refunded bond escrow agents..... | - | - | - | - | - | - | (2,347,806) | - | - | - |
| Premium from issuance of bonds..... | 173,618 | 567,177 | 541,633 | 374,786 | 100,431 | 81,885 | 1,091,629 | 55,707 | - | 153,467 |
| Sale of capital assets..... | - | - | - | 521,600 | - | - | - | - | - | - |
| Capital lease financing..... | - | - | - | 846,869 | - | 1,800,000 | - | - | - | - |
| Transfers in..... | 2,055,818 | 1,139,655 | 1,641,477 | 1,507,562 | 375,443 | 4,829,186 | 2,397,772 | 4,205,304 | 3,110,751 | 4,949,029 |
| Transfers out..... | (2,055,818) | (1,133,025) | (1,641,477) | (1,507,562) | (375,443) | (4,829,186) | (2,397,772) | (4,205,304) | (3,110,751) | (4,949,029) |
| Total other financing sources (uses)..... | 10,653,618 | 15,375,482 | 13,686,758 | 2,985,255 | 100,431 | 9,593,885 | 2,850,933 | 280,457 | 12,860,000 | 430,967 |
| Net change in fund balance..... | \$ 5,346,410 | \$ 5,258,486 | \$ 5,895,845 | \$ 710,522 | \$ (3,422,197) | \$ 11,150,606 | \$ 7,011,716 | \$ (983,281) | \$ 10,329,421 | \$ 3,514,613 |
| Debt service as a percentage of noncapital expenditures.... | 3.57% | 3.44% | 3.86% | 4.31% | 4.50% | 3.97% | 3.90% | 3.89% | 3.58% | 3.40% |

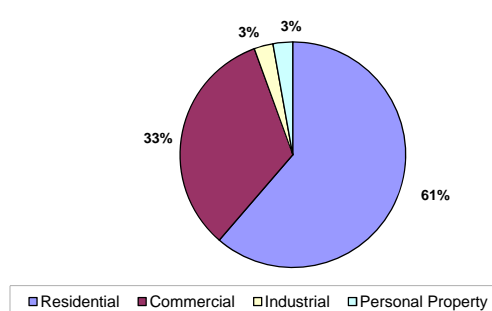
Town of Burlington, Massachusetts
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates
Last Ten Years

| Year | Assessed and Actual Values and Tax Rates | | | | | | | | | |
|------|--|----------------------|------------------|------------------|-------------------|------------------------|---------------------|-----------------------------|-----------------|------------------|
| | Residential Value | Residential Tax Rate | Commercial Value | Industrial Value | Personal Property | Total Commercial Value | Commercial Tax Rate | Commercial % of Total Value | Direct Tax Rate | Total Town Value |
| 2010 | \$2,938,363,015 | \$10.90 | \$1,267,650,950 | \$176,476,500 | \$136,843,360 | \$1,580,970,810 | \$29.70 | 35.0% | \$17.48 | \$4,519,333,825 |
| 2011 | \$2,880,926,535 | \$11.50 | \$1,276,438,427 | \$173,181,200 | \$138,221,020 | \$1,587,840,647 | \$30.80 | 35.5% | \$18.36 | \$4,468,767,182 |
| 2012 | \$2,948,417,550 | \$11.55 | \$1,340,593,248 | \$178,475,200 | \$131,561,270 | \$1,650,629,718 | \$30.95 | 35.9% | \$18.51 | \$4,599,047,268 |
| 2013 | \$2,981,261,150 | \$11.85 | \$1,366,644,948 | \$177,084,100 | \$138,298,620 | \$1,682,027,668 | \$31.70 | 36.1% | \$19.01 | \$4,663,288,818 |
| 2014 | \$3,040,672,350 | \$12.00 | \$1,405,152,603 | \$171,648,200 | \$149,821,880 | \$1,726,622,683 | \$32.24 | 36.2% | \$19.33 | \$4,767,295,033 |
| 2015 | \$3,318,511,275 | \$11.35 | \$1,641,350,579 | \$177,610,700 | \$152,236,170 | \$1,971,197,449 | \$29.40 | 37.3% | \$18.08 | \$5,289,708,724 |
| 2016 | \$3,396,245,775 | \$11.46 | \$1,805,825,709 | \$171,725,500 | \$161,002,910 | \$2,138,554,119 | \$28.28 | 38.6% | \$17.96 | \$5,534,799,894 |
| 2017 | \$3,604,357,624 | \$11.06 | \$1,899,398,165 | \$177,095,736 | \$165,475,930 | \$2,241,969,831 | \$28.10 | 38.3% | \$17.59 | \$5,846,327,455 |
| 2018 | \$3,841,090,234 | \$10.62 | \$2,046,022,312 | \$176,191,636 | \$177,237,860 | \$2,399,451,808 | \$27.56 | 38.4% | \$17.13 | \$6,240,542,042 |
| 2019 | \$4,054,482,144 | \$10.48 | \$2,191,892,348 | \$180,360,290 | \$186,055,290 | \$2,558,307,928 | \$27.22 | 38.7% | \$16.96 | \$6,612,790,072 |

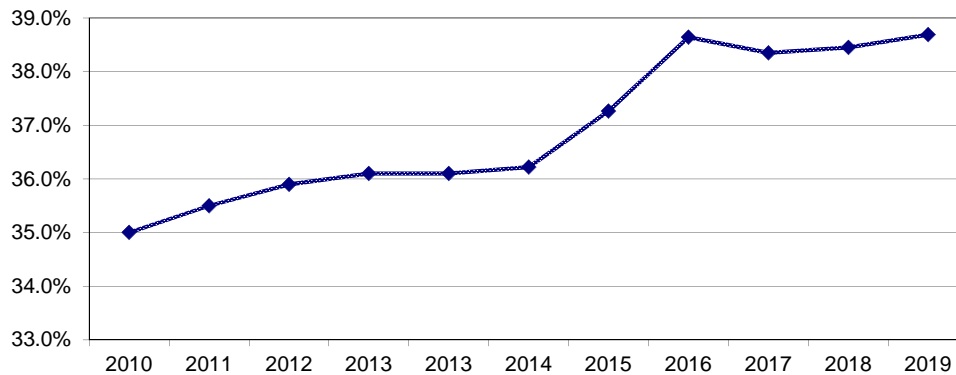
**Total Assessed Value by Classification
Fiscal Year Ended June 30, 2018**



**Total Assessed Value by Classification
Fiscal Year Ended June 30, 2019**



Commercial Value as % of Total Value



Source: Assessor's Department, Town of Burlington
All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

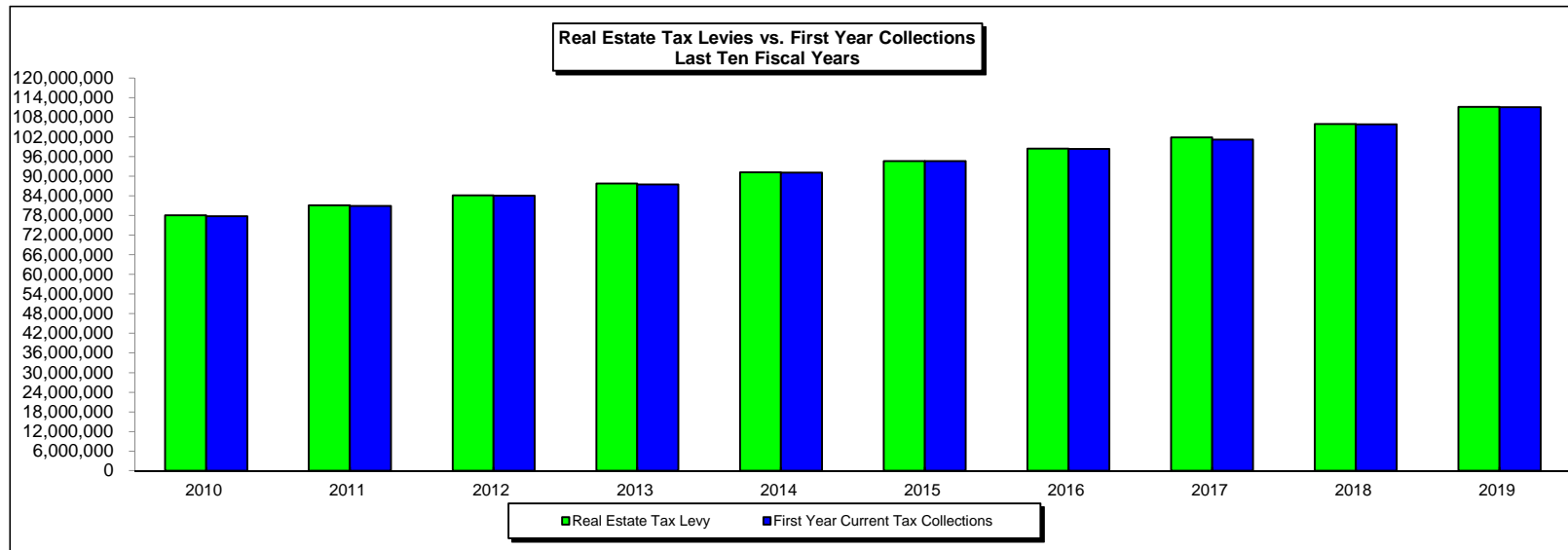
Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax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

Current Year and Nine Years Ago

Comprehensive Annual Financial Report

Town of Burlington, Massachusetts
Property Tax Levies and Collections
Last Ten Years

| Year | Total Tax Levy | Less Allowance for Abatements & Exemptions | 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 |
|------|----------------|--|---------------|-------------------|------------------------------------|-------------------------------|----------------------------|-----------------------|--|
| 2010 | \$78,982,990 | \$ 955,024 | \$78,027,966 | 98.79% | \$77,751,205 | 99.65% | \$ 496,723 | \$78,247,928 | 100.28% |
| 2011 | \$82,036,147 | \$ 933,064 | \$81,103,083 | 98.86% | \$80,860,884 | 99.70% | \$ 427,237 | \$81,288,121 | 100.23% |
| 2012 | \$85,136,212 | \$ 1,001,805 | \$84,134,407 | 98.82% | \$84,009,338 | 99.85% | \$ 404,439 | \$84,413,777 | 100.33% |
| 2013 | \$88,648,222 | \$ 950,000 | \$87,698,222 | 98.93% | \$87,445,667 | 99.71% | \$ 428,419 | \$87,874,086 | 100.20% |
| 2014 | \$92,154,384 | \$ 1,020,328 | \$91,134,056 | 98.89% | \$91,020,060 | 99.87% | \$ 462,247 | \$91,482,307 | 100.38% |
| 2015 | \$95,618,308 | \$ 1,000,000 | \$94,618,308 | 98.95% | \$94,591,684 | 99.97% | \$ 370,640 | \$94,962,324 | 100.36% |
| 2016 | \$99,399,287 | \$ 1,000,000 | \$98,399,287 | 98.99% | \$98,252,845 | 99.85% | \$ 593,764 | \$98,846,609 | 100.45% |
| 2017 | \$102,863,547 | \$ 1,000,000 | \$101,863,547 | 99.03% | \$101,149,845 | 99.30% | \$ 515,612 | \$101,665,457 | 99.81% |
| 2018 | \$106,921,270 | \$ 1,000,000 | \$105,921,270 | 99.06% | \$105,840,850 | 99.92% | \$ 370,485 | \$106,211,335 | 100.27% |
| 2019 | \$112,128,115 | \$ 1,000,000 | \$111,128,115 | 99.11% | \$111,009,120 | 99.89% | - | \$111,009,120 | 99.89% |



The allowance for abatements and exemptions is the tax year estimate of potential reductions of taxes. If the estimate is lower than actual then the percent of tax collections compared to the net levy can exceed 100%.

Town of Burlington, Massachusetts

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

| Year | Population Estimates | Personal Income | Assessed Value | Governmental Bonded Debt | | | |
|------|----------------------|-----------------|-----------------|--------------------------|------------|-------------------------------|------------------------------|
| | | | | General Obligation Bonds | Per Capita | Percentage of Personal Income | Percentage of Assessed Value |
| 2010 | 24,498 | \$796,797,450 | \$4,519,333,825 | \$35,389,459 | \$1,445 | 4.44% | 0.78% |
| 2011 | 24,985 | \$878,422,630 | \$4,468,767,182 | \$46,769,231 | \$1,872 | 5.32% | 1.05% |
| 2012 | 24,708 | \$851,635,344 | \$4,599,047,268 | \$56,748,976 | \$2,297 | 6.66% | 1.23% |
| 2013 | 25,008 | \$870,103,344 | \$4,663,288,818 | \$54,189,486 | \$2,167 | 6.23% | 1.16% |
| 2014 | 25,176 | \$902,383,368 | \$4,767,295,033 | \$50,089,563 | \$1,990 | 5.55% | 1.05% |
| 2015 | 25,190 | \$867,266,510 | \$5,289,708,724 | \$54,018,579 | \$2,144 | 6.23% | 1.02% |
| 2016 | 25,463 | \$1,003,445,904 | \$5,534,799,894 | \$53,237,622 | \$2,091 | 5.31% | 0.96% |
| 2017 | 25,128 | \$1,025,121,888 | \$5,846,327,455 | \$49,384,257 | \$1,892 | 4.64% | 0.81% |
| 2018 | 25,392 | \$1,109,005,000 | \$6,240,542,042 | \$58,162,294 | \$1,686 | 3.94% | 0.70% |
| 2019 | 25,634 | \$1,183,153,804 | \$6,612,790,072 | \$54,677,700 | \$1,991 | 4.33% | 0.78% |

| Year | Total Governmental Activity | | | | |
|------|-----------------------------|------------------------|------------|-------------------------------|------------------------------|
| | Capital Leases | Total Debt Outstanding | Per Capita | Percentage of Personal Income | Percentage of Assessed Value |
| 2010 | \$ 1,200,000 | \$36,589,459 | \$1,494 | 4.59% | 0.81% |
| 2011 | \$ 900,000 | \$47,669,231 | \$1,908 | 5.43% | 1.07% |
| 2012 | \$ 586,500 | \$57,335,476 | \$2,321 | 6.73% | 1.25% |
| 2013 | \$ 921,476 | \$55,110,962 | \$2,204 | 6.33% | 1.18% |
| 2014 | \$ 319,863 | \$50,409,426 | \$2,003 | 5.59% | 1.06% |
| 2015 | \$ 1,465,481 | \$55,484,060 | \$2,203 | 6.40% | 1.05% |
| 2016 | \$ 1,117,689 | \$54,355,311 | \$2,135 | 5.42% | 0.98% |
| 2017 | \$ 850,149 | \$50,234,406 | \$1,926 | 4.72% | 0.83% |
| 2018 | \$ 574,839 | \$58,737,133 | \$1,708 | 3.99% | 0.71% |
| 2019 | \$ 291,533 | \$54,969,233 | \$2,003 | 4.36% | 0.78% |

Source: Audited Financial Statements, U. S. Census

Town of Burlington, Massachusetts

Direct and Overlapping Governmental Activities Debt

As of June 30, 2019

| <u>Town of Burlington, Massachusetts</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Debt repaid with property taxes | | | |
| Shawsheen Valley Technical Vocational School..... \$ | 5,250,000 | 8.38% | \$ 439,950 |
| MWRA..... | 3,400,147,000 | 1.17% | 39,826,077 |
| Subtotal, overlapping debt..... | | | <u>40,266,027</u> |
| Direct debt: | | | |
| Capital Lease Obligations..... | | | 291,533 |
| General Governmental Debt..... | | | <u>54,677,700</u> |
| Town total direct debt..... | | | <u>54,969,233</u> |
| Total direct and overlapping debt..... | | | <u>\$ 95,235,260</u> |

Source: Town of Burlington, Finance Department and related organizations.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates 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.

Town of Burlington, Massachusetts

Computation of Legal Debt Margin

Last Ten Years

| | Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Equalized Valuation..... | \$ 4,963,154,800 | \$ 4,963,154,800 | \$ 4,948,189,000 | \$ 4,948,189,000 | \$ 5,185,943,200 | \$ 5,185,943,200 | \$ 6,191,239,400 | \$ 6,191,239,400 | \$ 7,011,898,700 | \$ 7,011,898,700 |
| Debt Limit -5% of Equalized Valuation..... | \$ 248,157,740 | \$ 248,157,740 | \$ 247,409,450 | \$ 247,409,450 | \$ 259,297,160 | \$ 259,297,160 | \$ 309,561,970 | \$ 309,561,970 | \$ 350,594,935 | \$ 350,594,935 |
| Less: | | | | | | | | | | |
| Outstanding debt applicable to limit..... | \$ 16,691,200 | \$ 16,777,475 | \$ 26,269,865 | \$ 38,037,305 | \$ 35,290,745 | \$ 32,150,185 | \$ 36,847,825 | \$ 34,528,310 | \$ 32,073,395 | \$ 42,771,380 |
| Authorized and unissued debt..... | \$ 77,210,034 | \$ 60,675,442 | \$ 39,697,256 | \$ 23,595,526 | \$ 29,631,288 | \$ 15,926,977 | \$ 17,311,800 | \$ 15,230 | \$ 23,295,000 | \$ 25,515,000 |
| Legal debt margin..... | <u>\$ 154,256,506</u> | <u>\$ 170,704,823</u> | <u>\$ 181,442,329</u> | <u>\$ 185,776,619</u> | <u>\$ 194,375,127</u> | <u>\$ 211,219,998</u> | <u>\$ 255,402,345</u> | <u>\$ 275,018,430</u> | <u>\$ 295,226,540</u> | <u>\$ 282,308,555</u> |
| Total debt applicable to the limit as a percentage of debt limit..... | 37.84% | 31.21% | 26.66% | 24.91% | 25.04% | 18.54% | 17.50% | 11.16% | 15.79% | 19.48% |

Source: Town of Burlington, Treasurer's Department

Town of Burlington, Massachusetts
Demographic and Economic Statistics
Last Ten Years

| Year | Population Estimates | Personal Income | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate |
|------|-------------------------|--------------------|-------------------------------------|---------------|----------------------|----------------------|
| 2010 | 24,498 | \$ 796,797,450 | \$ 32,525 | 42.0 | 3,711 | 6.3% |
| 2011 | 24,985 | \$ 878,422,630 | \$ 35,158 | 42.0 | 3,652 | 5.9% |
| 2012 | 24,708 | \$ 851,635,344 | \$ 34,468 | 42.0 | 3,626 | 5.0% |
| 2013 | 25,008 | \$ 870,103,344 | \$ 34,793 | 42.0 | 3,606 | 4.8% |
| 2014 | 25,176 | \$ 902,383,368 | \$ 35,843 | 42.0 | 3,579 | 4.9% |
| 2015 | 25,190 | \$ 867,266,510 | \$ 34,429 | 42.0 | 3,799 | 3.8% |
| 2016 | 25,463 | \$ 1,003,445,904 | \$ 39,408 | 42.0 | 3,508 | 3.4% |
| 2017 | 25,128 | \$ 1,025,121,888 | \$ 40,796 | 47.0 | 3,521 | 3.5% |
| 2018 | 25,392 | \$ 1,109,005,000 | \$ 43,154 | 47.0 | 3,520 | 2.9% |
| 2019 | 25,634 | \$ 1,183,153,804 | \$ 45,962 | 47.0 | 3,533 | 2.3% |

Source: U. S. Census, Division of Local Services

Median age is based on most recent census data

MA Department of Elementary and Secondary Education

School and Town Clerk Departments, Town of Burlington

MA Office of Workforce Development

Information came from Burlington Town Report.

Town of Burlington, Massachusetts

Principal Employers

Current Year and Nine Years Ago

| Employer | Nature of Business | 2019 | | | 2010 | | |
|-------------------------|--------------------------------------|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Lahey Clinic | Hospital | 5,040 | 1 | 36% | 4,500 | 1 | 33% |
| Oracle/Sun* | Computer Network Systems | 3,000 | 2 | 21% | - | | - |
| Siemens-Nixdorff | Information Technology & Electronics | 1,000 | 3 | 7% | 1,200 | 4 | 9% |
| Avid Tech | Software Systems (Video) | 800 | 4 | 6% | - | | - |
| Burlington Mall | Retail | 750 | 5 | 5% | 750 | 5 | 6% |
| Keurig Green Mountain | Retail | 750 | 6 | 5% | - | | - |
| Wegmans | Retail | 630 | 7 | 5% | - | | - |
| Nuance Systems | Software/Communications | 525 | 8 | 4% | 450 | 6 | 3% |
| ONE Communications | Telecom | 420 | 9 | 3% | 400 | 7 | 3% |
| MilliporeSigma | Life Sciences | 400 | 10 | 3% | - | | - |
| Sun Microsystems* | Computer Network Systems | - | | - | 1,800 | 2 | 13% |
| Oracle* | Computer Network Systems | - | | - | 1,250 | 3 | 9% |
| Federal Aviation Admin. | Government | - | | - | 385 | 8 | 3% |
| SAP Systems | Software Systems | - | | - | 350 | 9 | 3% |
| I Robot | Research & Development | - | | - | 300 | 10 | 2% |
| Total | | <u>13,315</u> | | <u>95%</u> | <u>11,385</u> | | <u>84%</u> |

Source: Massachusetts Workplace Development

* Oracle acquired Sun Microsystems in 2010.

Town of Burlington, Massachusetts
Full-time Equivalent Town Employees by Function
Last Ten Years

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function | | | | | | | | | | |
| General government..... | 38 | 38 | 38 | 42 | 43 | 43 | 43 | 43 | 43 | 43 |
| Public Safety..... | 144 | 144 | 144 | 144 | 144 | 146 | 147 | 152 | 157 | 160 |
| Education..... | 530 | 527 | 512 | 544 | 564 | 570 | 576 | 578 | 594 | 598 |
| Public works..... | 61 | 61 | 58 | 58 | 58 | 61 | 64 | 64 | 64 | 64 |
| Human services..... | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 21 | 21 |
| Culture and recreation..... | 29 | 29 | 29 | 29 | 29 | 26 | 31 | 32 | 32 | 32 |
| Total | <u>822</u> | <u>819</u> | <u>801</u> | <u>837</u> | <u>858</u> | <u>866</u> | <u>879</u> | <u>888</u> | <u>909</u> | <u>918</u> |

Source: Town personnel records and various Town departments.

Town of Burlington, Massachusetts
Operating Indicators by Function/Program
Last Ten Years

| Function/Program | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Population..... | 24,498 | 24,985 | 24,708 | 25,008 | 25,176 | 25,190 | 25,463 | 25,128 | 25,392 | 25,634 |
| Registered Voters, Annual Town Election..... | 1,861 | 14,835 | 15,160 | 15,652 | 15,230 | 15,065 | 15,776 | 16,196 | 16,022 | 16,240 |
| Town Clerk | | | | | | | | | | |
| Births..... | 293 | 305 | 305 | 282 | 296 | 252 | 201 | 278 | 288 | 282 |
| Marriages..... | 132 | 126 | 119 | 125 | 106 | 130 | 103 | 115 | 145 | 119 |
| Deaths..... | 882 | 840 | 848 | 875 | 907 | 1,040 | 776 | 1,023 | 1,039 | 1,000 |
| Dogs licensed..... | 2,067 | 2,097 | 2,182 | 2,213 | 2,216 | 2,314 | 2,365 | 2,431 | 2,427 | 2,410 |
| Police | | | | | | | | | | |
| Documented calls for police services..... | 23,287 | 22,950 | 26,820 | 31,524 | 30,305 | 21,186 | 27,629 | 28,971 | 27,756 | 28,333 |
| Uniform crimes reported..... | 934 | 768 | 818 | 605 | 573 | 489 | 592 | 586 | 544 | 526 |
| Arrests..... | 238 | 237 | 256 | 232 | 243 | 175 | 225 | 202 | 200 | 186 |
| Traffic citations issued..... | 3,598 | 2,746 | 3,367 | 4,258 | 3,974 | 3,176 | 4,332 | 6,033 | 3,426 | 4,588 |
| Parking tickets issued..... | | | | | | | | | | |
| False burglary alarms..... | 1,804 | 1,871 | 1,749 | 1,622 | 1,636 | 1,365 | 1,558 | 1,625 | 1,624 | 1,486 |
| Total number of animal complaints..... | 478 | 381 | 368 | 389 | 454 | 325 | 411 | 395 | 410 | 437 |
| Fire | | | | | | | | | | |
| Inspections..... | 719 | 766 | 762 | 783 | 789 | 763 | 774 | 728 | 961 | 729 |
| Plan reviews..... | 225 | 235 | 305 | 268 | 319 | 315 | 268 | 211 | 280 | 47 |
| Permits/certificates issued..... | 561 | 650 | 765 | 736 | 800 | 785 | 980 | 639 | 636 | 731 |
| Emergency responses..... | 6,261 | 6,327 | 6,477 | 6,394 | 6,650 | 6,662 | 7,436 | 7,581 | 7,450 | 7,597 |
| Building Department | | | | | | | | | | |
| Permits issued..... | 2,704 | 3,185 | 3,176 | 3,454 | 3,492 | 2,726 | 3,632 | 5,174 | 3,242 | 4,173 |
| Education | | | | | | | | | | |
| Public school enrollment..... | 3,711 | 3,652 | 3,626 | 3,606 | 3,579 | 3,499 | 3,508 | 3,521 | 3,520 | 3,533 |
| Public Works | | | | | | | | | | |
| Cemetery | | | | | | | | | | |
| Lots sold..... | 46 | 49 | 48 | 54 | 53 | 54 | 51 | 59 | 54 | 46 |
| interments..... | 151 | 144 | 139 | 148 | 150 | 148 | 144 | 167 | 158 | 167 |
| Recycling/tons..... | 2,161 | 2,212 | 2,183 | 2,040 | 1,980 | 2,297 | 2,392 | 2,409 | 2,287 | 1,291 |
| Human Services | | | | | | | | | | |
| Board of Health | | | | | | | | | | |
| Permits issued..... | 738 | 746 | 660 | 617 | 462 | 294 | 430 | 335 | 334 | 382 |
| Inspections..... | 1,237 | 1,382 | 1,101 | 1,191 | 1,071 | 809 | 1,357 | 800 | 1,116 | 1,291 |
| Volumes in collection..... | 111,850 | 112,140 | 113,663 | 111,713 | 113,487 | 115,599 | 111,892 | 117,750 | 130,482 | 139,945 |
| Circulation..... | 391,072 | 374,225 | 363,747 | 331,618 | 311,460 | 285,019 | 277,987 | 276,372 | 249,475 | 312,623 |
| Program attendance..... | 7,543 | 7,443 | 10,878 | 9,233 | 9,214 | 9,010 | 9,578 | 11,123 | 10,761 | 11,576 |
| Visits..... | 163,898 | 182,089 | 177,578 | 163,047 | 162,113 | 150,292 | 148,694 | 153,331 | 149,561 | 149,872 |
| Hours of operation..... | 3,049 | 2,956 | 2,977 | 2,989 | 2,888 | 2,992 | 2,993 | 3,009 | 3,016 | 3,044 |
| Youth & Family Services | | | | | | | | | | |
| Misc resident clinical consultation hours..... | 413 | 349 | 314 | 410 | 320 | 339 | 503 | 514 | 684 | 594 |
| Recreation | | | | | | | | | | |
| Participants..... | 28,684 | 30,679 | 28,438 | 30,126 | 39,568 | 39,809 | 29,374 | 37,478 | 50,139 | 55,163 |

Source: Various Town Departments

Town of Burlington, Massachusetts
Capital Asset Statistics by Function/Program

Last Ten Years

| <u>Function/Program</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government | | | | | | | | | | |
| Number of Buildings..... | 13 | 13 | 13 | 13 | 13 | 14 | 14 | 14 | 14 | 14 |
| Police | | | | | | | | | | |
| Number of Stations..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police personnel and officers..... | 73 | 73 | 73 | 73 | 73 | 75 | 75 | 76 | 77 | 78 |
| Fire | | | | | | | | | | |
| Number of Stations..... | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire personnel and officers..... | 65 | 65 | 65 | 65 | 65 | 65 | 66 | 70 | 74 | 74 |
| Education | | | | | | | | | | |
| Number of elementary schools..... | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| 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 |
| Number of teachers..... | 293 | 288 | 283 | 300 | 295 | 299 | 299 | 308 | 322 | 315 |
| Number of students..... | 3,711 | 3,652 | 3,626 | 3,606 | 3,579 | 3,799 | 3,508 | 3,521 | 3,520 | 3,533 |
| Public Works | | | | | | | | | | |
| Water mains (miles)..... | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 149 |
| Sanitary sewers (miles)..... | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 |
| Storm sewers (miles)..... | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 |
| Human Services | | | | | | | | | | |
| Senior Center Facility..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Culture and Recreation | | | | | | | | | | |
| Libraries..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Conservation land (acreage)..... | 277 | 277 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 |

Source: Various Town Departments