

TOWN OF HAMILTON, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018



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FINANCIAL STATEMENTS AND
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JUNE 30, 2018**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	12
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
GOVERNMENTAL FUNDS – BALANCE SHEET	15
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
PROPRIETARY FUNDS – STATEMENT OF FUND NET POSITION	19
PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	20
PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS	21
FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION	22
FIDUCIARY FUNDS – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	23
NOTES TO BASIC FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	59
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	59
COMMUNITY PRESERVATION FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	61
PENSION PLAN SCHEDULES	63
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE	64
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	65



INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Hamilton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Hamilton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Town reported a restatement for the change in accounting principle (see Note 17). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 10), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 59 through 65) 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 Reporting Required by Government Auditing Standards

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



CliftonLarsonAllen LLP

Boston, Massachusetts
January 30, 2019

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the Town of Hamilton, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,875,060 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$11,455,559.
- The Town's total net position decreased by \$44,602 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$4,324,255, or 15.00% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$1,362,181 during the fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the water and waste removal operations.

The government-wide financial statements can be found on pages 12-14 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains 89 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation (special revenue) fund and Bridge Street Culvert project fund (capital projects), which are considered to be major funds. Data from the other 86 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 15-18 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Proprietary Funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and waste removal operations. The water enterprise fund is considered to be a major fund, while the waste removal enterprise fund is considered nonmajor and was dissolved as of June 30, 2018.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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 statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Private-purpose trust funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the caption "private purpose trust funds".

The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

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. The notes to the financial statements can be found on pages 24-57 of this report.

Required Supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other postemployment benefits information, which can be located on pages 59-65 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,875,060 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 10,063,613	\$ 10,830,566	\$ 3,785,342	\$ 5,251,459	\$ 13,848,955	\$ 16,082,025
Noncurrent Assets (Excluding Capital Assets)	395,279	428,366	-	-	395,279	428,366
Capital Assets (Net)	<u>21,128,034</u>	<u>21,347,457</u>	<u>11,703,051</u>	<u>8,112,473</u>	<u>32,831,085</u>	<u>29,459,930</u>
Total Assets	<u>31,586,926</u>	<u>32,606,389</u>	<u>15,488,393</u>	<u>13,363,932</u>	<u>47,075,319</u>	<u>45,970,321</u>
Deferred Outflows of Resources	<u>1,556,056</u>	<u>1,481,121</u>	<u>93,986</u>	<u>89,470</u>	<u>1,650,042</u>	<u>1,570,591</u>
Liabilities						
Current Liabilities (Excluding Debt)	948,564	609,995	2,748,616	128,450	3,697,180	738,445
Noncurrent Liabilities (Excluding Debt)	16,477,300	16,971,441	984,242	995,071	17,461,542	17,966,512
Current Debt	784,770	1,534,770	523,412	568,412	1,308,182	2,103,182
Noncurrent Debt	<u>5,048,500</u>	<u>5,833,269</u>	<u>5,980,382</u>	<u>6,503,794</u>	<u>11,028,882</u>	<u>12,337,063</u>
Total liabilities	<u>23,259,134</u>	<u>24,949,475</u>	<u>10,236,652</u>	<u>8,195,727</u>	<u>33,495,786</u>	<u>33,145,202</u>
Deferred Inflows of Resources	<u>1,277,594</u>	<u>449,112</u>	<u>76,921</u>	<u>26,936</u>	<u>1,354,515</u>	<u>476,048</u>
Net Position						
Net Investment in Capital Assets	16,475,428	15,758,673	5,037,238	4,465,943	21,512,666	20,224,616
Restricted	3,817,953	3,412,735	-	-	3,817,953	3,412,735
Unrestricted	<u>(11,687,127)</u>	<u>(10,482,485)</u>	<u>231,568</u>	<u>764,796</u>	<u>(11,455,559)</u>	<u>(9,717,689)</u>
Total Net Position	<u>\$ 8,606,254</u>	<u>\$ 8,688,923</u>	<u>\$ 5,268,806</u>	<u>\$ 5,230,739</u>	<u>\$ 13,875,060</u>	<u>\$ 13,919,662</u>

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, intangible assets, construction in progress, improvements, buildings, machinery and equipment, vehicles, library books, software, and infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used 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 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's net position represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities. The Town has \$231,568 that may be used to support business-type activities.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Changes in Net Position

For the fiscal year ended June 30, 2018, the Town's total net position decreased by \$44,602, compared to a decrease of \$1,878,477 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 1,266,284	\$ 1,070,093	\$ 1,680,449	\$ 1,800,981	\$ 2,946,733	\$ 2,871,074
Operating Grants and Contributions	454,100	456,204	33,184	5,313	487,284	461,517
Capital Grants and Contributions	106,956	1,587,603	-	-	106,956	1,587,603
General Revenues:						
Real Estate and Personal Property Taxes	25,452,108	25,115,457	-	-	25,452,108	25,115,457
Motor Vehicle and Other Excise Taxes	1,193,494	1,216,705	-	-	1,193,494	1,216,705
Meals Tax	74,880	71,764	-	-	74,880	71,764
Penalties and Interest on Taxes	90,764	87,389	-	-	90,764	87,389
Payments in Lieu of Taxes	32,589	33,687	-	-	32,589	33,687
Community Preservation Surcharges	414,332	404,423	-	-	414,332	404,423
Grants and Contributions not Restricted to Specific Programs	799,618	776,158	-	-	799,618	776,158
Unrestricted Investment Income	14,428	54,120	-	-	14,428	54,120
Total Revenues	29,899,553	30,873,603	1,713,633	1,806,294	31,613,186	32,679,897
Expenses						
General Government	3,582,168	3,940,169	-	-	3,582,168	3,940,169
Public Safety	4,378,611	6,412,103	-	-	4,378,611	6,412,103
Education	17,635,769	17,695,660	-	-	17,635,769	17,695,660
Public Works	1,995,812	1,953,131	-	-	1,995,812	1,953,131
Health and Human Services	747,825	765,211	-	-	747,825	765,211
Culture and Recreation	1,702,216	1,700,310	-	-	1,702,216	1,700,310
Hamilton Development Corporation	65,000	65,000	-	-	65,000	65,000
Debt Service - Interest	155,536	145,633	-	-	155,536	145,633
Water	-	-	1,394,851	1,319,991	1,394,851	1,319,991
Waste Removal	-	-	-	561,166	-	561,166
Total Expenses	30,262,937	32,677,217	1,394,851	1,881,157	31,657,788	34,558,374
Change in Net Position Before Transfers	(363,384)	(1,803,614)	318,782	(74,863)	(44,602)	(1,878,477)
Transfers, Net	280,715	(385,238)	(280,715)	385,238	-	-
Change in Net Position	(82,669)	(2,188,852)	38,067	310,375	(44,602)	(1,878,477)
Net Position - Beginning of Year (as restated)	8,688,923	10,877,775	5,230,739	4,920,364	13,919,662	15,798,139
Net Position - End of Year	\$ 8,606,254	\$ 8,688,923	\$ 5,268,806	\$ 5,230,739	\$ 13,875,060	\$ 13,919,662

Governmental activities decreased the Town's net position by \$82,669. In the prior year, governmental activities decreased the Town's net position by \$2,188,852. The key element of this change is the reflection of increased OPEB expenses in fiscal year 2017 related to the implementation of GASB Statement # 75.

Business-type activities increased the Town's net position by \$38,067. In the prior year, business-type activities increased the Town's net position by \$310,375. The key element of this change is a slight reduction in revenues in fiscal year 2018.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$8,877,899, a decrease of \$356,798 in comparison with the prior year. Approximately \$4,135,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$275,625)
- Restricted (\$3,325,648)
- Committed (\$1,083,489)
- Assigned (\$58,025)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$4,324,255, while total fund balance was \$5,855,597. 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 general fund expenditures and transfers out. Unassigned fund balance represents 15.00% of total general fund expenditures and transfers out, while total fund balance represents 20.27% of that same amount.

The balance of the Town's general fund increased by \$85,383 during fiscal year 2018. The Town recognized a budgetary surplus of approximately \$982,000 (excluding encumbrances and continuing appropriations) and utilized approximately \$1,035,000 of reserves to fund appropriations during fiscal year 2018.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the community preservation fund (special revenue) decreased by \$285,567 during the current fiscal year. The fund recognized \$413,846 in surcharges, \$69,734 in intergovernmental revenue and investment income of \$9,057. Expenditures and transfers out of \$378,204 and \$400,000, respectively, were incurred during the fiscal year.

The fund balance of the Bridge Street Culvert project fund increased by \$19,968. A deficit of approximately \$163,000 remained in the fund at fiscal year-end.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Unrestricted net position of the water enterprise fund at the end of the year amounted to \$231,568. The water fund had an increase in net position for the year of \$110,634, and the waste removal fund had a decrease of \$72,567. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$29,437,284. During the year, appropriations were increased by \$77,036 for various purposes and were funded by unassigned fund balance.

During the year, general fund revenues and transfers in exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$749,000. Encumbrances and continuing appropriations totaled \$233,610 at year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$32,831,085 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, improvements, buildings, machinery and equipment, vehicles, library books, software, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled \$3,371,155 or 11.4%.

Major capital asset events that occurred during the current fiscal year include the following:

- Purchases of machinery equipment (\$650,000)
- Road and sidewalk improvements (\$1,097,000)
- Water system construction in progress (\$3,854,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,373,848	\$ 2,373,848	\$ 283,912	\$ 283,912	\$ 2,657,760	\$ 2,657,760
Intangible Assets	1,750,000	1,750,000	-	-	1,750,000	1,750,000
Land Improvements	2,670,986	2,779,312	-	-	2,670,986	2,779,312
Buildings	8,167,798	8,500,964	2,174,374	2,254,084	10,342,172	10,755,048
Machinery and Equipment	792,908	405,914	19,607	24,128	812,515	430,042
Vehicles	1,357,174	1,447,488	138,042	156,341	1,495,216	1,603,829
Infrastructure	3,915,401	2,940,322	4,845,900	5,006,327	8,761,301	7,946,649
Construction in Progress	99,919	1,149,609	4,241,216	387,681	4,341,135	1,537,290
Total Capital Assets	\$ 21,128,034	\$ 21,347,457	\$ 11,703,051	\$ 8,112,473	\$ 32,831,085	\$ 29,459,930

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$12,337,064, which is backed by the full faith and credit of the Town, and consists entirely of general obligation bonds.

The Town's total bonded debt decreased by \$1,362,181 during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 577 Bay Road, Hamilton, Massachusetts 01936.

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**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hamilton Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,232,935	\$ 1,182,619	\$ 5,415,554	\$ -
Restricted Cash and Cash Equivalents	2,711,979	2,202,154	4,914,133	179,310
Investments	1,290,667	-	1,290,667	-
Restricted Investments	1,171,938	-	1,171,938	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	236,371	-	236,371	-
Tax and Utility Liens	89,557	7,967	97,524	-
Motor Vehicle and Other Excise Taxes	89,300	-	89,300	-
Community Preservation Surcharges	3,271	-	3,271	-
Water Charges	-	392,602	392,602	-
Departmental and Other	34,545	-	34,545	-
Intergovernmental	203,050	-	203,050	-
Total Current Assets	10,063,613	3,785,342	13,848,955	179,310
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	33,291	-	33,291	-
Tax Foreclosures	361,988	-	361,988	-
Capital Assets not being Depreciated	4,223,767	4,525,128	8,748,895	339,500
Capital Assets, Net of Accumulated Depreciation	16,904,267	7,177,923	24,082,190	231,237
Total Noncurrent Assets	21,523,313	11,703,051	33,226,364	570,737
Total Assets	31,586,926	15,488,393	47,075,319	750,047
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	597,794	36,054	633,848	-
Related to Pensions	958,262	57,932	1,016,194	-
Total Deferred Outflows of Resources	1,556,056	93,986	1,650,042	-
LIABILITIES				
Current Liabilities:				
Warrants Payable	604,153	1,197,311	1,801,464	-
Accrued Payroll	89,034	5,724	94,758	-
Other Liabilities	11,547	-	11,547	2,358
Accrued Interest	38,423	31,231	69,654	-
Compensated Absences	34,726	4,056	38,782	-
Total OPEB Liability	170,681	10,294	180,975	-
Short-Term Notes Payable	-	1,500,000	1,500,000	-
Long-Term Bonds and Notes Payable	784,770	523,412	1,308,182	-
Mortgage Loan Payable	-	-	-	15,721
Total Current Liabilities	1,733,334	3,272,028	5,005,362	18,079
Noncurrent Liabilities:				
Compensated Absences	312,537	36,505	349,042	-
Total OPEB Liability	7,142,877	430,803	7,573,680	-
Net Pension Liability	9,021,886	516,934	9,538,820	-
Long-Term Bonds and Notes Payable	5,048,500	5,980,382	11,028,882	-
Mortgage loan payable	-	-	-	448,092
Total Noncurrent Liabilities	21,525,800	6,964,624	28,490,424	448,092
Total Liabilities	23,259,134	10,236,652	33,495,786	466,171
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	1,277,594	76,921	1,354,515	-
NET POSITION				
Net Investment in Capital Assets	16,475,428	5,037,238	21,512,666	106,924
Restricted for:				
Other Postemployment Benefits	389,828	-	389,828	-
Community Preservation	980,076	-	980,076	-
Affordable Housing	303,510	-	303,510	-
Permanent Funds:				
Expendable	320,721	-	320,721	-
Nonexpendable	275,625	-	275,625	-
Other Specific Purposes	1,548,193	-	1,548,193	-
Unrestricted	(11,687,127)	231,568	(11,455,559)	176,952
Total Net Position	\$ 8,606,254	\$ 5,268,806	\$ 13,875,060	\$ 283,876

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 3,582,168	\$ 169,594	\$ 130,650	\$ -	\$ (3,281,924)
Public Safety	4,378,611	594,031	45,441	-	(3,739,139)
Education	17,635,769	-	-	-	(17,635,769)
Public Works	1,995,812	87,309	36,397	98,976	(1,773,130)
Health and Human Services	747,825	79,148	66,924	-	(601,753)
Culture and Recreation	1,702,216	336,202	160,160	7,980	(1,197,874)
Hamilton Development Corporation	65,000	-	-	-	(65,000)
Debt Service-Interest	155,536	-	14,528	-	(141,008)
Total Governmental Activities	<u>30,262,937</u>	<u>1,266,284</u>	<u>454,100</u>	<u>106,956</u>	<u>(28,435,597)</u>
Business-Type Activities:					
Water	1,394,851	1,680,449	26,194	-	311,792
Waste Removal	-	-	6,990	-	6,990
Total Business-Type Activities	<u>1,394,851</u>	<u>1,680,449</u>	<u>33,184</u>	<u>-</u>	<u>318,782</u>
Total Primary Government	<u>\$ 31,657,788</u>	<u>\$ 2,946,733</u>	<u>\$ 487,284</u>	<u>\$ 106,956</u>	<u>\$ (28,116,815)</u>
Component Units:					
Hamilton Development Corporation	<u>\$ 75,716</u>	<u>\$ 33,750</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 23,034</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (From Previous Page)	\$ (28,435,597)	\$ 318,782	\$ (28,116,815)	\$ 23,034
General Revenues:				
Real Estate and Personal Property Taxes	25,452,108	-	25,452,108	-
Motor Vehicle and Other Excise Taxes	1,193,494	-	1,193,494	-
Meals tax	74,880	-	74,880	-
Penalties and Interest on Taxes	90,764	-	90,764	-
Payments in Lieu of Taxes	32,589	-	32,589	-
Community Preservation Surcharges	414,332	-	414,332	-
Grants and Contributions not Restricted to Specific Programs	799,618	-	799,618	-
Unrestricted Investment Income	14,428	-	14,428	306
Gain on Disposal of Capital Assets	-	-	-	2,500
Transfers, Net	280,715	(280,715)	-	-
Total General Revenues and Transfers	28,352,928	(280,715)	28,072,213	2,806
CHANGE IN NET POSITION	(82,669)	38,067	(44,602)	25,840
Net Position - Beginning of Year (As Restated)	8,688,923	5,230,739	13,919,662	258,036
NET POSITION - END OF YEAR	\$ 8,606,254	\$ 5,268,806	\$ 13,875,060	\$ 283,876

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Bridge Street Culvert Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 4,232,935	\$ -	\$ -	\$ -	\$ 4,232,935
Investments	1,290,667	-	-	-	1,290,667
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	236,371	-	-	-	236,371
Real Estate Tax Deferrals	33,291	-	-	-	33,291
Tax Liens	89,557	-	-	-	89,557
Motor Vehicle and Other Excise taxes	89,300	-	-	-	89,300
Community Preservation Surcharges	-	3,271	-	-	3,271
Departmental and Other	-	-	-	34,545	34,545
Intergovernmental	-	-	182,989	20,061	203,050
Due from Other Funds	163,021	-	-	23,302	186,323
Tax Foreclosures	361,988	-	-	-	361,988
Restricted Assets:					
Cash and Cash Equivalents	405	647,312	-	2,064,262	2,711,979
Investments	389,423	331,255	-	451,260	1,171,938
	<u>6,886,958</u>	<u>981,838</u>	<u>182,989</u>	<u>2,593,430</u>	<u>10,645,215</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Warrants Payable	\$ 268,852	\$ 1,495	\$ -	\$ 333,806	\$ 604,153
Accrued Payroll	72,206	267	-	16,561	89,034
Other Liabilities	11,547	-	-	-	11,547
Due to Other Funds	-	-	186,323	-	186,323
Total Liabilities	<u>352,605</u>	<u>1,762</u>	<u>186,323</u>	<u>350,367</u>	<u>891,057</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>678,756</u>	<u>3,271</u>	<u>159,687</u>	<u>34,545</u>	<u>876,259</u>
FUND BALANCES					
Nonspendable	-	-	-	275,625	275,625
Restricted	389,828	976,805	-	1,959,015	3,325,648
Committed	1,083,489	-	-	-	1,083,489
Assigned	58,025	-	-	-	58,025
Unassigned	4,324,255	-	(163,021)	(26,122)	4,135,112
Total Fund Balances	<u>5,855,597</u>	<u>976,805</u>	<u>(163,021)</u>	<u>2,208,518</u>	<u>8,877,899</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,886,958</u>	<u>\$ 981,838</u>	<u>\$ 182,989</u>	<u>\$ 2,593,430</u>	<u>\$ 10,645,215</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	General	Community Preservation	Bridge Street Culvert Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 25,428,985	\$ -	\$ -	\$ -	\$ 25,428,985
Motor Vehicle and Other Excise Taxes	1,176,754	-	-	-	1,176,754
Meals tax	74,880	-	-	-	74,880
Tax Liens	92,106	-	-	-	92,106
Payments in Lieu of Taxes	32,589	-	-	-	32,589
Community Preservation Surcharges	-	413,846	-	-	413,846
Charges for Services	61,611	-	-	669,715	731,326
Intergovernmental	970,339	69,734	23,302	-	1,063,375
Penalties and Interest on Taxes	90,764	-	-	-	90,764
Licenses and Permits	228,624	-	-	-	228,624
Fines and Forfeitures	4,520	-	-	-	4,520
Departmental and Other	236,755	-	-	129,972	366,727
Contributions	-	-	-	10,155	10,155
Investment Income	7,832	9,057	-	20,737	37,626
Other	-	-	-	363	363
Total Revenues	28,405,759	492,637	23,302	830,942	29,752,640
EXPENDITURES					
Current:					
General Government	2,476,325	24,808	-	422,790	2,923,923
Public Safety	2,685,576	-	-	521,727	3,207,303
Education	17,622,304	-	-	-	17,622,304
Public Works	1,738,551	-	3,334	27,353	1,769,238
Health and Human Services	282,428	115,300	-	33,605	431,333
Culture and Recreation	959,708	83,486	-	342,522	1,385,716
Hamilton Development Corporation	65,000	-	-	-	65,000
Pension Benefits	789,304	-	-	-	789,304
Employee Benefits	818,958	-	-	-	818,958
Property and Liability Insurance	209,543	-	-	-	209,543
State and County Charges	234,072	-	-	-	234,072
Debt Service:					
Principal	639,000	125,000	-	-	764,000
Interest	154,376	29,610	-	-	183,986
Total Expenditures	28,675,145	378,204	3,334	1,347,997	30,404,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(269,386)	114,433	19,968	(517,055)	(652,040)
OTHER FINANCING SOURCES (USES)					
Premium from Issuance of Bonds and Notes	-	-	-	14,528	14,528
Transfers In	562,191	-	-	862,306	1,424,497
Transfer Out	(207,422)	(400,000)	-	(536,361)	(1,143,783)
Total Other Financing Sources (Uses)	354,769	(400,000)	-	340,473	295,242
NET CHANGE IN FUND BALANCES	85,383	(285,567)	19,968	(176,582)	(356,798)
Fund Balances - Beginning of Year	5,770,214	1,262,372	(182,989)	2,385,100	9,234,697
FUND BALANCES - END OF YEAR	\$ 5,855,597	\$ 976,805	\$ (163,021)	\$ 2,208,518	\$ 8,877,899

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances	\$	8,877,899
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		21,128,034
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		876,259
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due		(38,423)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and Notes Payable, Net		(5,833,270)
Compensated Absences		(347,263)
Net Pension Liability		(9,021,886)
Total OPEB Liability		(7,313,558)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions and OPEB		1,556,056
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		<u>(1,277,594)</u>
Net Position of Governmental Activities	\$	<u><u>8,606,254</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ (356,798)
<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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	853,611
Depreciation	(1,065,590)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>	
	(7,444)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	132,385
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (when material). These amounts represent the related activity of the current period.</p>	
Bond Maturities	764,000
Net Amortization of Bond Premiums	29,769
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(1,320)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	(11,966)
Total OPEB Liability	(458,117)
Net Pension Liability	963,029
<p>In the statement of activities, deferred outflows related to pensions and OPEB are amortized and recognized as pension and OPEB expense. This amount represents the net change in deferred outflows related to pensions and OPEB.</p>	
	(95,746)
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>	
	<u>(828,482)</u>
Changes in Net Position of Governmental Activities	\$ <u><u>(82,669)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
ASSETS	Water	Waste Removal (Nonmajor)	Total
Current Assets:			
Cash and Cash Equivalents	\$ 1,182,619	\$ -	\$ 1,182,619
Restricted Cash and Cash Equivalents	2,202,154	-	2,202,154
Receivables, Net of Allowance for Uncollectible Amounts:			
Water Charges	392,602	-	392,602
Water Liens	7,967	-	7,967
Total Current Assets	3,785,342	-	3,785,342
Noncurrent Assets:			
Capital Assets not being Depreciated	4,525,128	-	4,525,128
Capital Assets, Net of Accumulated Depreciation	7,177,923	-	7,177,923
Total Noncurrent Assets	11,703,051	-	11,703,051
Total Assets	15,488,393	-	15,488,393
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	36,054	-	36,054
Related to Pensions	57,932	-	57,932
Total Deferred Outflows of Resources	93,986	-	93,986
LIABILITIES			
Current Liabilities:			
Warrants Payable	1,197,311	-	1,197,311
Accrued Payroll	5,724	-	5,724
Accrued Interest	31,231	-	31,231
Compensated Absences	4,056	-	4,056
Total OPEB Liability	10,294	-	10,294
Short-Term Notes Payable	1,500,000	-	1,500,000
Long-Term Bonds and Notes Payable	523,412	-	523,412
Total Current Liabilities	3,272,028	-	3,272,028
Noncurrent Liabilities:			
Compensated Absences	36,505	-	36,505
Total OPEB Liability	430,803	-	430,803
Net Pension Liability	516,934	-	516,934
Long-Term Bonds and Notes Payable	5,980,382	-	5,980,382
Total Noncurrent Liabilities	6,964,624	-	6,964,624
Total Liabilities	10,236,652	-	10,236,652
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	76,921	-	76,921
FUND NET POSITION			
Net Investment in Capital Assets	5,037,238	-	5,037,238
Unrestricted	231,568	-	231,568
Total Net Position	\$ 5,268,806	\$ -	\$ 5,268,806

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
OPERATING REVENUES			
Charges for Services	\$ 1,669,607	\$ -	\$ 1,669,607
Other	10,842	-	10,842
Total Operating Revenues	1,680,449	-	1,680,449
OPERATING EXPENSES			
Cost of Service and Administration	919,718	-	919,718
Depreciation	283,047	-	283,047
Total Operating Expenses	1,202,765	-	1,202,765
OPERATING INCOME (LOSS)	477,684	-	477,684
NONOPERATING REVENUES (EXPENSES)			
Investment Income	26,194	-	26,194
Other Revenue	-	6,990	6,990
Interest Expense	(192,087)	-	(192,087)
Total Nonoperating Revenues (Expenses), Net	(165,893)	6,990	(158,903)
INCOME (LOSS) BEFORE TRANSFERS	311,791	6,990	318,781
Transfers In	185,000	-	185,000
Transfers Out	(386,157)	(79,557)	(465,714)
Total Transfers, Net	(201,157)	(79,557)	(280,714)
CHANGE IN FUND NET POSITION	110,634	(72,567)	38,067
Fund Net Position - Beginning of Year (As Restated)	5,158,172	72,567	5,230,739
FUND NET POSITION - END OF YEAR	\$ 5,268,806	\$ -	\$ 5,268,806

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,679,359	\$ -	\$ 1,679,359
Payments to Vendors	(292,028)	(55,211)	(347,239)
Payments to Employees	(289,220)	-	(289,220)
	<u>1,098,111</u>	<u>(55,211)</u>	<u>1,042,900</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(386,157)	(79,557)	(465,714)
Other Revenue	-	6,990	6,990
	<u>(386,157)</u>	<u>(72,567)</u>	<u>(458,724)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers In	185,000	-	185,000
Proceeds from the Issuance of Bonds and Notes	1,500,000	-	1,500,000
Acquisition and Construction of Capital Assets	(3,009,452)	-	(3,009,452)
Principal Payments on Bonds and Notes	(560,000)	-	(560,000)
Interest Expense	(193,125)	-	(193,125)
	<u>(2,077,577)</u>	<u>-</u>	<u>(2,077,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	26,194	-	26,194
	<u>(1,339,429)</u>	<u>(127,778)</u>	<u>(1,467,207)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents - Beginning of Year (Includes \$3,425,677 Reported as Restricted in the Water Enterprise Fund)	<u>4,724,202</u>	<u>127,778</u>	<u>4,851,980</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$2,202,154 Reported as Restricted in the Water Enterprise Fund)			
	<u>\$ 3,384,773</u>	<u>\$ -</u>	<u>\$ 3,384,773</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income	\$ 477,684	\$ -	\$ 477,684
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	283,047	-	283,047
Net Pension Liability	(51,642)	(6,460)	(58,102)
Deferred Outflows/Inflows of Resources Related to Pensions and OPEB	81,000	524	81,524
Total OPEB Liability	1,869	(1,054)	815
Effect of Changes in Operating Assets and Liabilities:			
Water Charges	45	-	45
Water Liens	(1,135)	-	(1,135)
Warrants Payable	282,203	(48,221)	233,982
Accrued Payroll	2,045	-	2,045
Compensated Absences	22,995	-	22,995
	<u>620,427</u>	<u>(55,211)</u>	<u>565,216</u>
Total Adjustments	<u>620,427</u>	<u>(55,211)</u>	<u>565,216</u>
Net Cash Provided by Operating Activities	<u>\$ 1,098,111</u>	<u>\$ (55,211)</u>	<u>\$ 1,042,900</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS	<u>Private Purpose Trust Funds</u>
Cash and Cash Equivalents	\$ 18,725
Investments:	
Equities	8,936
Fixed Income Securities	<u>29,927</u>
Total Assets	<u>57,588</u>
 NET POSITION	
Assets Held in Trust for Other Purposes	<u><u>\$ 57,588</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Private Donations	\$ 12,826
Net Investment Income:	
Interest	1,051
Total Additions	13,877
DEDUCTIONS	
Other	16,701
CHANGE IN NET POSITION	(2,824)
Net Position - Beginning of Year	60,412
NET POSITION - END OF YEAR	\$ 57,588

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Hamilton, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen (Board).

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Discretely presented component units are entities that are legally separate from the Town, but the nature and/or significance of their relationship with the Town is such that exclusion would cause the financial statements to be misleading or incomplete. The Town has included the Hamilton Development Corporation (Corporation) as a discretely presented component unit because there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town.

The Corporation was established pursuant to Chapter 151 of the Acts of 2012 (Act) enacted by the Massachusetts State Legislature. The primary purpose of the Corporation, a body politic and corporate, is to improve the living standards of the citizenry of the Town by fostering the improvement of employment opportunities and develop, manage and operate public facilities and infrastructure necessary to improve the Town's economy. The Corporation is governed by a five (5) member board of directors appointed by the Board of Selectmen. The Corporation does not issue a separate audited financial statement.

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 participates in several joint ventures (described below) with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Library

During fiscal year 1998, the Town entered into an agreement with the Town of Wenham (Joint Library Agreement) to construct and operate a joint public library to be operated under the direction of a Joint Board of Library Trustees. The construction project was completed during fiscal year 2002, and the Joint Library began operations during fiscal year 2002. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Wenham is the administrator for all matters associated with the management and operation of the Joint Library. Accordingly, all revenues and expenditures associated with the Joint Library are accounted for by the Town of Wenham. During fiscal year 2018, the Town paid approximately \$745,000 to the Town of Wenham to cover the Town's portion of the operating and administrative costs.

Complete financial statements for the Town of Wenham and the Joint Library can be obtained directly from the Town of Wenham, located at 184 Main Street, Wenham, Massachusetts, 01984.

Hamilton-Wenham Recreation Department

The Towns of Hamilton and Wenham operate a joint recreation department (Department). Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Department. Accordingly, all revenues and expenditures associated with the Department are accounted for by the Town of Hamilton. During fiscal year 2018, the Department's operating and administrative expenditures totaled approximately \$151,000. The Town of Wenham paid the Town of Hamilton approximately \$67,000 for their share of the Department's costs.

The Department's activities are accounted for in the Town of Hamilton's general fund. Neither Town has an equity interest in the operation of the Department.

Veterans' Memorial Pool at Patton Park

The Towns of Hamilton and Wenham operate a joint pool (Pool) that is used for the summer park and recreation program offered by the Hamilton-Wenham Joint Recreation Committee (Committee). The capital costs associated with the design and construction of the Pool were allocated 66.4% to the Town of Hamilton and 33.6% to the Town of Wenham. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Pool. Costs associated with the operation and maintenance of the Pool are paid from revenues collected in a pool revolving fund maintained by the Town of Hamilton. The Town of Wenham will be annually charged an administrative fee based upon a calculation of the Town of Hamilton's indirect costs of administration associated with the Pool. During fiscal year 2018, the Town of Wenham paid the Town of Hamilton approximately \$665 for their share of indirect costs of administration associated with the Pool.

The Pool's operational activities are accounted for in the Town of Hamilton's Pool revolving fund (special revenue). Neither Town has an equity interest in the operation of the Pool.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (District) is governed by a six member school committee consisting of one appointed and two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Operating costs are apportioned amongst the Towns based on the assessed values on their last three tax recapitulation sheets. Capital costs, including debt service, are apportioned amongst the Towns based on a combination of the three year valuation average and pupil enrollments. For the fiscal year ended June 30, 2018, the Town's assessment for operating and capital costs totaled approximately \$16,776,000 and \$625,000, respectively.

Complete financial statements for the District can be obtained directly from the District located at Administrative Offices, 5 School Street, Wenham, Massachusetts, 01984.

North Shore Technical School

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative from each member town, including the Town of Hamilton. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2018, the Town's assessment for operating and capital costs totaled approximately \$205,000 and \$16,000, respectively. Separate financial statements may be obtained by writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts 01949.

C. Implementation of New Accounting Principles

For the year ending June 30, 2018, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statements No. 81, 85, and 86 had no significant reporting impact for the Town.

The implementation of GASB Statement No. 75 resulted in, among other things, the establishment of the total other postemployment benefit (OPEB) liability in the Statement of Net Position and enhanced disclosures related to the OPEB.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and the discretely presented component unit. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees.

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting, and Basis of 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 fiscal 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 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 specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of the charges between the general fund and enterprise fund would distort the direct costs and program revenues reported for the functions affected.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Governmental funds 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 and 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 the end of the fiscal year. 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 used to account for and report all financial resources not accounted for and reported in another fund.

The *community preservation fund* is a special revenue fund used to account for the 2% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low-income residents or seniors with low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *Bridge Street Culvert project fund* is a capital projects fund used to account for the activity associated with the Bridge Street Culvert project.

The nonmajor governmental funds consist of 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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital projects funds are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby 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 funds are reported:

The *water enterprise fund* (major fund) is used to account for the activities of the water department.

The *waste removal enterprise fund* (nonmajor fund) is used to account for the activities of the pay-as-you-throw waste removal program.

As voted at the fiscal year 2018 annual town meeting, the waste removal enterprise fund was dissolved in fiscal year 2018 and the fund's remaining net position was transferred to the general fund.

Fiduciary funds 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 government's programs.

The following fiduciary fund type is reported:

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

F. Cash and Cash Equivalents 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary 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 Taxes, Personal Property Taxes, and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1, November 1, February 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date.

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 fiscal year they are processed.

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 fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Community Preservation Surcharges

Community preservation surcharges are levied annually at a rate of 2% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on a quarterly basis each August 1, November 1, February 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

Water Charges and Water Liens

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are based on actual subsequent billings and are recorded as revenue in the current period. Water liens are processed in December of each year and are included as a lien on the property owner's tax bill. Water charges are recorded as receivables in the fiscal year of the levy.

Departmental and Other

Departmental and other receivables primarily consist of police details and are recorded as receivables when accrued.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

The Health Department administers septic loan programs that provide assistance to residents to upgrade their septic systems. Loans are recorded as receivables at the time of issuance.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

At June 30, 2018, the allowances related to these accounts receivable are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Community preservation surcharges
- Water charges and liens
- Loans

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, intangible assets, construction in progress, improvements, buildings, machinery and equipment, vehicles, library books, software and infrastructure (e.g., roads, water mains and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair acquisition value at the date of donation.

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

Depreciable assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Improvements	20
Buildings	40 - 50
Machinery and equipment	5 - 10
Vehicles	5 - 10
Library books	10
Software	5
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 Funds Financial Statements

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

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental 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".

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Transactions of a buyer/seller nature between 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.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Deferred Outflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

“Other postemployment benefits” represents amounts restricted (in accordance with MGL, Chapter 32B, Section 20) for other postemployment benefits.

“Community preservation” represents amounts restricted for the purpose of acquiring land for conservation, recreational, and affordable housing projects.

“Affordable housing” represents amounts restricted (in accordance with MGL, Chapter 44, Section 55C) for the creation and preservation of affordable housing within the Town.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town meeting.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are amortized over the life of the bonds using the straight-line 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 when the debt is issued. 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.

R. 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 permanent funds and the proprietary funds are retained in the respective funds.

S. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 employee retirements and resignations.

T. Pensions

Government-Wide and Fund Financial Statements

For purpose 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 Essex Regional Retirement System (ERRS) and additions to/deductions from ERRS's fiduciary net position have been determined on the same basis as they are reported by ERRS. 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.

U. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health insurance coverage for current and future retirees and their spouses.

V. 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 fiscal year. Actual results could vary from estimates that were used.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. 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 Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the 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.

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2018 approved budget for the general fund and community preservation fund authorized appropriations of \$29,437,284 and \$814,373, respectively. During the fiscal year, appropriations were increased for the general fund and community preservation fund by \$77,036 and \$245,016, respectively.

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

B. Individual Fund Deficits

At June 30, 2018, the following fund deficits exist in the governmental funds:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Bridge Street Culvert Project.....	\$ 163,021	State grant
Police Revolving Fund.....	21,728	Available funds
Fire Grant.....	3,948	State grant
Bullet Proof Vest Grant.....	446	State grant
Total	<u>\$ 189,143</u>	

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds and the Hamilton Development Corporation are held separately from other Town funds.

A. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town and the Hamilton Development Corporation do not have policies for custodial credit risk of deposits. As of June 30, 2018, \$7,032,729 of the Town's bank balance of \$9,973,360 was uninsured and uncollateralized. As of June 30, 2018, the Hamilton Development Corporation was not exposed to custodial credit risk.

B. Investments Summary

The Town's investments at June 30, 2018 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Treasuries	\$ 431,182	\$ 431,182	\$ -
U.S. Agencies	363,206	-	363,206
Corporate Bonds	526,091	145,322	380,769
Mutual Bond Funds	191,233	191,233	-
Certificates of Deposit	342,448	248,368	94,080
External Investment Pool (MMDT)	54,843	54,843	-
 Total Debt Securities	 <u>1,909,003</u>	 <u>\$ 1,070,948</u>	 <u>\$ 838,055</u>
<u>Other Investments:</u>			
Equity Securities	361,564		
Equity Mutual Funds	<u>300,365</u>		
 Total Other Investments	 <u>661,929</u>		
 Total Investments	 <u>\$ 2,570,932</u>		

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

D. Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2018, the Town's investments were not exposed to custodial credit risk.

E. Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2018, the credit ratings of the Town's investments in debt securities are as follows:

Investment Type	Total Amount	Quality Ratings *					
		AA+	A	A-	BBB+	BBB	Unrated
U.S. Agencies	\$ 363,206	\$ 363,206	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	526,091	-	93,145	95,472	173,111	164,363	-
Certificates of deposit	342,448	-	-	-	-	-	342,448
Mutual bond funds	191,233	-	-	-	-	-	191,233
External investment pool (MMDT)	54,843	-	-	-	-	-	54,843
Total	<u>\$ 1,477,821</u>	<u>\$ 363,206</u>	<u>\$ 93,145</u>	<u>\$ 95,472</u>	<u>\$ 173,111</u>	<u>\$ 164,363</u>	<u>\$ 588,524</u>

* Per the rating scale of Standard and Poor's (Nationally recognized statistical rating organization)

F. Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2018, the Town held investments with Goldman Sachs totaling \$187,443, or 7.4% of total investments.

G. Investments - Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>Equity Securities:</u>			
Equity Mutual Funds	\$ 300,365	\$ -	\$ 300,365
Common Stock	361,564	361,564	-
Total Equity Securities	<u>661,929</u>	<u>361,564</u>	<u>300,365</u>
<u>Debt Securities:</u>			
U.S. Agency Securities	363,206	-	363,206
U.S. Treasury Securities	431,182	-	431,182
Corporate Bonds	526,091	-	526,091
Certificates of Deposit	342,448	-	342,448
Mutual Bond Funds	191,233	-	191,233
Total Debt Securities	<u>1,854,160</u>	<u>-</u>	<u>1,854,160</u>
Total Investments by Fair Value Level	<u>2,516,089</u>	<u>\$ 361,564</u>	<u>\$ 2,154,525</u>
<u>Investments Measured at Amortized Cost:</u>			
External Investment Pool (MMDT)	54,843		
Total Investments - Town	<u>\$ 2,570,932</u>		

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2018, receivables for the individual major governmental funds and nonmajor governmental funds, in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes	\$ 236,371	\$ -	\$ 236,371
Real estate tax deferrals	33,291	-	33,291
Tax liens	89,557	-	89,557
Motor vehicle and other excise taxes	89,300	-	89,300
Community preservation surcharges	3,271	-	3,271
Departmental and other	34,545	-	34,545
Intergovernmental	<u>203,050</u>	<u>-</u>	<u>203,050</u>
	<u>\$ 689,385</u>	<u>\$ -</u>	<u>\$ 689,385</u>

At June 30, 2018, receivables for the water enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water charges	\$ 392,602	\$ -	\$ 392,602
Water liens	<u>7,967</u>	<u>-</u>	<u>7,967</u>
	<u>\$ 400,569</u>	<u>\$ -</u>	<u>\$ 400,569</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,373,848	\$ -	\$ -	\$ 2,373,848
Intangible assets	1,750,000	-	-	1,750,000
Construction in progress	<u>1,149,609</u>	<u>40,339</u>	<u>(1,090,029)</u>	<u>99,919</u>
Total capital assets not being depreciated	<u>5,273,457</u>	<u>40,339</u>	<u>(1,090,029)</u>	<u>4,223,767</u>
<u>Capital assets being depreciated:</u>				
Improvements	3,330,126	49,049	-	3,379,175
Buildings	14,620,129	-	-	14,620,129
Machinery and equipment	1,145,123	649,693	-	1,794,816
Vehicles	2,825,234	107,084	(132,039)	2,800,279
Library books	265,666	-	-	265,666
Software	20,765	-	-	20,765
Infrastructure	<u>7,489,118</u>	<u>1,097,475</u>	<u>-</u>	<u>8,586,593</u>
Total capital assets being depreciated	<u>29,696,161</u>	<u>1,903,301</u>	<u>(132,039)</u>	<u>31,467,423</u>
<u>Less accumulated depreciation for:</u>				
Improvements	(550,814)	(157,375)	-	(708,189)
Buildings	(6,119,165)	(333,166)	-	(6,452,331)
Machinery and equipment	(739,209)	(262,699)	-	(1,001,908)
Vehicles	(1,377,746)	(189,954)	124,595	(1,443,105)
Library books	(265,666)	-	-	(265,666)
Software	(20,765)	-	-	(20,765)
Infrastructure	<u>(4,548,796)</u>	<u>(122,396)</u>	<u>-</u>	<u>(4,671,192)</u>
Total accumulated depreciation	<u>(13,622,161)</u>	<u>(1,065,590)</u>	<u>124,595</u>	<u>(14,563,156)</u>
Total capital assets being depreciated, net	<u>16,074,000</u>	<u>837,711</u>	<u>(7,444)</u>	<u>16,904,267</u>
Total governmental activities capital assets, net	<u>\$ 21,347,457</u>	<u>\$ 878,050</u>	<u>\$ (1,097,473)</u>	<u>\$ 21,128,034</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 283,912	\$ -	\$ -	\$ 283,912
Construction in progress	387,681	3,853,535	-	4,241,216
Total capital assets not being depreciated	671,593	3,853,535	-	4,525,128
<u>Capital assets being depreciated:</u>				
Buildings	3,454,199	-	-	3,454,199
Machinery and equipment	193,887	-	(152,039)	41,848
Vehicles	315,571	20,091	-	335,662
Infrastructure	8,453,666	-	-	8,453,666
Total capital assets being depreciated	12,417,323	20,091	(152,039)	12,285,375
<u>Less accumulated depreciation for:</u>				
Buildings	(1,200,115)	(79,710)	-	(1,279,825)
Machinery and equipment	(169,759)	(4,521)	152,039	(22,241)
Vehicles	(159,231)	(38,389)	-	(197,620)
Infrastructure	(3,447,339)	(160,427)	-	(3,607,766)
Total accumulated depreciation	(4,976,444)	(283,047)	152,039	(5,107,452)
Total capital assets being depreciated, net	7,440,879	(262,956)	-	7,177,923
Total business-type activities capital assets, net	\$ 8,112,472	\$ 3,590,579	\$ -	\$ 11,703,051
	Beginning Balance	Increases	Decreases	Ending Balance
Hamilton Development Corporation:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 339,500	\$ -	\$ -	\$ 339,500
<u>Capital assets being depreciated:</u>				
Buildings	260,550	-	-	260,550
<u>Less accumulated depreciation for:</u>				
Buildings	(22,799)	(6,514)	-	(29,313)
Total capital assets being depreciated, net	237,751	(6,514)	-	231,237
Total discretely presented component units capital assets, net	\$ 577,251	\$ (6,514)	\$ -	\$ 570,737

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General government	\$ 75,799
Public safety	295,912
Education	38,465
Public works	361,786
Health and human services	2,771
Culture and recreation	<u>290,857</u>
Total depreciation expense - governmental activities	<u>\$ 1,065,590</u>
 Business-Type Activities:	
Water	\$ 283,047
Waste removal	<u>-</u>
Total depreciation expense - business-type activities	<u>\$ 283,047</u>
 Discretely Presented Component Unit:	
Hamilton Development Corporation	<u>\$ 6,514</u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018 are summarized as follows:

	Transfers In:			
Transfers Out:	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Total
General Fund	\$ -	\$ 22,422	\$ 185,000	\$ 207,422 (1)
Community Preservation Fund	-	400,000	-	400,000 (2)
Nonmajor Governmental Funds	96,477	439,884	-	536,361 (3)
Water Enterprise Fund	386,157	-	-	386,157 (4)
Waste Removal Fund	<u>79,557</u>	<u>-</u>	<u>-</u>	<u>79,557 (5)</u>
	<u>\$ 562,191</u>	<u>\$ 862,306</u>	<u>\$ 185,000</u>	<u>\$ 1,609,497</u>

(1) Represents budgeted transfer to fund old grant deficits and close out old funds (\$22,422) and budgeted transfer to the water enterprise fund for debt service costs (\$185,000).

(2) Represents budgeted transfers from the Community Preservation Fund to the Affordable Housing Trust.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 INTERFUND TRANSFERS (CONTINUED)

(3) Represents budgeted transfer from the sale of lots and graves (\$2,000) special revenue fund to the general fund and transfers to the general fund to close out various special revenue funds (\$94,477). Also represents a transfer to a capital project fund to close out various special revenue accounts (\$24,355), budgeted transfer from the Clark Property Fund to the Conservation Fund (\$218), a transfer from the recreation revolving fund to the pool revolving fund (\$25,000) and a budgeted transfer to establish a special fund for the Patton Homestead (\$390,311).

(4) Represents a budgeted transfer from the water enterprise fund to the general fund for indirect costs.

(5) Represents voted close out transfer of the waste removal fund to the General Fund.

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 anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2018 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
GAN	Bridge Street Culvert	4/12/17	10/12/17	1.25%	\$ 741,000	\$ -	\$ (741,000)	\$ -

Notes Payable – Water Enterprise Fund

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
BAN	Water	12/1/17	11/30/18	2.25%	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000

Subsequent Event

On November 30, 2018, the Town renewed the Water BAN in the amount of \$1,500,000 with an interest rate of 3% and a maturity date of November 13, 2019.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds and notes payable	\$ 6,319,000	\$ -	\$ (764,000)	\$ 5,555,000	\$ 755,000
Unamortized bond premium	308,039	-	(29,769)	278,270	29,770
Total bonds and notes payable	6,627,039	-	(793,769)	5,833,270	784,770
Total OPEB liability	6,684,760	628,798	-	7,313,558	170,681
Net pension liability	9,984,915	-	(963,029)	9,021,886	-
Compensated absences	335,297	11,966	-	347,263	34,726
Total	<u>\$ 23,632,011</u>	<u>\$ 640,764</u>	<u>\$ (1,756,798)</u>	<u>\$ 22,515,977</u>	<u>\$ 990,177</u>
Business-type Activities:					
Bonds and notes payable	\$ 6,925,000	\$ -	\$ (560,000)	\$ 6,365,000	\$ 515,000
Unamortized bond premium	147,206	-	(8,412)	138,794	8,412
Total bonds and notes payable	7,072,206	-	(568,412)	6,503,794	523,412
Total OPEB liability	404,226	36,871	-	441,097	10,294
Net pension liability	575,036	-	(58,102)	516,934	-
Compensated absences	17,566	-	22,995	40,561	4,056
Total	<u>\$ 8,069,034</u>	<u>\$ 36,871</u>	<u>\$ (603,519)</u>	<u>\$ 7,502,386</u>	<u>\$ 537,762</u>
Discretely Presented Component Unit					
Mortgage loan payable	<u>\$ 478,783</u>	<u>\$ -</u>	<u>\$ (14,970)</u>	<u>\$ 463,813</u>	<u>\$ 15,721</u>

Except for bonds issued for the community preservation fund, long-term liabilities of governmental activities are generally liquidated by the general fund. Long-term debt issued for community preservation projects are liquidated by the community preservation fund.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements, are as follows:

Bonds and Notes Payable - Governmental Funds

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2018</u>
Library Refunding	5/15/2020	2.00 - 3.00	\$ 335,000	\$ -	\$ (115,000)	\$ 220,000
Donovan Property	5/15/2020	2.00 - 3.00	120,000	-	(40,000)	80,000
Energy Services Contract (ESCO)	5/15/2020	2.00 - 3.00	85,000	-	(30,000)	55,000
Landfill Capping	5/15/2030	2.00 - 4.00	1,120,000	-	(90,000)	1,030,000
Fire Truck	5/15/2027	2.00 - 4.00	700,000	-	(70,000)	630,000
Public Safety Building - Refunding	9/15/2025	2.00 - 4.00	2,515,000	-	(290,000)	2,225,000
Landfill Closure	3/15/2022	2.00	194,000	-	(44,000)	150,000
Sagamore Hill Land Acquisition	3/15/2032	2.00 - 3.00	<u>1,250,000</u>	<u>-</u>	<u>(85,000)</u>	<u>1,165,000</u>
Total governmental funds			<u>\$ 6,319,000</u>	<u>\$ -</u>	<u>\$ (764,000)</u>	<u>\$ 5,555,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 755,000	\$ 160,108	\$ 915,108
2020	745,000	135,908	880,908
2021	555,000	112,058	667,058
2022	555,000	93,808	648,808
2023	520,000	74,008	594,008
2024	515,000	57,758	572,758
2025	510,000	45,958	555,958
2026	505,000	30,758	535,758
2027	240,000	23,433	263,433
2028	165,000	18,758	183,758
2029	165,000	14,105	179,105
2030	165,000	9,453	174,453
2031	80,000	4,800	84,800
2032	<u>80,000</u>	<u>2,400</u>	<u>82,400</u>
Total	<u>\$ 5,555,000</u>	<u>\$ 783,308</u>	<u>\$ 6,338,308</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable - Water Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Water Bonds Refunding	05/15/20	2.00 - 3.00	\$ 500,000	\$ -	\$ (170,000)	\$ 330,000
Water Plant	05/15/18	2.00 - 3.00	40,000	-	(40,000)	-
Water System Reconstruction	05/15/35	2.00 - 4.00	4,485,000	-	(255,000)	4,230,000
Water System Reconstruction	03/15/37	2.00 - 3.00	1,900,000	-	(95,000)	1,805,000
Total enterprise funds			\$ <u>6,925,000</u>	\$ <u>-</u>	\$ <u>(560,000)</u>	\$ <u>6,365,000</u>

Debt service requirements for principal and interest for water enterprise fund bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 515,000	\$ 184,823	\$ 699,823
2020	515,000	170,323	685,323
2021	350,000	155,823	505,823
2022	345,000	146,273	491,273
2023	345,000	134,373	479,373
2024	345,000	122,473	467,473
2025	345,000	113,073	458,073
2026	345,000	103,673	448,673
2027	345,000	94,573	439,573
2028	345,000	85,473	430,473
2029	340,000	75,997	415,997
2030	340,000	66,655	406,655
2031	340,000	57,313	397,313
2032	340,000	47,113	387,113
2033	340,000	36,913	376,913
2034	340,000	26,713	366,713
2035	340,000	16,206	356,206
2036	95,000	5,700	100,700
2037	95,000	2,850	97,850
Total	\$ <u>6,365,000</u>	\$ <u>1,646,333</u>	\$ <u>8,011,333</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Mortgage Loan Payable

The Hamilton Development Corporation has a \$463,813 outstanding mortgage obligation at June 30, 2018. Loan payments for principal and interest in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,721	\$ 20,639	\$ 36,360
2020	16,449	19,911	36,360
2021	<u>431,643</u>	<u>16,013</u>	<u>447,656</u>
Total	<u>\$ 463,813</u>	<u>\$ 56,562</u>	<u>\$ 520,375</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2018, the Town had authorized and unissued debt of \$3,100,000 for a water distribution system replacement.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The Plan holds no assets accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4 because the Plan assets held in trust are not irrevocable.

The number of participants as of June 30, 2017, the latest actuarial valuation, is as follows:

Active employees	60
Retired employees	<u>39</u>
Total	<u><u>99</u></u>

Benefits Provided – The Town provides healthcare and life insurance benefits for retirees and their dependents for the duration of retirement. An employee hired before April 2, 2012 shall become eligible to retire under the plan upon attainment of age 55 as an active member and completion of 10 years of service, or an employee shall be able to retire with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service. The benefit terms provide for payment of 55 percent of health insurance premiums for non-Medicare-eligible retirees and 55 percent of supplemental health insurance premiums for Medicare-eligible retirees. The benefit terms also provide for payment of 75 percent of premiums for \$15,000 of life insurance benefits for retirees. Dental insurance coverage is also offered but at no cost to the Town.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy – The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town are 45% and 55%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The significant methods and assumptions used to measure the total OPEB liability as of the latest actuarial valuation are as follows:

Discount Rate	3.25% (20-year municipal bond rate)
Inflation	2.75%
Healthcare Cost Trend Rates	5.00% in FY2018, and staying at that level through FY2020 and later.
Pre-Retirement Mortality	The assumed pre-retirement mortality table is the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females (previously RP-2000 Mortality Table projected to 2017).
Post-Retirement Mortality	The assumed post-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females (previously RP-2000 Mortality Table projected to 2017).
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.
Mortality Experience Study	The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability – The Town’s total OPEB Liability of \$7,754,655 was measured as of June 30, 2017 for the year ended June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balance at June 30, 2017	\$ 7,087,933
Changes for the year:	
Service Cost	232,636
Interest of Liability and Service Cost	232,202
Benefit Payments	(354,621)
Differences Between Actual and Expected Experience	556,505
Net Changes	666,722
Balance at June 30, 2018	\$ 7,754,655

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability calculated using the discount rate of 3.25%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.25%) or 1-percentage-point higher (4.25%) than the current rate:

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Total OPEB Liability	\$ 9,297,202	\$ 7,754,655	\$ 6,559,965

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 5,459,662	\$ 7,754,655	\$ 10,783,924

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the Town recognized OPEB expense of \$568,470. At June 30, 2018, the Town reported deferred outflows of resources related to OPEB of \$633,848 from contributions subsequent to the measurement date (\$180,975) and differences between expected and actual experience (\$452,873).

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The \$180,975 reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. The \$452,873 reported as deferred outflows of related to OPEB from differences between expected and actual experience will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2019	\$ 103,632
2020	103,632
2021	103,632
2022	103,632
2023	38,345
Total:	<u>\$ 452,873</u>

NOTE 11 FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	Bridge Street Culvert Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 275,625	\$ 275,625
Restricted for:					
Other post employment benefits	389,828	-	-	-	389,828
Community preservation	-	976,805	-	-	976,805
Affordable housing	-	-	-	303,510	303,510
Capital	-	-	-	364,221	364,221
General government	-	-	-	667,811	667,811
Public safety	-	-	-	37,427	37,427
Public works	-	-	-	154,976	154,976
Health and human services	-	-	-	138,464	138,464
Culture and recreation	-	-	-	292,606	292,606
Sub-total - Restricted	389,828	976,805	-	1,959,015	3,325,648
Committed to:					
Subsequent year's expenditures	375,360	-	-	-	375,360
Recreation fields stabilization	532,544	-	-	-	532,544
Continuing appropriations - general government	175,585	-	-	-	175,585
Sub-total - Committed	1,083,489	-	-	-	1,083,489
Assigned to:					
General government	27,349	-	-	-	27,349
Public works	28,991	-	-	-	28,991
Health and human services	887	-	-	-	887
Culture and recreation	798	-	-	-	798
Sub-total - Assigned	58,025	-	-	-	58,025
Unassigned	4,324,255	-	(163,021)	(26,122)	4,135,112
Totals	\$ 5,855,597	\$ 976,805	\$ (163,021)	\$ 2,208,518	\$ 8,877,899

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 STABILIZATION FUNDS

The Town maintains general and recreation field stabilization funds that were established under MGL Chapter 40, Section 5B. Additionally, Appropriations in and out of the stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balance of the general and recreation field stabilization funds at June 30, 2018 total \$805,486 and \$532,544, respectively, and are reported in the general fund as unassigned (\$805,486) and committed (\$532,544) fund balance.

NOTE 13 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 Town participates in a health insurance risk pool trust administered by Massachusetts Interlocal Insurance Association (Association), which was founded to establish insurance cost stability for Massachusetts' entities. The Association offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Association. The Town is obligated to pay the Association its required premiums and, in the event that the Association is terminated, its pro-rata share of a deficit, should one exist. These premium based payments are recorded as expenditures in the General Fund.

Workers' compensation activities are recorded in the General Fund where expenditures are recognized when the claims are expected to be paid with current expendable available resources. As of June 30, 2018, there were no outstanding workers' compensation claims.

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Employees of the Town deemed eligible by the Essex Regional Retirement Board are provided with pensions through the Essex Regional Retirement System (ERRS) - a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Membership in the ERRS is mandatory immediately upon the commencement of employment for all permanent, full time employees (except for school department employees who serve in a teaching capacity). The ERRS issues a publicly available financial report that can be obtained online at <https://www.essexregional.com/home/pages/annual-audits> or by contacting the ERRS located at 491 Maple Street, Suite 202, Danvers, Massachusetts, 01923.

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan 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 those hired prior to April 2, 2012. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$789,304 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$9,538,820 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll back the total pension liability to the December 31, 2017 measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll and direct charges for early retirement incentives.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

At June 30, 2018, the Town's proportion was 2.535 percent, which compared to a proportion of 2.741 percent at June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$846,416. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$1,016,194; \$783,165 for changes of assumptions and \$233,029 for changes in proportion and differences between employer contributions and proportionate share of contributions. The Town reported deferred inflows of resources related to pensions of \$1,354,515; \$134,992 for differences between expected and actual experience, \$799,548 from changes in proportion and differences between employer contributions and proportionate share of contributions and \$419,975 for the net difference between projected and actual investment earnings.

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ (37,465)
2020	(28,183)
2021	(86,266)
2022	<u>(186,407)</u>
	<u>\$ (338,321)</u>

Actuarial assumptions. The total pension liability was determined using the following actuarial assumptions:

Salary increases: Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service

Mortality Rates: Pre-Retirement - The RP-2000 employee mortality table projected with scale BB and Generational Mortality

Health Retiree - The RP-2000 healthy annuitant mortality table projected with scale BB and Generational Mortality

Disabled Retiree - The RP-2000 healthy annuitant mortality table, set forward two years, projected with scale BB and Generational Mortality

Investment rate of return: 7.50%, annually

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017, and applied to all periods included in the measurement.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	17.50%	6.15%
International equities - developed markets	15.50%	7.11%
International equities - emerging markets	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 fund, GTAA, risk parity	13.00%	3.94%
Private Equity	12.00%	10.28%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. 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 Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 12,000,995	\$ 9,538,820	\$ 7,467,788

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERRS financial report that can be obtained online at <https://www.essexregional.com/home/pages/annual-audits>.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$10,000,000 for the design and reconstruction of its water system and facilities. Of the \$10,000,000 authorized for the water system and facilities, \$6,900,000 has been funded through the issuance of bonds.

NOTE 16 CONTINGENCIES

Various legal actions and claims are pending against the Town. 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

The Town participates in a number of federal award programs. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 17 PRIOR PERIOD RESTATEMENT

During the fiscal year ended June 30, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, as a result the net position of Governmental Activities, Business-Type Activities and the Water Enterprise Fund as of June 30, 2017 was restated by \$3,377,995, \$223,295 and \$223,295, respectively.

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**TOWN OF HAMILTON, MASSACHUSETTS
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 25,533,666	\$ (166,899)	\$ 25,366,767
Motor Vehicle and Other Excise Taxes	-	1,116,000	-	1,116,000
Meals Tax	-	68,000	-	68,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	32,000	-	32,000
Intergovernmental	-	969,739	-	969,739
Penalties and Interest on Taxes	-	85,000	-	85,000
Licenses and Permits	-	218,000	-	218,000
Fines and Forfeitures	-	10,000	-	10,000
Departmental and Other	-	238,010	-	238,010
Investment Income	-	8,000	-	8,000
Total Revenues	<u>-</u>	<u>28,278,415</u>	<u>(166,899)</u>	<u>28,111,516</u>
EXPENDITURES				
Current:				
General Government	24,389	3,004,222	(204,114)	2,824,497
Public Safety	1,195	2,536,598	212,389	2,748,987
Education	-	17,632,558	-	17,632,558
Public Works	66,132	1,771,619	37,164	1,874,915
Health and Human Services	-	286,254	7,282	293,536
Culture and Recreation	9,048	962,006	1,893	972,947
Hamilton Development Corporation	-	65,000	-	65,000
Pension Benefits	-	789,304	-	789,304
Employee Benefits	-	856,257	-	856,257
Property and Liability Insurance	-	215,193	-	215,193
State and County Charges	-	237,134	-	237,134
Debt Service:				
Principal	-	639,000	-	639,000
Interest	-	157,139	-	157,139
Total Expenditures	<u>100,764</u>	<u>29,152,284</u>	<u>54,614</u>	<u>29,306,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(100,764)</u>	<u>(873,869)</u>	<u>(221,513)</u>	<u>(1,194,951)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	388,188	79,557	467,745
Transfers Out	-	(285,000)	(22,422)	(307,422)
Total Other Financing Sources (Uses)	<u>-</u>	<u>103,188</u>	<u>57,135</u>	<u>160,323</u>
NET CHANGE IN FUND BALANCE	(100,764)	(770,681)	(164,378)	(1,034,628)
Fund Balance - Beginning of Year	<u>4,048,196</u>	<u>4,048,196</u>	<u>4,048,196</u>	<u>4,048,196</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,947,432</u>	<u>\$ 3,277,515</u>	<u>\$ 3,883,818</u>	<u>\$ 3,013,568</u>

See accompanying Independent Auditors' Report.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	25,370,802	\$ -	\$ 25,370,802	\$ 4,035
	1,176,754	-	1,176,754	60,754
	74,880	-	74,880	6,880
	92,106	-	92,106	92,106
	32,589	-	32,589	589
	970,339	-	970,339	600
	90,764	-	90,764	5,764
	228,624	-	228,624	10,624
	4,520	-	4,520	(5,480)
	236,754	-	236,754	(1,256)
	19,860	-	19,860	11,860
	<u>28,359,603</u>	<u>-</u>	<u>28,359,603</u>	<u>248,087</u>
	2,467,762	202,934	2,670,696	153,801
	2,685,576	-	2,685,576	63,411
	17,622,304	-	17,622,304	10,254
	1,738,551	28,991	1,767,542	107,373
	282,428	887	283,315	10,221
	959,708	798	960,506	12,441
	65,000	-	65,000	-
	789,304	-	789,304	-
	818,958	-	818,958	37,299
	209,543	-	209,543	5,650
	234,072	-	234,072	3,062
	639,000	-	639,000	-
	154,376	-	154,376	2,763
	<u>28,666,582</u>	<u>233,610</u>	<u>28,900,192</u>	<u>406,275</u>
	<u>(306,979)</u>	<u>(233,610)</u>	<u>(540,589)</u>	<u>654,362</u>
	562,192	-	562,192	94,447
	<u>(307,422)</u>	<u>-</u>	<u>(307,422)</u>	<u>-</u>
	<u>254,770</u>	<u>-</u>	<u>254,770</u>	<u>94,447</u>
	(52,209)	(233,610)	(285,819)	748,809
	4,048,196	-	4,048,196	-
\$	<u><u>3,995,987</u></u>	<u><u>(233,610)</u></u>	<u><u>3,762,377</u></u>	<u><u>748,809</u></u>

**TOWN OF HAMILTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 408,790	\$ -	\$ 408,790
Intergovernmental	-	60,940	-	60,940
Investment Income	-	-	-	-
Total Revenues	-	469,730	-	469,730
EXPENDITURES				
Current:				
Administrative	-	24,808	-	24,808
Projects, Acquisitions, and Other	124,971	210,965	245,016	580,952
Debt Service:				
Principal	-	125,000	-	125,000
Interest	-	53,600	-	53,600
Total Expenditures	124,971	414,373	245,016	784,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,971)	55,357	(245,016)	(314,630)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(400,000)	-	(400,000)
NET CHANGE IN FUND BALANCE	(124,971)	(344,643)	(245,016)	(714,630)
Fund Balance at Beginning of Year	1,273,776	1,273,776	1,273,776	1,273,776
FUND BALANCE AT END OF YEAR	<u>\$ 1,148,805</u>	<u>\$ 929,133</u>	<u>\$ 1,028,760</u>	<u>\$ 559,146</u>

See accompanying Independent Auditors' Report.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 413,845	\$ -	\$ 413,845	\$ 5,055
69,734	-	69,734	8,794
11,542	-	11,542	11,542
<u>495,121</u>	<u>-</u>	<u>495,121</u>	<u>25,391</u>
24,808	-	24,808	-
208,786	372,166	580,952	-
125,000	-	125,000	-
29,610	-	29,610	23,990
<u>388,204</u>	<u>372,166</u>	<u>760,370</u>	<u>23,990</u>
<u>106,917</u>	<u>(372,166)</u>	<u>(265,249)</u>	<u>49,381</u>
<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
(293,083)	(372,166)	(665,249)	49,381
<u>1,273,776</u>	<u>-</u>	<u>1,273,776</u>	<u>-</u>
<u>\$ 980,693</u>	<u>\$ (372,166)</u>	<u>\$ 608,527</u>	<u>\$ 49,381</u>

**TOWN OF HAMILTON, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2018**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM (1) (2)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	2.535%	2.741%	2.628%	2.746%
Town's proportionate share of the net pension liability	\$ 9,538,820	\$ 10,559,951	\$ 9,546,806	\$ 9,315,055
Town's covered payroll	\$ 3,613,506	\$ 3,526,675	\$ 3,470,734	\$ 3,333,273
Town's proportionate share of the net pension liability as a percentage of its covered payroll	263.98%	299.43%	275.07%	279.46%
Plan fiduciary net position as a percentage of the total pension liability	55.40%	51.12%	51.01%	52.27%

- (1) Amounts presented were determined as of December 31 of each year, respectively.
(2) Data is being accumulated annually to present 10 years of the reported information.

**SCHEDULE OF TOWN CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 789,304	\$ 794,132	\$ 721,863	\$ 704,356
Contributions in Relation to the Actuarially Required Contribution	(789,304)	(794,132)	(721,863)	(704,356)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 3,613,506	3,526,675	3,470,734	3,333,273
Contributions as a Percentage of Covered Payroll	21.84%	22.52%	20.80%	21.13%

- (1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF HAMILTON, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE
JUNE 30, 2018**

The following schedule provides information related to the Town's other postemployment benefits plan:

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS*

	Measurement Date <u>6/30/2017</u>
Total OPEB Liability	
Service cost	\$ 232,636
Interest	232,202
Differences Between Expected and Actual Experience	556,505
Benefits payments	<u>(354,621)</u>
Net change in Total OPEB liability	666,722
Total OPEB liability - beginning	<u>7,087,933</u>
Total OPEB liability - ending	<u>\$ 7,754,655</u>
Covered payroll	\$ 4,794,875
Total OPEB liability as a percentage of covered payroll	161.73%

*Data is being accumulated annually to present 10 years of the reported information.

See Notes to the Financial Statements for summary of significant actuarial methods and assumptions.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts 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 and community preservation fund for the fiscal year ended June 30, 2018, is presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), Net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 28,359,603	\$ 28,900,192	\$ 254,770	\$ 3,762,377
<u>Adjustments and Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes	(46,561)	4,105	-	805,486
Activity of other post employment benefits fund recorded in the general fund for GAAP purposes	20,632	1,785	99,999	389,828
Activity of recreation stabilization fund recorded in the general fund for GAAP purposes	13,902	2,673	-	532,544
Net change in recording 60-day receipts	58,183	-	-	131,752
Net change in recording tax refunds payable	-	-	-	-
To record encumbrances and continuing appropriations	-	(233,610)	-	233,610
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 28,405,759</u>	<u>\$ 28,675,145</u>	<u>\$ 354,769</u>	<u>\$ 5,855,597</u>

Community Preservation Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), Net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 495,121	\$ 760,370	\$ (400,000)	\$ 608,527
<u>Adjustments</u>				
Net change in recording investment income	(2,484)	-	-	(13,888)
Net change in recording expenditure accruals	-	(10,000)	-	10,000
To record encumbrances and continuing appropriations	-	(372,166)	-	372,166
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 492,637</u>	<u>\$ 378,204</u>	<u>\$ (400,000)</u>	<u>\$ 976,805</u>

NOTE 2 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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