

TOWN OF HAMILTON, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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**TOWN OF HAMILTON, MASSACHUSETTS
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INDEPENDENT AUDITORS' REPORT

Honorable Select Board
Town of Hamilton, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the Town of Hamilton, Massachusetts (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the Town, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and certain pension and other postemployment benefits information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 November 30, 2023, on our consideration of the Town's 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's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 30, 2023

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

As management of the Town of Hamilton, Massachusetts (the 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, 2023.

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 \$26,446,021 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$2,612,359.
- The Town's total net position increased by \$3,652,561 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$9,016,103, or 25.11% of total general fund expenditures and transfers out.
- The Town's total bonded long-term debt decreased by \$1,138,240 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 nonfiduciary 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, 2023**

Overview of the Basic Financial Statements (Continued)

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 operations.

The government-wide financial statements can be found on pages 13 through 16 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 balance 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 123 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 balance for the general fund, American Rescue Plan Act (special revenue) fund, and community preservation (special revenue) fund, which are considered to be major funds. Data from the other 120 governmental funds are combined into a single, aggregated presentation titled nonmajor governmental funds.

The basic governmental funds financial statements can be found on pages 17 through 20 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Overview of the Basic Financial Statements (Continued)

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 operations.

The water enterprise fund is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 21 through 25 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.

The other postemployment benefits trust fund and private-purpose trust funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "other postemployment benefits trust fund" and "private purpose trust funds", respectively.

The basic fiduciary fund financial statements can be found on pages 26 through 27 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 28-68 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 69 through 79 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 \$26,446,021 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current Assets	\$ 21,398,490	\$ 19,174,711	\$ 2,150,250	\$ 2,525,660	\$ 23,548,740	\$ 21,700,371
Noncurrent Assets (Excluding Capital Assets)	1,266,551	1,284,075	-	-	1,266,551	1,284,075
Capital Assets (Net)	20,911,672	21,339,594	15,475,347	13,663,797	36,387,019	35,003,391
Total Assets	43,576,713	41,798,380	17,625,597	16,189,457	61,202,310	57,987,837
Deferred Outflows of Resources	2,858,671	2,654,737	154,608	154,788	3,013,279	2,809,525
Liabilities						
Current Liabilities (Excluding Debt)	2,616,325	2,427,846	159,824	438,966	2,776,149	2,866,812
Noncurrent Liabilities (Excluding Debt)	17,349,283	14,423,851	910,654	811,325	18,259,937	15,235,176
Current Debt	1,080,528	1,087,932	2,718,075	1,718,075	3,798,603	2,806,007
Noncurrent Debt	2,748,703	3,361,464	6,598,110	7,116,185	9,346,813	10,477,649
Total Liabilities	23,794,839	21,301,093	10,386,663	10,084,551	34,181,502	31,385,644
Deferred Inflows of Resources	3,449,382	6,304,518	138,684	313,740	3,588,066	6,618,258
Net Position						
Net Investment in Capital Assets	18,424,978	18,232,720	6,175,240	5,566,572	24,600,218	23,799,292
Restricted	4,458,162	3,795,789	-	-	4,458,162	3,795,789
Unrestricted	(3,691,977)	(5,181,003)	1,079,618	379,382	(2,612,359)	(4,801,621)
Total Net Position	<u>\$ 19,191,163</u>	<u>\$ 16,847,506</u>	<u>\$ 7,254,858</u>	<u>\$ 5,945,954</u>	<u>\$ 26,446,021</u>	<u>\$ 22,793,460</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 \$1,079,618 that may be used to support business-type activities.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Government-Wide Financial Analysis (Continued)

Changes in Net Position

For the fiscal year ended June 30, 2023, the Town's total net position increased by \$3,652,561, compared to an increase of \$2,642,274 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services	\$ 1,955,787	\$ 1,667,833	\$ 2,207,120	\$ 1,891,796	\$ 4,162,907	\$ 3,559,629
Operating Grants and Contributions	2,048,432	1,194,789	22,699	1,398	2,071,131	1,196,187
Capital Grants and Contributions	609,808	381,740	951,444	-	1,561,252	381,740
General Revenues:						
Real Estate and Personal Property Taxes	32,723,337	31,665,365	-	-	32,723,337	31,665,365
Motor Vehicle and Other Excise Taxes	1,296,017	1,238,256	-	-	1,296,017	1,238,256
Meals Tax	78,178	61,550	-	-	78,178	61,550
Penalties and Interest on Taxes	100,605	105,347	-	-	100,605	105,347
Payments in Lieu of Taxes	20,963	73,906	-	-	20,963	73,906
Community Preservation Surcharges	555,575	526,362	-	-	555,575	526,362
Grants and Contributions not Restricted to Specific Programs	990,447	904,069	-	-	990,447	904,069
Unrestricted Investment Income	496,571	4,494	-	-	496,571	4,494
Total Revenues	40,875,720	37,823,711	3,181,263	1,893,194	44,056,983	39,716,905
Expenses						
General Government	3,154,145	3,469,500	-	-	3,154,145	3,469,500
Public Safety	5,458,820	4,874,797	-	-	5,458,820	4,874,797
Education	22,567,014	21,826,443	-	-	22,567,014	21,826,443
Public Works	4,050,548	2,739,102	-	-	4,050,548	2,739,102
Health and Human Services	1,017,413	688,377	-	-	1,017,413	688,377
Culture and Recreation	2,548,686	2,057,715	-	-	2,548,686	2,057,715
Hamilton Development Corporation	55,000	66,051	-	-	55,000	66,051
Debt Service - Interest	64,830	101,797	-	-	64,830	101,797
Water	-	-	1,487,966	1,250,849	1,487,966	1,250,849
Total Expenses	38,916,456	35,823,782	1,487,966	1,250,849	40,404,422	37,074,631
Change in Net Position Before Transfers	1,959,264	1,999,929	1,693,297	642,345	3,652,561	2,642,274
Transfers, Net	384,393	403,833	(384,393)	(403,833)	-	-
CHANGE IN NET POSITION	2,343,657	2,403,762	1,308,904	238,512	3,652,561	2,642,274
Net Position - Beginning of Year	16,847,506	14,443,744	5,945,954	5,707,442	22,793,460	20,151,186
NET POSITION - END OF YEAR	\$ 19,191,163	\$ 16,847,506	\$ 7,254,858	\$ 5,945,954	\$ 26,446,021	\$ 22,793,460

Governmental activities increased the Town's net position by \$2,343,657. In the prior year, governmental activities increased the Town's net position by \$2,403,762. The year to year change was relatively consistent due to increases in both revenues and expenses.

Business-type activities increased the Town's net position by \$1,308,904. In the prior year, business-type activities increased the Town's net position by \$238,512. The key element of this change was the capital contribution from the American Rescue Plan Act coronavirus relief funds for the water treatment plant improvements.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 balance 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 balance totaling \$18,017,477, an increase of \$2,018,054 in comparison with the prior year. Approximately \$8,688,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$320,963)
- Restricted (\$4,938,816)
- Committed (\$4,055,586)
- Assigned (\$14,372)

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 \$9,016,103, while total fund balance was \$13,086,061. 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 25.11% of total general fund expenditures and transfers out, while total fund balance represents 36.45% of that same amount.

The balance of the Town's general fund increased by \$1,354,203 during fiscal year 2023. The Town recognized a budgetary surplus of approximately \$1,292,000 (excluding encumbrances and continuing appropriations) and utilized approximately \$1,083,000 of reserves to fund appropriations during fiscal year 2023.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased by \$441,551 during the current fiscal year. The fund recognized \$556,917 in surcharges, \$199,397 in intergovernmental revenue, and \$58,762 of investment income. Expenditures of \$373,525 were incurred during the fiscal year.

The fund balance of the American Rescue Plan Act fund (special revenue) remained unchanged from the prior fiscal year. The fund recognized \$1,125,730 of intergovernmental revenues and incurred expenditures of \$1,125,730 during the fiscal year.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Proprietary Funds

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

Unrestricted net position of the water enterprise fund at the end of the year amounted to \$1,079,618. The water fund had an increase in net position for the year of \$1,308,904. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$36,427,653. There were no changes in total appropriations during the year.

During the year, general fund revenues exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$1,292,000. Encumbrances and continuing appropriations totaled \$776,560 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 \$36,387,019 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets (including intangible, right-to-use lease 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 \$1,383,628 or 3.95%.

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

- Streets, sidewalks, and other infrastructure (\$199,000)
- Water system and treatment plant improvements (\$2,296,000)
- Public works garage roof replacement (\$167,000)

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,373,848	\$ 2,373,848	\$ 283,912	\$ 283,912	\$ 2,657,760	\$ 2,657,760
Intangible Assets	2,218,717	2,333,344	-	-	2,218,717	2,333,344
Land Improvements	2,892,733	2,782,929	-	-	2,892,733	2,782,929
Buildings	6,499,705	6,830,189	4,970,712	2,858,128	11,470,417	9,688,317
Machinery and Equipment	316,474	412,341	1,526	2,911	318,000	415,252
Vehicles	838,966	956,285	40,085	48,260	879,051	1,004,545
Infrastructure	4,679,401	4,673,653	10,017,791	10,359,265	14,697,192	15,032,918
Construction in Progress	1,091,828	977,005	161,321	111,321	1,253,149	1,088,326
Total Capital Assets	<u>\$ 20,911,672</u>	<u>\$ 21,339,594</u>	<u>\$ 15,475,347</u>	<u>\$ 13,663,797</u>	<u>\$ 36,387,019</u>	<u>\$ 35,003,391</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$10,477,649, 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 \$1,138,240 during the current fiscal year. No new long-term debt was issued during the fiscal year.

Additional information on the Town's long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2024 general fund operating budget was influenced by limitations on the property tax levy imposed by Proposition 2 ½ as well as increases in expenses. In addition, the Town's expense for pension benefits is dependent upon an actuarial valuation by the Essex County Retirement System. The fiscal year 2024 pension benefit appropriation decreased 1.6% from fiscal year 2023.

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.

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hamilton Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 10,078,097	\$ 1,523,539	\$ 11,601,636	\$ -
Restricted Cash and Cash Equivalents	6,613,700	16,078	6,629,778	550,019
Investments	3,420,233	-	3,420,233	-
Restricted Investments	554,657	-	554,657	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	270,795	-	270,795	-
Tax and Utility Liens	140,993	3,237	144,230	-
Motor Vehicle and Other Excise Taxes	97,293	-	97,293	-
Community Preservation Surcharges	3,527	-	3,527	-
Water Charges	-	607,396	607,396	-
Departmental and Other	10,259	-	10,259	-
Intergovernmental	187,096	-	187,096	-
Lease	21,840	-	21,840	-
Total Current Assets	21,398,490	2,150,250	23,548,740	550,019
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	7,354	-	7,354	-
Lease	900,247	-	900,247	-
Tax Foreclosures	358,950	-	358,950	-
Capital Assets Not Being Depreciated	5,215,676	445,233	5,660,909	-
Capital Assets, Net of Accumulated Depreciation	15,695,996	15,030,114	30,726,110	-
Total Noncurrent Assets	22,178,223	15,475,347	37,653,570	-
Total Assets	43,576,713	17,625,597	61,202,310	550,019
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	882,234	47,715	929,949	-
Related to Pensions	1,976,437	106,893	2,083,330	-
Total Deferred Outflows of Resources	2,858,671	154,608	3,013,279	-

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hamilton Development Corporation
LIABILITIES				
Current Liabilities:				
Warrants Payable	\$ 761,079	\$ 41,913	\$ 802,992	\$ 10,228
Accrued Payroll	270,038	15,399	285,437	-
Other Liabilities	19,902	-	19,902	1,820
Accrued Interest	-	101,490	101,490	-
Unearned Revenue	1,211,912	-	1,211,912	-
Lease Liability	107,684	-	107,684	-
Advance Deposits	204,535	-	204,535	-
Compensated Absences	41,175	1,022	42,197	-
Short-Term Notes Payable	467,767	2,200,000	2,667,767	-
Long-Term Bonds and Notes Payable	612,761	518,075	1,130,836	-
Total Current Liabilities	3,696,853	2,877,899	6,574,752	12,048
Noncurrent Liabilities:				
Lease Liability	310,917	-	310,917	-
Compensated Absences	370,579	9,196	379,775	-
Net OPEB Liability	4,484,588	242,544	4,727,132	-
Net Pension Liability	12,183,199	658,914	12,842,113	-
Long-Term Bonds and Notes Payable	2,748,703	6,598,110	9,346,813	-
Total Noncurrent Liabilities	20,097,986	7,508,764	27,606,750	-
Total Liabilities	23,794,839	10,386,663	34,181,502	12,048
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB	2,194,884	118,708	2,313,592	-
Related to Pensions	369,355	19,976	389,331	-
Related to Lease	885,143	-	885,143	-
Total Deferred Inflows of Resources	3,449,382	138,684	3,588,066	-
NET POSITION				
Net Investment in Capital Assets	18,424,978	6,175,240	24,600,218	-
Restricted for:				
Community Preservation	2,015,903	-	2,015,903	-
Affordable Housing	314,646	-	314,646	-
Permanent Funds:				
Expendable	334,714	-	334,714	-
Nonexpendable	320,963	-	320,963	-
Other Specific Purposes	1,471,936	-	1,471,936	-
Unrestricted	(3,691,977)	1,079,618	(2,612,359)	537,971
Total Net Position	\$ 19,191,163	\$ 7,254,858	\$ 26,446,021	\$ 537,971

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net Revenue/ (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 3,154,145	\$ 199,043	\$ 210,736	\$ -	\$ (2,744,366)
Public Safety	5,458,820	767,532	247,021	-	(4,444,267)
Education	22,567,014	-	-	-	(22,567,014)
Public Works	4,050,548	147,658	1,186,986	609,808	(2,106,096)
Health and Human Services	1,017,413	200,977	102,896	-	(713,540)
Culture and Recreation	2,548,686	640,577	298,275	-	(1,609,834)
Hamilton Development Corporation	55,000	-	-	-	(55,000)
Debt Service-Interest	64,830	-	2,518	-	(62,312)
Total Governmental Activities	38,916,456	1,955,787	2,048,432	609,808	(34,302,429)
Business-Type Activities:					
Water	1,487,966	2,207,120	22,699	951,444	1,693,297
Total Primary Government	\$ 40,404,422	\$ 4,162,907	\$ 2,071,131	\$ 1,561,252	\$ (32,609,132)
COMPONENT UNITS					
Hamilton Development Corporation	\$ 136,510	\$ -	\$ 55,000	\$ -	\$ (81,510)

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (from Previous Page)	\$ (34,302,429)	\$ 1,693,297	\$ (32,609,132)	\$ (81,510)
GENERAL REVENUES				
Real Estate and Personal Property Taxes	32,723,337	-	32,723,337	-
Motor Vehicle and Other Excise Taxes	1,296,017	-	1,296,017	-
Meals Tax	78,178	-	78,178	-
Penalties and Interest on Taxes	100,605	-	100,605	-
Payments in Lieu of Taxes	20,963	-	20,963	-
Community Preservation Surcharges	555,575	-	555,575	-
Grants and Contributions not Restricted to Specific Programs	990,447	-	990,447	-
Unrestricted Investment Income	496,571	-	496,571	642
Transfers, Net	384,393	(384,393)	-	-
Total General Revenues and Transfers	<u>36,646,086</u>	<u>(384,393)</u>	<u>36,261,693</u>	<u>642</u>
CHANGE IN NET POSITION	2,343,657	1,308,904	3,652,561	(80,868)
Net Position - Beginning of Year	<u>16,847,506</u>	<u>5,945,954</u>	<u>22,793,460</u>	<u>618,839</u>
NET POSITION - END OF YEAR	<u><u>\$ 19,191,163</u></u>	<u><u>\$ 7,254,858</u></u>	<u><u>\$ 26,446,021</u></u>	<u><u>\$ 537,971</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Community Preservation	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,078,097	\$ -	\$ -	\$ -	\$ 10,078,097
Investments	3,420,233	-	-	-	3,420,233
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	270,795	-	-	-	270,795
Real Estate Tax Deferrals	7,354	-	-	-	7,354
Tax Liens	140,993	-	-	-	140,993
Motor Vehicle and Other Excise Taxes	97,293	-	-	-	97,293
Community Preservation Surcharges	-	3,527	-	-	3,527
Departmental and Other	-	-	-	10,259	10,259
Intergovernmental	-	-	-	187,096	187,096
Lease	922,087	-	-	-	922,087
Tax Foreclosures	358,950	-	-	-	358,950
Restricted Assets:					
Cash and Cash Equivalents	-	2,012,951	1,447,039	3,153,710	6,613,700
Investments	-	-	-	554,657	554,657
Total Assets	<u>\$ 15,295,802</u>	<u>\$ 2,016,478</u>	<u>\$ 1,447,039</u>	<u>\$ 3,905,722</u>	<u>\$ 22,665,041</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Warrants Payable	\$ 277,218	\$ -	\$ 235,127	\$ 248,734	\$ 761,079
Accrued Payroll	214,076	575	-	55,387	270,038
Other Liabilities	19,902	-	-	-	19,902
Unearned Revenue	-	-	1,211,912	-	1,211,912
Advance Deposits	-	-	-	204,535	204,535
Short-Term Notes Payable	-	-	-	467,767	467,767
Total Liabilities	<u>511,196</u>	<u>575</u>	<u>1,447,039</u>	<u>976,423</u>	<u>2,935,233</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	813,402	3,527	-	10,259	827,188
Related to Lease	<u>885,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>885,143</u>
Total Deferred Inflows of Resources	<u>1,698,545</u>	<u>3,527</u>	<u>-</u>	<u>10,259</u>	<u>1,712,331</u>
FUND BALANCE					
Nonspendable	-	-	-	320,963	320,963
Restricted	-	2,012,376	-	2,926,440	4,938,816
Committed	4,055,586	-	-	-	4,055,586
Assigned	14,372	-	-	-	14,372
Unassigned	<u>9,016,103</u>	<u>-</u>	<u>-</u>	<u>(328,363)</u>	<u>8,687,740</u>
Total Fund Balance	<u>13,086,061</u>	<u>2,012,376</u>	<u>-</u>	<u>2,919,040</u>	<u>18,017,477</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 15,295,802</u>	<u>\$ 2,016,478</u>	<u>\$ 1,447,039</u>	<u>\$ 3,905,722</u>	<u>\$ 22,665,041</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCE TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance - Governmental Funds	\$ 18,017,477
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	20,911,672
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	827,188
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	(3,361,464)
Lease Liabilities	(418,601)
Compensated Absences	(411,754)
Net Pension Liability	(12,183,199)
Net OPEB Liability	(4,484,588)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions and OPEB.	2,858,671
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions and OPEB.	<u>(2,564,239)</u>
Net Position of Governmental Activities	<u><u>\$ 19,191,163</u></u>

See accompanying Notes to Basic Financial Statements.

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General	Community Preservation	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 32,568,042	\$ -	\$ -	\$ -	32,568,042
Motor Vehicle and Other Excise Taxes	1,357,317	-	-	-	1,357,317
Meals tax	78,178	-	-	-	78,178
Tax Liens	37,751	-	-	-	37,751
Payments in Lieu of Taxes	20,963	-	-	-	20,963
Community Preservation Surcharges	-	556,917	-	-	556,917
Charges for Services	99,298	-	-	933,307	1,032,605
Intergovernmental	1,310,369	199,397	1,125,730	1,062,555	3,698,051
Penalties and Interest on Taxes	100,605	-	-	-	100,605
Licenses and Permits	468,638	-	-	-	468,638
Fines and Forfeitures	1,965	-	-	-	1,965
Departmental and Other	269,809	-	-	35,779	305,588
Contributions	-	-	-	42,441	42,441
Investment Income	489,781	58,762	-	36,971	585,514
Other	-	-	-	590	590
Total Revenues	36,802,716	815,076	1,125,730	2,111,643	40,855,165
EXPENDITURES					
Current:					
General Government	2,279,649	11,325	54,400	228,822	2,574,196
Public Safety	3,447,043	-	-	348,233	3,795,276
Education	22,527,924	-	-	-	22,527,924
Public Works	2,442,520	-	992,080	392,903	3,827,503
Health and Human Services	304,998	-	79,250	256,007	640,255
Culture and Recreation	1,169,077	255,000	-	735,388	2,159,465
Hamilton Development Corporation	55,000	-	-	-	55,000
Pension Benefits	1,231,493	-	-	-	1,231,493
Employee Benefits	1,075,108	-	-	-	1,075,108
Property and Liability Insurance	281,836	-	-	-	281,836
State and County Charges	241,936	-	-	-	241,936
Debt Service:					
Principal	603,872	85,000	-	-	688,872
Interest	100,440	22,200	-	-	122,640
Total Expenditures	35,760,896	373,525	1,125,730	1,961,353	39,221,504
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,041,820	441,551	-	150,290	1,633,661
OTHER FINANCING SOURCES (USES)					
Transfers In	450,883	-	-	75,000	525,883
Transfer Out	(138,500)	-	-	(2,990)	(141,490)
Total Other Financing Sources (Uses)	312,383	-	-	72,010	384,393
NET CHANGE IN FUND BALANCE	1,354,203	441,551	-	222,300	2,018,054
Fund Balance - Beginning of Year	11,731,858	1,570,825	-	2,696,740	15,999,423
FUND BALANCE - END OF YEAR	<u>\$ 13,086,061</u>	<u>\$ 2,012,376</u>	<u>\$ -</u>	<u>\$ 2,919,040</u>	<u>18,017,477</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balance - Total Governmental Funds	\$ 2,018,054
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.	
Capital Outlays	657,027
Depreciation	(1,084,949)
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.	
	20,551
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.	
Debt and Lease Maturities	688,872
Net Amortization of Bond Premiums	35,165
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.	
	22,645
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:	
Compensated Absences	(11,774)
Net OPEB Liability	(47,922)
Net Pension Liability	(2,974,597)
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.	
	203,934
In the statement of activities, deferred inflows related to pensions and OPEB are amortized and recognized as pension and OPEB expense. This amount represents the net change in deferred inflows related to pensions and OPEB.	
	<u>2,816,651</u>
Changes in Net Position of Governmental Activities	<u><u>\$ 2,343,657</u></u>

See accompanying Notes to Basic Financial Statements.

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Business-Type Activities - Enterprise Fund <u>Water</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,523,539
Restricted Cash and Cash Equivalents	16,078
Receivables, Net of Allowance for Uncollectible Amounts:	
Water Charges	607,396
Water Liens	<u>3,237</u>
Total Current Assets	<u>2,150,250</u>
Noncurrent Assets:	
Capital Assets Not Being Depreciated	445,233
Capital Assets, Net of Accumulated Depreciation	<u>15,030,114</u>
Total Noncurrent Assets	<u>15,475,347</u>
Total Assets	17,625,597
DEFERRED OUTFLOWS OF RESOURCES	
Related to OPEB	47,715
Related to Pensions	<u>106,893</u>
Total Deferred Outflows of Resources	<u>154,608</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND (CONTINUED)
JUNE 30, 2023**

	Business-Type Activities - Enterprise Fund <u>Water</u>
LIABILITIES	
Current Liabilities:	
Warrants Payable	\$ 41,913
Accrued Payroll	15,399
Accrued Interest	101,490
Compensated Absences	1,022
Short-Term Notes Payable	2,200,000
Long-Term Bonds and Notes Payable	<u>518,075</u>
Total Current Liabilities	2,877,899
Noncurrent Liabilities:	
Compensated Absences	9,196
Net OPEB Liability	242,544
Net Pension Liability	658,914
Long-Term Bonds and Notes Payable	<u>6,598,110</u>
Total Noncurrent Liabilities	7,508,764
Total Liabilities	10,386,663
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	118,708
Related to Pensions	<u>19,976</u>
Total Deferred Inflows of Resources	<u>138,684</u>
FUND NET POSITION	
Net Investment in Capital Assets	6,175,240
Unrestricted	<u>1,079,618</u>
Total Net Position	<u>\$ 7,254,858</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Fund <u>Water</u>
OPERATING REVENUES	
Charges for Services	\$ 2,200,853
Other	<u>6,267</u>
Total Operating Revenues	<u>2,207,120</u>
OPERATING EXPENSES	
Cost of Service and Administration	693,609
Depreciation	<u>534,278</u>
Total Operating Expenses	<u>1,227,887</u>
OPERATING INCOME	979,233
NONOPERATING REVENUES (EXPENSES)	
Investment Income	22,699
Interest Expense	<u>(260,079)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(237,380)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	741,853
Capital Contributions	951,444
Transfers In	63,500
Transfers Out	<u>(447,893)</u>
Total Capital Contributions and Transfers, Net	<u>567,051</u>
CHANGE IN FUND NET POSITION	1,308,904
Fund Net Position - Beginning of Year	<u>5,945,954</u>
FUND NET POSITION - END OF YEAR	<u><u>\$ 7,254,858</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Fund <u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 2,064,687
Payments to Vendors	(750,955)
Payments to Employees	(351,608)
Net Cash Provided by Operating Activities	<u>962,124</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers Out	<u>(447,893)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers In	63,500
Proceeds from the Issuance of Bonds and Notes	2,200,000
Acquisition and Construction of Capital Assets	(1,394,384)
Principal Payments on Bonds and Notes	(1,700,000)
Interest Expense	(223,886)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,054,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>22,699</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(517,840)
Cash and Cash Equivalents - Beginning of Year (Includes \$737,035 Reported as Restricted in the Water Enterprise Fund)	<u>2,057,457</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Includes \$16,078 Reported as Restricted in the Water Enterprise Fund)	<u><u>\$ 1,539,617</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Fund <u>Water</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 979,233
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities not Requiring Current Cash Flows:	
Depreciation	534,278
Net Pension Liability	121,993
Net OPEB Liability	(16,142)
Deferred Inflows of Resources Related to Pensions	(119,328)
Deferred Outflows of Resources Related to Pensions	(24,452)
Deferred Inflows of Resources Related to OPEB	(55,728)
Deferred Outflows of Resources Related to OPEB	24,632
Effect of Changes in Operating Assets and Liabilities:	
Water Charges	(145,357)
Water Liens	2,924
Warrants Payable	(333,987)
Accrued Payroll	1,304
Compensated Absences	(7,246)
Total Adjustments	<u>(17,109)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 962,124</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital Contributions	<u>\$ 951,444</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and Cash Equivalents	\$ 5,261	\$ 73,774
Investments:		
Equities	939,731	11,972
Fixed Income Securities	253,280	31,695
Total Assets	<u>1,198,272</u>	<u>117,441</u>
FIDUCIARY NET POSITION		
Restricted for:		
Other Postemployment Benefits	1,198,272	-
Private Purposes	<u>-</u>	<u>117,441</u>
Total Fiduciary Net Position	<u><u>\$ 1,198,272</u></u>	<u><u>\$ 117,441</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 359,840	\$ -
Private Donations	-	26,886
Total Contributions	<u>359,840</u>	<u>26,886</u>
Net Investment Income:		
Net (Appreciation) in Fair Value of Investments	92,501	-
Interest	-	1,955
Total Investment Income	<u>92,501</u>	<u>1,955</u>
Less: Investment Expense	<u>(4,045)</u>	<u>-</u>
Net Investment Income	<u>88,456</u>	<u>1,955</u>
Total Additions	448,296	28,841
DEDUCTIONS		
Other Postemployment Benefits	234,840	-
Other	-	14,837
Total Deductions	<u>234,840</u>	<u>14,837</u>
CHANGE IN NET POSITION	213,456	14,004
Net Position - Beginning of Year	<u>984,816</u>	<u>103,437</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,198,272</u></u>	<u><u>\$ 117,441</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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 (the Town) is a municipal corporation that is governed by an elected Select Board (the 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 (the 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-member board of directors appointed by the Town's Select Board. The Corporation does not issue a separate audited financial statement.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Fiduciary Component Unit

The Other Postemployment Benefits Trust Fund (OPEB Trust) was established to accumulate resources to provide post-retirement benefits other than pensions to retirees and their beneficiaries. Chapter 32B of Massachusetts General Law assigns authority to establish and amend benefit provisions of the OPEB Trust. The Fund is presented using the accrual basis of accounting and is reported in the other postemployment benefits trust fund in the fiduciary fund financial statements. The OPEB Trust does not issue a stand-alone financial report that includes financial statements and related notes.

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.

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 2023, the Town paid approximately \$881,000 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Hamilton-Wenham Recreation Department

The Towns of Hamilton and Wenham operate a joint recreation department (the 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 2023, the Department's operating and administrative expenditures totaled approximately \$180,000. The Town of Wenham paid the Town of Hamilton approximately \$21,000 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 (the Pool) that is used for the summer park and recreation program offered by the Hamilton-Wenham Joint Recreation Committee (the 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 is annually charged an administrative fee based upon a calculation of the Town of Hamilton's indirect costs of administration associated with the Pool. The Town of Wenham did not pay the Town of Hamilton an administrative fee in fiscal year 2023 due to the temporary closure of 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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (the 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, 2023, the Town's assessments for operating and capital costs totaled approximately \$21,840,000 and \$372,000, 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 16-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, 2023, the Town's assessment for operating and capital costs totaled approximately \$290,000 and \$27,000, 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. 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 nonfiduciary 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

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.

D. 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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund Financial Statements

Governmental Funds

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:

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Community Preservation 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

American Rescue Plan Act Fund

The American Rescue Plan Act fund is used to account for and report all revenue and expenses related to American Rescue Plan Act of 2021.

Nonmajor Governmental Funds

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

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.

Capital Projects Funds

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

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

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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The following proprietary fund is reported:

Water Enterprise Fund

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

Fiduciary Funds

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 types are reported:

Other Postemployment Benefits Trust Fund

The other postemployment benefits trust fund is an irrevocable trust fund established to accumulate resources to reduce the unfunded actuarial liability of health care and other postemployment benefits.

Private-Purpose Trust Fund

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.

E. 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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable (Continued)

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.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure 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.

Lease

The Town leases a cellular tower under a long-term, noncancellable lease agreement.

G. 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
- Lease

At June 30, 2023, 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

J. 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 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:

Improvements	20 Years
Buildings	40 to 50 Years
Machinery and Equipment	5 to 10 Years
Vehicles	5 to 10 Years
Library Books	10 Years
Software	5 Years
Infrastructure	20 to 50 Years

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Government-Wide and Proprietary Fund Financial Statements (Continued)

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.

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

Fund Financial Statements

Transactions of a buyer/seller nature between 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.

L. 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 balance 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows 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.

N. 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 and OPEB are reported in the government-wide and proprietary funds statements of net position.

Deferred inflows of resources related to leases are reported in the government-wide statement of net position and the governmental funds balance sheet.

O. Advance Deposits

Government-Wide and Fund Financial Statements

Advance deposits represent exchange revenues received in advance of meeting requirements for revenue recognition.

P. Unearned Revenue

Government-Wide and Fund Financial Statements

Unearned revenue represents intergovernmental revenues received in advance of meeting eligibility requirements for revenue recognition.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position and Fund Balance

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:

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 Balance)

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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position and Fund Balance (Continued)

Governmental Funds Financial Statements (Fund Balance) (Continued)

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.

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 noncontractual 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.

R. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

T. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

U. Postretirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health insurance coverage for current and future retirees and their spouses.

V. 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. 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.

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 noncontinuing 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 2023 approved budget for the general fund and community preservation fund authorized appropriations of \$36,427,653 and \$355,615, respectively. During the fiscal year, appropriations were increased for the community preservation fund by \$36,199.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Individual Fund Deficits

At June 30, 2023, a deficit of \$328,363 exists in the Town Hall Remodeling Project fund (capital project fund) which will be financed by the issuance of long-term debt in future years.

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, other postemployment benefits trust fund, 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, 2023, \$4,059,877 of the Town's bank balance of \$15,244,110 was uninsured and uncollateralized. As of June 30, 2023, \$284,570 of the Hamilton Development Corporation bank balance of \$534,570 was uninsured and uncollateralized.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments Summary

The Town's investments at June 30, 2023 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 One	One to Five
Debt Securities:			
U.S. Treasuries	\$ 934,022	\$ -	\$ 934,022
U.S. Agencies	223,074	-	223,074
Corporate Bonds	1,635,477	348,757	1,286,720
Mutual Bond Funds	284,223	284,223	-
Certificates of Deposit	95,610	-	95,610
External Investment Pool (MMDT)	3,002,785	3,002,785	-
Total Debt Securities	6,175,191	<u>\$ 3,635,765</u>	<u>\$ 2,539,426</u>
Other Investments:			
Equity Securities	1,207,981		
Equity Mutual Funds	831,181		
Total Other Investments	<u>2,039,162</u>		
Total Investments	<u>\$ 8,214,353</u>		
Investments per the Financial Statements:			
Governmental Activities	\$ 3,974,890		
OPEB Trust Fund	1,193,011		
Private Purpose Trust Fund	43,667		
Subtotal Investments	5,211,568		
Add: External Investment Pool (MMDT)	3,002,785		
Total Investments	<u>\$ 8,214,353</u>		

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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, 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, 2023, the credit ratings of the Town's investments in debt securities, exclusive of exempt U.S. Treasuries of \$934,022 are as follows:

Quality Ratings *	Investment Type					
	Total Amount	U.S. Agencies	Corporate Bonds	Certificates of Deposit	Mutual Bond Funds	External Investment Pool (MMDT)
AAA	\$ 250,053	\$ -	\$ 250,053	\$ -	\$ -	\$ -
A+	167,657	-	167,657	-	-	-
A	251,751	-	251,751	-	-	-
A-	71,302	-	71,302	-	-	-
BBB+	314,589	-	314,589	-	-	-
BBB	580,125	-	580,125	-	-	-
Unrated	3,605,692	223,074	-	95,610	284,223	3,002,785
Total	<u>\$ 5,241,169</u>	<u>\$ 223,074</u>	<u>\$ 1,635,477</u>	<u>\$ 95,610</u>	<u>\$ 284,223</u>	<u>\$ 3,002,785</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, 2023, the Town was not exposed to concentration of credit risk.

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, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

G. Investments – Fair Value Measurements (Continued)

The Town has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity Securities:			
Equity Mutual Funds	\$ 831,181	\$ -	\$ 831,181
Equity Securities	1,207,981	1,207,981	-
Total Equity Securities	2,039,162	1,207,981	831,181
Debt Securities:			
U.S. Agencies	223,074	-	223,074
U.S. Treasuries	934,022	-	934,022
Corporate Bonds	1,635,477	-	1,635,477
Certificates of Deposit	95,610	-	95,610
Mutual Bond Funds	284,223	-	284,223
Total Debt Securities	3,172,406	-	3,172,406
Total Investments by Fair Value Level	5,211,568	\$ 1,207,981	\$ 4,003,587
Investments Measured at Amortized Cost:			
External Investment Pool (MMDT)	3,002,785		
Total Investments - Town	\$ 8,214,353		

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, 2023

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2023, 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>
Receivables:			
Real Estate and Personal Property Taxes	\$ 270,795	\$ -	\$ 270,795
Real Estate Tax Deferrals	7,354	-	7,354
Tax Liens	140,993	-	140,993
Motor Vehicle and Other Excise Taxes	97,293	-	97,293
Community Preservation Surcharges	3,527	-	3,527
Departmental and Other	10,259	-	10,259
Intergovernmental	187,096	-	187,096
Lease	922,087	-	922,087
Total	<u>\$ 1,639,404</u>	<u>\$ -</u>	<u>\$ 1,639,404</u>

At June 30, 2023, receivables for the water enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Water Charges	\$ 607,396	\$ -	\$ 607,396
Water Liens	3,237	-	3,237
Total	<u>\$ 610,633</u>	<u>\$ -</u>	<u>\$ 610,633</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,373,848	\$ -	\$ -	\$ 2,373,848
Intangible Assets	1,750,000	-	-	1,750,000
Construction in Progress	977,005	114,823	-	1,091,828
Total Capital Assets Not Being Depreciated	5,100,853	114,823	-	5,215,676
Capital Assets Being Depreciated:				
Improvements	4,075,387	307,180	-	4,382,567
Buildings	14,578,341	-	-	14,578,341
Machinery and Equipment	1,653,510	-	(26,316)	1,627,194
Vehicles	2,757,264	36,475	(233,142)	2,560,597
Library Books	265,666	-	-	265,666
Software	20,765	-	-	20,765
Intangible, Right to Use Lease Assets	805,132	-	-	805,132
Infrastructure	6,713,298	198,549	-	6,911,847
Total Capital Assets Being Depreciated	30,869,363	542,204	(259,458)	31,152,109
Less: Accumulated Depreciation for:				
Improvements	(1,292,458)	(197,376)	-	(1,489,834)
Buildings	(7,748,152)	(330,484)	-	(8,078,636)
Machinery and Equipment	(1,241,169)	(95,867)	26,316	(1,310,720)
Vehicles	(1,800,979)	(153,794)	233,142	(1,721,631)
Library Books	(265,666)	-	-	(265,666)
Software	(20,765)	-	-	(20,765)
Intangible, Right to Use Lease Assets	(221,788)	(114,627)	-	(336,415)
Infrastructure	(2,039,645)	(192,801)	-	(2,232,446)
Total Accumulated Depreciation	(14,630,622)	(1,084,949)	259,458	(15,456,113)
Total Capital Assets Being Depreciated, Net	16,238,741	(542,745)	-	15,695,996
Total Governmental Activities Capital Assets, Net	<u>\$ 21,339,594</u>	<u>\$ (427,922)</u>	<u>\$ -</u>	<u>\$ 20,911,672</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 283,912	\$ -	\$ -	\$ 283,912
Construction in Progress	111,321	50,000	-	161,321
Total Capital Assets Not Being Depreciated	395,233	50,000	-	445,233
Capital Assets Being Depreciated:				
Buildings	4,494,515	2,295,828	-	6,790,343
Machinery and Equipment	41,848	-	-	41,848
Vehicles	335,662	-	-	335,662
Infrastructure	14,241,864	-	-	14,241,864
Total Capital Assets Being Depreciated	19,113,889	2,295,828	-	21,409,717
Less: Accumulated Depreciation for:				
Buildings	(1,636,387)	(183,244)	-	(1,819,631)
Machinery and Equipment	(38,937)	(1,385)	-	(40,322)
Vehicles	(287,402)	(8,175)	-	(295,577)
Infrastructure	(3,882,599)	(341,474)	-	(4,224,073)
Total Accumulated Depreciation	(5,845,325)	(534,278)	-	(6,379,603)
Total Capital Assets Being Depreciated, Net	13,268,564	1,761,550	-	15,030,114
Total Business-Type Activities Capital Assets, Net	<u>\$ 13,663,797</u>	<u>\$ 1,811,550</u>	<u>\$ -</u>	<u>\$ 15,475,347</u>

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

Governmental Activities:	
General Government	\$ 47,643
Public Safety	397,272
Education	39,090
Public Works	295,479
Health and Human Services	6,068
Culture and Recreation	299,397
Total Depreciation Expense - Governmental Activities	<u>\$ 1,084,949</u>
Business-Type Activities:	
Water	<u>\$ 534,278</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2023 are summarized as follows:

Transfers Out	Transfers In			
	General Fund	Nomajor Governmental Funds	Enterprise Fund	Total
General Fund	\$ -	\$ 75,000	\$ 63,500	\$ 138,500 (1)
Nonmajor Governmental Funds	2,990	-	-	2,990 (2)
Water Enterprise Fund	447,893	-	-	447,893 (3)
Total	<u>\$ 450,883</u>	<u>\$ 75,000</u>	<u>\$ 63,500</u>	<u>\$ 589,383</u>

(1) Represents budgeted transfers for the Patton Homestead operating subsidy (\$75,000) and Water enterprise fund capital (\$63,500).

(2) Represents miscellaneous closeouts of nonmajor governmental funds.

(3) Represents budgeted indirect cost subsidy from the Water enterprise 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, 2023 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
BAN	Town Hall Improvements	8/27/21	8/25/22	1.00%	\$ 467,767	\$ -	\$ (467,767)	\$ -
BAN	Town Hall Improvements	8/18/22	8/17/23	3.50%	-	467,767	-	467,767
	Total Governmental Funds				<u>\$ 467,767</u>	<u>\$ 467,767</u>	<u>\$ (467,767)</u>	<u>\$ 467,767</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Notes Payable – Water Enterprise Fund

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
BAN	Water Treatment Plant Improvements	8/27/21	8/25/22	1.00%	\$ 1,200,000	-	\$ (1,200,000)	\$ -
BAN	Water Treatment Plant Improvements	8/18/22	8/17/23	3.50%	-	1,200,000	-	1,200,000
BAN	Water Treatment Plant Improvements	8/18/22	8/17/23	3.50%	-	1,000,000	-	1,000,000
	Total Water Enterprise Fund				<u>\$ 1,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 2,200,000</u>

Subsequent Events

On August 17, 2023, the Town repaid \$60,000 of BAN's and renewed \$2,607,767 of BAN's at an interest rate of 4.50% and a maturity date of January 26, 2024.

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, 2023:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 3,755,000	\$ -	\$ (585,000)	\$ 3,170,000	\$ 580,000
Unamortized Bond Premium	226,629	-	(35,165)	191,464	32,761
Total Bonds and Notes Payable	<u>3,981,629</u>	<u>-</u>	<u>(620,165)</u>	<u>3,361,464</u>	<u>612,761</u>
Lease Liabilities	522,473	-	(103,872)	418,601	107,684
Compensated Absences	399,980	17,651	(5,877)	411,754	41,175
Total	<u>\$ 4,904,082</u>	<u>\$ 17,651</u>	<u>\$ (729,914)</u>	<u>\$ 4,191,819</u>	<u>\$ 761,620</u>
Business-Type Activities:					
Bonds and Notes Payable	\$ 7,360,000	\$ -	\$ (500,000)	\$ 6,860,000	\$ 500,000
Unamortized Bond Premium	274,260	-	(18,075)	256,185	18,075
Total Bonds and Notes Payable	<u>7,634,260</u>	<u>-</u>	<u>(518,075)</u>	<u>7,116,185</u>	<u>518,075</u>
Compensated Absences	17,464	-	(7,246)	10,218	1,022
Total	<u>\$ 7,651,724</u>	<u>\$ -</u>	<u>\$ (525,321)</u>	<u>\$ 7,126,403</u>	<u>\$ 519,097</u>

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 LEASES

Lessor

The Town leases land to a personal communications service provider related to the operation of a telecommunications tower and supporting ground equipment. The lease expires in 2046.

Total future minimum lease receipts to be received under the lease agreement are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 21,840	\$ 11,367
2025	23,117	11,085
2026	24,441	10,788
2027	25,812	10,473
2028	27,233	10,141
2029-2033	159,306	45,072
2034 and Thereafter	640,338	56,636
Total Minimum Lease Payments	<u>\$ 922,087</u>	<u>\$ 155,562</u>

Lessee

The Town leases a fire pumper as well as two (2) vehicles for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through July 2027.

Total future minimum lease payments under lease agreements are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 107,684	\$ 15,507
2025	92,656	11,555
2026	96,076	8,136
2027	59,966	4,590
2028	62,219	2,339
Total Minimum Lease Payments	<u>\$ 418,601</u>	<u>\$ 42,127</u>

Right-to-use assets acquired through outstanding leases as shown below:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 549,917
Vehicles	253,275
Less: accumulated amortization	(334,445)
Total	<u>\$ 468,747</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements, are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
Public Safety Building - Refunding	9/15/2025	2.00 - 4.00	\$ 1,090,000	\$ -	\$ (280,000)	\$ 810,000
Fire Truck	5/15/2027	2.00 - 4.00	350,000	-	(70,000)	280,000
Landfill Capping	5/15/2030	2.00 - 4.00	680,000	-	(85,000)	595,000
Sagamore Hill Land Acquisition	3/15/2032	2.00 - 3.00	825,000	-	(85,000)	740,000
Chebacco Road Paving	11/1/2034	2.00 - 5.00	810,000	-	(65,000)	745,000
Total Governmental Funds			<u>\$ 3,755,000</u>	<u>\$ -</u>	<u>\$ (585,000)</u>	<u>\$ 3,170,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 580,000	\$ 79,178	\$ 659,178
2025	575,000	64,453	639,453
2026	570,000	47,303	617,303
2027	305,000	38,028	343,028
2028	230,000	30,753	260,753
2029	230,000	23,175	253,175
2030	225,000	16,298	241,298
2031	140,000	10,445	150,445
2032	140,000	6,845	146,845
2033	60,000	3,215	63,215
2034	60,000	1,925	61,925
2035	55,000	633	55,633
Total	<u>\$ 3,170,000</u>	<u>\$ 322,251</u>	<u>\$ 3,492,251</u>

Bonds and Notes Payable - Water Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
Water System Reconstruction	05/15/35	2.00 - 4.00	\$ 3,215,000	\$ -	\$ (250,000)	\$ 2,965,000
Water System Reconstruction	03/15/37	2.00 - 3.00	1,425,000	-	(95,000)	1,330,000
Water Distribution System	11/1/39	2.00 - 5.00	1,125,000	-	(65,000)	1,060,000
Water Distribution System Phase IV	11/1/39	2.00 - 5.00	1,440,000	-	(80,000)	1,360,000
Water Treatment Plant	11/1/39	2.00 - 5.00	155,000	-	(10,000)	145,000
Total Enterprise Funds			<u>\$ 7,360,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ 6,860,000</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable - Water Enterprise Fund (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 500,000	\$ 192,298	\$ 692,298
2025	500,000	175,923	675,923
2026	500,000	161,873	661,873
2027	500,000	148,123	648,123
2028	500,000	132,823	632,823
2029	495,000	116,372	611,372
2030	495,000	101,605	596,605
2031	495,000	89,163	584,163
2032	490,000	75,913	565,913
2033	490,000	62,638	552,638
2034	490,000	49,213	539,213
2035	490,000	35,331	525,331
2036	240,000	21,433	261,433
2037	240,000	15,175	255,175
2038	145,000	8,845	153,845
2039	145,000	5,329	150,329
2040	145,000	1,776	146,776
Total	<u>\$ 6,860,000</u>	<u>\$ 1,393,833</u>	<u>\$ 8,253,833</u>

Authorized and Unissued Debt

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, 2023, the Town had authorized and unissued debt of \$4,000,000 for Town Hall restoration and \$800,000 for water treatment plant improvements.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

A. 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 Postemployment 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, GAAP basis audited financial report.

The Plan is administered by the Town Treasurer as having been duly designated as the Trustee by the Plan trust agreement.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. 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% of health insurance premiums for non-Medicare-eligible retirees and 55% of supplemental health insurance premiums for Medicare-eligible retirees. The benefit terms also provide for payment of 75% of premiums for \$15,000 of life insurance benefits for retirees. Dental insurance coverage is also offered but at no cost to the Town. The costs of administering the Plan are paid by the Town.

C. Contributions

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.

For the fiscal year ended June 30, 2023, employer contributions totaled \$359,840. The Plan did not receive contributions from any other sources.

D. Plan Investments

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

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.05%. The money-weighted rate of return expresses investment performance, net of investment expense.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 include in the target asset allocation as of June 30, 2023 are summarized in the following table:

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Plan Investments (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap	23.75 %	4.42 %
Domestic Fixed Income	22.75	1.00
Domestic Equity - Small/Mid Cap	16.25	4.81
International Equity - Developed Market	12.00	4.91
International Equity - Emerging Market	6.50	5.58
Alternatives	9.75	5.98
International Fixed Income	4.75	1.04
Real Estate	4.00	6.25
Cash and Cash Equivalents	0.25	-
Total	100.00 %	

E. Participants Covered by Benefit Terms

The number of participants as of July 1, 2021, the latest actuarial valuation, was as follows:

Active Members	55
Retired Members	42
Total	97

F. Net OPEB Liability

Changes in the total OPEB liability are as follows:

	Total OPEB Liability	Increase (Decrease) Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2022	\$ 5,680,168	\$ 984,816	\$ 4,695,352
Changes for the Year:			
Service Cost	129,005	-	129,005
Interest	351,071	-	351,071
Contributions - Employer	-	359,840	(359,840)
Investment Income	-	88,456	(88,456)
Benefits Payments	(234,840)	(234,840)	-
Net Changes	245,236	213,456	31,780
Balances at June 30, 2023	\$ 5,925,404	\$ 1,198,272	\$ 4,727,132

Fiduciary Net Position as a Percentage
of the Total OPEB Liability

20.22%

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. Net OPEB Liability (Continued)

The OPEB trust fund reported in the fiduciary funds financial statements is reported using the flow of economic resources measurement focus and uses the accrual basis of accounting. Contributions are recognized as additions in the period when they have become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred.

The Town's net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to the measurement date of June 30, 2023.

G. Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	6.10%
Inflation	2.50%
Healthcare Cost Trend Rates	9.00%
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year
Mortality Experience Study	The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

H. Discount Rate

The discount rate used to measure the total OPEB liability was 6.10%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position is projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments is applied to the projected benefits payments which the fiduciary net position is expected to be sufficient to cover until fiscal year 2089. The S&P Municipal Bond 20-Year High Grade Index (SAPIHG), which was 4.13% as of June 30, 2023, is applied thereafter.

I. 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 6.10%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.10%) or one-percentage-point higher (7.10%) than the current rate:

	1% Decrease (5.10%)	Current Discount Rate (6.10%)	1% Increase (7.10%)
Total OPEB Liability	<u>\$ 5,558,270</u>	<u>\$ 4,727,132</u>	<u>\$ 4,054,100</u>

J. 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 are one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 3,988,802</u>	<u>\$ 4,727,132</u>	<u>\$ 5,637,402</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Town recognized OPEB expense of (\$77,741). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (839,602)
Changes of Assumptions	816,024	(1,473,990)
Net Difference Between Projected and Actual Earnings on Plan Investments	113,925	-
Total	<u>\$ 929,949</u>	<u>\$ (2,313,592)</u>

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

<u>Year Ending June 30,</u>	Amount
2024	\$ (568,814)
2025	(574,487)
2026	(291,752)
2027	51,410
Total	<u>\$ (1,383,643)</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 FUND BALANCE

The constraints on fund balance as listed in aggregate in the governmental funds balance sheet are detailed as follows:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 320,963	\$ 320,963
Restricted for:				
Community Preservation	-	2,012,376	-	2,012,376
Affordable Housing	-	-	314,646	314,646
Capital	-	-	25,143	25,143
General Government	-	-	735,599	735,599
Public Safety	-	-	181,395	181,395
Public Works	-	-	1,472,978	1,472,978
Health and Human Services	-	-	140,563	140,563
Culture and Recreation	-	-	56,116	56,116
Total Restricted	-	2,012,376	2,926,440	4,938,816
Committed to:				
Subsequent Year's Expenditures	1,153,591	-	-	1,153,591
Capital Stabilization	1,526,299	-	-	1,526,299
Recreation Fields Stabilization	613,508	-	-	613,508
Continuing Appropriations	762,188	-	-	762,188
Total Committed	4,055,586	-	-	4,055,586
Assigned to:				
Encumbrances	14,372	-	-	14,372
Unassigned	9,016,103	-	(328,363)	8,687,740
Total Fund Balance	<u>\$ 13,086,061</u>	<u>\$ 2,012,376</u>	<u>\$ 2,919,040</u>	<u>\$ 18,017,477</u>

NOTE 13 STABILIZATION FUNDS

The Town maintains general, recreation fields, and capital 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, recreation fields, and capital stabilization funds at June 30, 2023 total \$2,003,781, \$613,508, and \$1,526,299, respectively, and are reported in the general fund as unassigned (\$2,003,781) and committed (\$613,508 and \$1,526,299) fund balance.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 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. Claims losses have not exceeded commercial insurance coverage in any of the past three years.

The Town participates in a health insurance risk pool trust administered by Massachusetts Interlocal Insurance Association (the 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.

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

A. 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.

B. 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, 2023**

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

B. Benefits Provided (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 10 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

C. 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 \$1,231,493 for the year ended June 30, 2023.

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

At June 30, 2023, the Town reported a liability of \$12,842,113 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, which was rolled forward to the measurement date of December 31, 2022. 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.

At June 30, 2023, the Town's proportion was 2.768%, which compared to a proportion of 2.807% at June 30, 2022.

For the year ended June 30, 2023, the Town recognized pension expense of \$1,601,980. At June 30, 2023, the Town reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 400	\$ (220,549)
Differences Between Projected and Actual Earnings on Investments	1,190,815	-
Changes of Assumptions	700,808	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	191,307	(168,782)
Total	<u>\$ 2,083,330</u>	<u>\$ (389,331)</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 277,578
2025	295,217
2026	441,479
2027	679,725
Total	<u>\$ 1,693,999</u>

E. 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 zero years of service, decreasing to 3.75% after five years of service.
Mortality Rates:	
Pre-Retirement	The RP-2014 Employee Mortality Table projected generationally with scale MP-2021.
Healthy Retiree	The RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2021.
Disabled Retiree	The RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with scale MP-2021.
Investment Rate of Return	7.00%

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:

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	20.50 %	6.59 %
Core Fixed Income	15.00	1.53
Private Equity	16.00	9.49
International Developed Markets Equity	12.00	6.87
Hedge Fund, PCS	10.00	3.06
Real Estate	10.00	3.44
High-yield fixed income	8.00	3.54
International Emerging Markets Equity	4.50	8.30
Timberland	4.00	4.01
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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.

G. 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 7.00%, 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 one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate Share of the Net Pension Liability	\$ 16,313,233	\$ 12,842,113	\$ 9,927,545

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

H. 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>.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The Town has entered into, or is planning to enter into, contracts totaling approximately \$4,800,000 for various projects throughout the Town.

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, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2023.

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.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 32,594,723	\$ -	\$ 32,594,723
Motor Vehicle and Other Excise Taxes	-	1,001,700	-	1,001,700
Meals Tax	-	55,000	-	55,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	33,000	-	33,000
Charges for Services	-	-	-	-
Intergovernmental	-	1,412,325	-	1,412,325
Penalties and Interest on Taxes	-	64,500	-	64,500
Licenses and Permits	-	283,551	-	283,551
Fines and Forfeitures	-	5,000	-	5,000
Departmental and Other	-	204,050	-	204,050
Investment Income	-	10,000	-	10,000
Total Revenues	-	35,663,849	-	35,663,849
EXPENDITURES				
Current:				
General Government	407,347	2,131,668	-	2,539,015
Public Safety	2,450	3,626,448	-	3,626,448
Education	-	22,530,204	-	22,530,204
Public Works	161,794	2,796,323	-	2,958,117
Health and Human Services	774	339,498	-	340,272
Culture and Recreation	200,301	1,192,432	-	1,392,733
Hamilton Development Corporation	-	55,000	-	55,000
Pension Benefits	-	1,253,377	-	1,253,377
Employee Benefits	-	1,206,015	-	1,206,015
Property and Liability Insurance	-	304,591	-	304,591
State and County Charges	-	241,936	-	241,936
Debt Service:				
Principal	-	500,000	-	500,000
Interest	-	91,661	-	91,661
Total Expenditures	772,666	36,269,153	-	37,039,369
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(772,666)	(605,304)	-	(1,375,520)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 450,883	\$ -	\$ 450,883
Transfers Out	-	(158,500)	-	(158,500)
Total Other Financing Sources (Uses)	-	292,383	-	292,383
NET CHANGE IN FUND BALANCE	(772,666)	(312,921)	-	(1,083,137)
Fund Balance - Beginning of Year	7,573,222	7,573,222	7,573,222	7,573,222
FUND BALANCE - END OF YEAR	<u>\$ 6,800,556</u>	<u>\$ 7,260,301</u>	<u>\$ 7,573,222</u>	<u>\$ 6,490,085</u>

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 32,639,990	\$ -	\$ 32,639,990	\$ 45,267
1,357,317	-	1,357,317	355,617
78,178	-	78,178	23,178
37,751	-	37,751	37,751
20,963	-	20,963	(12,037)
99,298	-	99,298	99,298
1,310,369	-	1,310,369	(101,956)
100,605	-	100,605	36,105
468,638	-	468,638	185,087
1,965	-	1,965	(3,035)
251,931	-	251,931	47,881
357,936	-	357,936	347,936
<u>36,724,941</u>	<u>-</u>	<u>36,724,941</u>	<u>1,061,092</u>
2,265,754	48,949	2,314,703	224,312
3,570,234	7,862	3,578,096	48,352
22,527,924	-	22,527,924	2,280
2,442,520	491,332	2,933,852	24,265
304,998	732	305,730	34,542
1,169,077	223,193	1,392,270	463
55,000	-	55,000	-
1,231,493	-	1,231,493	21,884
1,075,108	4,492	1,079,600	126,415
281,836	-	281,836	22,755
241,936	-	241,936	-
500,000	-	500,000	-
81,121	-	81,121	10,540
<u>35,747,001</u>	<u>776,560</u>	<u>36,523,561</u>	<u>515,808</u>
977,940	(776,560)	201,380	1,576,900
\$ 450,883	\$ -	\$ 450,883	\$ -
(158,500)	-	(158,500)	-
<u>292,383</u>	<u>-</u>	<u>292,383</u>	<u>-</u>
1,270,323	(776,560)	493,763	1,576,900
<u>7,573,222</u>	<u>-</u>	<u>7,573,222</u>	<u>-</u>
<u>\$ 8,843,545</u>	<u>\$ (776,560)</u>	<u>\$ 8,066,985</u>	<u>\$ 1,576,900</u>

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
COMMUNITY PRESERVATION FUND – BUDGET AND ACTUAL (NON-GAAP BUDGETARY
BASIS)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 509,854	\$ -	\$ 509,854
Intergovernmental	-	156,960	-	156,960
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	666,814	-	666,814
EXPENDITURES				
Current:				
Administrative	-	28,008	-	28,008
Projects, Acquisitions, and Other	155,000	220,407	36,199	411,606
Debt Service:				
Principal	-	85,000	-	85,000
Interest	-	22,200	-	22,200
Total Expenditures	155,000	355,615	36,199	546,814
NET CHANGE IN FUND BALANCE	(155,000)	311,199	(36,199)	120,000
Fund Balance - Beginning of Year	1,560,824	1,560,824	1,560,824	1,560,824
FUND BALANCE - END OF YEAR	<u>\$ 1,405,824</u>	<u>\$ 1,872,023</u>	<u>\$ 1,524,625</u>	<u>\$ 1,680,824</u>

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
COMMUNITY PRESERVATION FUND – BUDGET AND ACTUAL (NON-GAAP BUDGETARY
BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 556,917	\$ -	\$ 556,917	\$ 47,063
199,397	-	199,397	42,437
58,762	-	58,762	58,762
	-	-	-
815,076	-	815,076	148,262
7,623	-	7,623	20,385
258,702	152,904	411,606	-
85,000	-	85,000	-
22,200	-	22,200	-
373,525	152,904	526,429	20,385
441,551	(152,904)	288,647	168,647
1,560,824	-	1,560,824	-
\$ 2,002,375	\$ (152,904)	\$ 1,849,471	\$ 168,647

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM
LAST NINE FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	2.768%	2.807%	2.727%	2.749%	2.758%	2.535 %	2.741 %	2.628 %	2.746 %
Town's Proportionate Share of the Net Pension Liability	<u>\$ 12,842,113</u>	<u>\$ 9,745,523</u>	<u>\$ 10,823,445</u>	<u>\$ 11,582,591</u>	<u>\$ 11,651,319</u>	<u>\$ 9,538,820</u>	<u>\$ 10,559,951</u>	<u>\$ 9,546,806</u>	<u>\$ 9,315,055</u>
Town's Covered Payroll	\$ 4,432,595	\$ 4,180,611	\$ 4,056,484	\$ 3,909,649	\$ 3,761,561	\$ 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	289.72%	233.11%	266.82%	296.26%	309.75%	263.98 %	299.43 %	275.07 %	279.46 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.57 %	67.01 %	59.73 %	55.46 %	51.89 %	55.40 %	51.12 %	51.01 %	52.27 %

Note:

Amounts presented were determined as of December 31, of each fiscal year, respectively.

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

**TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF TOWN'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM
LAST NINE FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 1,231,493	\$ 1,163,009	\$ 1,052,821	\$ 987,370	\$ 921,648	\$ 789,304	\$ 794,132	\$ 721,863	\$ 704,356
Contributions in Relation to the Actuarially Required Contribution	<u>(1,231,493)</u>	<u>(1,163,009)</u>	<u>(1,052,821)</u>	<u>(987,370)</u>	<u>(921,648)</u>	<u>(789,304)</u>	<u>(794,132)</u>	<u>(721,863)</u>	<u>(704,356)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 4,432,595	\$ 4,180,611	\$ 4,056,484	\$ 3,909,649	\$ 3,761,561	\$ 3,613,506	\$ 3,526,675	\$ 3,470,734	\$ 3,333,273
Contributions as a Percentage of Covered Payroll	27.78 %	27.82 %	25.95 %	25.25 %	24.50 %	21.84 %	22.52 %	20.80 %	21.13 %

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service Cost	\$ 129,005	\$ 108,782	\$ 232,207	\$ 232,207	\$ 224,658	\$ 284,193	\$ 232,636
Interest on Unfunded Liability	351,071	327,027	252,085	243,109	256,109	238,471	232,202
Change in Assumptions	-	1,241,842	(2,756,271)	-	(336,109)	314,827	-
Differences Between Actual and Expected Experience	-	(674,250)	-	-	(1,250,224)	-	556,505
Benefits Payments	(234,840)	(216,637)	(208,167)	(208,167)	(199,203)	(180,976)	(354,621)
Net Change in Total OPEB Liability	245,236	786,764	(2,480,146)	267,149	(1,304,769)	656,515	666,722
Total OPEB Liability - Beginning	5,680,168	4,893,404	7,373,550	7,106,401	8,411,170	7,754,655	7,087,933
Total OPEB Liability - Ending (a)	5,925,404	5,680,168	4,893,404	7,373,550	7,106,401	8,411,170	7,754,655
Fiduciary Net Position:							
Contributions - Employer	359,840	341,637	1,179,367	208,167	199,203	180,976	354,621
Net Investment Income	88,456	(162,570)	51,186	-	-	-	-
Benefits Payments	(234,840)	(216,637)	(208,167)	(208,167)	(199,203)	(180,976)	(354,621)
Net Change in Fiduciary Net Position	213,456	(37,570)	1,022,386	-	-	-	-
Fiduciary Net Position - Beginning	984,816	1,022,386	-	-	-	-	-
Fiduciary Net Position - Ending (b)	1,198,272	984,816	1,022,386	-	-	-	-
Net OPEB Liability - Ending (a) - (b)	\$ 4,727,132	\$ 4,695,352	\$ 3,871,018	\$ 7,373,550	\$ 7,106,401	\$ 8,411,170	\$ 7,754,655
Covered Employee Payroll	\$ 5,292,480	\$ 5,138,330	\$ 5,548,620	\$ 5,230,107	\$ 5,230,107	\$ 4,938,721	\$ 4,794,875
Net OPEB liability as a Percentage of Covered Employee Payroll	89.32%	91.38%	69.77%	140.98%	135.87%	170.31%	161.73%

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

**TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
LAST SEVEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Required Contribution	\$ 363,427	\$ 341,628	\$ 437,277	\$ 613,310	\$ 659,391	\$ 668,306	\$ 628,305
Contributions in Relation to the Actuarially Required Contribution	<u>(359,840)</u>	<u>(341,637)</u>	<u>(1,179,367)</u>	<u>(208,167)</u>	<u>(199,203)</u>	<u>(180,976)</u>	<u>(354,621)</u>
Contribution Deficiency (Excess)	<u>\$ 3,587</u>	<u>\$ (9)</u>	<u>\$ (742,090)</u>	<u>\$ 405,143</u>	<u>\$ 460,188</u>	<u>\$ 487,330</u>	<u>\$ 273,684</u>
Town's Covered Payroll	\$ 5,578,212	\$ 5,578,212	\$ -	\$ 2,904,765	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	6.52%	6.12%	0.00%	21.11%	0.00%	0.00%	0.00%

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

**TOWN OF HAMILTON, MASSACHUSETTS
SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFITS PLAN
LAST THREE FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.05%	-14.29%	36.09%

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

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, 2023, 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	\$ 36,724,941	\$ 36,523,561	\$ 292,383	\$ 8,066,985
Adjustments and Reclassifications:				
Activity of Stabilization Fund Recorded in the General Fund for GAAP Purposes	23,872	7,124	20,000	2,003,781
Activity of Recreation Stabilization Fund Recorded in the General Fund for GAAP Purposes	41,835	1,092	-	613,508
Activity of Capital Stabilization Fund Recorded in the General Fund for GAAP Purposes	66,138	5,679	-	1,526,299
Net Change in Recording 60-Day Receipts	(71,948)	-	-	61,984
Net Change in Recording Leases	17,878	-	-	36,944
To Record Encumbrances and Continuing Appropriations	<u>-</u>	<u>(776,560)</u>	<u>-</u>	<u>776,560</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 36,802,716</u>	<u>\$ 35,760,896</u>	<u>\$ 312,383</u>	<u>\$ 13,086,061</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BUDGETARY – GAAP RECONCILIATION (CONTINUED)

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	\$ 815,076	\$ 526,429	\$ -	\$ 1,849,471
Adjustments:				
Net Change in Recording Investment Income	-	-	-	10,001
To Record Encumbrances and Continuing Appropriations	-	(152,904)	-	152,904
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 815,076</u>	<u>\$ 373,525</u>	<u>\$ -</u>	<u>\$ 2,012,376</u>

NOTE 2 METHODS AND ASSUMPTIONS – ACTUARIALLY DETERMINED CONTRIBUTIONS – OPEB

The following methods and assumptions from the July 1, 2021 actuarial valuation were used to determine the most recent actuarially determined contribution rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 Years from July 1, 2021
Asset Valuation Method	Market Value
Inflation Rate	2.50%
Healthcare and Medical Cost Trend Rate	9.00%