

TOWN OF HAMILTON, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF HAMILTON, MASSACHUSETTS

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BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Independent Auditors' Report

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Hamilton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hamilton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and budgetary comparison and certain pension and other postemployment benefits information (located on pages 57 through 65) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2014 on our consideration of the Town of Hamilton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hamilton, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
May 16, 2014

Management's Discussion and Analysis

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the Town of Hamilton, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,705,145 (net position). The Town's governmental activities and business-type activities had unrestricted net position totaling \$1,493,889 and \$465,045, respectively.
- The Town's total net position increased by \$2,773,803 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,330,220, or 13.5 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$760,000 during fiscal year 2013.

Overview of the Basic Financial Statements

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

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

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

Government-wide financial statements

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

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

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

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, landfill closure, health and human services, culture and recreation, and debt service (interest). Business-type activities include the water and waste removal operations.

The government-wide financial statements can be found on pages 15-17 of this report.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

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

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

The Town maintains 73 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and community preservation (special revenue) fund, which are considered to be major funds. Data from the other 71 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-21 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

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

The basic proprietary fund financial statements can be found on pages 22-24 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.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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

The basic fiduciary fund financial statements can be found on pages 25-26 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 27-55 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 post employment benefits information, which can be located on pages 57-65 of this report.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 exceeded liabilities by \$20,705,145 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets.....	\$ 9,726,450	\$ 8,083,691	\$ 1,782,426	\$ 654,337	\$ 11,508,876	\$ 8,738,028
Noncurrent assets (excluding capital assets).....	450,484	315,833	-	26,752	450,484	342,585
Capital assets (net).....	16,252,617	13,967,814	6,401,064	5,609,202	22,653,681	19,577,016
Total assets.....	26,429,551	22,367,338	8,183,490	6,290,291	34,613,041	28,657,629
Liabilities						
Current liabilities (excluding debt).....	563,163	725,916	169,349	157,992	732,512	883,908
Noncurrent liabilities (excluding debt).....	3,389,902	2,239,459	100,482	157,920	3,490,384	2,397,379
Current debt.....	1,520,000	520,000	2,235,000	240,000	3,755,000	760,000
Noncurrent debt.....	4,715,000	5,235,000	1,215,000	1,450,000	5,930,000	6,685,000
Total liabilities.....	10,188,065	8,720,375	3,719,831	2,005,912	13,907,896	10,726,287
Net Position						
Net investment in capital assets.....	11,037,935	8,233,133	3,998,614	3,847,044	15,036,549	12,080,177
Restricted.....	3,709,662	3,178,513	-	-	3,709,662	3,178,513
Unrestricted.....	1,493,889	2,235,317	465,045	437,335	1,958,934	2,672,652
Total net position.....	\$ 16,241,486	\$ 13,646,963	\$ 4,463,659	\$ 4,284,379	\$ 20,705,145	\$ 17,931,342

The largest portion of the Town's net position (72.6%) reflects its investment in capital assets (e.g., land, 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 (17.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (9.5% or \$1,958,934) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$1,493,889 may be used to support governmental activities and \$465,045 may be used to support business-type activities.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Changes in Net Position

For the fiscal year ended June 30, 2013, the Town's total net position increased by \$2,773,803, compared to an increase of \$2,402,063 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 898,348	\$ 805,802	\$ 1,068,486	\$ 1,051,418	\$ 1,966,834	\$ 1,857,220
Operating grants and contributions.....	684,658	686,177	73,358	25	758,016	686,202
Capital grants and contributions.....	2,721,717	152,212	57,546	-	2,779,263	152,212
<i>General Revenues:</i>						
Real estate and personal property taxes.....	22,171,379	22,143,677	-	-	22,171,379	22,143,677
Motor vehicle and other excise taxes.....	979,016	937,651	-	-	979,016	937,651
Meals tax.....	65,278	65,829	-	-	65,278	65,829
Penalties and interest on taxes.....	195,502	136,941	-	-	195,502	136,941
Payments in lieu of taxes.....	37,497	83,353	-	-	37,497	83,353
Community preservation surcharges.....	341,480	345,027	-	-	341,480	345,027
Grants and contributions not restricted to specific programs.....	690,029	700,859	-	-	690,029	700,859
Unrestricted investment income.....	18,550	15,041	-	-	18,550	15,041
Total revenues.....	28,803,454	26,072,569	1,199,390	1,051,443	30,002,844	27,124,012
Expenses						
General government.....	2,091,960	1,894,019	-	-	2,091,960	1,894,019
Public safety.....	3,755,622	3,618,235	-	-	3,755,622	3,618,235
Education.....	15,804,319	16,075,287	-	-	15,804,319	16,075,287
Public works.....	1,468,960	1,464,704	-	-	1,468,960	1,464,704
Landfill closure.....	796,093	(1,651,300)	-	-	796,093	(1,651,300)
Health and human services.....	450,090	440,157	-	-	450,090	440,157
Culture and recreation.....	1,228,454	1,354,821	-	-	1,228,454	1,354,821
Hamilton Development Corporation.....	173,296	-	-	-	173,296	-
Debt service - interest.....	210,799	218,278	-	-	210,799	218,278
Water.....	-	-	793,743	842,316	793,743	842,316
Waste removal.....	-	-	455,705	465,432	455,705	465,432
Total expenses.....	25,979,593	23,414,201	1,249,448	1,307,748	27,229,041	24,721,949
Change in net assets before transfers.....	2,823,861	2,658,368	(50,058)	(256,305)	2,773,803	2,402,063
Transfers, net.....	(229,338)	(327,824)	229,338	327,824	-	-
Change in net assets.....	2,594,523	2,330,544	179,280	71,519	2,773,803	2,402,063
Net assets - beginning of year.....	13,646,963	11,316,419	4,284,379	4,212,860	17,931,342	15,529,279
Net assets - end of year.....	\$ 16,241,486	\$ 13,646,963	\$ 4,463,659	\$ 4,284,379	\$ 20,705,145	\$ 17,931,342

Governmental activities increased the Town's net position by \$2,594,523. In the prior year, governmental activities increased the Town's net position by \$2,330,544. The key elements of this change was the overall net change in the Town's estimated liability for landfill closure of approximately \$2,400,000, offset by an increase in capital grants and contributions totaling approximately \$2,570,000.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Business-type activities increased the Town's net position by \$179,280. In the prior year, business-type activities increased the Town's net position by \$71,519. The key element of this change was the increase of approximately \$58,000 in capital contributions related to the leasing of trash barrels in the waste removal enterprise fund.

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$7,897,474, an increase of \$1,008,955 in comparison with the prior year. Approximately \$3,197,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$281,372)
- Restricted (\$3,606,500)
- Committed (\$614,358)
- Assigned (\$198,046)

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 \$3,330,220, while total fund balance was \$4,222,873. 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 13.5% of total general fund expenditures and transfers out, while total fund balance represents 17.1% of that same amount.

The balance of the Town's general fund increased by \$641,755 during fiscal year 2013. The Town recognized a budgetary surplus of approximately \$1,222,000 (excluding encumbrances and continuing appropriations) and utilized \$737,114 of reserves to fund appropriations during fiscal year 2013.

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

The fund balance of the community preservation fund (special revenue) increased by \$311,388 during the current fiscal year. The fund recognized \$341,398 in surcharges, \$92,731 in intergovernmental revenues, \$18,870 in contributions and an investment loss of \$11,720. Expenditures of \$129,891 were incurred during the fiscal year.

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 and waste removal enterprise funds at the end of the year amounted to \$431,094 and \$33,951, respectively. The water fund had an increase in net position for the year of \$106,203 and the waste removal fund had an increase of \$73,077. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

General Fund Budgetary Highlights

The original general fund budget totaled \$25,089,939. During the year, supplemental appropriations totaling \$328,352 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Transfers to Hamilton Development Corporation.....	\$ 147,000	Unassigned fund balance
Public works.....	112,000	Unassigned fund balance
Finance reserve fund.....	26,571	Insurance reimbursement special revenue fund
Debt service - interest.....	17,974	Unassigned fund balance
Council on Aging.....	12,407	Unassigned fund balance
Retroactive cost of living adjustment.....	12,400	Unassigned fund balance
Total increase.....	\$ 328,352	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$852,000. Encumbrances and continuing appropriations total \$369,403 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 \$22,653,681 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, machinery and equipment, vehicles, library books, software, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled \$3,076,665 or 15.7% (a 11.7% increase for governmental activities and a 4.0% increase for business-type activities).

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

- Patton land and building donation (\$2,135,300)
- Water distribution system (\$875,000)
- Infrastructure projects (\$292,025)

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Land.....	\$ 2,540,753	\$ 1,428,053	\$ 283,912	\$ 283,912	\$ 2,824,665	\$ 1,711,965
Improvements.....	703,671	743,587	-	-	703,671	743,587
Buildings.....	9,783,801	9,081,064	2,572,924	2,652,634	12,356,725	11,733,698
Machinery and equipment.....	400,505	454,300	117,037	141,560	517,542	595,860
Vehicles.....	282,915	161,632	129,613	1,146	412,528	162,778
Library books.....	-	13,281	-	-	-	13,281
Infrastructure.....	2,301,665	2,085,897	3,297,578	2,529,950	5,599,243	4,615,847
Construction in progress.....	239,307	-	-	-	239,307	-
Total capital assets.....	\$ 16,252,617	\$ 13,967,814	\$ 6,401,064	\$ 5,609,202	\$ 22,653,681	\$ 19,577,016

Additional information on the Town's capital assets can be found in Note 5 on pages 42-43 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$6,685,000, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
General obligation bonds.....	\$ 5,235,000	\$ 5,755,000	\$ 1,450,000	\$ 1,690,000	\$ 6,685,000	\$ 7,445,000

The Town's total bonded debt decreased by \$760,000 during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 46-47 of this report.

Economic Factors, Next Year's Budget and Rates

Every year a balanced budget is developed based on the availability of levy which includes the 2 ½% increase and new growth, forecasted state aid and local receipts projections. The Town has reached a true baseline for budgeted services that fits within a modest growth of taxable levy and local receipts. Fiscal year 2013 revenues exceed the projection by 3% with a continued turn around in Motor Vehicle Excise Tax. Combined with a continued reduction in outstanding receivables by 19% and an expense surplus of 1.6% the Town was able to maintain 5% reserve objective for the General Fund.

The challenge is to develop a fiscal year 2014 budget that continues a sustainable balance between rising expenses, a slow growing local economy and the ability to fund based on a 95% residential tax base. As the department heads, Finance and Advisory Committee and the Board of Selectman continue to explore cost containment efforts, in full understanding that expenditure increases, for such items as retirement, insurances, and selective capital lease/purchases are inevitable. The Finance and Advisory Committee is recommending to the Board of Selectmen a modest cost-of-living increase (COLA) for Town employees and the use of some of the reserve surplus for the purchase of vehicles.

TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The Town of Hamilton continues to move forward with the development of the Landfill into revenue producing anaerobic digester and solar field site. The completion of the fatal flaw study recommended the implementation of a scalable system with a growth capacity of up to 200 tons of organic material daily. The first phase is the implementation of the first curbside organic waste collection and disposal bylaws and operation in the State. A three tiered trash and recyclable approach results in a projected cost reduction of 20% by 2015. The anaerobic digester projected new net revenue for 2015 of 10%. The scalability of the operation will provide a growth factor of 200% for local receipts as the environmental regulations are implemented for removing organic trash from the waste stream state-wide.

The Town has created the Hamilton Development Corporation to lead targeted development for the downtown area and the historic large estates.

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.

Basic Financial Statements

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hamilton Development Corporation
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 3,924,836	\$ 383,276	\$ 4,308,112	\$ 174,236
Restricted cash and cash equivalents.....	2,612,338	1,129,043	3,741,381	-
Investments.....	522,882	-	522,882	-
Restricted investments.....	2,131,292	-	2,131,292	-
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	219,233	-	219,233	-
Tax and utility liens.....	75,147	1,594	76,741	-
Motor vehicle and other excise taxes.....	91,180	-	91,180	-
Community preservation surcharges.....	2,429	-	2,429	-
Water charges.....	-	245,802	245,802	-
Departmental and other.....	15,077	-	15,077	-
Intergovernmental.....	128,735	22,711	151,446	-
Loans.....	3,301	-	3,301	-
Total current assets.....	<u>9,726,450</u>	<u>1,782,426</u>	<u>11,508,876</u>	<u>174,236</u>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Real estate tax deferrals.....	76,942	-	76,942	-
Loans.....	11,554	-	11,554	-
Tax foreclosures.....	361,988	-	361,988	-
Capital assets not being depreciated.....	2,780,060	283,912	3,063,972	-
Capital assets, net of accumulated depreciation.....	<u>13,472,557</u>	<u>6,117,152</u>	<u>19,589,709</u>	<u>-</u>
Total noncurrent assets.....	<u>16,703,101</u>	<u>6,401,064</u>	<u>23,104,165</u>	<u>-</u>
Total assets.....	<u>26,429,551</u>	<u>8,183,490</u>	<u>34,613,041</u>	<u>174,236</u>
LIABILITIES				
Current liabilities:				
Warrants payable.....	193,966	74,856	268,822	930
Accrued payroll.....	173,381	14,391	187,772	-
Tax refunds payable.....	125,903	-	125,903	-
Other liabilities.....	1,169	-	1,169	-
Accrued interest.....	49,776	-	49,776	-
Capital lease obligations.....	-	77,588	77,588	-
Compensated absences.....	18,968	2,514	21,482	-
Short-term notes payable.....	1,000,000	2,000,000	3,000,000	-
Long-term bonds and notes payable.....	<u>520,000</u>	<u>235,000</u>	<u>755,000</u>	<u>-</u>
Total current liabilities.....	<u>2,083,163</u>	<u>2,404,349</u>	<u>4,487,512</u>	<u>930</u>
Noncurrent liabilities:				
Landfill closure and post-closure.....	1,660,956	-	1,660,956	-
Compensated absences.....	170,710	22,625	193,335	-
Net OPEB obligation.....	1,558,236	77,857	1,636,093	-
Long-term bonds and notes payable.....	<u>4,715,000</u>	<u>1,215,000</u>	<u>5,930,000</u>	<u>-</u>
Total noncurrent liabilities.....	<u>8,104,902</u>	<u>1,315,482</u>	<u>9,420,384</u>	<u>-</u>
Total liabilities.....	<u>10,188,065</u>	<u>3,719,831</u>	<u>13,907,896</u>	<u>930</u>
NET POSITION				
Net investment in capital assets.....	11,037,935	3,998,614	15,036,549	-
Restricted for:				
Other postemployment benefits.....	80,249	-	80,249	-
Community preservation.....	2,230,313	-	2,230,313	-
Affordable housing.....	112,186	-	112,186	-
Loans.....	14,855	-	14,855	-
Permanent funds:				
Expendable.....	295,649	-	295,649	-
Nonexpendable.....	266,517	-	266,517	-
Other specific purposes.....	709,893	-	709,893	-
Unrestricted.....	<u>1,493,889</u>	<u>465,045</u>	<u>1,958,934</u>	<u>173,306</u>
Total net position.....	<u>\$ 16,241,486</u>	<u>\$ 4,463,659</u>	<u>\$ 20,705,145</u>	<u>\$ 173,306</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 2,091,960	\$ 166,774	\$ 144,559	\$ -	\$ (1,780,627)
Public safety.....	3,755,622	455,770	272,917	-	(3,026,935)
Education.....	15,804,319	-	-	-	(15,804,319)
Public works.....	1,468,960	35,111	16,956	388,255	(1,028,638)
Landfill closure.....	796,093	-	-	-	(796,093)
Health and human services.....	450,090	61,237	46,616	-	(342,237)
Culture and recreation.....	1,228,454	179,456	196,225	2,333,462	1,480,689
Hamilton Development Corporation.....	173,296	-	-	-	(173,296)
Debt service - interest.....	210,799	-	7,385	-	(203,414)
Total governmental activities.....	25,979,593	898,348	684,658	2,721,717	(21,674,870)
Business-type activities:					
Water.....	793,743	989,699	15,179	-	211,135
Waste removal.....	455,705	78,787	58,179	57,546	(261,193)
Total business-type activities.....	1,249,448	1,068,486	73,358	57,546	(50,058)
Total primary government.....	\$ 27,229,041	\$ 1,966,834	\$ 758,016	\$ 2,779,263	\$ (21,724,928)
Component unit:					
Hamilton Development Corporation.....	\$ -	\$ -	\$ 173,296	\$ -	\$ 173,296

(continued)

TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net position:				
Net (expense)/revenue (from previous page).....	\$ (21,674,870)	\$ (50,058)	\$ (21,724,928)	\$ 173,296
<i>General revenues:</i>				
Real estate and personal property taxes.....	22,171,379	-	22,171,379	-
Motor vehicle and other excise taxes.....	979,016	-	979,016	-
Meals tax.....	65,278	-	65,278	-
Penalties and interest on taxes.....	195,502	-	195,502	-
Payments in lieu of taxes.....	37,497	-	37,497	-
Community preservation surcharges.....	341,480	-	341,480	-
Grants and contributions not restricted to specific programs.....	690,029	-	690,029	-
Unrestricted investment income.....	18,550	-	18,550	10
<i>Transfers, net</i>	(229,338)	229,338	-	-
Total general revenues and transfers.....	<u>24,269,393</u>	<u>229,338</u>	<u>24,498,731</u>	<u>10</u>
Change in net position.....	2,594,523	179,280	2,773,803	173,306
Net position - beginning of year.....	13,646,963	4,284,379	17,931,342	-
Net position - end of year.....	<u>\$ 16,241,486</u>	<u>\$ 4,463,659</u>	<u>\$ 20,705,145</u>	<u>\$ 173,306</u>

(concluded)

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

ASSETS	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 3,924,836	\$ -	\$ -	\$ 3,924,836
Investments.....	522,882	-	-	522,882
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	219,233	-	-	219,233
Real estate tax deferrals.....	76,942	-	-	76,942
Tax liens.....	75,147	-	-	75,147
Motor vehicle and other excise taxes.....	91,180	-	-	91,180
Community preservation surcharges.....	-	2,429	-	2,429
Departmental and other.....	6,191	-	8,886	15,077
Intergovernmental.....	-	-	128,735	128,735
Loans.....	-	-	14,855	14,855
Tax foreclosures.....	361,988	-	-	361,988
Restricted assets:				
Cash and cash equivalents.....	496	515,241	2,096,601	2,612,338
Investments.....	79,753	1,719,228	332,311	2,131,292
TOTAL ASSETS.....	\$ 5,358,648	\$ 2,236,898	\$ 2,581,388	\$ 10,176,934
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 131,383	\$ 6,255	\$ 56,328	\$ 193,966
Accrued payroll.....	157,328	330	15,723	173,381
Tax refunds payable.....	125,903	-	-	125,903
Other liabilities.....	1,169	-	-	1,169
Deferred revenue.....	719,992	2,429	62,620	785,041
Short-term notes payable.....	-	-	1,000,000	1,000,000
TOTAL LIABILITIES.....	1,135,775	9,014	1,134,671	2,279,460
FUND BALANCES:				
Nonspendable.....	-	-	281,372	281,372
Restricted.....	80,249	2,227,884	1,298,367	3,606,500
Committed.....	614,358	-	-	614,358
Assigned.....	198,046	-	-	198,046
Unassigned.....	3,330,220	-	(133,022)	3,197,198
TOTAL FUND BALANCES.....	4,222,873	2,227,884	1,446,717	7,897,474
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 5,358,648	\$ 2,236,898	\$ 2,581,388	\$ 10,176,934

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real estate and personal property taxes.....	\$ 21,964,970	\$ -	\$ -	\$ 21,964,970
Motor vehicle and other excise taxes.....	939,330	-	-	939,330
Meals tax.....	65,278	-	-	65,278
Tax liens.....	378,486	-	-	378,486
Payments in lieu of taxes.....	37,497	-	-	37,497
Community preservation surcharges.....	-	341,398	-	341,398
Charges for services.....	-	-	393,818	393,818
Intergovernmental	910,880	92,731	588,004	1,591,615
Penalties and interest on taxes.....	195,502	-	-	195,502
Licenses and permits.....	250,897	-	-	250,897
Fines and forfeitures.....	3,575	-	-	3,575
Departmental and other.....	245,857	-	76,492	322,349
Contributions.....	-	18,870	222,249	241,119
Investment income (loss).....	17,415	(11,720)	3,616	9,311
TOTAL REVENUES.....	25,009,687	441,279	1,284,179	26,735,145
EXPENDITURES				
Current:				
General government.....	1,518,015	15,044	40,208	1,573,267
Public safety.....	2,209,365	-	366,159	2,575,524
Education.....	15,753,979	-	-	15,753,979
Public works.....	1,122,028	-	440,992	1,563,020
Health and human services.....	163,404	2,440	17,257	183,101
Culture and recreation.....	798,796	64,607	315,037	1,178,440
Hamilton Development Corporation.....	173,296	-	-	173,296
Pension benefits.....	614,464	-	-	614,464
Employee benefits.....	736,342	-	-	736,342
Property and liability insurance.....	186,220	-	-	186,220
State and county charges.....	231,228	-	-	231,228
Debt service:				
Principal.....	480,000	40,000	-	520,000
Interest.....	207,556	7,800	-	215,356
TOTAL EXPENDITURES.....	24,194,693	129,891	1,179,653	25,504,237
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	814,994	311,388	104,526	1,230,908
OTHER FINANCING SOURCES (USES)				
Transfers in.....	383,021	-	413	383,434
Premium from issuance of bonds and notes.....	7,385	-	-	7,385
Transfers out.....	(563,645)	-	(49,127)	(612,772)
TOTAL OTHER FINANCING SOURCES (USES).....	(173,239)	-	(48,714)	(221,953)
NET CHANGE IN FUND BALANCES.....	641,755	311,388	55,812	1,008,955
FUND BALANCES AT BEGINNING OF YEAR.....	3,581,118	1,916,496	1,390,905	6,888,519
FUND BALANCES AT END OF YEAR.....	\$ 4,222,873	\$ 2,227,884	\$ 1,446,717	\$ 7,897,474

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total governmental fund balances (page 18).....	\$	7,897,474
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		16,252,617
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		785,041
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(49,776)
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.....		(5,235,000)
Landfill closure and post-closure.....		(1,660,956)
Compensated absences.....		(189,678)
Net OPEB obligation.....		<u>(1,558,236)</u>
Net position of governmental activities (page 15).....	\$	<u>16,241,486</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 19).....	\$	1,008,955
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		2,895,137
Depreciation.....		(598,055)
<p>In the statement of activities, only the <i>gain/loss</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....</p>		
		(12,279)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(74,377)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond maturities.....		520,000
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		4,558
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Landfill closure.....		(747,956)
Compensated absences.....		10,269
Net OPEB obligation.....		(411,729)
Changes in net assets of governmental activities (page 17).....	\$	2,594,523

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
ASSETS	Water	Waste Removal (Nonmajor)	Total
Current assets:			
Cash and cash equivalents.....	\$ 326,544	\$ 56,732	\$ 383,276
Restricted cash and cash equivalents.....	1,129,043	-	1,129,043
Receivables, net of allowance for uncollectible amounts:			
Water charges.....	245,802	-	245,802
Water liens.....	1,594	-	1,594
Intergovernmental.....	-	22,711	22,711
Total current assets.....	1,702,983	79,443	1,782,426
Noncurrent assets:			
Capital assets not being depreciated.....	283,912	-	283,912
Capital assets, net of accumulated depreciation.....	6,010,725	106,427	6,117,152
Total noncurrent assets.....	6,294,637	106,427	6,401,064
Total assets.....	7,997,620	185,870	8,183,490
LIABILITIES			
Current liabilities:			
Warrants payable.....	29,486	45,370	74,856
Accrued payroll.....	14,269	122	14,391
Capital lease obligations.....	-	77,588	77,588
Compensated absences.....	2,514	-	2,514
Short-term notes payable.....	2,000,000	-	2,000,000
Long-term bonds and notes payable.....	235,000	-	235,000
Total current liabilities.....	2,281,269	123,080	2,404,349
Noncurrent liabilities:			
Compensated absences.....	22,625	-	22,625
Net OPEB obligation.....	77,857	-	77,857
Long-term bonds and notes payable.....	1,215,000	-	1,215,000
Total noncurrent liabilities.....	1,315,482	-	1,315,482
Total liabilities.....	3,596,751	123,080	3,719,831
FUND NET POSITION			
Net investment in capital assets.....	3,969,775	28,839	3,998,614
Unrestricted.....	431,094	33,951	465,045
Total net position.....	\$ 4,400,869	\$ 62,790	\$ 4,463,659

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
OPERATING REVENUES			
Charges for services.....	\$ 979,066	\$ 78,787	\$ 1,057,853
Penalties and interest.....	3,008	-	3,008
Other.....	7,625	-	7,625
TOTAL OPERATING REVENUES.....	989,699	78,787	1,068,486
OPERATING EXPENSES			
Cost of service and administration.....	549,538	425,297	974,835
Depreciation.....	203,905	30,408	234,313
TOTAL OPERATING EXPENSES.....	753,443	455,705	1,209,148
OPERATING INCOME (LOSS).....	236,256	(376,918)	(140,662)
NONOPERATING REVENUES (EXPENSES)			
Premium from issuance of bonds and notes.....	14,993	-	14,993
Intergovernmental.....	-	57,546	57,546
Investment income.....	186	2	188
Interest expense.....	(40,300)	-	(40,300)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(25,121)	57,548	32,427
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	211,135	(319,370)	(108,235)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions.....	-	58,177	58,177
Transfers in.....	229,375	334,270	563,645
Transfers out.....	(334,307)	-	(334,307)
CHANGE IN FUND NET POSITION.....	106,203	73,077	179,280
FUND NET POSITION AT BEGINNING OF YEAR.....	4,294,666	(10,287)	4,284,379
FUND NET POSITION AT END OF YEAR.....	\$ 4,400,869	\$ 62,790	\$ 4,463,659

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users.....	\$ 985,411	\$ 136,332	\$ 1,121,743
Payments to vendors.....	(260,919)	(453,471)	(714,390)
Payments to employees.....	(262,461)	(1,297)	(263,758)
NET CASH FROM OPERATING ACTIVITIES.....	<u>462,031</u>	<u>(318,436)</u>	<u>143,595</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	229,375	334,270	563,645
Transfers out.....	(334,307)	-	(334,307)
Intergovernmental.....	-	57,546	57,546
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(104,932)</u>	<u>391,816</u>	<u>286,884</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the issuance of bonds and notes.....	2,000,000	-	2,000,000
Premium from the issuance of bonds and notes.....	14,993	-	14,993
Capital contributions.....	-	58,177	58,177
Acquisition and construction of capital assets.....	(1,026,175)	-	(1,026,175)
Principal payments on bonds and notes.....	(240,000)	-	(240,000)
Principal payments on capital lease obligations.....	-	(74,827)	(74,827)
Interest expense.....	(40,300)	-	(40,300)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>708,518</u>	<u>(16,650)</u>	<u>691,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	186	2	188
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,065,803	56,732	1,122,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	389,784	-	389,784
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 1,455,587</u>	<u>\$ 56,732</u>	<u>\$ 1,512,319</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ 236,256	\$ (376,918)	\$ (140,662)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Changes in assets and liabilities not requiring current cash flows:			
Depreciation.....	203,905	30,408	234,313
Increase in net OPEB obligation.....	19,401	-	19,401
Effect of changes in operating assets and liabilities:			
Water charges.....	(3,822)	-	(3,822)
Water liens.....	(466)	-	(466)
Intergovernmental.....	-	57,545	57,545
Due to other funds.....	-	(32,059)	(32,059)
Warrants payable.....	1,196	2,466	3,662
Accrued payroll.....	4,729	122	4,851
Compensated absences.....	832	-	832
Total adjustments.....	<u>225,775</u>	<u>58,482</u>	<u>284,257</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 462,031</u>	<u>\$ (318,436)</u>	<u>\$ 143,595</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

ASSETS	<u>Private Purpose Trust Funds</u>
Cash and cash equivalents.....	\$ 41,202
Investments.....	<u>26,112</u>
Total assets.....	<u>67,314</u>
 LIABILITIES	
Warrants payable.....	<u>1,600</u>
 NET POSITION	
Assets held in trust for other purposes.....	<u><u>\$ 65,714</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ 13,019
Net investment income:	
Interest.....	<u>214</u>
TOTAL ADDITIONS.....	<u>13,233</u>
DEDUCTIONS	
Other.....	<u>58,641</u>
CHANGE IN NET POSITION.....	(45,408)
NET POSITION AT BEGINNING OF YEAR.....	<u>111,122</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 65,714</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Discretely Presented Component Unit

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

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

Joint Ventures

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

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 2013, the Town paid approximately \$563,000 to the Town of Wenham to cover the Town's portion of the operating and administrative costs.

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

Hamilton-Wenham Emergency Center

The Hamilton-Wenham Emergency Center (Center) is the control point for all emergency and non-emergency calls for public safety. 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 Center. Accordingly, all revenues and expenditures associated with the Center are accounted for by the Town of Hamilton. During fiscal year 2013, the Center's operating and administrative expenditures totaled approximately \$471,000. The Town of Wenham paid the Town of Hamilton approximately \$131,000 for their share of the Center's costs.

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

Hamilton-Wenham Recreation Department

The Towns of Hamilton and Wenham operate a joint recreation department (Department). Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Department. Accordingly, all revenues and expenditures associated with the Department are accounted for by the Town of Hamilton. During fiscal year 2013, the Department's operating and administrative expenditures totaled approximately \$139,000. The Town of Wenham paid the Town of Hamilton approximately \$48,000 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.

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (District) is governed by a six member school committee consisting of one appointed and two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Operating costs are apportioned amongst the Towns based on the assessed values on their last three tax recapitulation sheets. Capital costs, including debt service, are apportioned amongst the Towns based on a combination of the three year valuation average and pupil enrollments. For the fiscal year ended June 30, 2013, the Town's assessment for operating and capital costs totaled approximately \$15,140,000 and \$471,000, respectively.

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

North Shore Technical School

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative from each member town, including the Town of Hamilton. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2013, the Town's assessment totaled approximately \$143,000. Separate financial statements may be obtained by writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts 01949.

C. Implementation of New Accounting Principles

For the year ending June 30, 2013, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position and defining net position to incorporate the effects of deferred inflows and outflows.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following proprietary funds are reported:

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

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

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

The following fiduciary fund type is reported:

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

F. Deposits 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.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed 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 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

Water Charges and Water Liens

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Departmental and Other

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

Loans

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

Intergovernmental

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

H. Allowance for Uncollectible Amounts

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

Governmental Funds Financial Statements

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

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Financial Statements

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

M. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

O. Net Position and Fund Balances

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

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

Net position have been "restricted" for the following:

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

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

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

"Loans" represents outstanding septic loans receivable.

"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.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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“Other specific purposes” represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

P. 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 deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. At June 30, 2013, no material premiums or discounts are reported.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2013

Q. *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 are retained in the funds.

Investment income from the water enterprise is retained in the fund. Investment income from the waste removal enterprise fund is voluntarily transferred to the general fund.

R. *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.

S. *Post Retirement Benefits*

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 12, the Town provides health insurance coverage for current and future retirees and their spouses.

T. *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.

U. *Total Column*

Government-Wide Financial Statements

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

Fund Financial Statements

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

TOWN OF HAMILTON, MASSACHUSETTS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$25,089,939 in appropriations. During fiscal year 2013, supplemental appropriations totaling \$328,352 were authorized. The original fiscal year 2013 approved budget for the community preservation fund authorized \$386,271 in appropriations. During fiscal year 2013, supplemental appropriations totaling \$182,500 were authorized.

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

B. Individual Fund Deficits

At June 30, 2013, the following fund deficits exist:

Fund	Amount	Funding Source
ECO Grant.....	\$ 26,649	State grant
Energy Conservation.....	16,409	State grant

C. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2013, expenditures and encumbrances and continuing appropriations exceeded appropriations for state and county charges.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 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 and the private purpose trust funds are held separately from other Town funds.

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 does not have a policy for custodial credit risk of deposits. As of June 30, 2013, \$4,983,431 of the Town’s bank balance of \$7,709,923 was uninsured and uncollateralized.

Investments Summary

The Town’s investments at June 30, 2013 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Agencies.....	\$ 377,076	\$ -	\$ 377,076
Corporate bonds.....	446,077	-	446,077
Money market mutual funds.....	339,849	339,849	-
Mutual bond funds.....	603,308	603,308	-
Certificates of deposit.....	1,221,710	201,365	1,020,345
External investment pool.....	53,066	53,066	-
 Total debt securities.....	 3,041,086	 \$ 1,197,588	 \$ 1,843,498
<u>Other Investments:</u>			
Equity securities.....	179,335		
Equity mutual funds.....	54,147		
 Total other investments.....	 233,482		
 Total investments.....	 \$ 3,274,568		

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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, 2013, the Town's investments were not exposed to custodial credit.

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, 2013, the credit ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *			
		A-	AA+	BBB+	Unrated
Corporate bonds.....	\$ 446,077	\$ 39,836	\$ 176,586	\$ 229,654	\$ -
Money market mutual funds.....	339,849	-	-	-	339,849
Certificates of deposit.....	1,221,710	-	-	-	1,221,710
Mutual bond funds.....	603,308	-	-	-	603,308
U.S.Agency.....	377,076	-	377,076	-	-
Equity securities.....	179,335	-	-	-	179,335
Equity mutual funds.....	54,147	-	-	-	54,146
External investment pool (MMDT)	53,066	-	-	-	53,066
Total.....	\$ 3,274,568	\$ 39,836	\$ 553,662	\$ 229,654	\$ 2,451,415

* Per the rating scale of Standard and Poor's (a national credit rating organization)

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2013, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 219,233	\$ -	\$ 219,233
Real estate tax deferrals.....	76,942	-	76,942
Tax liens.....	75,147	-	75,147
Motor vehicle and other excise taxes.....	91,180	-	91,180
Community preservation surcharges.....	2,429	-	2,429
Departmental and other.....	15,077	-	15,077
Intergovernmental.....	128,735	-	128,735
Loans.....	14,855	-	14,855
	<u>\$ 623,598</u>	<u>\$ -</u>	<u>\$ 623,598</u>

At June 30, 2013, receivables for the water and waste removal enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water.....	\$ 245,802	\$ -	\$ 245,802
Water liens.....	1,594	-	1,594
Intergovernmental - waste removal.....	22,711	-	22,711
	<u>\$ 270,107</u>	<u>\$ -</u>	<u>\$ 270,107</u>

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Community Preservation	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 108,544	\$ -	\$ -	\$ 108,544
Real estate tax deferrals.....	76,942	-	-	76,942
Tax liens.....	75,147	-	-	75,147
Motor vehicle and other excise taxes.....	91,180	-	-	91,180
Community preservation surcharges.....	-	2,429	-	2,429
Departmental and other.....	6,191	-	8,886	15,077
Intergovernmental (other state and federal)....	-	-	53,734	53,734
Tax foreclosures.....	361,988	-	-	361,988
	<u>\$ 719,992</u>	<u>\$ 2,429</u>	<u>\$ 62,620</u>	<u>\$ 785,041</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,428,053	\$ 1,112,700	\$ -	\$ 2,540,753
Construction in progress.....	-	239,307	-	239,307
 Total capital assets not being depreciated..	 <u>1,428,053</u>	 <u>1,352,007</u>	 <u>-</u>	 <u>2,780,060</u>
<u>Capital assets being depreciated:</u>				
Improvements.....	1,020,120	-	-	1,020,120
Buildings.....	13,545,732	1,022,600	-	14,568,332
Machinery and equipment.....	1,108,315	15,296	-	1,123,611
Vehicles.....	1,395,467	213,209	(123,110)	1,485,566
Library books.....	265,666	-	-	265,666
Software.....	20,765	-	-	20,765
Infrastructure.....	6,204,328	292,025	-	6,496,353
 Total capital assets being depreciated.....	 <u>23,560,393</u>	 <u>1,543,130</u>	 <u>(123,110)</u>	 <u>24,980,413</u>
<u>Less accumulated depreciation for:</u>				
Improvements.....	(276,533)	(39,916)	-	(316,449)
Buildings.....	(4,464,668)	(319,863)	-	(4,784,531)
Machinery and equipment.....	(654,015)	(69,091)	-	(723,106)
Vehicles.....	(1,233,835)	(79,647)	110,831	(1,202,651)
Library books.....	(252,385)	(13,281)	-	(265,666)
Software.....	(20,765)	-	-	(20,765)
Infrastructure.....	(4,118,431)	(76,257)	-	(4,194,688)
 Total accumulated depreciation.....	 <u>(11,020,632)</u>	 <u>(598,055)</u>	 <u>110,831</u>	 <u>(11,507,856)</u>
 Total capital assets being depreciated, net.....	 <u>12,539,761</u>	 <u>945,075</u>	 <u>(12,279)</u>	 <u>13,472,557</u>
 Total governmental activities capital assets, net... \$	 <u><u>13,967,814</u></u>	 <u><u>2,297,082</u></u>	 <u><u>(12,279)</u></u>	 <u><u>16,252,617</u></u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 283,912	\$ -	\$ -	\$ 283,912
<u>Capital assets being depreciated:</u>				
Buildings.....	3,454,199	-	-	3,454,199
Machinery and equipment.....	227,539	7,300	-	234,839
Vehicles.....	61,712	144,013	(22,900)	182,825
Infrastructure.....	5,356,164	874,862	-	6,231,026
Total capital assets being depreciated.....	9,099,614	1,026,175	(22,900)	10,102,889
<u>Less accumulated depreciation for:</u>				
Buildings.....	(801,565)	(79,710)	-	(881,275)
Machinery and equipment.....	(85,979)	(31,823)	-	(117,802)
Vehicles.....	(60,566)	(15,546)	22,900	(53,212)
Infrastructure.....	(2,826,214)	(107,234)	-	(2,933,448)
Total accumulated depreciation.....	(3,774,324)	(234,313)	22,900	(3,985,737)
Total capital assets being depreciated, net.....	5,325,290	791,862	-	6,117,152
Total business-type activities capital assets, net.....	\$ 5,609,202	\$ 791,862	\$ -	\$ 6,401,064

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

Governmental Activities:

General government.....	\$ 32,794
Public safety.....	245,240
Education.....	37,865
Public works.....	130,513
Culture and recreation.....	151,643

Total depreciation expense - governmental activities..... \$ 598,055

Business-Type Activities:

Water.....	\$ 203,905
Waste removal.....	30,408

Total depreciation expense - business-type activities..... \$ 234,313

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Waste Removal Fund	
General Fund.....	\$ -	\$ -	\$ 229,375	\$ 334,270	\$ 563,645 (1)
Nonmajor Governmental Funds....	48,714	413	-	-	49,127 (2)
Water Enterprise Fund.....	334,307	-	-	-	334,307 (3)
	\$ 383,021	\$ 413	\$ 229,375	\$ 334,270	\$ 947,079

(1) Represents budgeted transfers to the water enterprise fund for debt service costs (\$229,375) and general fund subsidy of the waste removal enterprise fund (\$334,270).

(2) Represents budgeted transfers from the insurance reimbursement (\$26,571), cemetery perpetual care (\$20,000) and sale of lots and graves (\$2,000) funds. Also represents transfers from unemployment compensation special revenue fund (\$143) to general fund and transfer from the Clark fund (\$413) to the conservation commission fund.

(3) Represents a budgeted transfer from the water enterprise fund (\$334,307) to the general fund for indirect costs.

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.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
BAN	Landfill closure.....	5/24/13	5/23/14	1.25%	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000

Notes Payable - Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
BAN	Water.....	5/24/13	5/23/14	1.25%	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000

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, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 5,755,000	\$ -	\$ (520,000)	\$ 5,235,000	\$ 520,000
Landfill closure and post-closure....	913,000	796,093	(48,137)	1,660,956	-
Net OPEB obligation.....	1,146,507	563,857	(152,128)	1,558,236	-
Compensated absences.....	199,947	-	(10,269)	189,678	18,968
Total.....	<u>\$ 8,014,454</u>	<u>\$ 1,359,950</u>	<u>\$ (730,533)</u>	<u>\$ 8,643,870</u>	<u>\$ 538,968</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 1,690,000	\$ -	\$ (240,000)	\$ 1,450,000	\$ 235,000
Capital lease obligations.....	152,415	-	(74,827)	77,588	-
Net OPEB obligation.....	58,456	26,569	(7,168)	77,857	-
Compensated absences.....	24,307	832	-	25,139	2,514
Total.....	<u>\$ 1,925,178</u>	<u>\$ 27,401</u>	<u>\$ (321,995)</u>	<u>\$ 1,630,584</u>	<u>\$ 237,514</u>

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

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 - LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Public Safety Building.....	09/15/25	3.65 - 5.00	\$ 4,135,000	\$ -	\$ (300,000)	\$ 3,835,000
State House Serial Loan Notes.....	02/01/17	5.20	125,000	-	(25,000)	100,000
Library Refunding.....	05/15/20	2.00 - 3.00	940,000	-	(125,000)	815,000
Donovan Property.....	05/15/20	2.00 - 3.00	320,000	-	(40,000)	280,000
Energy Services Contract (ESCO)....	05/15/20	2.00 - 3.00	235,000	-	(30,000)	205,000
Total governmental funds.....			\$ 5,755,000	\$ -	\$ (520,000)	\$ 5,235,000

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

Fiscal Year	Principal	Interest	Total
2014.....	\$ 520,000	\$ 180,184	\$ 700,184
2015.....	515,000	162,984	677,984
2016.....	515,000	145,882	660,882
2017.....	510,000	129,309	639,309
2018.....	485,000	112,358	597,358
2019.....	480,000	95,633	575,633
2020.....	470,000	79,076	549,076
2021.....	290,000	62,784	352,784
2022.....	290,000	51,692	341,692
2023.....	290,000	40,455	330,455
2024.....	290,000	29,000	319,000
2025.....	290,000	17,400	307,400
2026.....	290,000	5,800	295,800
Total.....	\$ 5,235,000	\$ 1,112,557	\$ 6,347,557

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Bonds and Notes Payable - Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Water Bonds Refunding.....	05/15/20	2.00 - 3.00	\$ 1,425,000	\$ -	\$ (195,000)	\$ 1,230,000
Water Plant.....	05/15/18	2.00 - 3.00	265,000	-	(45,000)	220,000
Total Enterprise funds.....			<u>\$ 1,690,000</u>	<u>\$ -</u>	<u>\$ (240,000)</u>	<u>\$ 1,450,000</u>

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

Fiscal Year	Principal	Interest	Total
2014.....	\$ 235,000	\$ 35,499	\$ 270,499
2015.....	230,000	30,801	260,801
2016.....	225,000	26,199	251,199
2017.....	220,000	21,701	241,701
2018.....	210,000	16,200	226,200
2019.....	165,000	9,900	174,900
2020.....	165,000	4,950	169,950
Total.....	<u>\$ 1,450,000</u>	<u>\$ 145,250</u>	<u>\$ 1,595,250</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
Water.....	\$ 5,000,000 *
Landfill closure.....	2,000,000 *
Departmental equipment & culvert...	175,000
Land acquisition.....	500
Total.....	<u>\$ 7,175,500</u>

* Short-term debt (BANs) totaling \$3,000,000 are outstanding at June 30, 2013 related to these projects

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - CAPITAL LEASES

The Town has entered into a capital lease agreement for trash barrels and bins under which the trash barrels and bins will become property of the Town when all terms of the lease agreement are met.

The following schedule presents the future minimum lease payments as of June 30, 2013:

Fiscal Years Ending June 30	Business-Type Activities
2013.....	\$ <u>80,451</u>
Less: amounts representing interest.....	<u>(2,863)</u>
Present value of minimum lease payments.....	\$ <u><u>77,588</u></u>

The trash barrels and bins and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Business-Type Activities
Machinery and equipment.....	\$ 152,039
Less: accumulated amortization.....	<u>(45,612)</u>
Total.....	\$ <u><u>106,427</u></u>

Amortization of the leased trash barrels and bins under capital leases is included with depreciation expense.

Inter-Municipal Agreement

The Town has entered into an inter-municipal agreement (Agreement) with the Town of Wenham that, among other things, authorized the Town to execute a lease/purchase of trash barrels and bins on behalf of the Town of Wenham. Approximately 35% of the capital lease (referenced above) and related assets represent the Town of Wenham’s proportionate share. The total cost of the trash barrels and bins purchased under this capital lease totals \$232,295.

NOTE 11 - LANDFILL CLOSURE AND POST-CLOSURE

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that was divided between two cells (hereinafter referred to as Area 1 and Area 2). Area 1 ceased operations in 1978 and, accordingly, was capped in 1980 in accordance with the regulations in effect at that time. Area 2 ceased operations in 1983. However, Area 2 was not capped in accordance with the regulations in effect at that time. As a result, the Town contracted a third-party to perform a comprehensive site assessment and has been working with the Department of Environmental Protection to determine the steps required to be in compliance with applicable laws and regulations.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The Department of Environmental Protection is requiring the Town to re-cap its old landfill based on current regulations. As a result, the Town has reflected \$1,660,956 as the estimated landfill closure and post-closure care liability at June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

Active employees.....	57
Retired employees.....	<u>35</u>
 Total.....	 <u><u>92</u></u>

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

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town net OPEB obligation:

	Amount
Annual required contribution.....	\$ 475,167
Interest on net OPEB obligation.....	48,198
Adjustment to annual required contribution.....	(104,207)
Amortization of actuarial (gains)/losses.....	<u>171,268</u>
 Annual OPEB cost.....	 590,426
Contributions made.....	<u>(159,296)</u>
 Increase in net OPEB obligation.....	 431,130
Net OPEB obligation at beginning of year.....	<u>1,204,963</u>
 Net OPEB obligation at end of year.....	 <u><u>\$ 1,636,093</u></u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2011.....	\$ 409,934	35.6%	\$ 816,419
June 30, 2012.....	536,241	27.5%	1,204,963
June 30, 2013.....	590,426	27.0%	1,636,093

Funded Status and Funding Progress - The funded status of the Plan at July 1, 2011, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/11	\$ -	\$ 5,567,972	\$ 5,567,972	-	\$ 4,291,115	130%

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

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortized as level dollar amount over 30 years at transition
Remaining amortization period:	27 years at July 1, 2011
Interest discount rate:	4.00%

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Healthcare/Medical cost trend rate: 7.00% decreasing by 1.00% for 2 years to an ultimate level of 5.00% per year

Projected salary increases: 3.00% annually

Allocation of AOPEBC - AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:

General government.....	\$	123,989
Public safety.....		294,623
Public works.....		103,325
Health and human services.....		20,665
Culture and recreation.....		21,255
		563,857

Total AOPEBC - governmental activities.....		563,857
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Business-Type Activities:

Water.....		26,569
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Total AOPEBC.....	\$	590,426
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TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 - FUND BALANCES

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

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 266,517	\$ 266,517
Loans.....	-	-	14,855	14,855
Sub-total - Nonspendable.....	<u>-</u>	<u>-</u>	<u>281,372</u>	<u>281,372</u>
Restricted for:				
Community preservation.....	-	2,227,884	-	2,227,884
Other post employment benefits.....	80,249	-	-	80,249
Affordable housing.....	-	-	112,186	112,186
General government.....	-	-	388,810	388,810
Public safety.....	-	-	35,379	35,379
Public works.....	-	-	274,979	274,979
Health and human services.....	-	-	108,835	108,835
Culture and recreation.....	-	-	276,147	276,147
Sub-total - Restricted.....	<u>80,249</u>	<u>2,227,884</u>	<u>1,196,336</u>	<u>3,504,469</u>
Committed to:				
Subsequent year's expenditures.....	443,000	-	-	443,000
Continuing appropriations.....	171,358	-	-	171,358
Sub-total - Committed.....	<u>614,358</u>	<u>-</u>	<u>-</u>	<u>614,358</u>
Assigned to:				
General government.....	145,016	-	-	145,016
Public safety.....	31,709	-	-	31,709
Other.....	21,321	-	-	21,321
Sub-total - Assigned.....	<u>198,046</u>	<u>-</u>	<u>-</u>	<u>198,046</u>
Unassigned.....	<u>3,330,220</u>	<u>-</u>	<u>(133,022)</u>	<u>3,197,198</u>
Totals.....	<u>\$ 4,222,873</u>	<u>\$ 2,227,884</u>	<u>\$ 1,344,686</u>	<u>\$ 7,795,443</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 - STABILIZATION FUNDS

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

The balance of the stabilization fund at June 30, 2013 totals \$737,233 and is reported in the general fund as unassigned fund balance.

NOTE 15 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

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

Workers' compensation activities are recorded in the General Fund where expenditures are recognized when the claims are expected to be paid with current expendable available resources. As of June 30, 2013, there were no outstanding workers' compensation claims.

NOTE 16 - PENSION PLAN

Plan Description - The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Essex Regional Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts 01923.

Funding Policy - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$614,464, \$550,151, and \$565,210, respectively, which equaled its required contribution for each fiscal year.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments were immaterial for the fiscal year ended June 30, 2013, and, accordingly, are not reported in the financial statements.

NOTE 18 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$5,000,000 to design and reconstruct its water system and facilities. The total amount authorized will be funded through the issuance of bonds or notes.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$369,403 at June 30, 2013.

NOTE 19 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

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

NOTE 20 - FUTURE IMPLEMENTATION OF GASB PRONOUCEMENTS

The GASB has issued the following statements:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

- Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its total long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, Government Combinations and Disposals of Government Operations, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

This information is an integral part of the accompanying financial statements.

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Required Supplementary Information

TOWN OF HAMILTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 21,865,195	\$ 89,807	\$ 21,955,002
Motor vehicle and other excise taxes.....	-	982,980	-	982,980
Meals tax.....	-	-	-	-
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	42,000	-	42,000
Intergovernmental	-	901,883	-	901,883
Penalties and interest on taxes.....	-	90,525	-	90,525
Licenses and permits.....	-	193,820	-	193,820
Fines and forfeitures.....	-	15,299	-	15,299
Departmental and other.....	-	238,579	-	238,579
Investment income.....	-	10,851	-	10,851
TOTAL REVENUES.....	-	24,341,132	89,807	24,430,939
EXPENDITURES				
Current:				
General government.....	128,837	1,715,111	35,225	1,879,173
Public safety.....	3,481	2,274,967	59,094	2,337,542
Education.....	-	15,767,629	-	15,767,629
Public works.....	-	1,169,939	84,082	1,254,021
Health and human services.....	322	167,831	3,007	171,160
Culture and recreation.....	-	750,542	106,641	857,183
Pension benefits.....	-	627,004	(12,539)	614,465
Employee benefits.....	-	865,200	(84,632)	780,568
Property and liability insurance.....	-	189,800	9,064	198,864
State and county charges.....	-	230,688	140	230,828
Debt service:				
Principal.....	-	543,000	(63,000)	480,000
Interest.....	-	199,583	17,974	217,557
TOTAL EXPENDITURES.....	132,640	24,501,294	328,352	24,962,286
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(132,640)	(160,162)	(238,545)	(531,347)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	356,307	26,571	382,878
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(588,645)	-	(588,645)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(232,338)	26,571	(205,767)
NET CHANGE IN FUND BALANCE.....	(132,640)	(392,500)	(211,974)	(737,114)
FUND BALANCE AT BEGINNING OF YEAR.....	2,935,803	2,935,803	2,935,803	2,935,803
FUND BALANCE AT END OF YEAR.....	\$ 2,803,163	\$ 2,543,303	\$ 2,723,829	\$ 2,198,689

See accompanying notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	21,841,144	\$	\$ 21,841,144	\$ (113,858)
	939,330		939,330	(43,650)
	65,278		65,278	65,278
	378,486		378,486	378,486
	37,497		37,497	(4,503)
	910,880		910,880	8,997
	195,502		195,502	104,977
	250,897		250,897	57,077
	3,575		3,575	(11,724)
	245,857		245,857	7,278
	9,202		9,202	(1,649)
	<u>24,877,648</u>	<u>-</u>	<u>24,877,648</u>	<u>446,709</u>
	1,518,015	191,948	1,709,963	169,210
	2,209,365	31,708	2,241,073	96,469
	15,753,979	-	15,753,979	13,650
	1,122,028	124,426	1,246,454	7,567
	163,404	-	163,404	7,756
	798,796	16,475	815,271	41,912
	614,464	-	614,464	1
	736,342	4,846	741,188	39,380
	186,220	-	186,220	12,644
	231,228	-	231,228	(400)
	480,000	-	480,000	-
	207,556	-	207,556	10,001
	<u>24,194,693</u>	<u>369,403</u>	<u>24,564,096</u>	<u>398,190</u>
	<u>682,955</u>	<u>(369,403)</u>	<u>313,552</u>	<u>844,899</u>
	383,021	-	383,021	143
	7,385	-	7,385	7,385
	<u>(588,645)</u>	<u>-</u>	<u>(588,645)</u>	<u>-</u>
	<u>(198,239)</u>	<u>-</u>	<u>(198,239)</u>	<u>7,528</u>
	484,716	(369,403)	115,313	852,427
	<u>2,935,803</u>	<u>-</u>	<u>2,935,803</u>	<u>-</u>
\$	<u><u>3,420,519</u></u>	\$ <u><u>(369,403)</u></u>	\$ <u><u>3,051,116</u></u>	\$ <u><u>852,427</u></u>

TOWN OF HAMILTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES			
Community preservation surcharges.....	\$ 346,024	\$ -	\$ 346,024
Intergovernmental	92,731	-	92,731
Contributions.....	17,000	-	17,000
Investment income.....	17,000	-	17,000
	<u>472,755</u>	<u>-</u>	<u>472,755</u>
EXPENDITURES			
Current:			
General government.....	20,850	-	20,850
Health and human services.....	37,734	-	37,734
Culture and recreation.....	279,887	182,500	462,387
Debt service:			
Principal.....	40,000	-	40,000
Interest.....	7,800	-	7,800
	<u>386,271</u>	<u>182,500</u>	<u>568,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>86,484</u>	<u>(182,500)</u>	<u>(96,016)</u>
NET CHANGE IN FUND BALANCE.....	86,484	(182,500)	(96,016)
FUND BALANCE AT BEGINNING OF YEAR.....	1,906,504	1,906,504	1,906,504
FUND BALANCE AT END OF YEAR.....	<u>\$ 1,992,988</u>	<u>\$ 1,724,004</u>	<u>\$ 1,810,488</u>

See accompanying notes to required supplementary information.

	<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$	341,398	\$ -	\$ 341,398	\$ (4,626)
	92,731	-	92,731	-
	18,870	-	18,870	1,870
	11,422	-	11,422	(5,578)
	<u>464,421</u>	<u>-</u>	<u>464,421</u>	<u>(8,334)</u>
	15,044	-	15,044	5,806
	2,440	11,704	14,144	23,590
	64,607	324,180	388,787	73,600
	40,000	-	40,000	-
	7,800	-	7,800	-
	<u>129,891</u>	<u>335,884</u>	<u>465,775</u>	<u>102,996</u>
	<u>334,530</u>	<u>(335,884)</u>	<u>(1,354)</u>	<u>94,662</u>
	334,530	(335,884)	(1,354)	94,662
	<u>1,906,504</u>	<u>-</u>	<u>1,906,504</u>	<u>-</u>
\$	<u><u>2,241,034</u></u>	<u><u>(335,884)</u></u>	<u><u>1,905,150</u></u>	<u><u>94,662</u></u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 278,332,006	\$ 536,115,536	\$ 257,783,530	51.9%	\$ 119,707,156	215.3%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%
01/01/06	261,327,047	376,034,621	114,707,574	69.5%	98,641,094	116.3%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2007	\$ 16,294,571	100
2008	16,995,636	100
2009	18,173,867	100
2010	19,566,952	100
2011	21,084,190	100
2012	22,770,925	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2008	\$ 484,450	100	3.0%
2009	506,125	100	3.0%
2010	536,288	100	3.0%
2011	565,210	100	2.9%
2012	550,151	100	2.6%
2013	614,464	100	2.7%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 4,163,491	\$ 4,163,491	-	\$ 3,971,852	105%
07/01/11	-	5,567,972	5,567,972	-	4,291,115	130%

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE A - 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 for the fiscal year ended June 30, 2013, is presented below:

General fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 24,877,648	\$ 24,564,096	\$ (198,239)	\$ 3,051,116
<u>Adjustments and Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	2,414	-	-	737,320
Activity of other post employment benefits fund recorded in the general fund for GAAP purposes.....	5,798	-	25,000	80,248
Net change in recording 60-day receipts.....	72,717	-	-	110,689
Net change in recording tax refunds payable.....	51,110	-	-	(125,903)
To record encumbrances and continuing appropriations.....	<u>-</u>	<u>(369,403)</u>	<u>-</u>	<u>369,403</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 25,009,687</u>	<u>\$ 24,194,693</u>	<u>\$ (173,239)</u>	<u>\$ 4,222,873</u>

Community preservation fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 464,421	\$ 465,775	\$ 1,905,150
<u>Adjustments</u>			
Net change in recording investment income.....	(23,142)	-	(13,150)
To record encumbrances and continuing appropriations.....	<u>-</u>	<u>(335,884)</u>	<u>335,884</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 441,279</u>	<u>\$ 129,891</u>	<u>\$ 2,227,884</u>

TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar for ERI liability for most units, 4.5% annual increases for ERI liability for other units, increasing amortization for the remaining unfunded liability. Increase in total appropriation not to exceed 8%.
Remaining amortization period:	As of July 1, 2011, schedules as selected by units for 2002 ERI liability, schedules as selected by units for 2003 ERI liability and 24 years for remaining unfunded liability.
Asset valuation method:	Sum of actuarial value at beginning of year and increase in cost value during year excluding realized appreciation or losses plus 20 percent of market value at end of year (as reported in the Annual Statement) in excess of that preliminary value, adjusted to be within 20 percent of their market value.
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.25%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income