

TOWN OF HAMILTON, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

**TOWN OF HAMILTON, MASSACHUSETTS
FINANCIAL STATEMENTS AND
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CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Hamilton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 59 through 65) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, 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
December 20, 2016

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,443,518 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$4,117,420.
- The Town's total net position increased by \$2,528,130 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$4,770,629, or 15.8% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$1,078,962 during the fiscal year. \$2,825,000 of current refunding bonds were issued which refunded \$2,935,000 of previously issued and outstanding bonds.

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.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

The Town maintains 83 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation (special revenue) fund and major capital projects fund, which are considered to be major funds. Data from the other 80 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Proprietary Funds

The Town maintains one type of proprietary fund.

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-57 of this report.

Required Supplementary information

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,443,518 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current Assets	\$ 11,599,188	\$ 11,003,058	\$ 3,345,957	\$ 3,096,907	\$ 14,945,145	\$ 14,099,965
Noncurrent Assets (Excluding Capital Assets)	426,000	424,676	-	-	426,000	424,676
Capital assets (net)	18,131,528	16,882,857	7,950,796	8,170,137	26,082,324	25,052,994
Total Assets	30,156,716	28,310,591	11,296,753	11,267,044	41,453,469	39,577,635
Deferred Outflows of Resources	481,821	-	28,962	-	510,783	-
Liabilities						
Current Liabilities (Excluding Debt)	1,286,908	1,126,211	68,169	212,604	1,355,077	1,338,815
Noncurrent Liabilities (Excluding Debt)	11,887,107	11,334,005	680,567	647,188	12,567,674	11,981,193
Current Debt	1,447,518	1,422,806	483,412	493,412	1,930,930	1,916,218
Noncurrent Debt	5,119,630	5,729,892	5,172,206	5,655,618	10,291,836	11,385,510
Total liabilities	19,741,163	19,612,914	6,404,354	7,008,822	26,145,517	26,621,736
Deferred Inflows of Resources	354,049	38,320	21,168	2,191	375,217	40,511
Net Position						
Net Investment in Capital Assets	11,579,291	9,747,273	4,197,676	4,074,796	15,776,967	13,822,069
Restricted	3,783,971	5,065,019	-	-	3,783,971	5,065,019
Unrestricted	(4,819,937)	(6,152,935)	702,517	181,235	(4,117,420)	(5,971,700)
Total Net Position	\$ 10,543,325	\$ 8,659,357	\$ 4,900,193	\$ 4,256,031	\$ 15,443,518	\$ 12,915,388

The largest portion of the Town's net position (\$15,776,967) 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 (\$3,783,971) represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities. The Town has \$702,517 that may be used to support business-type activities.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Changes in Net Position

For the fiscal year ended June 30, 2016, the Town's total net position increased by \$2,528,130, compared to a decrease of \$48,756 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 1,504,705	\$ 1,013,937	\$ 1,880,566	\$ 1,369,224	\$ 3,385,271	\$ 2,383,161
Operating Grants and Contributions	454,668	519,566	6,838	19,397	461,506	538,963
Capital Grants and Contributions	47,254	53,440	-	-	47,254	53,440
General Revenues:						
Real Estate and Personal Property Taxes	24,726,017	23,131,980	-	-	24,726,017	23,131,980
Motor Vehicle and Other Excise Taxes	1,150,009	1,103,821	-	-	1,150,009	1,103,821
Meals Tax	68,596	69,365	-	-	68,596	69,365
Penalties and Interest on Taxes	93,892	137,134	-	-	93,892	137,134
Payments in lieu of taxes	46,305	37,333	-	-	46,305	37,333
Community Preservation Surcharges	394,922	369,354	-	-	394,922	369,354
Grants and Contributions not Restricted to Specific Programs	751,924	732,659	-	-	751,924	732,659
Unrestricted Investment Income	105,265	26,823	-	-	105,265	26,823
Gain on sale of capital assets	824,613	-	-	-	824,613	-
Total Revenues	30,168,170	27,195,412	1,887,404	1,388,621	32,055,574	28,584,033
Expenses						
General Government	2,562,613	2,254,942	-	-	2,562,613	2,254,942
Public Safety	4,000,933	4,090,902	-	-	4,000,933	4,090,902
Education	17,257,107	17,088,503	-	-	17,257,107	17,088,503
Public Works	1,479,647	1,785,112	-	-	1,479,647	1,785,112
Environmental Remediation	470,134	-	-	-	470,134	-
Health and Human Services	581,580	551,999	-	-	581,580	551,999
Culture and Recreation	1,460,110	1,282,946	-	-	1,460,110	1,282,946
Hamilton Development Corporation	65,000	65,000	-	-	65,000	65,000
Debt Service - Interest	215,272	182,684	-	-	215,272	182,684
Water	-	-	1,018,472	916,828	1,018,472	916,828
Waste Removal	-	-	416,576	413,873	416,576	413,873
Total Expenses	28,092,396	27,302,088	1,435,048	1,330,701	29,527,444	28,632,789
Change in Net Position Before Transfers	2,075,774	(106,676)	452,356	57,920	2,528,130	(48,756)
Transfers, Net	(191,806)	(186,773)	191,806	186,773	-	-
Change in Net Position	1,883,968	(293,449)	644,162	244,693	2,528,130	(48,756)
Net Position - Beginning of Year	8,659,357	8,952,806	4,256,031	4,011,338	12,915,388	12,964,144
Net Position - End of Year	\$ 10,543,325	\$ 8,659,357	\$ 4,900,193	\$ 4,256,031	\$ 15,443,518	\$ 12,915,388

Governmental activities increased the Town's net position by \$1,883,968. In the prior year, governmental activities decreased the Town's net position by \$293,449. The key element of this change was a gain on the disposal of capital assets of approximately \$825,000 and the increase in deferred outflows related to pensions of approximately \$482,000.

Business-type activities increased the Town's net position by \$644,162. In the prior year, business-type activities increased the Town's net position by \$244,693. The key element of this change was the increase of approximately \$511,000 in charges for services related to water consumption and an increase in water rates.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$9,244,789, an increase of \$3,715 in comparison with the prior year. Approximately \$4,594,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$254,260)
- Restricted (\$3,666,610)
- Committed (\$571,153)
- Assigned (\$158,496)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$4,770,629, while total fund balance was \$5,675,924. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15.8% of total general fund expenditures and transfers out, while total fund balance represents 18.8% of that same amount.

The balance of the Town's general fund increased by \$1,314,394 during fiscal year 2016. The Town recognized a budgetary surplus of approximately \$1,236,000 (excluding encumbrances and continuing appropriations) and utilized approximately \$727,000 of reserves to fund appropriations during fiscal year 2016.

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

The fund balance of the community preservation fund (special revenue) decreased by \$1,066,262 during the current fiscal year. The fund recognized \$393,749 in surcharges, \$108,237 in intergovernmental revenue and investment income of \$21,317. Expenditures and transfers out of \$208,445 and \$1,381,120, respectively, were incurred during the fiscal year.

The fund balance of the major capital projects fund decreased by \$822,261, which was solely due to expenditures related to the environmental remediation of the Town's previous capping of its landfills. The deficit of approximately \$166,000 relates specifically to the remediation project.

Proprietary funds

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Unrestricted net position of the water and waste removal enterprise funds at the end of the year amounted to \$664,247 and \$38,270, respectively. The water fund had an increase in net position for the year of \$645,001 and the waste removal fund had a decrease of \$839. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$27,865,632. During the year, appropriations were decreased by \$971. The following table summarizes the decrease:

Purpose of Increase	Amount	Funding Source
General government.....	\$ 31,978	Unassigned fund balance
Employee benefits.....	20,775	Unassigned fund balance
Public works.....	2,220	Unassigned fund balance
Transfers out to other funds.....	2,068	Unassigned fund balance
Health and human services.....	1,920	Unassigned fund balance
Culture and recreation.....	1,330	Unassigned fund balance
Public safety.....	(61,262)	Unassigned fund balance
	<u>\$ (971)</u>	

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 \$1,019,000. Encumbrances and continuing appropriations total \$217,396 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 \$26,082,324 (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 \$1,029,330 or 4.11% (a 4.98% increase for governmental activities and a 0.87% decrease for business-type activities).

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

- Veteran's Memorial Pool (\$1,655,000)
- Street light project (\$250,000)

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,373,848	\$ 2,540,753	\$ 283,912	\$ 283,912	\$ 2,657,760	\$ 2,824,665
Land Improvements	661,700	707,074	-	-	661,700	707,074
Buildings	8,834,504	9,168,419	2,333,794	2,413,504	11,168,298	11,581,923
Machinery and Equipment	430,946	513,562	29,138	62,346	460,084	575,908
Vehicles	1,463,213	1,484,162	154,795	161,424	1,618,008	1,645,586
Infrastructure	2,647,802	2,404,624	3,389,465	3,514,699	6,037,267	5,919,323
Construction in Progress	1,719,515	64,263	1,759,692	1,734,252	3,479,207	1,798,515
Total Capital Assets	\$ 18,131,528	\$ 16,882,857	\$ 7,950,796	\$ 8,170,137	\$ 26,082,324	\$ 25,052,994

Additional information on the Town's capital assets can be found in Note 5 on pages 41-43 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$11,481,766, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 5,826,148	\$ 6,411,698	\$ 5,655,618	\$ 6,149,030	\$ 11,481,766	\$ 12,560,728

The Town's total bonded debt decreased by \$1,078,962 during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 46-48 of this report.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The Town of Hamilton's fiscal year 2017 general fund appropriations, as amended through the date of this report, totaled \$28,391,204. In addition, encumbrances and continuing appropriations from fiscal year 2016, totaled \$217,396. The provisions of Proposition 2 ½ limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 2 ½ plus a factor for new growth. Fiscal year 2016 general fund revenues (excluding real estate and personal property taxes) exceeded the Town's projections by 8%; the largest contributor being motor vehicle excise tax.

The challenge in the development of Town budgets will be achieving a sustainable balance between rising expenses and the ability to fund governmental operations based on a 95+% residential tax base. The Town continues to explore cost containment efforts and revenue generation opportunities in full understanding that significant cost increases for items such as retirement, insurances are inevitable. For fiscal year 2017, the Finance and Advisory Committee recommended a modest cost-of-living (COLA) increase for Town employees and a reduction in the Tax Rate. Having as a priority the development of new revenue streams, the Town continues to move forward with the development of the Landfill into revenue producing solar field site and the potential for new growth in tax revenue.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Some economic factors for the Town are as follows:

- According to the U.S. Census Bureau, the median household income for the Town was \$109,500. This compares favorably with the Massachusetts median household income of \$68,563, and the U.S. median household income of \$53,889.
- According to Homefacts.com, the unemployment rate for the Town for April 2016 was 2.1% which compared favorably with the statewide unemployment rate of 2.7% and the national unemployment rate of 6.0%.
- According to the Town's Board of Assessors, the 2016 median value of a single family home in Hamilton was \$462,600; the median value of a commercial/industrial property was \$355,400.

REQUESTS FOR INFORMATION

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

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hamilton Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,827,197	\$ 983,126	\$ 5,810,323	\$ 132,708
Restricted Cash and Cash Equivalents	3,653,965	1,902,498	5,556,463	-
Investments	1,249,089	-	1,249,089	-
Restricted Investments	1,135,969	-	1,135,969	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	301,374	-	301,374	-
Tax and Utility Liens	67,408	5,116	72,524	-
Motor Vehicle and Other Excise Taxes	58,920	-	58,920	-
Community Preservation Surcharges	4,414	-	4,414	-
Water Charges	-	455,217	455,217	-
Department and Other	12,470	-	12,470	-
Intergovernmental	287,431	-	287,431	-
Loans	951	-	951	-
Total Current Assets	11,599,188	3,345,957	14,945,145	132,708
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	63,537	-	63,537	-
Loans	475	-	475	-
Tax Foreclosures	361,988	-	361,988	-
Capital Assets not being Depreciated	4,093,363	2,043,604	6,136,967	339,500
Capital Assets, Net of Accumulated Depreciation	14,038,165	5,907,192	19,945,357	244,265
Total Noncurrent Assets	18,557,528	7,950,796	26,508,324	583,765
Total Assets	30,156,716	11,296,753	41,453,469	716,473
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	481,821	28,962	510,783	-
LIABILITIES				
Current Liabilities:				
Warrants Payable	1,057,027	40,641	1,097,668	-
Accrued Payroll	50,300	4,248	54,548	-
Tax Refunds Payable	113,029	-	113,029	-
Other Liabilities	16,471	-	16,471	1,754
Accrued Interest	25,705	20,722	46,427	-
Compensated Absences	24,376	2,558	26,934	-
Short-Term Notes Payable	741,000	-	741,000	-
Long-Term Bonds and Notes Payable	706,518	483,412	1,189,930	-
Mortgage loan payable	-	-	-	2,439
Total Current Liabilities	2,734,426	551,581	3,286,007	4,193
Noncurrent Liabilities:				
Compensated Absences	219,388	23,026	242,414	-
Net OPEB Obligation	2,637,997	140,457	2,778,454	-
Net Pension Liability	9,029,722	517,084	9,546,806	-
Long-Term Bonds and Notes Payable	5,119,630	5,172,206	10,291,836	-
Mortgage loan payable	-	-	-	477,561
Total Noncurrent Liabilities	17,006,737	5,852,773	22,859,510	477,561
Total Liabilities	19,741,163	6,404,354	26,145,517	481,754
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	354,049	21,168	375,217	-
NET POSITION				
Net Investment in Capital Assets	11,579,291	4,197,676	15,776,967	103,765
Restricted for:				
Other Postemployment Benefits	175,646	-	175,646	-
Community Preservation	1,697,683	-	1,697,683	-
Affordable Housing	236,227	-	236,227	-
Permanent Funds:				
Expendable	322,639	-	322,639	-
Nonexpendable	252,834	-	252,834	-
Other Specific Purposes	1,098,942	-	1,098,942	-
Unrestricted	(4,819,937)	702,517	(4,117,420)	130,954
Total Net Position	\$ 10,543,325	\$ 4,900,193	\$ 15,443,518	\$ 234,719

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

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	\$ 2,562,613	\$ 312,141	\$ 15,472	\$ -	\$ (2,235,000)
Public Safety	4,000,933	367,350	27,207	-	(3,606,376)
Education	17,257,107	-	-	-	(17,257,107)
Public Works	1,479,647	16,267	224,282	47,254	(1,191,844)
Environmental Remediation	470,134	-	-	-	(470,134)
Health and Human Services	581,580	68,862	31,725	-	(480,993)
Culture and Recreation	1,460,110	740,085	155,982	-	(564,043)
Library	65,000	-	-	-	(65,000)
Debt Service-Interest	215,272	-	-	-	(215,272)
Total Governmental Activities	<u>28,092,396</u>	<u>1,504,705</u>	<u>454,668</u>	<u>47,254</u>	<u>(26,085,769)</u>
Business-Type Activities:					
Water	1,018,472	1,790,114	2,675	-	774,317
Waste Removal	416,576	90,452	4,163	-	(321,961)
Total Business-Type Activities	<u>1,435,048</u>	<u>1,880,566</u>	<u>6,838</u>	<u>-</u>	<u>452,356</u>
Total Primary Government	<u>\$ 29,527,444</u>	<u>\$ 3,385,271</u>	<u>\$ 461,506</u>	<u>\$ 47,254</u>	<u>\$ (25,633,413)</u>
Component Units:					
Hamilton Development Corporation	<u>\$ 55,944</u>	<u>\$ 32,878</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 41,934</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (From Previous Page)	\$ (26,085,769)	\$ 452,356	\$ (25,633,413)	\$ 41,934
General Revenues:				
Real Estate and Personal Property Taxes	24,726,017	-	24,726,017	-
Motor Vehicle and Other Excise Taxes	1,150,009	-	1,150,009	-
Meals tax	68,596	-	68,596	-
Penalties and Interest on Taxes	93,892	-	93,892	-
Payments in Lieu of Taxes	46,305	-	46,305	-
Community Preservation Surcharges	394,922	-	394,922	-
Grants and Contributions not Restricted to Specific Programs	751,924	-	751,924	-
Unrestricted Investment Income	105,265	-	105,265	168
Gain on Disposal of Capital Assets	824,613	-	824,613	-
Transfers, Net	(191,806)	191,806	-	-
Total General Revenues and Transfers	27,969,737	191,806	28,161,543	168
CHANGE IN NET POSITION	1,883,968	644,162	2,528,130	42,102
Net Position - Beginning of Year	8,659,357	4,256,031	12,915,388	192,617
NET POSITION - END OF YEAR	\$ 10,543,325	\$ 4,900,193	\$ 15,443,518	\$ 234,719

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Major Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 4,827,197	\$ -	\$ -	\$ -	\$ 4,827,197
Investments	1,249,089	-	-	-	1,249,089
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	301,374	-	-	-	301,374
Real Estate Tax Deferrals	63,537	-	-	-	63,537
Tax Liens	67,408	-	-	-	67,408
Motor Vehicle and Other Excise taxes	58,920	-	-	-	58,920
Community Preservation Surcharges	-	4,414	-	-	4,414
Departmental and Other	-	-	-	12,470	12,470
Intergovernmental	-	-	-	287,431	287,431
Loans	-	-	-	1,426	1,426
Tax Foreclosures	361,988	-	-	-	361,988
Restricted Assets:					
Cash and Cash Equivalents	700	1,124,629	967,045	1,561,591	3,653,965
Investments	174,946	568,917	-	392,106	1,135,969
Total Assets	<u>\$ 7,105,159</u>	<u>\$ 1,697,960</u>	<u>\$ 967,045</u>	<u>\$ 2,255,024</u>	<u>\$ 12,025,188</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Warrants Payable	\$ 470,859	\$ -	\$ 392,081	\$ 194,087	\$ 1,057,027
Accrued Payroll	43,188	277	-	6,835	50,300
Tax Refunds Payable	113,029	-	-	-	113,029
Other Liabilities	16,471	-	-	-	16,471
Short-Term Notes Payable	-	-	741,000	-	741,000
Total Liabilities	<u>643,547</u>	<u>277</u>	<u>1,133,081</u>	<u>200,922</u>	<u>1,977,827</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>785,688</u>	<u>4,414</u>	<u>-</u>	<u>12,470</u>	<u>802,572</u>
FUND BALANCES					
Nonspendable	-	-	-	254,260	254,260
Restricted	175,646	1,693,269	-	1,797,695	3,666,610
Committed	571,153	-	-	-	571,153
Assigned	158,496	-	-	-	158,496
Unassigned	4,770,629	-	(166,036)	(10,323)	4,594,270
Total Fund Balances	<u>5,675,924</u>	<u>1,693,269</u>	<u>(166,036)</u>	<u>2,041,632</u>	<u>9,244,789</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,105,159</u>	<u>\$ 1,697,960</u>	<u>\$ 967,045</u>	<u>\$ 2,255,024</u>	<u>\$ 12,025,188</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	General	Community Preservation	Major Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 24,570,585	\$ -	\$ -	\$ -	\$ 24,570,585
Motor Vehicle and Other Excise Taxes	1,172,018	-	-	-	1,172,018
Meals tax	68,596	-	-	-	68,596
Tax Liens	61,147	-	-	-	61,147
Payments in Lieu of Taxes	46,305	-	-	-	46,305
Community Preservation Surcharges	-	393,749	-	-	393,749
Charges for Services	-	-	-	341,210	341,210
Intergovernmental	818,620	108,237	-	843,768	1,770,625
Penalties and Interest on Taxes	93,892	-	-	-	93,892
Licenses and Permits	230,046	-	-	-	230,046
Fines and Forfeitures	4,165	-	-	-	4,165
Departmental and Other	215,383	-	-	11,653	227,036
Contributions	-	-	-	162,610	162,610
Investment Income	104,272	21,317	-	16,253	141,842
	<u>27,385,029</u>	<u>523,303</u>	<u>-</u>	<u>1,375,494</u>	<u>29,283,826</u>
Total Revenues					
EXPENDITURES					
Current:					
General Government	1,853,538	32,594	-	51,298	1,937,430
Public Safety	2,502,053	-	-	171,050	2,673,103
Education	17,219,265	-	-	-	17,219,265
Public Works	1,063,276	-	822,261	317,307	2,202,844
Health and Human Services	246,051	-	-	30,837	276,888
Culture and Recreation	938,601	130,451	-	1,836,278	2,905,330
Hamilton Development Corporation	65,000	-	-	-	65,000
Pension Benefits	721,863	-	-	-	721,863
Employee Benefits	847,760	-	-	-	847,760
Property and Liability Insurance	184,933	-	-	-	184,933
State and County Charges	230,532	-	-	-	230,532
Debt Service:					
Principal	3,572,000	40,000	-	-	3,612,000
Interest	248,070	5,400	-	-	253,470
	<u>29,692,942</u>	<u>208,445</u>	<u>822,261</u>	<u>2,406,770</u>	<u>33,130,418</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(2,307,913)</u>	<u>314,858</u>	<u>(822,261)</u>	<u>(1,031,276)</u>	<u>(3,846,592)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of Refunding Bonds (Current)	2,825,000	-	-	-	2,825,000
Premium from Issuance of Refunding Bonds (Current)	217,113	-	-	-	217,113
Sale of Capital Assets	750,000	-	-	250,000	1,000,000
Transfers In	356,307	-	-	1,381,337	1,737,644
Transfer Out	(526,113)	(1,381,120)	-	(22,217)	(1,929,450)
	<u>3,622,307</u>	<u>(1,381,120)</u>	<u>-</u>	<u>1,609,120</u>	<u>3,850,307</u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES					
	1,314,394	(1,066,262)	(822,261)	577,844	3,715
Fund Balances - Beginning of Year	<u>4,361,530</u>	<u>2,759,531</u>	<u>656,225</u>	<u>1,463,788</u>	<u>9,241,074</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,675,924</u>	<u>\$ 1,693,269</u>	<u>\$ (166,036)</u>	<u>\$ 2,041,632</u>	<u>\$ 9,244,789</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Governmental Fund Balances (Page 15)	\$	9,244,789
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		18,131,528
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		802,572
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		(25,705)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and Notes Payable, net		(5,826,148)
Compensated Absences		(243,764)
Net Pension Liability		(9,029,722)
Net OPEB Obligation		(2,637,997)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions		481,821
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		<u>(354,049)</u>
Net Position of Governmental Activities (Page 12)	\$	<u><u>10,543,325</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds (Page 16)	\$	3,715
<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		2,179,259
Depreciation		(755,199)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>		
		(175,388)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>		
		59,730
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (when material). These amounts represent the related activity of the current period.</p>		
Proceeds of Refunding Bonds		(2,825,000)
Refunded Bond Maturities		2,935,000
Bond Maturities		677,000
Net Amortization of Bond Premiums		(201,450)
<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>		
		22,535
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Environmental Remediation		352,126
Compensated Absences		(13,510)
Net OPEB Obligation		(322,331)
Net Pension Liability (net)		(218,611)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>		
		481,821
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>		
		<u>(315,729)</u>
Changes in Net Position of Governmental Activities (Page 14)	\$	<u><u>1,883,968</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 908,072	\$ 75,054	\$ 983,126
Restricted Cash and Cash Equivalents	1,902,498	-	1,902,498
Receivables, Net of Allowance for Uncollectible Amounts:			
Water Charges	455,217	-	455,217
Water Liens	5,116	-	5,116
Total Current Assets	3,270,903	75,054	3,345,957
Noncurrent Assets:			
Capital Assets not being Depreciated	2,043,604	-	2,043,604
Capital Assets, Net of Accumulated Depreciation	5,891,989	15,203	5,907,192
Total Noncurrent Assets	7,935,593	15,203	7,950,796
Total Assets	11,206,496	90,257	11,296,753
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	28,604	358	28,962
LIABILITIES			
Current Liabilities:			
Warrants Payable	10,297	30,344	40,641
Accrued Payroll	4,248	-	4,248
Accrued Interest	20,722	-	20,722
Compensated Absences	2,558	-	2,558
Long-Term Bonds and Notes Payable	483,412	-	483,412
Total Current Liabilities	521,237	30,344	551,581
Noncurrent Liabilities:			
Compensated Absences	23,026	-	23,026
Net OPEB Obligation	139,668	789	140,457
Net Pension Liability	511,333	5,751	517,084
Long-Term Bonds and Notes Payable	5,172,206	-	5,172,206
Total Noncurrent Liabilities	5,846,233	6,540	5,852,773
Total Liabilities	6,367,470	36,884	6,404,354
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	20,910	258	21,168
FUND NET POSITION			
Net Investment in Capital Assets	4,182,473	15,203	4,197,676
Unrestricted	664,247	38,270	702,517
Total Net Position	\$ 4,846,720	\$ 53,473	\$ 4,900,193

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
OPERATING REVENUES			
Charges for Services	\$ 1,771,073	\$ 90,452	\$ 1,861,525
Other	19,041	-	19,041
	<u>1,790,114</u>	<u>90,452</u>	<u>1,880,566</u>
OPERATING EXPENSES			
Cost of Service and Administration	609,966	386,168	996,134
Depreciation	245,862	30,408	276,270
	<u>855,828</u>	<u>416,576</u>	<u>1,272,404</u>
OPERATING INCOME (LOSS)	<u>934,286</u>	<u>(326,124)</u>	<u>608,162</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	3,950	3,950
Investment Income	2,675	213	2,888
Interest Expense	(162,644)	-	(162,644)
	<u>(159,969)</u>	<u>4,163</u>	<u>(155,806)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>774,317</u>	<u>(321,961)</u>	<u>452,356</u>
Transfers In	204,991	321,122	526,113
Transfers Out	(334,307)	-	(334,307)
	<u>(129,316)</u>	<u>321,122</u>	<u>191,806</u>
CHANGE IN FUND NET POSITION	<u>645,001</u>	<u>(839)</u>	<u>644,162</u>
Fund Net Position - Beginning of Year	4,201,719	54,312	4,256,031
FUND NET POSITION - END OF YEAR	<u>\$ 4,846,720</u>	<u>\$ 53,473</u>	<u>\$ 4,900,193</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waster Removal (Nonmajor)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,715,900	\$ 90,452	\$ 1,806,352
Payments to Vendors	(468,545)	(382,952)	(851,497)
Payments to Employees	(261,536)	(3,541)	(265,077)
	<u>985,819</u>	<u>(296,041)</u>	<u>689,778</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	204,991	321,122	526,113
Transfers Out	(334,307)	-	(334,307)
	<u>(129,316)</u>	<u>325,072</u>	<u>195,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(56,929)	-	(56,929)
Principal Payments on Bonds and Notes	(485,000)	-	(485,000)
Interest Expense	(171,657)	-	(171,657)
	<u>(713,586)</u>	<u>-</u>	<u>(713,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	2,675	213	2,888
	<u>2,675</u>	<u>213</u>	<u>2,888</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	145,592	29,244	174,836
Cash and Cash Equivalents - Beginning of Year (Includes \$2,503,690 Reported as Restricted in the Water Enterprise Fund)	2,664,978	45,810	2,710,788
	<u>2,664,978</u>	<u>45,810</u>	<u>2,710,788</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$1,902,498 Reported as Restricted in the Water Enterprise Fund)	\$ <u>2,810,570</u>	\$ <u>75,054</u>	\$ <u>2,885,624</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 934,286	\$ (326,124)	\$ 608,162
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	245,862	30,408	276,270
Net Pension Liability	12,978	162	13,140
Deferred Outflows/Inflows of Resources Related to Pensions	(9,861)	(124)	(9,985)
Net OPEB Obligation	19,142	245	19,387
Effect of Changes in Operating Assets and Liabilities:			
Water Charges	(70,138)	-	(70,138)
Water Liens	(4,076)	-	(4,076)
Warrants Payable	(136,749)	(347)	(137,096)
Accrued Payroll	(6,571)	(261)	(6,832)
Compensated Absences	946	-	946
	<u>51,533</u>	<u>30,083</u>	<u>81,616</u>
Total Adjustments	51,533	30,083	81,616
Net Cash Provided by Operating Activities	\$ <u>985,819</u>	\$ <u>(296,041)</u>	\$ <u>689,778</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS	<u>Private Purpose Trust Funds</u>
Cash and Cash Equivalents	\$ 27,842
Investments:	
Equities	8,109
Fixed Income Securities	<u>27,144</u>
Total Assets	<u>63,095</u>
 NET POSITION	
Assets Held in Trust for Other Purposes	<u>\$ 63,095</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private Donations	\$ 15,594
Net Investment Income:	
Interest	<u>1,381</u>
Total Additions	16,975
DEDUCTIONS	
Other	<u>18,449</u>
CHANGE IN NET POSITION	(1,474)
Net Position - Beginning of Year	<u>64,569</u>
NET POSITION - END OF YEAR	<u><u>\$ 63,095</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Library

During fiscal year 1998, the Town entered into an agreement with the Town of Wenham (Joint Library Agreement) to construct and operate a joint public library to be operated under the direction of a Joint Board of Library Trustees. The construction project was completed during fiscal year 2002, and the Joint Library began operations during fiscal year 2002. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Wenham is the administrator for all matters associated with the management and operation of the Joint Library. Accordingly, all revenues and expenditures associated with the Joint Library are accounted for by the Town of Wenham. During fiscal year 2016, the Town paid approximately \$698,000 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 2016, the Center's operating and administrative expenditures totaled approximately \$55,000. The Town of Wenham paid the Town of Hamilton approximately \$20,000 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 2016, the Department's operating and administrative expenditures totaled approximately \$124,000. The Town of Wenham paid the Town of Hamilton approximately \$16,000 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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (District) is governed by a six member school committee consisting of one appointed and two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Operating costs are apportioned amongst the Towns based on the assessed values on their last three tax recapitulation sheets. Capital costs, including debt service, are apportioned amongst the Towns based on a combination of the three year valuation average and pupil enrollments. For the fiscal year ended June 30, 2016, the Town's assessment for operating and capital costs totaled approximately \$16,417,000 and \$555,000, respectively.

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

North Shore Technical School

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative from each member town, including the Town of Hamilton. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2016, the Town's assessment totaled approximately \$198,000. 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, 2016, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The implementation of GASB Statement No. 72 required certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques related to the Town's investments.

Implementation of GASB Statement No. 76 had no reporting impact for the Town.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

The *major capital projects fund* is a capital projects fund used to account for the activity associated with significant projects, which currently include the environmental remediation of the Town's previous capping of its landfills and the Bridge Street Culvert project.

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The following proprietary funds are reported:

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

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

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

The following fiduciary fund type is reported:

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

F. Cash and Cash Equivalents and Investments

Government-Wide and Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

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

Water Charges and Water Liens

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

Departmental and Other

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

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

Intergovernmental

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

H. Allowance for Uncollectible Amounts

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

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

At June 30, 2016, the allowances related to these accounts receivable are immaterial and therefore not reported.

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

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

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

M. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Deferred Outflow of Resources

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

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

O. Deferred Inflows of Resources

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances

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

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

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

Net position 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.

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

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Investment Income

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

Investment income from permanent funds and the proprietary funds are retained in the respective funds.

S. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements

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

T. Pensions

Government-Wide and Fund Financial Statements

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

U. Post Retirement Benefits

Government-Wide and Fund Financial Statements

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

V. Use of Estimates

Government-Wide and Fund Financial Statements

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

W. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 2016 approved budget for the general fund authorized \$27,865,632 in appropriations. During fiscal year 2016, appropriations were decreased by \$971. The original fiscal year 2016 approved budget for the community preservation fund authorized \$214,618 in appropriations. During fiscal year 2016, supplemental appropriations totaling \$1,479,100 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, 2016, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Major Capital Projects.....	\$ 166,036	Available funds
Child Safety Grant.....	10,323	Available funds

C. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2016, expenditures exceeded appropriations for debt service interest.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

A. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town and the Hamilton Development Corporation do not have policies for custodial credit risk of deposits. As of June 30, 2016, \$8,622,571 of the Town's bank balance of \$10,827,613 was uninsured and uncollateralized. As of June 30, 2016 the Hamilton Development Corporation was not exposed to custodial credit risk.

B. Investments Summary

The Town's investments at June 30, 2016 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. Treasuries	\$ 344,795	\$	\$ 344,795
U.S. Agencies	340,190	-	340,190
Corporate Bonds	434,426	-	434,426
Money Market Mutual Funds	567,785	567,785	-
Mutual Bond Funds	335,038	335,038	-
Certificates of Deposit	614,151	180,740	433,411
External Investment Pool (MMDT)*	53,499	53,499	-
Total Debt Securities	<u>2,689,884</u>	<u>\$ 1,137,062</u>	<u>\$ 1,552,822</u>
<u>Other Investments:</u>			
Equity Securities	404,539		
Equity Mutual Funds	<u>127,912</u>		
Total Other Investments	<u>532,451</u>		
Total Investments	<u>\$ 3,222,335</u>		

* Reported at amortized cost

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments - Interest Rate Risk of Debt Securities

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

D. Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2016, the Town's investments were not exposed to custodial credit risk.

E. Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2016, the credit ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *				
		A-	AA+	BBB+	BBB-	Unrated
U.S. Agencies	\$ 340,190	\$ -	\$ 340,190	\$ -	\$ -	\$ -
Corporate bonds	434,426	45,443	45,633	242,989	100,361	-
Money market mutual funds	567,785	-	-	-	-	567,785
Certificates of deposit	614,151	-	-	-	-	614,151
Mutual bond funds	335,038	-	-	-	-	335,038
External investment pool (MMDT)	53,499	-	-	-	-	53,499
Total	\$ 2,345,089	\$ 45,443	\$ 385,823	\$ 242,989	\$ 100,361	\$ 1,570,473

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

F. Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2016, the Town held investments with the Federal Home Loan Mortgage Corporation totaling \$340,190, or 10.6% of total investments.

G. Investments – Fair Value Measurements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Equity Securities:</u>				
Equity Mutual Funds	\$ 127,912	\$ -	\$ 127,912	\$ -
Common Stock	404,539	404,539	-	-
Total Equity Securities	<u>532,451</u>	<u>404,539</u>	<u>127,912</u>	<u>-</u>
<u>Debt Securities:</u>				
U.S. Agency Securities	340,190	-	340,190	-
U.S. Treasury Securities	344,795	-	344,795	-
Money Market Mutual Funds	567,785	-	567,785	-
Corporate Bonds	434,426	-	434,426	-
Certificates of Deposit	614,151	-	614,151	-
Mutual Bond Funds	335,038	-	335,038	-
Total Debt Securities	<u>2,636,385</u>	<u>-</u>	<u>2,636,385</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 3,168,836</u>	<u>\$ 404,539</u>	<u>\$ 2,764,297</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2016, receivables for the individual major governmental funds and nonmajor governmental 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	\$ 301,374	\$ -	\$ 301,374
Real estate tax deferrals	63,537	-	63,537
Tax liens	67,408	-	67,408
Motor vehicle and other excise taxes	58,920	-	58,920
Community preservation surcharges	4,414	-	4,414
Departmental and other	12,470	-	12,470
Intergovernmental	287,431	-	287,431
Loans	1,426	-	1,426
	<u>\$ 796,980</u>	<u>\$ -</u>	<u>\$ 796,980</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2016, receivables for the water enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water	\$ 455,217	\$ -	\$ 455,217
Water liens	<u>5,116</u>	<u>-</u>	<u>5,116</u>
	<u>\$ 460,333</u>	<u>\$ -</u>	<u>\$ 460,333</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 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	\$ 2,540,753	\$ -	\$ (166,905)	\$ 2,373,848
Construction in progress	<u>64,263</u>	<u>1,655,252</u>	<u>-</u>	<u>1,719,515</u>
Total capital assets not being depreciated	<u>2,605,016</u>	<u>1,655,252</u>	<u>(166,905)</u>	<u>4,093,363</u>
<u>Capital assets being depreciated:</u>				
Improvements	1,111,680	-	-	1,111,680
Buildings	14,620,129	-	-	14,620,129
Machinery and equipment	1,411,588	17,299	(201,831)	1,227,056
Vehicles	2,635,259	175,129	(90,529)	2,719,859
Library books	265,666	-	-	265,666
Software	20,765	-	-	20,765
Infrastructure	<u>6,763,450</u>	<u>331,579</u>	<u>-</u>	<u>7,095,029</u>
Total capital assets being depreciated	<u>26,828,537</u>	<u>524,007</u>	<u>(292,360)</u>	<u>27,060,184</u>
<u>Less accumulated depreciation for:</u>				
Improvements	(404,606)	(45,374)	-	(449,980)
Buildings	(5,451,710)	(333,914)	-	(5,785,624)
Machinery and equipment	(898,026)	(91,433)	193,348	(796,111)
Vehicles	(1,151,097)	(196,078)	90,529	(1,256,646)
Library books	(265,666)	-	-	(265,666)
Software	(20,765)	-	-	(20,765)
Infrastructure	<u>(4,358,826)</u>	<u>(88,401)</u>	<u>-</u>	<u>(4,447,227)</u>
Total accumulated depreciation	<u>(12,550,696)</u>	<u>(755,200)</u>	<u>283,877</u>	<u>(13,022,019)</u>
Total capital assets being depreciated, net	<u>14,277,841</u>	<u>(231,193)</u>	<u>(8,483)</u>	<u>14,038,165</u>
Total governmental activities capital assets, net	<u>\$ 16,882,857</u>	<u>\$ 1,424,059</u>	<u>\$ (175,388)</u>	<u>\$ 18,131,528</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 283,912	\$ -	\$ -	\$ 283,912
Construction in progress	1,734,252	25,440	-	1,759,692
	<u>2,018,164</u>	<u>25,440</u>	<u>-</u>	<u>2,043,604</u>
Total capital assets not being depreciated				
<u>Capital assets being depreciated:</u>				
Buildings	3,454,199	-	-	3,454,199
Machinery and equipment	180,034	-	-	180,034
Vehicles	275,325	31,489	(38,812)	268,002
Infrastructure	6,693,974	-	-	6,693,974
	<u>10,603,532</u>	<u>31,489</u>	<u>(38,812)</u>	<u>10,596,209</u>
Total capital assets being depreciated				
<u>Less accumulated depreciation for:</u>				
Buildings	(1,040,695)	(79,710)	-	(1,120,405)
Machinery and equipment	(117,688)	(33,208)	-	(150,896)
Vehicles	(113,901)	(38,118)	38,812	(113,207)
Infrastructure	(3,179,275)	(125,234)	-	(3,304,509)
	<u>(4,451,559)</u>	<u>(276,270)</u>	<u>38,812</u>	<u>(4,689,017)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>6,151,973</u>	<u>(244,781)</u>	<u>-</u>	<u>5,907,192</u>
Total business-type activities capital assets, net	<u>\$ 8,170,137</u>	<u>\$ (219,341)</u>	<u>\$ -</u>	<u>\$ 7,950,796</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Hamilton Development Corporation:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 339,500	\$ -	\$ -	\$ 339,500
<u>Capital assets being depreciated:</u>				
Buildings	260,550	-	-	260,550
<u>Less accumulated depreciation for:</u>				
Buildings	(9,771)	(6,514)	-	(16,285)
Total capital assets being depreciated, net	<u>250,779</u>	<u>(6,514)</u>	<u>-</u>	<u>244,265</u>
Total discretely presentend component units capital assets, net	<u>\$ 590,279</u>	<u>\$ (6,514)</u>	<u>\$ -</u>	<u>\$ 583,765</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General government	\$ 37,949
Public safety	307,301
Education	37,840
Public works	190,479
Health and human services	1,295
Culture and recreation	<u>180,336</u>
Total depreciation expense - governmental activities	<u>\$ 755,200</u>
 Business-Type Activities:	
Water	\$ 245,862
Waste removal	<u>30,408</u>
Total depreciation expense - business-type activities	<u>\$ 276,270</u>
 Discretely Presented Component Unit:	
Hamilton Development Corporation	<u>\$ 6,514</u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2016 are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Waste Removal Fund	
General Fund	\$ -	\$ -	\$ 204,991	\$ 321,122	\$ 526,113 (1)
Community Preservation Fund	-	1,381,120	-	-	1,381,120 (2)
Nonmajor Governmental Funds	22,000	217	-	-	22,217 (3)
Water Enterprise Fund	<u>334,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,307 (4)</u>
	<u>\$ 356,307</u>	<u>\$ 1,381,337</u>	<u>\$ 204,991</u>	<u>\$ 321,122</u>	<u>\$ 2,263,757</u>

(1) Represents budgeted transfers to the water enterprise fund for debt service costs (\$204,991) and general fund subsidy of the waste removal enterprise fund (\$321,122).

(2) Represents a transfer from the Community Preservation Fund to the Veteran's Memorial Pool capital projects fund.

(3) Represents budgeted transfers from the cemetery perpetual care (\$20,000) and sale of lots and graves (\$2,000) special revenue funds. Also represents transfer from the Clark fund (\$217) to the conservation commission fund.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2016 is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2015	Increases	Decreases	Balance at 6/30/2016
GAN	Bridge Street Culvert	5/21/15	5/20/16	0.55%	\$ 741,000	\$	\$ (741,000)	\$ -
GAN	Bridge Street Culvert	5/2/16	4/12/17	0.75%	-	741,000	-	741,000
Total					\$ 741,000	\$ 741,000	\$ (741,000)	\$ 741,000

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental Activities:					
Bonds and notes payable	\$ 6,342,000	\$ 2,825,000	\$ (3,612,000)	\$ 5,555,000	\$ 680,000
Unamortized bond premium	69,698	217,113	(15,663)	271,148	26,518
Total bonds and notes payable	6,411,698	3,042,113	(3,627,663)	5,826,148	706,518
Environmental remediation	\$ 352,126	\$ 470,134	\$ (822,260)	\$ -	-
Net OPEB obligation	2,315,665	500,678	(178,346)	2,637,997	-
Net pension liability	8,811,111	218,611	-	9,029,722	-
Compensated absences	230,254	13,510	-	243,764	24,376
Total	<u>\$ 18,120,854</u>	<u>\$ 4,245,046</u>	<u>\$ (4,628,269)</u>	<u>\$ 17,737,631</u>	<u>\$ 730,894</u>
Business-type Activities:					
Bonds and notes payable	\$ 5,985,000	\$ -	\$ (485,000)	\$ 5,500,000	\$ 475,000
Unamortized bond premium	164,030	-	(8,412)	155,618	8,412
Total bonds and notes payable	\$ 6,149,030	\$ -	\$ (493,412)	\$ 5,655,618	483,412
Net OPEB obligation	\$ 121,070	\$ 30,115	\$ (10,728)	\$ 140,457	-
Net pension liability	503,944	13,140	-	517,084	-
Compensated absences	24,638	946	-	25,584	2,558
Total	<u>\$ 6,798,682</u>	<u>\$ 44,201</u>	<u>\$ (504,140)</u>	<u>\$ 6,338,743</u>	<u>\$ 485,970</u>
Discretely Presented Component Unit					
Mortgage loan payable	\$ 480,000	\$ -	\$ -	\$ 480,000	\$ 2,439

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements, are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Public Safety Building	09/15/25	3.65 - 5.00	\$ 3,235,000	\$ -	\$ (3,235,000)	-
State House Serial Loan Notes	02/01/17	5.20	50,000	-	(25,000)	25,000
Library Refunding	05/15/20	2.00 - 3.00	570,000	-	(120,000)	450,000
Donovan Property	05/15/20	2.00 - 3.00	200,000	-	(40,000)	160,000
Energy Services Contract (ESCO)	05/15/20	2.00 - 3.00	145,000	-	(30,000)	115,000
Landfill Capping	5/15/2030	2.00 - 4.00	1,302,000	-	(92,000)	1,210,000
Fire Truck	5/15/2027	2.00 - 4.00	840,000	-	(70,000)	770,000
Public Safety Building - Refunding	9/15/2025	2.00 - 4.00	-	2,825,000	-	2,825,000
Total governmental funds			\$ 6,342,000	\$ 2,825,000	\$ (3,612,000)	\$ 5,555,000

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

Fiscal Year	Principal	Interest	Total
2017	\$ 680,000	\$ 209,178	\$ 889,178
2018	635,000	199,808	834,808
2019	630,000	168,358	798,358
2020	620,000	137,358	757,358
2021	435,000	106,983	541,983
2022	435,000	81,608	516,608
2023	435,000	55,808	490,808
2024	430,000	38,983	468,983
2025	425,000	25,583	450,583
2026	420,000	9,945	429,945
2027	155,000	7,820	162,820
2028	85,000	5,631	90,631
2029	85,000	3,379	88,379
2030	85,000	1,126	86,126
Total	\$ 5,555,000	\$ 1,051,564	\$ 6,606,564

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Water Bonds Refunding	05/15/20	2.00 - 3.00	\$ 855,000	\$ -	\$ (180,000)	\$ 675,000
Water Plant	05/15/18	2.00 - 3.00	130,000	-	(45,000)	85,000
Water System Reconstruction	05/15/35	2.00 - 4.00	<u>5,000,000</u>	<u>-</u>	<u>(260,000)</u>	<u>4,740,000</u>
Total enterprise funds			<u>\$ 5,985,000</u>	<u>\$ -</u>	<u>\$ (485,000)</u>	<u>\$ 5,500,000</u>

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

Fiscal Year	Principal	Interest	Total
2017	\$ 475,000	\$ 164,424	\$ 639,424
2018	465,000	151,273	616,273
2019	420,000	137,323	557,323
2020	420,000	124,723	544,723
2021	255,000	112,123	367,123
2022	250,000	104,473	354,473
2023	250,000	94,473	344,473
2024	250,000	84,473	334,473
2025	250,000	76,973	326,973
2026	250,000	69,473	319,473
2027	250,000	63,223	313,223
2028	250,000	56,973	306,973
2029	245,000	50,347	295,347
2030	245,000	43,855	288,855
2031	245,000	37,363	282,363
2032	245,000	30,013	275,013
2033	245,000	22,663	267,663
2034	245,000	15,313	260,313
2035	<u>245,000</u>	<u>7,656</u>	<u>252,656</u>
Total	<u>\$ 5,500,000</u>	<u>\$ 1,447,129</u>	<u>\$ 6,947,129</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Mortgage Loan Payable

The Hamilton Development Corporation has a \$480,000 outstanding mortgage obligation at June 30, 2016. Loan payments for principal and interest in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,439	21,501	\$ 23,940
2018	15,026	21,334	36,360
2019	15,721	20,639	36,360
2020	16,449	19,911	36,360
2021	<u>430,365</u>	<u>16,013</u>	<u>446,378</u>
 Total	 <u>\$ 480,000</u>	 <u>\$ 99,397</u>	 <u>\$ 579,397</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, 2016, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water distribution system replacement	\$ 5,000,000
Sagamore Hill land acquisition	1,250,000
Landfill capping	698,000
Land acquisition	<u>500</u>
 Total	 <u>\$ 6,948,500</u>

Current Refunding – June 2016

On June 2, 2016, the Town issued \$2,825,000 in current refunding bonds to refund \$2,935,000 of previously issued and outstanding bonds with an average interest rate of approximately 4.3%. The interest rate of the current refunding bonds varies between 2.0 – 4.0%.

The net proceeds of approximately \$3,035,000 (after premium and payment of bond issuance costs) were used to retire the outstanding bonds.

As a result of this refunding, the Town will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$287,000 and will realize an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$268,000.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

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

The number of participants as of July 1, 2014, the latest actuarial valuation, is as follows:

Active employees	56
Retired employees	<u>42</u>
 Total	 <u><u>98</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 identifies the components of the Town’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town’s net OPEB obligation:

	Amount
Annual required contribution	\$ 423,016
Interest on net OPEB obligation	97,469
Adjustment to annual required contribution	(135,497)
Amortization of actuarial (gains)/losses	<u>145,805</u>
 Annual OPEB cost	 530,793
Contributions made	<u>(189,074)</u>
 Increase in net OPEB obligation	 341,719
Net OPEB obligation at beginning of year	<u>2,436,735</u>
 Net OPEB obligation at end of year	 \$ <u><u>2,778,454</u></u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	639,788	27.1%	2,102,674
June 30, 2015	510,152	34.5%	2,436,735
June 30, 2016	530,793	35.6%	2,778,454

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2014, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/14	-	5,959,170	5,959,170	-	2,589,736	230%

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.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Valuation date:	July 1, 2014
Actuarial cost method:	Individual Entry Age
Amortization method:	Amortized as level dollar amount over 30 years at last valuation
Remaining amortization period:	24 years at July 1, 2014
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	6.00% decreasing by 1.00% for 1 year for medical and 5.50% decreasing by 1.00% for 1 year for dental to an ultimate level of 5.00% per year
Mortality Rates:	Pre-Retirement – The RP-2000 Employee Mortality Table projected to 2017 for males and females Post-Retirement – The RP-2000 Employee Mortality Table projected to 2017 for males and females

Allocation of AOPEBC – AOPEBC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General government	\$ 118,658
Public safety	274,832
Public works	65,928
Health and human services	21,421
Culture and recreation	<u>19,839</u>
Total AOPEBC - governmental activities	<u>500,678</u>
Business-Type Activities:	
Water	29,734
Waste removal	<u>381</u>
Total AOPEBC - business-type activities	<u>30,115</u>
Total AOPEBC	<u><u>\$ 530,793</u></u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 FUND BALANCES

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

	General	Community Preservation	Environmental Remediation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 252,834	\$ 252,834
Loans	-	-	-	1,426	1,426
Sub-total - Nonspendable	-	-	-	254,260	254,260
Restricted for:					
Community preservation	-	1,693,269	-	-	1,693,269
Other post employment benefits	175,646	-	-	-	175,646
Affordable housing	-	-	-	236,227	236,227
General government	-	-	-	643,233	643,233
Public safety	-	-	-	33,414	33,414
Public works	-	-	-	510,321	510,321
Health and human services	-	-	-	130,578	130,578
Culture and recreation	-	-	-	243,922	243,922
Sub-total - Restricted	175,646	1,693,269	-	1,797,695	3,666,610
Committed to:					
Subsequent year's expenditures	500,000	-	-	-	500,000
Recreation fields stabilization	12,253	-	-	-	12,253
Continuing appropriations - general government	15,000	-	-	-	15,000
Continuing appropriations - public works	43,900	-	-	-	43,900
Sub-total - Committed	571,153	-	-	-	571,153
Assigned to:					
General government	131,871	-	-	-	131,871
Public works	25,575	-	-	-	25,575
Culture and recreation	1,050	-	-	-	1,050
Sub-total - Assigned	158,496	-	-	-	158,496
Unassigned	4,770,629	-	(166,036)	(10,323)	4,594,270
Totals	\$ 5,675,924	\$ 1,693,269	\$ (166,036)	\$ 2,041,632	\$ 9,244,789

NOTE 12 STABILIZATION FUNDS

The Town maintains a general and a recreation field stabilization fund that were 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 general and recreation field stabilization funds at June 30, 2016 total \$1,036,755 and \$12,253, respectively, and are reported in the general fund as unassigned (\$1,036,755) and committed (\$12,253) fund balance.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 RISK FINANCING

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

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

Workers' compensation activities are recorded in the General Fund where expenditures are recognized when the claims are expected to be paid with current expendable available resources. As of June 30, 2016, there were no outstanding workers' compensation claims.

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

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

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

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

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

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

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$721,863 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$9,546,806 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 for which update procedures were used to roll forward the total pension liability to the December 31, 2015 measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll and direct charges for early retirement incentives. At June 30, 2016, the Town's proportion was 2.628 percent, which compared to a proportion of 2.746 percent at June 30, 2015.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

For the year ended June 30, 2016, the Town recognized pension expense of \$777,534. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$510,783 from the net difference between projected and actual investment earnings on plan investments. The Town reported deferred inflows of resources related to pensions of \$375,217 from changes in proportion and differences between employer contributions and proportionate share of contributions.

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

<u>Year Ended June 30</u>	
2017	\$ 35,942
2018	35,942
2019	35,942
2020	45,610
2021	<u>(17,870)</u>
	<u>\$ 135,566</u>

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

Salary increases: Select and Ultimate. 7.50% year one, 6.50% year two, 6.00% year three, 5.50% year four, 5.00% year five, 3.75% ultimate rate.

Mortality Rates: Pre-Retirement - The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.

Disabled Retiree - The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

Investment rate of return: 8.00%, annually

Cost of living adjustments: 3.0% of the first \$13,000 in benefits

Rates of retirement: Varies based upon age for general employees, police and fire employees

Rates of disability: Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and Group 2 and 10% ordinary and 90% accidental for Group 4.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2013, and applied to all periods included in the measurement.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Bonds	13.00%	0.97%
Value-Added Bonds	10.00%	3.80%
Large Cap Equities	14.50%	4.61%
Mid/Small Cap Equities	3.50%	4.85%
International Equities	16.00%	5.10%
Emerging Market Equities	6.00%	6.31%
Private Equity	10.00%	6.55%
Real Estate	10.00%	3.40%
Timber/Natural Resources	4.00%	3.64%
Hedge Funds	9.00%	3.64%
Cash/Portfolio Completion	4.00%	0.00%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Town's Proportionate Share of the Net Pension Liability	\$ 11,736,696	\$ 9,546,806	\$ 7,854,291

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERRS financial report.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$10,000,000 to design and reconstruction of its water system and facilities and \$1,250,000 to purchase the Sagamore Hill Land. Of the \$10,000,000 authorized for the water system and facilities, \$5,000,000 has been funded through the issuance of bonds.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$217,396 at June 30, 2016.

NOTE 16 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2016.

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.

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**TOWN OF HAMILTON, MASSACHUSETTS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2016**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 24,522,974	\$ 4,730	\$ 24,527,704
Motor Vehicle and Other Excise Taxes	-	1,011,880	-	1,011,880
Meals Tax	-	65,000	-	65,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	38,000	-	38,000
Intergovernmental	-	866,445	-	866,445
Penalties and Interest on Taxes	-	92,525	-	92,525
Licenses and Permits	-	175,000	-	175,000
Fines and Forfeitures	-	10,000	-	10,000
Departmental and Other	-	217,370	-	217,370
Investment Income	-	8,000	-	8,000
	<u>-</u>	<u>27,007,194</u>	<u>4,730</u>	<u>27,011,924</u>
Total Revenues	<u>-</u>	<u>27,007,194</u>	<u>4,730</u>	<u>27,011,924</u>
EXPENDITURES				
Current:				
General Government	85,271	2,034,978	31,978	2,152,227
Public Safety	-	2,691,362	(61,262)	2,630,100
Education	-	17,220,565	-	17,220,565
Public Works	101,234	1,207,615	2,220	1,311,069
Health and Human Services	158	250,771	1,920	252,849
Culture and Recreation	38,234	953,547	1,330	993,111
Hamilton Development Corporation	-	65,000	-	65,000
Pension Benefits	-	735,886	-	735,886
Employee Benefits	5,297	848,888	20,775	874,960
Property and Liability Insurance	-	205,000	-	205,000
State and County Charges	-	230,532	-	230,532
Debt Service:	-	-	-	-
Principal	-	639,000	-	639,000
Interest	-	233,443	-	233,443
	<u>230,194</u>	<u>27,316,587</u>	<u>(3,039)</u>	<u>27,543,742</u>
Total Expenditures	<u>230,194</u>	<u>27,316,587</u>	<u>(3,039)</u>	<u>27,543,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(230,194)</u>	<u>(309,393)</u>	<u>7,769</u>	<u>(531,818)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	356,307	-	356,307
Premium from Issuance of Refunding Bonds	-	-	-	-
Transfers Out	-	(549,045)	(2,068)	(551,113)
	<u>-</u>	<u>(192,738)</u>	<u>(2,068)</u>	<u>(194,806)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(192,738)</u>	<u>(2,068)</u>	<u>(194,806)</u>
NET CHANGE IN FUND BALANCE	<u>(230,194)</u>	<u>(502,131)</u>	<u>5,701</u>	<u>(726,624)</u>
Fund Balance - Beginning of Year	<u>3,530,042</u>	<u>3,530,042</u>	<u>3,530,042</u>	<u>3,530,042</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,299,848</u>	<u>\$ 3,027,911</u>	<u>\$ 3,535,743</u>	<u>\$ 2,803,418</u>

See Accompanying Independent Auditor's Report.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	24,515,612	\$ -	\$ 24,515,612	\$ (12,092)
	1,172,018	-	1,172,018	160,138
	68,596	-	68,596	3,596
	61,147	-	61,147	61,147
	46,305	-	46,305	8,305
	818,620	-	818,620	(47,825)
	93,892	-	93,892	1,367
	230,046	-	230,046	55,046
	4,165	-	4,165	(5,835)
	215,383	-	215,383	(1,987)
	8,194	-	8,194	194
	<u>27,233,978</u>	<u>-</u>	<u>27,233,978</u>	<u>222,054</u>
	1,842,204	146,871	1,989,075	163,152
	2,502,053	-	2,502,053	128,047
	17,219,267	-	17,219,267	1,298
	1,063,276	69,475	1,132,751	178,318
	246,051	-	246,051	6,798
	938,601	1,050	939,651	53,460
	65,000	-	65,000	-
	721,863	-	721,863	14,023
	847,760	-	847,760	27,200
	184,933	-	184,933	20,067
	230,532	-	230,532	-
	637,000	-	637,000	2,000
	248,070	-	248,070	(14,627)
	<u>26,746,610</u>	<u>217,396</u>	<u>26,964,006</u>	<u>579,736</u>
	<u>487,368</u>	<u>(217,396)</u>	<u>269,972</u>	<u>801,790</u>
	356,307	-	356,307	-
	217,113	-	217,113	217,113
	<u>(551,113)</u>	<u>-</u>	<u>(551,113)</u>	<u>-</u>
	<u>22,307</u>	<u>-</u>	<u>22,307</u>	<u>217,113</u>
	509,675	(217,396)	292,279	1,018,903
	<u>3,530,042</u>	<u>-</u>	<u>3,530,042</u>	<u>-</u>
\$	<u>4,039,717</u>	<u>(217,396)</u>	<u>3,822,321</u>	<u>1,018,903</u>

**TOWN OF HAMILTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2016**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 369,000	\$ -	\$ 369,000
Intergovernmental	-	110,000	-	110,000
Investment Income	-	-	-	-
Total Revenues	<u>-</u>	<u>479,000</u>	<u>-</u>	<u>479,000</u>
EXPENDITURES				
Current:				
General Government	-	22,516	-	22,516
Culture and Recreation	1,528,511	146,702	97,980	244,682
Debt Service:				
Principal	-	40,000	-	40,000
Interest	-	5,400	-	5,400
Total Expenditures	<u>1,528,511</u>	<u>214,618</u>	<u>97,980</u>	<u>312,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,528,511)</u>	<u>264,382</u>	<u>(97,980)</u>	<u>166,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(1,381,120)	(1,381,120)
NET CHANGE IN FUND BALANCE	(1,528,511)	264,382	(1,479,100)	(1,214,718)
Fund Balance at Beginning of Year	<u>2,762,317</u>	<u>2,762,317</u>	<u>2,762,317</u>	<u>2,762,317</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,233,806</u>	<u>\$ 3,026,699</u>	<u>\$ 1,283,217</u>	<u>\$ 1,547,599</u>

See Accompanying Independent Auditor's Report.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 393,749	\$ -	\$ 393,749	\$ 24,749
108,237	-	108,237	(1,763)
20,421	-	20,421	20,421
<u>522,407</u>	<u>-</u>	<u>522,407</u>	<u>43,407</u>
32,594	-	32,594	(10,078)
130,451	114,231	244,682	-
40,000	-	40,000	-
5,400	-	5,400	-
<u>208,445</u>	<u>114,231</u>	<u>322,676</u>	<u>(10,078)</u>
<u>313,962</u>	<u>(114,231)</u>	<u>199,731</u>	<u>33,329</u>
<u>(1,381,120)</u>	<u>-</u>	<u>(1,381,120)</u>	<u>-</u>
(1,067,158)	(114,231)	(1,181,389)	33,329
	<u>2,762,317</u>	<u>2,762,317</u>	<u>-</u>
<u>\$ (1,067,158)</u>	<u>\$ 2,648,086</u>	<u>\$ 1,580,928</u>	<u>\$ 33,329</u>

**TOWN OF HAMILTON, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2016**

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

	<u>2015</u>	<u>2016</u>
Town's proportion of the net pension liability	2.746%	2.628%
Town's proportionate share of the net pension liability	9,315,055	9,546,806
Town's covered-employee payroll	3,333,273	3,470,734
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.46%	275.07%
Plan fiduciary net position as a percentage of the total pension liability	52.27%	51.01%

(1) Amounts presented were determined as of December 31, 2014 and 2015

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

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

	<u>2015</u>	<u>2016</u>
Actuarially Required Contribution	\$ 704,356	\$ 721,863
Contributions in Relation to the Actuarially Required Contribution	<u>(704,356)</u>	<u>(721,863)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 3,333,273	\$ 3,470,734
Contributions as a Percentage of Covered Employee Payroll	21.13%	20.80%

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

See Accompanying Independent Auditor's Report.

**TOWN OF HAMILTON, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE
JUNE 30, 2016**

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	-	\$ 2,220,531	187%
07/01/11	-	5,567,972	5,567,972	-	2,399,020	232%
07/01/14	-	5,959,170	5,959,170	-	2,589,736	230%

See Accompanying Independent Auditor's Report.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund for the fiscal year ended June 30, 2016, is presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 27,233,978	\$ 26,964,006	\$ 22,307	\$ 3,822,323
<u>Adjustments and Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes	73,092	5,520	750,000	1,603,795
Activity of other post employment benefits fund recorded in the general fund for GAAP purposes	9,015	4,094	25,000	175,646
Activity of recreation stabilization fund recorded in the general fund for GAAP purposes	13,970	1,718	-	12,253
Net change in recording 60-day receipts	(45,026)	-	-	67,540
Net change in recording tax refunds payable	100,000	-	-	(113,029)
To record encumbrances and continuing appropriations	-	(217,396)	-	217,396
To record refunding transaction	-	2,935,000	2,825,000	(110,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	\$ <u>27,385,029</u>	\$ <u>29,692,942</u>	\$ <u>3,622,307</u>	\$ <u>5,675,924</u>

Community Preservation Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 522,407	\$ 322,676	\$ (1,381,120)	\$ 1,580,928
<u>Adjustments</u>				
Net change in recording investment income	896	-	-	(1,890)
To record encumbrances and continuing appropriations	-	(114,231)	-	114,231
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	\$ <u>523,303</u>	\$ <u>208,445</u>	\$ <u>(1,381,120)</u>	\$ <u>1,693,269</u>