

**TOWN OF HAMILTON, MASSACHUSETTS**  
**FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**

**TOWN OF HAMILTON, MASSACHUSETTS  
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## 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, 2014, 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, 2014, 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 55 through 61) 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 April 6, 2015 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  
April 6, 2015

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$22,280,489 (net position). The Town's governmental activities and business-type activities had unrestricted net position totaling \$2,526,034 and \$465,444, respectively.
- The Town's total net position increased by \$1,575,344 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,435,121, or 13.9% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$755,000 during fiscal year 2014.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

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

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

**Government-Wide Financial Statements**

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, Hamilton Development Corporation 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 73 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation (special revenue) fund and environmental remediation (capital project) fund, which are considered to be major funds. Data from the other 70 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, 2014**

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 24-54 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 55-61 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$22,280,489 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current Assets	\$ 10,646,065	\$ 9,726,450	\$ 3,385,693	\$ 1,782,426	\$ 14,031,758	\$ 11,508,876
Noncurrent Assets (Excluding Capital Assets)	421,987	450,484	-	-	421,987	450,484
Capital assets (net)	<u>16,048,568</u>	<u>16,252,617</u>	<u>6,602,718</u>	<u>6,401,064</u>	<u>22,651,286</u>	<u>22,653,681</u>
Total Assets	<u>27,116,620</u>	<u>26,429,551</u>	<u>9,988,411</u>	<u>8,183,490</u>	<u>37,105,031</u>	<u>34,613,041</u>
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	1,149,217	563,163	105,162	169,349	1,254,379	732,512
Noncurrent Liabilities (Excluding Debt)	2,187,266	3,389,902	121,897	100,482	2,309,163	3,490,384
Current Debt	1,815,000	1,520,000	4,261,000	2,235,000	6,076,000	3,755,000
Noncurrent Debt	<u>4,200,000</u>	<u>4,715,000</u>	<u>985,000</u>	<u>1,215,000</u>	<u>5,185,000</u>	<u>5,930,000</u>
Total liabilities	<u>9,351,483</u>	<u>10,188,065</u>	<u>5,473,059</u>	<u>3,719,831</u>	<u>14,824,542</u>	<u>13,907,896</u>
<b>Net Position</b>						
Net Investment in Capital Assets	11,366,610	11,037,935	4,049,908	3,998,614	15,416,518	15,036,549
Restricted	3,872,493	3,709,662	-	-	3,872,493	3,709,662
Unrestricted	<u>2,526,034</u>	<u>1,493,889</u>	<u>465,444</u>	<u>465,045</u>	<u>2,991,478</u>	<u>1,958,934</u>
Total Net Position	<u>\$ 17,765,137</u>	<u>\$ 16,241,486</u>	<u>\$ 4,515,352</u>	<u>\$ 4,463,659</u>	<u>\$ 22,280,489</u>	<u>\$ 20,705,145</u>

The largest portion of the Town's net position (69.2%) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery and equipment, vehicles, library books, software, and infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (17.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (13.4% or \$2,991,478) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$2,526,034 may be used to support governmental activities and \$465,444 may be used to support business-type activities.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Changes in Net Position**

For the fiscal year ended June 30, 2014, the Town's total net position increased by \$1,575,344, compared to an increase of \$2,773,803 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 846,983	\$ 898,348	\$ 1,104,464	\$ 1,068,486	\$ 1,951,447	\$ 1,966,834
Operating Grants and Contributions	529,571	684,658	29,281	73,358	558,852	758,016
Capital Grants and Contributions	166,435	2,721,717	436	57,546	166,871	2,779,263
General Revenues:						
Real Estate and Personal Property Taxes	22,632,174	22,171,379	-	-	22,632,174	22,171,379
Motor Vehicle and Other Excise Taxes	1,055,562	979,016	-	-	1,055,562	979,016
Meals Tax	59,877	65,278	-	-	59,877	65,278
Penalties and Interest on Taxes	93,552	195,502	-	-	93,552	195,502
Payments in lieu of taxes	37,967	37,497	-	-	37,967	37,497
Community Preservation Surcharges	351,304	341,480	-	-	351,304	341,480
Grants and Contributions not Restricted to Specific Programs	706,792	690,029	-	-	706,792	690,029
Unrestricted Investment Income	65,665	18,550	-	-	65,665	18,550
<b>Total Revenues</b>	<b>26,545,882</b>	<b>28,803,454</b>	<b>1,134,181</b>	<b>1,199,390</b>	<b>27,680,063</b>	<b>30,002,844</b>
<b>Expenses</b>						
General Government	2,087,313	2,091,960	-	-	2,087,313	2,091,960
Public Safety	3,998,696	3,755,622	-	-	3,998,696	3,755,622
Education	15,339,029	15,804,319	-	-	15,339,029	15,804,319
Public Works	1,671,965	1,468,960	-	-	1,671,965	1,468,960
Environmental Remediation	(540,000)	796,093	-	-	(540,000)	796,093
Health and Human Services	485,533	450,090	-	-	485,533	450,090
Culture and Recreation	1,517,345	1,228,454	-	-	1,517,345	1,228,454
Hamilton Development Corporatoin	65,000	173,296	-	-	65,000	173,296
Debt Service - Interest	176,912	210,799	-	-	176,912	210,799
Water	-	-	863,619	793,743	863,619	793,743
Waste Removal	-	-	439,307	455,705	439,307	455,705
<b>Total Expenses</b>	<b>24,801,793</b>	<b>25,979,593</b>	<b>1,302,926</b>	<b>1,249,448</b>	<b>26,104,719</b>	<b>27,229,041</b>
Change in Net Position Before Transfers	1,744,089	2,823,861	(168,745)	(50,058)	1,575,344	2,773,803
Transfers, Net	(220,438)	(229,338)	220,438	229,338	-	-
Change in Net Position	1,523,651	2,594,523	51,693	179,280	1,575,344	2,773,803
Net Position - Beginning of Year	16,241,486	13,646,963	4,463,659	4,284,379	20,705,145	17,931,342
Net Position - End of Year	<u>\$ 17,765,137</u>	<u>\$ 16,241,486</u>	<u>\$ 4,515,352</u>	<u>\$ 4,463,659</u>	<u>\$ 22,280,489</u>	<u>\$ 20,705,145</u>

Governmental activities increased the Town's net position by \$1,523,651. In the prior year, governmental activities increased the Town's net position by \$2,594,523. The key elements of this change was the overall net change in the Town's estimated liability for environmental remediation of approximately \$1,166,000, offset by a decrease in capital grants and contributions totaling approximately \$2,555,000.

Business-type activities increased the Town's net position by \$51,693. In the prior year, business-type activities increased the Town's net position by \$179,280. The key element of this change was the decrease of approximately \$58,000 in capital contributions related to the leasing of trash barrels in the waste removal enterprise fund.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**FUND FINANCIAL STATEMENT ANALYSIS**

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

**Governmental Funds**

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$8,355,281, an increase of \$457,807 in comparison with the prior year. Approximately \$2,833,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$278,123)
- Restricted (\$3,627,810)
- Committed (\$1,485,296)
- Assigned (\$131,441)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$3,435,121, while total fund balance was \$5,171,019. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 13.9% of total general fund expenditures and transfers out, while total fund balance represents 21.0% of that same amount.

The balance of the Town's general fund increased by \$948,146 during fiscal year 2014. The Town recognized a budgetary surplus of approximately \$1,911,000 (excluding encumbrances and continuing appropriations) and utilized \$1,058,912 of reserves to fund appropriations during fiscal year 2014.

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

The fund balance of the community preservation fund (special revenue) increased by \$220,129 during the current fiscal year. The fund recognized \$349,051 in surcharges, \$177,992 in intergovernmental revenues, \$9,930 in contributions and investment income of \$34,621. Expenditures of \$351,465 were incurred during the fiscal year.

The fund balance of the environmental remediation fund (capital project) decreased by \$625,896 during the current fiscal year as a result of expenditures incurred.

**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, 2014**

Unrestricted net position of the water and waste removal enterprise funds at the end of the year amounted to \$475,595 and (\$10,151), respectively. The water fund had an increase in net position for the year of \$48,615 and the waste removal fund had an increase of \$3,078. 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 \$25,731,106. During the year, supplemental appropriations totaling \$200,300 were authorized. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Public Works	\$ 100,000	Unassigned fund balance
Fire Department	45,000	Tax levy
Library	45,000	Tax levy
Board of Health	5,300	Tax levy
Cemetery	5,000	Unassigned fund balance
	<u>\$ 200,300</u>	

During the year, general fund revenues 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 \$1,726,000. Encumbrances and continuing appropriations total \$185,347 at year-end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$22,651,286 (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 decrease in the investment in capital assets for the current fiscal year totaled \$2,395 or 0.01% (a 0.91% decrease for governmental activities and a 0.90% increase for business-type activities).

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

- Water distribution system (\$463,000)
- DPW infrastructure projects (\$109,000)

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,540,753	\$ 2,540,753	\$ 283,912	\$ 283,912	\$ 2,824,665	\$ 2,824,665
Land Improvements	746,247	703,671	-	-	746,247	703,671
Buildings	9,502,332	9,783,801	2,493,214	2,572,924	11,995,546	12,356,725
Machinery and Equipment	595,641	400,505	84,849	117,037	680,490	517,542
Vehicles	237,605	282,915	100,810	129,613	338,415	412,528
Infrastructure	2,334,248	2,301,665	3,639,933	3,297,578	5,974,181	5,599,243
Construction in Progress	91,742	239,307	-	-	91,742	239,307
<b>Total Capital Assets</b>	<b>\$ 16,048,568</b>	<b>\$ 16,252,617</b>	<b>\$ 6,602,718</b>	<b>\$ 6,401,064</b>	<b>\$ 22,651,286</b>	<b>\$ 22,653,681</b>

Additional information on the Town's capital assets can be found in Note 5 on pages 40-42 of this report.

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$5,930,000, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 4,715,000	\$ 5,235,000	\$ 1,215,000	\$ 1,450,000	\$ 5,930,000	\$ 6,685,000

Town's total bonded debt decreased by \$755,000 during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 44-46 of this report.

**ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES**

Every year a balanced budget is developed based on the availability of levy which includes the 2 ½% increase and new growth, forecasted state aid and local receipts projections. The Town has reached a true baseline for budgeted services that fits within a modest growth of taxable levy and local receipts. Fiscal year 2014 revenues exceeded the projection by 11%; the largest contributor was Motor Vehicle Excise Tax. Combined with a continued reduction in outstanding receivables by 6% and an expense surplus of 5.4%, a give back from the regional school district being the largest contributor by 3.9% the Town was able to fund the fiscal year 2015 capital equipment and preserve 5% cash reserve objective for the General Fund.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The challenge in the development of a fiscal year 2015 budget continues to be a sustainable balance between rising expenses, a slow growing local economy and the ability to fund based on a 95% residential tax base. As the department heads, Finance and Advisory Committee and the Board of Selectman continue to explore cost containment efforts, in full understanding that expenditure increases for such items as retirement, insurances, and selective capital lease/purchases are inevitable. The Finance and Advisory Committee recommended to the Board of Selectmen a modest cost-of-living increase (COLA) for Town employees and the use of \$1.4 million of the reserve surplus for the purchase of capital equipment, the funding of new Wage and Compensation Study, \$78,000 in energy matching grants for the purchase of street lights a LED replacement program and a modest reduction in the Tax Rate.

The development of new revenue streams continues to be a priority for the Town leadership. The Town of Hamilton continues to move forward with the development of the Landfill into revenue producing solar field site. In addition, a portion of the land gift from the Patton family will be sold for \$1,200,000 and developed into 12 new residential units. The Town's adoption of targeted dense development has resulted in the filing of a new 55 plus Townhouse development that will begin to contribute to Tax revenue in fiscal 2016. The Hamilton Development Corporation working with the community is exploring targeted development for the downtown area and the historic large estates.

**REQUESTS FOR INFORMATION**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hamilton Development Corporation
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,660,189	\$ 395,007	\$ 5,055,196	\$ 77,219
Restricted Cash and Cash Equivalents	2,902,955	2,749,024	5,651,979	-
Investments	535,009	-	535,009	-
Restricted Investments	1,926,989	-	1,926,989	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	301,005	-	301,005	-
Tax and Utility Liens	100,471	2,271	102,742	-
Motor Vehicle and Other Excise Taxes	69,344	-	69,344	-
Community Preservation Surcharges	4,682	-	4,682	-
Water Charges	-	239,391	239,391	-
Departmental and Other	24,603	-	24,603	-
Intergovernmental	117,517	-	117,517	-
Loans	3,301	-	3,301	-
<b>Total Current Assets</b>	<b>10,646,065</b>	<b>3,385,693</b>	<b>14,031,758</b>	<b>77,219</b>
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	51,746	-	51,746	-
Loans	8,253	-	8,253	-
Tax Foreclosures	361,988	-	361,988	-
Capital Assets not being Depreciated	2,632,495	283,912	2,916,407	339,500
Capital Assets, Net of Accumulated Depreciation	13,416,073	6,318,806	19,734,879	257,293
<b>Total Noncurrent Assets</b>	<b>16,470,555</b>	<b>6,602,718</b>	<b>23,073,273</b>	<b>596,793</b>
<b>Total Assets</b>	<b>27,116,620</b>	<b>9,988,411</b>	<b>37,105,031</b>	<b>674,012</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants Payable	423,880	101,495	525,375	12,164
Accrued Payroll	37,145	1,568	38,713	-
Tax Refunds Payable	113,029	-	113,029	-
Other Liabilities	14,021	-	14,021	-
Accrued Interest	45,238	-	45,238	-
Environmental Remediation	495,060	-	495,060	-
Compensated Absences	20,844	2,099	22,943	-
Short-Term Notes Payable	1,300,000	4,031,000	5,331,000	-
Long-Term Bonds and Notes Payable	515,000	230,000	745,000	-
<b>Total Current Liabilities</b>	<b>2,964,217</b>	<b>4,366,162</b>	<b>7,330,379</b>	<b>12,164</b>
Noncurrent Liabilities:				
Compensated Absences	187,600	18,889	206,489	-
Net OPEB Obligation	1,999,666	103,008	2,102,674	-
Long-Term Bonds and Notes Payable	4,200,000	985,000	5,185,000	-
Mortgage loan payable	-	-	-	480,000
<b>Total Noncurrent Liabilities</b>	<b>6,387,266</b>	<b>1,106,897</b>	<b>7,494,163</b>	<b>480,000</b>
<b>Total Liabilities</b>	<b>9,351,483</b>	<b>5,473,059</b>	<b>14,824,542</b>	<b>492,164</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	11,366,610	4,049,908	15,416,518	116,793
Restricted for:				
Other Postemployment Benefits	119,161	-	119,161	-
Community Preservation	2,452,695	-	2,452,695	-
Affordable Housing	101,939	-	101,939	-
Loans	11,554	-	11,554	-
Permanent Funds:				
Expendable	225,396	-	225,396	-
Nonexpendable	266,569	-	266,569	-
Other Specific Purposes	695,179	-	695,179	-
Unrestricted	2,526,034	465,444	2,991,478	65,055
<b>Total Net Position</b>	<b>\$ 17,765,137</b>	<b>\$ 4,515,352</b>	<b>\$ 22,280,489</b>	<b>\$ 181,848</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 2,087,313	\$ 198,645	\$ 64,901	\$ -	\$ (1,823,767)
Public Safety	3,998,696	419,397	107,906	-	(3,471,393)
Education	15,339,029	-	-	-	(15,339,029)
Public Works	1,671,965	28,331	20,079	159,188	(1,464,367)
Environmental Remediation	(540,000)	-	-	-	540,000
Health and Human Services	485,533	62,595	47,673	-	(375,265)
Culture and Recreation	1,517,345	138,015	289,012	7,247	(1,083,071)
Hamilton Development Corporation	65,000	-	-	-	(65,000)
Debt Service - Interest	176,912	-	-	-	(176,912)
Total Governmental Activities	<u>24,801,793</u>	<u>846,983</u>	<u>529,571</u>	<u>166,435</u>	<u>(23,258,804)</u>
Business-Type Activities:					
Water	863,619	1,024,719	1,347	-	162,447
Waste Removal	439,307	79,745	27,934	436	(331,192)
Total Business-Type Activities	<u>1,302,926</u>	<u>1,104,464</u>	<u>29,281</u>	<u>436</u>	<u>(168,745)</u>
Total Primary Government	<u>\$26,104,719</u>	<u>\$ 1,951,447</u>	<u>\$ 558,852</u>	<u>\$ 166,871</u>	<u>\$(23,427,549)</u>
<b>Component Unit:</b>					
Hamilton Development Corporation	<u>\$ 58,582</u>	<u>\$ 2,000</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 8,418</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>CHANGES IN NET POSITION</b>				
Net Revenue (Expense) (from previous page).	\$ (23,258,804)	\$ (168,745)	\$ (23,427,549)	\$ 8,418
General Revenues:				
Real Estate and Personal Property Taxes	22,632,174	-	22,632,174	-
Motor Vehicle and Other Excise Taxes	1,055,562	-	1,055,562	-
Meals Tax	59,877	-	59,877	-
Penalties and Interest on Taxes	93,552	-	93,552	-
Payments in Lieu of Taxes	37,967	-	37,967	-
Community Preservation Surcharges	351,304	-	351,304	-
Grants and Contributions not Restricted to Specific Programs	706,792	-	706,792	-
Unrestricted Investment Income	65,665	-	65,665	124
Transfers, Net	(220,438)	220,438	-	-
Total General Revenues and Transfers	24,782,455	220,438	25,002,893	124
<b>CHANGE IN NET POSITION</b>	1,523,651	51,693	1,575,344	8,542
Net Position - Beginning of Year	16,241,486	4,463,659	20,705,145	173,306
<b>NET POSITION - END OF YEAR</b>	\$ 17,765,137	\$ 4,515,352	\$ 22,280,489	\$ 181,848

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	General	Community Preservation	Environmental Remediation	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,660,189	\$ -	\$ -	\$ -	\$ 4,660,189
Investments	535,009	-	-	-	535,009
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	301,005	-	-	-	301,005
Real Estate Tax Deferrals	51,746	-	-	-	51,746
Tax Liens	100,471	-	-	-	100,471
Motor Vehicle and Other Excise Taxes	69,344	-	-	-	69,344
Community Preservation Surcharges	-	4,682	-	-	4,682
Departmental and Other	7,893	-	-	16,710	24,603
Intergovernmental	-	-	-	117,517	117,517
Loans	-	-	-	11,554	11,554
Tax Foreclosures	361,988	-	-	-	361,988
Restricted Assets:					
Cash and Cash Equivalents	566	978,642	1,031,974	891,773	2,902,955
Investments	143,595	1,495,081	-	288,313	1,926,989
<b>Total Assets</b>	<b>\$ 6,231,806</b>	<b>\$ 2,478,405</b>	<b>\$ 1,031,974</b>	<b>\$ 1,325,867</b>	<b>\$ 11,068,052</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Warrants Payable	\$ 123,398	\$ 25,658	\$ 234,765	\$ 40,059	\$ 423,880
Accrued Payroll	34,807	52	-	2,286	37,145
Tax Refunds Payable	113,029	-	-	-	113,029
Other Liabilities	14,021	-	-	-	14,021
Short-Term Notes Payable	-	-	1,300,000	-	1,300,000
<b>Total Liabilities</b>	<b>285,255</b>	<b>25,710</b>	<b>1,534,765</b>	<b>42,345</b>	<b>1,888,075</b>
Deferred Inflows of Resources:					
Unavailable Revenue	775,532	4,682	-	44,482	824,696
Fund Balances:					
Nonspendable	-	-	-	278,123	278,123
Restricted	119,161	2,448,013	-	1,060,636	3,627,810
Committed	1,485,296	-	-	-	1,485,296
Assigned	131,441	-	-	-	131,441
Unassigned	3,435,121	-	(502,791)	(99,719)	2,832,611
<b>Total Fund Balances</b>	<b>5,171,019</b>	<b>2,448,013</b>	<b>(502,791)</b>	<b>1,239,040</b>	<b>8,355,281</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,231,806</b>	<b>\$ 2,478,405</b>	<b>\$ 1,031,974</b>	<b>\$ 1,325,867</b>	<b>\$ 11,068,052</b>

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	General	Community Preservation	Environmental Remediation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes	\$ 22,474,728	\$ -	\$ -	\$ -	\$ 22,474,728
Motor Vehicle and Other Excise Taxes	1,077,398	-	-	-	1,077,398
Meals Tax	59,877	-	-	-	59,877
Tax Liens	81,771	-	-	-	81,771
Payments in Lieu of Taxes	37,967	-	-	-	37,967
Community Preservation Surcharges	-	349,051	-	-	349,051
Charges for Services	-	-	-	364,580	364,580
Intergovernmental	886,994	177,992	-	266,646	1,331,632
Penalties and Interest on Taxes	93,552	-	-	-	93,552
Licenses and Permits	192,302	-	-	-	192,302
Fines and Forfeitures	4,571	-	-	-	4,571
Departmental and Other	276,005	-	-	22,406	298,411
Contributions	-	9,930	-	21,147	31,077
Investment Income	65,008	34,621	-	9,684	109,313
	<u>25,250,173</u>	<u>571,594</u>	<u>-</u>	<u>684,463</u>	<u>26,506,230</u>
<b>Total Revenues</b>					
<b>EXPENDITURES</b>					
Current:					
General Government	1,576,689	27,523	-	51,548	1,655,760
Public Safety	2,388,547	-	-	279,561	2,668,108
Education	15,276,083	-	-	-	15,276,083
Public Works	1,204,692	-	625,896	159,188	1,989,776
Health and Human Services	223,560	-	-	23,754	247,314
Culture and Recreation	859,569	276,942	-	242,984	1,379,495
Hamilton Development Corporation	65,000	-	-	-	65,000
Pension Benefits	671,950	-	-	-	671,950
Employee Benefits	752,014	-	-	-	752,014
Property and Liability Insurance	175,466	-	-	-	175,466
State and County Charges	245,567	-	-	-	245,567
Debt Service:					
Principal	480,000	40,000	-	-	520,000
Interest	174,452	7,000	-	-	181,452
	<u>24,093,589</u>	<u>351,465</u>	<u>625,896</u>	<u>757,035</u>	<u>25,827,985</u>
<b>Total Expenditures</b>					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>1,156,584</u>	<u>220,129</u>	<u>(625,896)</u>	<u>(72,572)</u>	<u>678,245</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	346,307	-	-	200	346,507
Transfers Out	<u>(554,745)</u>	<u>-</u>	<u>-</u>	<u>(12,200)</u>	<u>(566,945)</u>
	<u>(208,438)</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>(220,438)</u>
<b>Total Other Financing Sources (Uses)</b>					
<b>NET CHANGE IN FUND BALANCES</b>					
	948,146	220,129	(625,896)	(84,572)	457,807
Fund Balances at Beginning of Year	<u>4,222,873</u>	<u>2,227,884</u>	<u>123,105</u>	<u>1,323,612</u>	<u>7,897,474</u>
<b>FUND BALANCES AT END OF YEAR</b>					
	<u>\$ 5,171,019</u>	<u>\$ 2,448,013</u>	<u>\$ (502,791)</u>	<u>\$ 1,239,040</u>	<u>\$ 8,355,281</u>

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Governmental Fund Balances (page 15)	\$ 8,355,281
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,048,568
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	824,696
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.	(45,238)
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	(4,715,000)
Environmental Remediation	(495,060)
Compensated Absences	(208,444)
Net OPEB obligation	<u>(1,999,666)</u>
Net Position of Governmental Activities (page 12)	<u><u>\$ 17,765,137</u></u>

*See accompanying Notes to 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, 2014**

Net Change in Fund Balances - Total Governmental Funds (page 16)	\$ 457,807
<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	416,225
Depreciation	(620,274)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change.</p>	
	39,654
<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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond Maturities	520,000
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	4,539
<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	1,165,896
Compensated Absences	(18,766)
Net OPEB Obligation	(441,430)
	1,523,651
Change in Net Position of Governmental Activities (page 14)	\$ 1,523,651

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 373,875	\$ 21,132	\$ 395,007
Restricted Cash and Cash Equivalents	2,749,024	-	2,749,024
Receivables, Net of Allowance for Uncollectible Amounts:			
Water Charges	239,391	-	239,391
Water Liens	2,271	-	2,271
Total Current Assets	3,364,561	21,132	3,385,693
Noncurrent Assets:			
Capital Assets not being Depreciated	283,912	-	283,912
Capital Assets, Net of Accumulated Depreciation	6,242,787	76,019	6,318,806
Total Noncurrent Assets	6,526,699	76,019	6,602,718
Total Assets	9,891,260	97,151	9,988,411
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	70,552	30,943	101,495
Accrued Payroll	1,568	-	1,568
Compensated Absences	2,099	-	2,099
Short-Term Notes Payable	4,031,000	-	4,031,000
Long-Term Bonds and Notes Payable	230,000	-	230,000
Total Current Liabilities	4,335,219	30,943	4,366,162
Noncurrent Liabilities:			
Compensated Absences	18,889	-	18,889
Net OPEB Obligation	102,668	340	103,008
Long-Term Bonds and Notes Payable	985,000	-	985,000
Total Noncurrent Liabilities	1,106,557	340	1,106,897
Total Liabilities	5,441,776	31,283	5,473,059
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	3,973,889	76,019	4,049,908
Unrestricted	475,595	(10,151)	465,444
Total Net Position	\$ 4,449,484	\$ 65,868	\$ 4,515,352

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 YEAR ENDED JUNE 30, 2014**

Business-Type Activities - Enterprise Funds

	Water	Waste Removal (Nonmajor)	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,002,670	\$ 79,745	\$ 1,082,415
Penalties and Interest	2,854	-	2,854
Other	19,195	-	19,195
	<u>1,024,719</u>	<u>79,745</u>	<u>1,104,464</u>
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	597,233	408,899	1,006,132
Depreciation	230,886	30,408	261,294
	<u>828,119</u>	<u>439,307</u>	<u>1,267,426</u>
<b>OPERATING INCOME (LOSS)</b>	<u>196,600</u>	<u>(359,562)</u>	<u>(162,962)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	-	27,732	27,732
Investment Income	1,347	202	1,549
Interest Expense	(35,500)	-	(35,500)
	<u>(34,153)</u>	<u>27,934</u>	<u>(6,219)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>162,447</u>	<u>(331,628)</u>	<u>(169,181)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	-	436	436
Transfers In	220,475	334,270	554,745
Transfers Out	(334,307)	-	(334,307)
	<u>(113,832)</u>	<u>334,706</u>	<u>220,874</u>
<b>CHANGE IN FUND NET POSITION</b>	<u>48,615</u>	<u>3,078</u>	<u>51,693</u>
Fund Net Position at Beginning of Year	<u>4,400,869</u>	<u>62,790</u>	<u>4,463,659</u>
<b>FUND NET POSITION AT END OF YEAR</b>	<u>\$ 4,449,484</u>	<u>\$ 65,868</u>	<u>\$ 4,515,352</u>

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 1,030,453	\$ 102,456	\$ 1,132,909
Payments to Vendors	(299,053)	(419,805)	(718,858)
Payments to Employees	(249,155)	(3,303)	(252,458)
	482,245	(320,652)	161,593
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	220,475	334,270	554,745
Transfers Out	(334,307)	-	(334,307)
Intergovernmental	-	27,732	27,732
	(113,832)	362,002	248,170
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	4,031,000	-	4,031,000
Capital Contributions	-	436	436
Acquisition and Construction of Capital Assets	(462,948)	-	(462,948)
Principal Payments on Bonds and Notes	(2,235,000)	-	(2,235,000)
Principal Payments on Capital Lease Obligations	-	(77,588)	(77,588)
Interest Expense	(35,500)	-	(35,500)
	1,297,552	(77,152)	1,220,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	1,347	202	1,549
	1,667,312	(35,600)	1,631,712
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
	1,667,312	(35,600)	1,631,712
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
(Includes \$1,129,043 Reported as Restricted in the Water Enterprise Fund)	1,455,587	56,732	1,512,319
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
(Includes \$2,749,024 Reported as Restricted in the Water Enterprise Fund)	\$ 3,122,899	\$ 21,132	\$ 3,144,031
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 196,600	\$ (359,562)	\$ (162,962)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Cash from Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	230,886	30,408	261,294
Increase in Net OPEB Obligation	24,811	340	25,151
Effect of Changes in Operating Assets and Liabilities:			
Water Charges	6,411	-	6,411
Water Liens	(677)	-	(677)
Intergovernmental	-	22,711	22,711
Warrants Payable	41,066	(14,427)	26,639
Accrued Payroll	(12,701)	(122)	(12,823)
Compensated Absences	(4,151)	-	(4,151)
	285,645	38,910	324,555
Total Adjustments	285,645	38,910	324,555
Net Cash from Operating Activities	\$ 482,245	\$ (320,652)	\$ 161,593

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 35,592
Investments	<u>25,318</u>
Total Assets	<u>60,910</u>
<b>NET POSITION</b>	
Assets Held in Trust for Other Purposes	<u>\$ 60,910</u>

*See accompanying Notes to Financial Statements.*

**TOWN OF HAMILTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Private Donations	\$ 10,835
Net Investment Income:	
Interest	<u>811</u>
Total Additions	<u>11,646</u>
<b>DEDUCTIONS</b>	
Other	<u>16,450</u>
<b>CHANGE IN NET POSITION</b>	(4,804)
Net Position at Beginning of Year	<u>65,714</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 60,910</u></u>

*See accompanying Notes to Financial Statements.*

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

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

**B. Reporting Entity**

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

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

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

**Discretely Presented Component Unit**

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

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

**Joint Ventures**

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 2014, the Town paid approximately \$595,000 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 2014, the Center's operating and administrative expenditures totaled approximately \$65,247. The Town of Wenham paid the Town of Hamilton approximately \$23,033 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 2014, the Department's operating and administrative expenditures totaled approximately \$112,000. The Town of Wenham paid the Town of Hamilton approximately \$58,000 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 THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014, the Town's assessment for operating and capital costs totaled approximately \$14,705,000 and \$477,000, 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, 2014, the Town's assessment totaled approximately \$89,000. 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, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 established financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No 65 has no retrospective reporting impact for the Town

The implementation of GASB Statement No.'s 66 and 70 had no reporting impact for the Town.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 *environmental remediation fund* is a capital projects fund used to account for the activity associated with the remediation of the Town's previous capping of its landfills.

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 THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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.

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Intergovernmental

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

**H. Allowance for Uncollectible Amounts**

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

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

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

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

**K. Capital Assets**

**Government-Wide and Proprietary Fund Financial Statements**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Improvements	20
Buildings	40 - 50
Machinery and equipmer	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".

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Interfund Transfers**

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

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**N. Deferred 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.

The Town does not have any items that qualify for reporting this category.

**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.

**P. Net Position and Fund Balances**

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

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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

“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.

*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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. At June 30, 2014, no material premiums or discounts are reported.

**Governmental Fund Financial Statements**

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

**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.

**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. Post Retirement Benefits**

**Government-Wide and Fund Financial Statements**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. 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.

**V. 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.

**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 2014 approved budget for the general fund authorized \$25,731,106 in appropriations. During fiscal year 2014, supplemental appropriations totaling \$200,300 were authorized. The original fiscal year 2014 approved budget for the community preservation fund authorized \$526,683 in appropriations. During fiscal year 2014, supplemental appropriations totaling \$50,000 were authorized.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

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, 2014, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Environmental Remediation Major Fund	\$ 502,791	Issuance of long-term debt
Energy Conservation	41,009	State grant
ECO Grant	33,014	State grant and available funds
State - GAA Grant	10,323	State grant
Other	15,373	Grants or available funds

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

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

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds and the private purpose trust funds 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 does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$6,887,537 of the Town's bank balance of \$10,250,297 was uninsured and uncollateralized.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments Summary**

The Town's investments at June 30, 2014 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
<u>Debt Securities:</u>			
U.S. Agencies	\$ 711,238	\$ -	\$ 711,238
Corporate bonds	419,602	-	419,602
Money market mutual funds	262,092	262,092	-
Mutual bond funds	375,239	-	375,239
Certificates of deposit	1,181,997	553,639	628,358
External investment pool	<u>53,168</u>	<u>53,168</u>	<u>-</u>
 Total debt securities	 <u>3,003,336</u>	 <u>\$ 868,899</u>	 <u>\$ 2,134,437</u>
 <u>Other Investments:</u>			
Equity securities	246,128		
Equity mutual funds	<u>106,751</u>		
 Total other investments	 <u>352,879</u>		
 Total investments	 <u>\$ 3,356,215</u>		

**C. Investments - Interest Rate Risk of Debt Securities**

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

**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, 2014, the Town's investments were not exposed to custodial credit.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2014, the credit ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *			
		A-	AA+	BBB+	Unrated
U.S. Agencies	\$ 711,238	\$ -	\$ 711,238	\$ -	\$ -
Corporate bonds	419,602	96,806	92,049	230,747	-
Money market mutual funds	262,092	-	-	-	262,092
Certificates of deposit	1,181,997	-	-	-	1,181,997
Mutual bond funds	375,239	-	-	-	375,239
External investment pool (MMDT)	53,168	-	-	-	53,168
<b>Total</b>	<b>\$ 3,003,336</b>	<b>\$ 96,806</b>	<b>\$ 803,287</b>	<b>\$ 230,747</b>	<b>\$ 1,872,496</b>

\* 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, 2014, the Town has an investment in Goldman Sachs (Certificates of Deposit) valued at approximately \$251,000 that represents 7.5% of the Town's total investments.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2014, 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
<b>Receivables:</b>			
Real estate and personal property taxes	\$ 301,005	\$ -	\$ 301,005
Real estate tax deferrals	51,746	-	51,746
Tax liens	100,471	-	100,471
Motor vehicle and other excise taxes	69,344	-	69,344
Community preservation surcharges	4,682	-	4,682
Departmental and other	24,603	-	24,603
Intergovernmental	117,517	-	117,517
Loans	11,554	-	11,554
	<b>\$ 680,922</b>	<b>\$ -</b>	<b>\$ 680,922</b>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2014, 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	\$ 239,391	\$ -	\$ 239,391
Water liens	<u>2,271</u>	<u>-</u>	<u>2,271</u>
	<u>\$ 241,662</u>	<u>\$ -</u>	<u>\$ 241,662</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,540,753	\$ -	\$ -	\$ 2,540,753
Construction in progress	<u>239,307</u>	<u>25,854</u>	<u>(173,419)</u>	<u>91,742</u>
Total capital assets not being depreciated	<u>2,780,060</u>	<u>25,854</u>	<u>(173,419)</u>	<u>2,632,495</u>
<u>Capital assets being depreciated:</u>				
Improvements	1,020,120	85,510	-	1,105,630
Buildings	14,568,332	51,797	-	14,620,129
Machinery and equipment	1,123,611	276,087	-	1,399,698
Vehicles	1,485,566	37,221	(22,403)	1,500,384
Library books	265,666	-	-	265,666
Software	20,765	-	-	20,765
Infrastructure	<u>6,496,353</u>	<u>113,175</u>	<u>-</u>	<u>6,609,528</u>
Total capital assets being depreciated	<u>24,980,413</u>	<u>563,790</u>	<u>(22,403)</u>	<u>25,521,800</u>
<u>Less accumulated depreciation for:</u>				
Improvements	(316,449)	(42,934)	-	(359,383)
Buildings	(4,784,531)	(333,266)	-	(5,117,797)
Machinery and equipment	(723,106)	(80,951)	-	(804,057)
Vehicles	(1,202,651)	(82,531)	22,403	(1,262,779)
Library books	(265,666)	-	-	(265,666)
Software	(20,765)	-	-	(20,765)
Infrastructure	<u>(4,194,688)</u>	<u>(80,592)</u>	<u>-</u>	<u>(4,275,280)</u>
Total accumulated depreciation	<u>(11,507,856)</u>	<u>(620,274)</u>	<u>22,403</u>	<u>(12,105,727)</u>
Total capital assets being depreciated, net	<u>13,472,557</u>	<u>(56,484)</u>	<u>-</u>	<u>13,416,073</u>
Total governmental activities capital assets, net	<u>\$ 16,252,617</u>	<u>\$ (30,630)</u>	<u>\$ (173,419)</u>	<u>\$ 16,048,568</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 283,912	\$ -	\$ -	\$ 283,912
<u>Capital assets being depreciated:</u>				
Buildings	3,454,199	-	-	3,454,199
Machinery and equipment	234,839	-	-	234,839
Vehicles	182,825	-	-	182,825
Infrastructure	<u>6,231,026</u>	<u>462,948</u>	<u>-</u>	<u>6,693,974</u>
Total capital assets being depreciated	<u>10,102,889</u>	<u>462,948</u>	<u>-</u>	<u>10,565,837</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(881,275)	(79,710)	-	(960,985)
Machinery and equipment	(117,802)	(32,188)	-	(149,990)
Vehicles	(53,212)	(28,803)	-	(82,015)
Infrastructure	<u>(2,933,448)</u>	<u>(120,593)</u>	<u>-</u>	<u>(3,054,041)</u>
Total accumulated depreciation	<u>(3,985,737)</u>	<u>(261,294)</u>	<u>-</u>	<u>(4,247,031)</u>
Total capital assets being depreciated, net	<u>6,117,152</u>	<u>201,654</u>	<u>-</u>	<u>6,318,806</u>
Total business-type activities capital assets, net	<u>\$ 6,401,064</u>	<u>\$ 201,654</u>	<u>\$ -</u>	<u>\$ 6,602,718</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Discretely Presented Component Unit:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ -	\$ 339,500	\$ -	\$ 339,500
<u>Capital assets being depreciated:</u>				
Buildings	<u>-</u>	<u>260,550</u>	<u>-</u>	<u>260,550</u>
<u>Less accumulated depreciation for:</u>				
Buildings	<u>-</u>	<u>(3,257)</u>	<u>-</u>	<u>(3,257)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>257,293</u>	<u>-</u>	<u>257,293</u>
Total Hamilton Development Corporation capital assets, net	<u>\$ -</u>	<u>\$ 596,793</u>	<u>\$ -</u>	<u>\$ 596,793</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>	
General government	\$ 35,811
Public safety	242,246
Education	37,840
Public works	139,863
Health and human services	647
Culture and recreation	<u>163,867</u>
Total depreciation expense - governmental activities	<u>\$ 620,274</u>
 <b>Business-Type Activities:</b>	
Water	\$ 230,886
Waste removal	<u>30,408</u>
Total depreciation expense - business-type activities	<u>\$ 261,294</u>
 <b>Discretely Presented Component Unit:</b>	
Hamilton Development Corporation	<u>\$ 3,257</u>

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

	Transfers In:					
Transfers Out:	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Waste Removal Fund	Total	
General Fund	\$ -	\$ -	\$ 220,475	\$ 334,270	\$ 554,745	(1)
Nonmajor Governmental Funds	12,000	200	-	-	12,200	(2)
Water Enterprise Fund	<u>334,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,307</u>	(3)
	<u>\$ 346,307</u>	<u>\$ 200</u>	<u>\$ 220,475</u>	<u>\$ 334,270</u>	<u>\$ 901,252</u>	

(1) Represents budgeted transfers to the water enterprise fund for debt service costs (\$220,475) and general fund subsidy of the waste removal enterprise fund (\$334,270).

(2) Represents budgeted transfers from the cemetery perpetual care (\$10,000) and sale of lots and graves (\$2,000) funds. Also represents transfer from the Clark fund (\$200) to the conversation commission fund.

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014 is as follows:

**Notes Payable - Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	Environmental Remediation	5/24/13	5/23/14	1.25%	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
BAN	Environmental Remediation	5/23/14	5/22/15	1.00%	-	1,300,000	-	1,300,000
Total					<u>\$ 1,000,000</u>	<u>\$ 1,300,000</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,300,000</u>

**Notes Payable - Enterprise Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	Water System Reconstruction	5/24/13	5/23/14	1.25%	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -
BAN	Water System Reconstruction	5/23/14	5/22/15	1.00%	-	4,031,000	-	4,031,000
Total					<u>\$ 2,000,000</u>	<u>\$ 4,031,000</u>	<u>\$ (2,000,000)</u>	<u>\$ 4,031,000</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable	\$ 5,235,000	\$ -	\$ (520,000)	\$ 4,715,000	\$ 515,000
Environmental remediation	1,660,956	-	(1,165,896)	495,060	495,060
Net OPEB obligation	1,558,236	605,386	(163,956)	1,999,666	-
Compensated absences	189,678	18,766	-	208,444	20,844
<b>Total</b>	<b>\$ 8,643,870</b>	<b>\$ 624,152</b>	<b>\$ (1,849,852)</b>	<b>\$ 7,418,170</b>	<b>\$ 1,030,904</b>
<b>Business-type Activities:</b>					
Bonds and notes payable	\$ 1,450,000	\$ -	\$ (235,000)	\$ 1,215,000	\$ 230,000
Capital lease obligations	77,588	-	(77,588)	-	-
Net OPEB obligation	77,857	34,492	(9,341)	103,008	-
Compensated absences	25,139	-	(4,151)	20,988	2,099
<b>Total</b>	<b>\$ 1,630,584</b>	<b>\$ 34,492</b>	<b>\$ (326,080)</b>	<b>\$ 1,338,996</b>	<b>\$ 232,099</b>
<b>Discretely Presented Component Unit:</b>					
Mortgage Loan Payable	\$ -	\$ 480,000	-	\$ 480,000	-

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.

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements, are as follows:

**Bonds and Notes Payable - Governmental Funds**

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Public Safety Building	09/15/25	3.65 - 5.00	\$ 3,835,000	\$ -	\$ (300,000)	\$ 3,535,000
State House Serial Loan Notes	02/01/17	5.20	100,000	-	(25,000)	75,000
Library Refunding	05/15/20	2.00 - 3.00	815,000	-	(125,000)	690,000
Donovan Property	05/15/20	2.00 - 3.00	280,000	-	(40,000)	240,000
Energy Services Contract (ESCO)	05/15/20	2.00 - 3.00	205,000	-	(30,000)	175,000
<b>Total governmental funds</b>			<b>\$ 5,235,000</b>	<b>\$ -</b>	<b>\$ (520,000)</b>	<b>\$ 4,715,000</b>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 LONG-TERM DEBT (CONTINUED)**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 515,000	162,984	\$ 677,984
2016	515,000	145,882	660,882
2017	510,000	129,309	639,309
2018	485,000	112,358	597,358
2019	480,000	95,633	575,633
2020	470,000	79,076	549,076
2021	290,000	62,784	352,784
2022	290,000	51,692	341,692
2023	290,000	40,455	330,455
2024	290,000	29,000	319,000
2025	290,000	17,400	307,400
2026	290,000	5,800	295,800
<b>Total</b>	<b>\$ 4,715,000</b>	<b>\$ 932,373</b>	<b>\$ 5,647,373</b>

**Bonds and Notes Payable – Water Enterprise Fund**

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
Water Bonds Refunding	05/15/20	2.00 - 3.00	\$ 1,230,000	\$ -	\$ (190,000)	\$ 1,040,000
Water Plant	05/15/18	2.00 - 3.00	220,000	-	(45,000)	175,000
<b>Total Enterprise funds</b>			<b>\$ 1,450,000</b>	<b>\$ -</b>	<b>\$ (235,000)</b>	<b>\$ 1,215,000</b>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 230,000	\$ 30,801	\$ 260,801
2016	225,000	26,199	251,199
2017	220,000	21,701	241,701
2018	210,000	16,200	226,200
2019	165,000	9,900	174,900
2020	165,000	4,950	169,950
<b>Total</b>	<b>\$ 1,215,000</b>	<b>\$ 109,751</b>	<b>\$ 1,324,751</b>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, 2014. 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>
2015	\$ -	21,456	\$ 21,456
2016	2,439	23,142	25,581
2017	15,026	23,142	38,168
2018	15,721	22,390	38,111
2019	16,449	21,604	38,053
2020	17,210	20,781	37,991
2021	<u>413,155</u>	<u>20,066</u>	<u>433,221</u>
 Total	 <u>\$ 480,000</u>	 <u>\$ 152,581</u>	 <u>\$ 632,581</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, 2014, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water	\$ 5,000,000 *
Environmental remediation	2,000,000 *
Land acquisition	<u>500</u>
 Total	 <u>\$ 7,000,500</u>

\*Short-term debt (BANs) totaling \$5,331,000, are outstanding at June 30, 2014 related to these projects.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 ENVIRONMENTAL REMEDIATION**

The Town has included in its financial statements a cost estimate for the remediation of the re-capping of its landfills per the Department of Environmental Protection. The Town had operated a solid waste landfill that was divided between two cells (hereinafter referred to as Area 1 and Area 2). Area 1 ceased operations in 1978 and, accordingly, was capped in 1980 in accordance with the regulations in effect at that time. Area 2 ceased operations in 1983. However, Area 2 was not capped in accordance with the regulations in effect at that time. As a result, the Town contracted a third-party to perform a comprehensive site assessment and is in the processing of remediating the site to be in compliance with applicable laws and regulations.

The environmental remediation obligation was determined using the expected cash flow technique, which uses all expectations regarding possible cash flows. The obligation is based on what it would cost to perform remediation activities. As a result, the Town has reflected \$495,060 as the estimated environmental remediation liability at June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 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, 2011, the latest actuarial valuation, is as follows:

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
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JUNE 30, 2014**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

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

		<u>Amount</u>
Annual required contribution	\$	507,373
Interest on net OPEB obligation		65,444
Adjustment to annual required contribution		(141,492)
Amortization of actuarial (gains)/losses		<u>208,553</u>
Annual OPEB cost		639,878
Contributions made		<u>(173,297)</u>
Increase in net OPEB obligation		466,581
Net OPEB obligation at beginning of year		<u>1,636,093</u>
Net OPEB obligation at end of year	\$	<u><u>2,102,674</u></u>

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, 2012	536,241	27.5%	1,204,963
June 30, 2013	590,426	27.0%	1,636,093
June 30, 2014	639,878	27.1%	2,102,674

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortized as level dollar amount over 30 years at transition
Remaining amortization period:	27 years at July 1, 2011
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	7.00% decreasing by 1.00% for 2 years to an ultimate level of 5.00% per year
Projected salary increases:	3.00% annually

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

<b>Governmental Activities:</b>	
General government	\$ 127,230
Public safety	345,100
Public works	81,559
Health and human services	23,916
Culture and recreation	<u>27,581</u>
Total AOPEBC - governmental activities	<u>605,386</u>
<b>Business-Type Activities:</b>	
Water	34,026
Waste removal	<u>466</u>
Total AOPEBC - business-type activities	<u>34,492</u>
Total AOPEBC	<u><u>\$ 639,878</u></u>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 12 FUND BALANCES**

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

	<u>General</u>	<u>Community Preservation</u>	<u>Environmental Remediation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 266,569	\$ 266,569
Loans	-	-	-	11,554	11,554
	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,123</u>	<u>278,123</u>
Sub-total - Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,123</u>	<u>278,123</u>
<b>Restricted for:</b>					
Community preservation	-	2,448,013	-	-	2,448,013
Other post employment benefits	119,161	-	-	-	119,161
Affordable housing	-	-	-	101,939	101,939
General government	-	-	-	392,783	392,783
Public safety	-	-	-	40,508	40,508
Public works	-	-	-	158,005	158,005
Health and human services	-	-	-	112,467	112,467
Culture and recreation	-	-	-	254,934	254,934
	<u>119,161</u>	<u>2,448,013</u>	<u>-</u>	<u>1,060,636</u>	<u>3,627,810</u>
Sub-total - Restricted	<u>119,161</u>	<u>2,448,013</u>	<u>-</u>	<u>1,060,636</u>	<u>3,627,810</u>
<b>Committed to:</b>					
Subsequent year's expenditures	1,431,390	-	-	-	1,431,390
Continuing appropriations	53,906	-	-	-	53,906
	<u>1,485,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,485,296</u>
Sub-total - Committed	<u>1,485,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,485,296</u>
<b>Assigned to:</b>					
General government	31,272	-	-	-	31,272
Public safety	38,027	-	-	-	38,027
Public works	61,960	-	-	-	61,960
Other	182	-	-	-	182
	<u>131,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,441</u>
Sub-total - Assigned	<u>131,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,441</u>
<b>Unassigned</b>	<u>3,435,121</u>	<u>-</u>	<u>(502,791)</u>	<u>(99,719)</u>	<u>2,832,611</u>
Totals	<u>\$ 5,171,019</u>	<u>\$ 2,448,013</u>	<u>\$ (502,791)</u>	<u>\$ 1,239,040</u>	<u>\$ 8,355,281</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 13 STABILIZATION FUNDS**

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

The balance of the stabilization fund at June 30, 2014 totals \$775,238 and is reported in the general fund as unassigned fund balance.

**NOTE 14 RISK FINANCING**

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

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, 2014, there were no outstanding workers' compensation claims.

**NOTE 15 PENSION PLAN**

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 15 PENSION PLAN (CONTINUED)**

**Funding Policy** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2014, 2013, and 2012 were \$671,950, \$614,464, and \$550,151, respectively, which equaled its required contribution for each fiscal year.

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments were immaterial for the fiscal year ended June 30, 2014, and, accordingly, are not reported in the financial statements.

**NOTE 17 COMMITMENTS**

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

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$185,347 at June 30, 2014.

**NOTE 18 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its longterm obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 71, *Accounting Pension Transition for Contributions made Subsequent to the Measurement Date*, - an amendment of GASB Statement No. 68, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Town, in the transition year of Statement No. 68, to recognize contributions to defined benefit plans between the measurement date of the reported net pension liability and the end of the government’s reporting period as deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates.

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

**TOWN OF HAMILTON, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(NON-GAAP BUDGETARY BASIS)  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$22,364,910	\$ 95,300	\$ 22,460,210
Motor Vehicle and Other Excise Taxes	-	932,310	-	932,310
Meals Tax	-	65,000	-	65,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	38,000	-	38,000
Intergovernmental	-	853,836	-	853,836
Penalties and Interest on Taxes	-	92,525	-	92,525
Licenses and Permits	-	153,820	-	153,820
Fines and Forfeitures	-	15,299	-	15,299
Departmental and Other	-	273,739	-	273,739
Investment Income	-	10,851	-	10,851
<b>Total Revenues</b>	<b>-</b>	<b>24,800,290</b>	<b>95,300</b>	<b>24,895,590</b>
<b>EXPENDITURES</b>				
Current:				
General Government	191,948	1,615,795	(71,482)	1,736,261
Public Safety	31,708	2,380,707	62,563	2,474,978
Education	-	16,327,855	-	16,327,855
Public Works	124,426	1,162,059	54,671	1,341,156
Health and Human Services	-	250,601	(26,517)	224,084
Culture and Recreation	16,475	657,404	250,828	924,707
Hamilton Development Corporation	-	65,000	-	65,000
Pension Benefits	-	685,400	-	685,400
Employee Benefits	4,846	892,903	(61,291)	836,458
Property and Liability Insurance	-	205,000	-	205,000
State and County Charges	-	245,454	139	245,593
Debt Service:				
Principal	-	480,000	-	480,000
Interest	-	183,183	(8,731)	174,452
<b>Total Expenditures</b>	<b>369,403</b>	<b>25,151,361</b>	<b>200,180</b>	<b>25,720,944</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(369,403)</b>	<b>(351,071)</b>	<b>(104,880)</b>	<b>(825,354)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	346,307	-	346,307
Transfers Out	-	(579,745)	(120)	(579,865)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(233,438)</b>	<b>(120)</b>	<b>(233,558)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(369,403)</b>	<b>(584,509)</b>	<b>(105,000)</b>	<b>(1,058,912)</b>
Fund Balance at Beginning of Year	3,420,519	3,420,519	3,420,519	3,420,519
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 3,051,116</b>	<b>\$ 2,836,010</b>	<b>\$ 3,315,519</b>	<b>\$ 2,361,607</b>

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 22,455,631	\$ -	\$ 22,455,631	\$ (4,579)
1,077,398	-	1,077,398	145,088
59,877	-	59,877	(5,123)
81,771	-	81,771	81,771
37,967	-	37,967	(33)
886,994	-	886,994	33,158
93,552	-	93,552	1,027
192,302	-	192,302	38,482
4,571	-	4,571	(10,728)
276,005	-	276,005	2,266
8,927	-	8,927	(1,924)
<u>25,174,995</u>	<u>-</u>	<u>25,174,995</u>	<u>279,405</u>
1,572,320	31,272	1,603,592	132,669
2,388,547	38,027	2,426,574	48,404
15,276,083	-	15,276,083	1,051,772
1,204,692	115,866	1,320,558	20,598
223,560	-	223,560	524
859,569	182	859,751	64,956
65,000	-	65,000	-
671,950	-	671,950	13,450
752,014	-	752,014	84,444
175,466	-	175,466	29,534
245,567	-	245,567	26
480,000	-	480,000	-
174,452	-	174,452	-
<u>24,089,220</u>	<u>185,347</u>	<u>24,274,567</u>	<u>1,446,377</u>
<u>1,085,775</u>	<u>(185,347)</u>	<u>900,428</u>	<u>1,725,782</u>
346,307	-	346,307	-
(579,865)	-	(579,865)	-
<u>(233,558)</u>	<u>-</u>	<u>(233,558)</u>	<u>-</u>
852,217	(185,347)	666,870	1,725,782
<u>3,420,519</u>	<u>-</u>	<u>3,420,519</u>	<u>-</u>
<u>\$ 4,272,736</u>	<u>\$ (185,347)</u>	<u>\$ 4,087,389</u>	<u>\$ 1,725,782</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
COMMUNITY PRESERVATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(NON-GAAP BUDGETARY BASIS)  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Community Preservation Surcharges	\$ -	\$ 341,398	\$ -	\$ 341,398
Intergovernmental	-	177,992	-	177,992
Contributions	-	12,500	-	12,500
Investment Income	-	12,500	-	12,500
<b>Total Revenues</b>	<b>-</b>	<b>544,390</b>	<b>-</b>	<b>544,390</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	21,999	-	21,999
Health and Human Services	11,704	-	-	11,704
Culture and Recreation	324,180	121,800	50,000	495,980
Debt Service:				
Principal	-	40,000	-	40,000
Interest	-	7,000	-	7,000
<b>Total Expenditures</b>	<b>335,884</b>	<b>190,799</b>	<b>50,000</b>	<b>576,683</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(335,884)</b>	<b>353,591</b>	<b>(50,000)</b>	<b>(32,293)</b>
Fund Balance at Beginning of Year	2,241,034	2,241,034	2,241,034	2,241,034
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,905,150</b>	<b>\$ 2,594,625</b>	<b>\$ 2,191,034</b>	<b>\$ 2,208,741</b>

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 349,051	\$ -	\$ 349,051	\$ 7,653
177,992	-	177,992	-
9,930	-	9,930	(2,570)
22,233	-	22,233	9,733
<u>559,206</u>	<u>-</u>	<u>559,206</u>	<u>14,816</u>
27,523	-	27,523	(5,524)
-	-	-	11,704
276,942	219,038	495,980	-
40,000	-	40,000	-
7,000	-	7,000	-
<u>351,465</u>	<u>219,038</u>	<u>570,503</u>	<u>6,180</u>
207,741	(219,038)	(11,297)	20,996
<u>2,241,034</u>	<u>-</u>	<u>2,241,034</u>	<u>-</u>
<u>\$ 2,448,775</u>	<u>\$ (219,038)</u>	<u>\$ 2,229,737</u>	<u>\$ 20,996</u>

**TOWN OF HAMILTON, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
JUNE 30, 2014**

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

**SCHEDULES OF FUNDING PROGRESS (SYSTEM)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 314,565,925	\$ 619,339,080	\$ 304,773,155	50.8%	\$ 119,292,287	255.5%
01/01/11	278,332,006	536,115,536	257,783,530	51.9%	119,707,156	215.3%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%
01/01/06	261,327,047	376,034,621	114,707,574	69.5%	98,641,094	116.3%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	\$ 16,995,636	100
2009	18,173,867	100
2010	19,566,952	100
2011	21,084,190	100
2012	22,770,925	100
2013	24,592,599	100

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

**TOWN SHARE OF SYSTEM ARC**

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2009	506,125	100	3.0%
2010	536,288	100	3.0%
2011	565,210	100	2.9%
2012	550,151	100	2.6%
2013	614,464	100	2.7%
2014	671,950	100	2.9%

**TOWN OF HAMILTON, MASSACHUSETTS  
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE  
JUNE 30, 2014**

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

**SCHEDULES OF FUNDING PROGRESS**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**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, 2014, 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	\$ 25,174,995	\$ 24,274,567	\$ (233,558)	\$ 4,087,389
<u>Adjustments and Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes	41,647	3,732	-	775,238
Activity of other post employment benefits fund recorded in the general fund for GAAP purposes	14,430	517	25,000	119,161
Net change in recording 60-day receipts	6,227	-	-	116,913
Net change in recording tax refunds payable	12,874	-	-	(113,029)
To remove interfund transfer to private purpose trust fund	-	120	120	-
To record encumbrances and continuing appropriations	-	(185,347)	-	185,347
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 25,250,173</u>	<u>\$ 24,093,589</u>	<u>\$ (208,438)</u>	<u>\$ 5,171,019</u>

**Community Preservation Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 559,206	\$ 570,503	\$ 2,229,737
<u>Adjustments</u>			
Net change in recording investment income	12,388	-	(762)
To record encumbrances and continuing appropriations	-	(219,038)	219,038
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 571,594</u>	<u>\$ 351,465</u>	<u>\$ 2,448,013</u>