

**TOWN OF HAMILTON, MASSACHUSETTS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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YEAR ENDED JUNE 30, 2020**

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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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Hamilton, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of June 30, 2020, 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 10), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 64 through 71) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of the Town of Hamilton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hamilton, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
January 28, 2021

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

As management of the Town of Hamilton, Massachusetts (the Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2020.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,553,406 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$9,945,624.
- The Town's total net position increased by \$2,466,139 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$5,176,086, or 16.85% of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$2,938,486 during the fiscal year.

**Overview of the Basic Financial Statements**

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

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

The government-wide financial statements can be found on pages 12 through 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 balance of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains 106 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund and community preservation (special revenue) fund, which are considered to be major funds. Data from the other 104 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 through 18 of this report.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

***Proprietary Funds.*** The Town maintains one type of proprietary fund.

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

The basic proprietary fund financial statements can be found on pages 19 through 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 through 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 24-63 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 64 through 71 of this report.

### **Government-Wide Financial Analysis**

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

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,553,406 at the close of the fiscal year and are summarized as follows:

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

|  | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2020                    | 2019                | 2020                     | 2019                | 2020                 | 2019                 |
| <b>Assets</b>                                |                         |                     |                          |                     |                      |                      |
| Current Assets                               | \$ 13,994,536           | \$ 11,429,092       | \$ 3,359,334             | \$ 1,813,096        | \$ 17,353,870        | \$ 13,242,188        |
| Noncurrent Assets (Excluding Capital Assets) | 403,673                 | 398,552             | -                        | -                   | 403,673              | 398,552              |
| Capital Assets (Net)                         | 21,783,444              | 21,307,730          | 12,008,742               | 12,190,544          | 33,792,186           | 33,498,274           |
| Total Assets                                 | <u>36,181,653</u>       | <u>33,135,374</u>   | <u>15,368,076</u>        | <u>14,003,640</u>   | <u>51,549,729</u>    | <u>47,139,014</u>    |
| <b>Deferred Outflows of Resources</b>        | <u>2,243,630</u>        | <u>2,674,172</u>    | <u>146,763</u>           | <u>168,637</u>      | <u>2,390,393</u>     | <u>2,842,809</u>     |
| <b>Liabilities</b>                           |                         |                     |                          |                     |                      |                      |
| Current Liabilities (Excluding Debt)         | 920,117                 | 970,810             | 132,932                  | 1,636,253           | 1,053,049            | 2,607,063            |
| Noncurrent Liabilities (Excluding Debt)      | 18,023,129              | 19,428,614          | 1,175,544                | 1,156,775           | 19,198,673           | 20,585,389           |
| Current Debt                                 | 655,165                 | 774,770             | 523,076                  | 523,412             | 1,178,241            | 1,298,182            |
| Noncurrent Debt                              | 4,636,793               | 4,273,730           | 8,152,335                | 5,456,971           | 12,789,128           | 9,730,701            |
| Total Liabilities                            | <u>24,235,204</u>       | <u>25,447,924</u>   | <u>9,983,887</u>         | <u>8,773,411</u>    | <u>34,219,091</u>    | <u>34,221,335</u>    |
| <b>Deferred Inflows of Resources</b>         | <u>2,034,540</u>        | <u>638,940</u>      | <u>133,085</u>           | <u>34,281</u>       | <u>2,167,625</u>     | <u>673,221</u>       |
| <b>Net Position</b>                          |                         |                     |                          |                     |                      |                      |
| Net Investment in Capital Assets             | 18,200,805              | 16,823,870          | 5,073,305                | 4,970,794           | 23,274,110           | 21,794,664           |
| Restricted                                   | 4,224,920               | 3,982,840           | -                        | -                   | 4,224,920            | 3,982,840            |
| Unrestricted                                 | (10,270,186)            | (11,084,028)        | 324,562                  | 393,791             | (9,945,624)          | (10,690,237)         |
| Total Net Position                           | <u>\$ 12,155,539</u>    | <u>\$ 9,722,682</u> | <u>\$ 5,397,867</u>      | <u>\$ 5,364,585</u> | <u>\$ 17,553,406</u> | <u>\$ 15,087,267</u> |

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

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities. The Town has \$324,562 that may be used to support business-type activities.



**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Changes in Net Position**

For the fiscal year ended June 30, 2020, the Town's total net position increased by \$2,466,139, compared to an increase of \$1,212,207 in the prior fiscal year. These amounts are summarized as follows:

|  | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2020                    | 2019                | 2020                     | 2019                | 2020                 | 2019                 |
| <b>Revenues</b>  |                         |                     |                          |                     |                      |                      |
| Program Revenues:  |                         |                     |                          |                     |                      |                      |
| Charges for Services   | \$ 1,047,602            | \$ 1,540,679        | \$ 1,782,256             | \$ 1,666,715        | \$ 2,829,858         | \$ 3,207,394         |
| Operating Grants and Contributions                           | 661,738                 | 753,962             | 9,281                    | 17,324              | 671,019              | 771,286              |
| Capital Grants and Contributions                             | 534,726                 | 421,763             | -                        | -                   | 534,726              | 421,763              |
| General Revenues:  |                         |                     |                          |                     |                      |                      |
| Real Estate and Personal Property Taxes                      | 28,870,695              | 27,354,265          | -                        | -                   | 28,870,695           | 27,354,265           |
| Motor Vehicle and Other Excise Taxes                         | 1,168,124               | 1,221,229           | -                        | -                   | 1,168,124            | 1,221,229            |
| Meals Tax  | 66,051                  | 75,014              | -                        | -                   | 66,051               | 75,014               |
| Penalties and Interest on Taxes                              | 72,560                  | 79,213              | -                        | -                   | 72,560               | 79,213               |
| Payments in Lieu of Taxes                                    | 35,557                  | 34,580              | -                        | -                   | 35,557               | 34,580               |
| Community Preservation Surcharges                            | 480,926                 | 453,639             | -                        | -                   | 480,926              | 453,639              |
| Grants and Contributions not Restricted to Specific Programs | 862,526                 | 826,983             | -                        | -                   | 862,526              | 826,983              |
| Unrestricted Investment Income                               | 109,346                 | 152,573             | -                        | -                   | 109,346              | 152,573              |
| <b>Total Revenues</b>  | <b>33,909,851</b>       | <b>32,913,900</b>   | <b>1,791,537</b>         | <b>1,684,039</b>    | <b>35,701,388</b>    | <b>34,597,939</b>    |
| <b>Expenses</b>  |                         |                     |                          |                     |                      |                      |
| General Government   | 2,733,926               | 3,121,414           | -                        | -                   | 2,733,926            | 3,121,414            |
| Public Safety  | 4,622,891               | 4,577,949           | -                        | -                   | 4,622,891            | 4,577,949            |
| Education  | 19,184,238              | 18,621,919          | -                        | -                   | 19,184,238           | 18,621,919           |
| Public Works   | 2,374,595               | 2,687,835           | -                        | -                   | 2,374,595            | 2,687,835            |
| Health and Human Services                                    | 674,636                 | 849,765             | -                        | -                   | 674,636              | 849,765              |
| Culture and Recreation                                       | 1,942,624               | 1,979,848           | -                        | -                   | 1,942,624            | 1,979,848            |
| Hamilton Development Corporation                             | 74,880                  | 65,000              | -                        | -                   | 74,880               | 65,000               |
| Debt Service - Interest                                      | 118,884                 | 124,920             | -                        | -                   | 118,884              | 124,920              |
| Water  | -                       | -                   | 1,508,575                | 1,357,082           | 1,508,575            | 1,357,082            |
| <b>Total Expenses</b>  | <b>31,726,674</b>       | <b>32,028,650</b>   | <b>1,508,575</b>         | <b>1,357,082</b>    | <b>33,235,249</b>    | <b>33,385,732</b>    |
| Change in Net Position Before Transfers                      | 2,183,177               | 885,250             | 282,962                  | 326,957             | 2,466,139            | 1,212,207            |
| Transfers, Net   | 249,680                 | 231,178             | (249,680)                | (231,178)           | -                    | -                    |
| <b>CHANGE IN NET POSITION</b>                                | <b>2,432,857</b>        | <b>1,116,428</b>    | <b>33,282</b>            | <b>95,779</b>       | <b>2,466,139</b>     | <b>1,212,207</b>     |
| Net Position - Beginning of Year                             | 9,722,682               | 8,606,254           | 5,364,585                | 5,268,806           | 15,087,267           | 13,875,060           |
| <b>NET POSITION - END OF YEAR</b>                            | <b>\$ 12,155,539</b>    | <b>\$ 9,722,682</b> | <b>\$ 5,397,867</b>      | <b>\$ 5,364,585</b> | <b>\$ 17,553,406</b> | <b>\$ 15,087,267</b> |

Governmental activities increased the Town's net position by \$2,432,857. In the prior year, governmental activities increased the Town's net position by \$1,116,428. The key elements of this change were the decreases in pension and OPEB expenses from the previous year.

Business-type activities increased the Town's net position by \$33,282. In the prior year, business-type activities increased the Town's net position by \$95,779. The key element of this change was a slight increase in expenses in fiscal year 2020.

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Fund Financial Statement Analysis**

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

**Governmental Funds**

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balance totaling \$12,647,942, an increase of \$2,499,977 in comparison with the prior year. Approximately \$5,135,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$294,020)
- Restricted (\$4,625,123)
- Committed (\$2,512,453)
- Assigned (\$81,056)

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 \$5,176,086, while total fund balance was \$8,450,560. 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 16.85% of total general fund expenditures and transfers out, while total fund balance represents 27.51% of that same amount.

The balance of the Town's general fund increased by \$1,415,854 during fiscal year 2020. The Town recognized a budgetary surplus of approximately \$1,670,000 (excluding encumbrances and continuing appropriations) and utilized approximately \$1,275,000 of reserves to fund appropriations during fiscal year 2020.

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

The fund balance of the community preservation fund (special revenue) decreased by \$266,190 during the current fiscal year. The fund recognized \$476,870 in surcharges, \$108,610 in intergovernmental revenue, and \$15,261 of investment income. Expenditures and transfers out of \$666,931 and \$200,000, respectively, were incurred during the fiscal year.

**Proprietary Funds**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

Unrestricted net position of the water enterprise fund at the end of the year amounted to \$324,562. The water fund had an increase in net position for the year of \$33,282. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original general fund budget totaled \$33,179,725. During the year, appropriations were reduced by \$161,692 for various purposes.

During the year, general fund revenues and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$1,296,000. Encumbrances and continuing appropriations totaled \$374,065 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 \$33,792,186 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, improvements, buildings, machinery and equipment, vehicles, library books, software, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled \$293,912 or 0.87%.

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

- Town Hall construction in progress (\$649,000)
- Roads construction in progress (\$414,000)
- Patton Homestead improvements (\$379,000)
- Water treatment plant construction in progress (\$190,000)

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

|                             | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|-----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                             | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| Land                        | \$ 2,373,848            | \$ 2,373,848         | \$ 283,912               | \$ 283,912           | \$ 2,657,760         | \$ 2,657,760         |
| Intangible Assets           | 1,750,000               | 1,750,000            | -                        | -                    | 1,750,000            | 1,750,000            |
| Land Improvements           | 2,807,797               | 2,512,530            | -                        | -                    | 2,807,797            | 2,512,530            |
| Buildings                   | 7,492,320               | 7,834,632            | 2,014,954                | 2,094,664            | 9,507,274            | 9,929,296            |
| Machinery and Equipment     | 1,073,854               | 1,189,383            | 10,565                   | 15,086               | 1,084,419            | 1,204,469            |
| Vehicles                    | 1,189,952               | 1,219,445            | 86,048                   | 112,045              | 1,276,000            | 1,331,490            |
| Infrastructure              | 3,754,452               | 3,890,003            | 9,423,413                | 9,684,837            | 13,177,865           | 13,574,840           |
| Construction in Progress    | 1,341,221               | 537,889              | 189,850                  | -                    | 1,531,071            | 537,889              |
| <b>Total Capital Assets</b> | <b>\$ 21,783,444</b>    | <b>\$ 21,307,730</b> | <b>\$ 12,008,742</b>     | <b>\$ 12,190,544</b> | <b>\$ 33,792,186</b> | <b>\$ 33,498,274</b> |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$13,967,369, which is backed by the full faith and credit of the Town and consists entirely of general obligation bonds.

The Town's total bonded debt increased by \$2,938,486 during the current fiscal year.

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

**Requests for Information**

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

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**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

|  | Primary Government      |                          |                      | Component Unit                   |
|--|-------------------------|--------------------------|----------------------|----------------------------------|
|  | Governmental Activities | Business-Type Activities | Total                | Hamilton Development Corporation |
| <b>ASSETS</b>  |                         |                          |                      |                                  |
| Current Assets:  |                         |                          |                      |                                  |
| Cash and Cash Equivalents                                | \$ 5,759,848            | \$ 1,095,229             | \$ 6,855,077         | \$ -                             |
| Restricted Cash and Cash Equivalents                     | 3,441,672               | 1,739,974                | 5,181,646            | 67,315                           |
| Investments  | 2,296,098               | -                        | 2,296,098            | -                                |
| Restricted Investments                                   | 1,167,576               | -                        | 1,167,576            | -                                |
| Receivables, Net of Allowance for Uncollectible Amounts: |                         |                          |                      |                                  |
| Real Estate and Personal Property Taxes                  | 559,688                 | -                        | 559,688              | -                                |
| Tax and Utility Liens                                    | 99,630                  | 10,092                   | 109,722              | -                                |
| Motor Vehicle and Other Excise Taxes                     | 121,229                 | -                        | 121,229              | -                                |
| Community Preservation Surcharges                        | 7,863                   | -                        | 7,863                | -                                |
| Water Charges  | -                       | 514,039                  | 514,039              | -                                |
| Departmental and Other                                   | 9,360                   | -                        | 9,360                | -                                |
| Intergovernmental  | 531,572                 | -                        | 531,572              | -                                |
| Total Current Assets                                     | <u>13,994,536</u>       | <u>3,359,334</u>         | <u>17,353,870</u>    | <u>67,315</u>                    |
| Noncurrent Assets:                                       |                         |                          |                      |                                  |
| Receivables, Net of Allowance for Uncollectible Amounts: |                         |                          |                      |                                  |
| Real Estate Tax Deferrals                                | 41,685                  | -                        | 41,685               | -                                |
| Tax Foreclosures   | 361,988                 | -                        | 361,988              | -                                |
| Capital Assets Not Being Depreciated                     | 5,465,069               | 473,762                  | 5,938,831            | 339,500                          |
| Capital Assets, Net of Accumulated Depreciation          | 16,318,375              | 11,534,980               | 27,853,355           | 218,209                          |
| Total Noncurrent Assets                                  | <u>22,187,117</u>       | <u>12,008,742</u>        | <u>34,195,859</u>    | <u>557,709</u>                   |
| Total Assets   | <u>36,181,653</u>       | <u>15,368,076</u>        | <u>51,549,729</u>    | <u>625,024</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                         |                          |                      |                                  |
| Related to OPEB  | 611,358                 | 39,991                   | 651,349              | -                                |
| Related to Pensions                                      | 1,632,272               | 106,772                  | 1,739,044            | -                                |
| Total Deferred Outflows of Resources                     | <u>2,243,630</u>        | <u>146,763</u>           | <u>2,390,393</u>     | <u>-</u>                         |
| <b>LIABILITIES</b>                                       |                         |                          |                      |                                  |
| Current Liabilities:                                     |                         |                          |                      |                                  |
| Warrants Payable   | 456,033                 | 64,439                   | 520,472              | -                                |
| Accrued Payroll  | 143,393                 | 8,292                    | 151,685              | -                                |
| Other Liabilities  | 12,412                  | -                        | 12,412               | 2,963                            |
| Accrued Interest   | 33,054                  | 42,878                   | 75,932               | -                                |
| Capital Lease Obligations                                | 48,062                  | -                        | 48,062               | -                                |
| Compensated Absences                                     | 31,777                  | 4,542                    | 36,319               | -                                |
| Total OPEB Liability                                     | 195,386                 | 12,781                   | 208,167              | -                                |
| Long-Term Bonds and Notes Payable                        | 655,165                 | 523,076                  | 1,178,241            | -                                |
| Mortgage Loan Payable                                    | -                       | -                        | -                    | 15,448                           |
| Total Current Liabilities                                | <u>1,575,282</u>        | <u>656,008</u>           | <u>2,231,290</u>     | <u>18,411</u>                    |
| Noncurrent Liabilities:                                  |                         |                          |                      |                                  |
| Capital Lease Obligations                                | 390,976                 | -                        | 390,976              | -                                |
| Compensated Absences                                     | 285,990                 | 40,882                   | 326,872              | -                                |
| Total OPEB Liability                                     | 6,474,705               | 423,529                  | 6,898,234            | -                                |
| Net Pension Liability                                    | 10,871,458              | 711,133                  | 11,582,591           | -                                |
| Long-Term Bonds and Notes Payable                        | 4,636,793               | 8,152,335                | 12,789,128           | -                                |
| Mortgage Loan Payable                                    | -                       | -                        | -                    | 420,367                          |
| Total Noncurrent Liabilities                             | <u>22,659,922</u>       | <u>9,327,879</u>         | <u>31,987,801</u>    | <u>420,367</u>                   |
| Total Liabilities  | <u>24,235,204</u>       | <u>9,983,887</u>         | <u>34,219,091</u>    | <u>438,778</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                         |                          |                      |                                  |
| Related to OPEB  | 1,238,275               | 80,999                   | 1,319,274            | -                                |
| Related to Pensions                                      | 796,265                 | 52,086                   | 848,351              | -                                |
| Total Deferred Inflows of Resources                      | <u>2,034,540</u>        | <u>133,085</u>           | <u>2,167,625</u>     | <u>-</u>                         |
| <b>NET POSITION</b>                                      |                         |                          |                      |                                  |
| Net Investment in Capital Assets                         | 18,200,805              | 5,073,305                | 23,274,110           | 121,894                          |
| Restricted for:  |                         |                          |                      |                                  |
| Other Postemployment Benefits                            | 680,965                 | -                        | 680,965              | -                                |
| Community Preservation                                   | 649,129                 | -                        | 649,129              | -                                |
| Affordable Housing                                       | 842,586                 | -                        | 842,586              | -                                |
| Expendable   | 326,431                 | -                        | 326,431              | -                                |
| Nonexpendable  | 294,020                 | -                        | 294,020              | -                                |
| Other Specific Purposes                                  | 1,431,789               | -                        | 1,431,789            | -                                |
| Unrestricted   | (10,270,186)            | 324,562                  | (9,945,624)          | 64,352                           |
| Total Net Position                                       | <u>\$ 12,155,539</u>    | <u>\$ 5,397,867</u>      | <u>\$ 17,553,406</u> | <u>\$ 186,246</u>                |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

| Functions/Programs               | Expenses             | Program Revenues        |  | Net<br>(Expense)/<br>Revenue |  |
|----------------------------------|----------------------|-------------------------|--|------------------------------|--|
|                                  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                              | Capital<br>Grants and<br>Contributions |
| <b>Primary Government:</b>       |                      |                         |  |                              |  |
| Governmental Activities:         |                      |                         |  |                              |  |
| General Government               | \$ 2,733,926         | \$ 110,696              | \$ 282,559                               | \$ -                         | \$ (2,340,671)                         |
| Public Safety                    | 4,622,891            | 510,296                 | 67,828                                   | -                            | (4,044,767)                            |
| Education                        | 19,184,238           | -                       | -  | -                            | (19,184,238)                           |
| Public Works                     | 2,374,595            | 142,017                 | 37,348                                   | 534,726                      | (1,660,504)                            |
| Health and Human Services        | 674,636              | 63,510                  | 58,621                                   | -                            | (552,505)                              |
| Culture and Recreation           | 1,942,624            | 221,083                 | 215,382                                  | -                            | (1,506,159)                            |
| Hamilton Development Corporation | 74,880               | -                       | -  | -                            | (74,880)                               |
| Debt Service-Interest            | 118,884              | -                       | -  | -                            | (118,884)                              |
| Total Governmental Activities    | <u>31,726,674</u>    | <u>1,047,602</u>        | <u>661,738</u>                           | <u>534,726</u>               | <u>(29,482,608)</u>                    |
| Business-Type Activities:        |                      |                         |  |                              |  |
| Water                            | <u>1,508,575</u>     | <u>1,782,256</u>        | <u>9,281</u>                             | <u>-</u>                     | <u>282,962</u>                         |
| Total Primary Government         | <u>\$ 33,235,249</u> | <u>\$ 2,829,858</u>     | <u>\$ 671,019</u>                        | <u>\$ 534,726</u>            | <u>\$ (29,199,646)</u>                 |
| <b>Component Units:</b>          |                      |                         |  |                              |  |
| Hamilton Development Corporation | <u>\$ 196,387</u>    | <u>\$ 29,050</u>        | <u>\$ 74,880</u>                         | <u>\$ -</u>                  | <u>\$ (92,457)</u>                     |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

|   | Primary Government         |                             |                      | Component<br>Unit |
|---|----------------------------|-----------------------------|----------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                   |
| <b>CHANGES IN NET POSITION</b>                                  |                            |                             |                      |                   |
| Net (Expense) Revenue (from Previous Page)                      | \$ (29,482,608)            | \$ 282,962                  | \$ (29,199,646)      | \$ (92,457)       |
| <b>GENERAL REVENUES</b>   |                            |                             |                      |                   |
| Real Estate and Personal Property Taxes                         | 28,870,695                 | -                           | 28,870,695           | -                 |
| Motor Vehicle and Other Excise Taxes                            | 1,168,124                  | -                           | 1,168,124            | -                 |
| Meals Tax   | 66,051                     | -                           | 66,051               | -                 |
| Penalties and Interest on Taxes                                 | 72,560                     | -                           | 72,560               | -                 |
| Payments in Lieu of Taxes                                       | 35,557                     | -                           | 35,557               | -                 |
| Community Preservation Surcharges                               | 480,926                    | -                           | 480,926              | -                 |
| Grants and Contributions not Restricted to<br>Specific Programs | 862,526                    | -                           | 862,526              | -                 |
| Unrestricted Investment Income                                  | 109,346                    | -                           | 109,346              | 168               |
| Transfers, Net  | 249,680                    | (249,680)                   | -                    | -                 |
| Total General Revenues and Transfers                            | <u>31,915,465</u>          | <u>(249,680)</u>            | <u>31,665,785</u>    | <u>168</u>        |
| <b>CHANGE IN NET POSITION</b>                                   | 2,432,857                  | 33,282                      | 2,466,139            | (92,289)          |
| Net Position - Beginning of Year                                | <u>9,722,682</u>           | <u>5,364,585</u>            | <u>15,087,267</u>    | <u>278,535</u>    |
| <b>NET POSITION - END OF YEAR</b>                               | <u>\$ 12,155,539</u>       | <u>\$ 5,397,867</u>         | <u>\$ 17,553,406</u> | <u>\$ 186,246</u> |

See accompanying Notes to Financial Statements.



**TOWN OF HAMILTON, MASSACHUSETTS  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2020**

| <b>ASSETS</b>   | General             | Community<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------------|-----------------------------------|--------------------------------|
| Cash and Cash Equivalents   | \$ 5,759,848        | \$ -                      | \$ -                              | \$ 5,759,848                   |
| Investments   | 2,296,098           | -                         | -                                 | 2,296,098                      |
| Receivables, Net of Allowance for<br>Uncollectible Amounts:                   |                     |                           |                                   |                                |
| Real Estate and Personal Property Taxes                                       | 559,688             | -                         | -                                 | 559,688                        |
| Real Estate Tax Deferrals   | 41,685              | -                         | -                                 | 41,685                         |
| Tax Liens   | 99,630              | -                         | -                                 | 99,630                         |
| Motor Vehicle and Other Excise Taxes  | 121,229             | -                         | -                                 | 121,229                        |
| Community Preservation Surcharges   | -                   | 7,863                     | -                                 | 7,863                          |
| Departmental and Other  | -                   | -                         | 9,360                             | 9,360                          |
| Intergovernmental   | -                   | -                         | 531,572                           | 531,572                        |
| Tax Foreclosures  | 361,988             | -                         | -                                 | 361,988                        |
| Restricted Assets:  |                     |                           |                                   |                                |
| Cash and Cash Equivalents   | 3,241               | 829,414                   | 2,609,017                         | 3,441,672                      |
| Investments   | 677,724             | -                         | 489,852                           | 1,167,576                      |
| <b>Total Assets</b>   | <b>\$ 9,921,131</b> | <b>\$ 837,277</b>         | <b>\$ 3,639,801</b>               | <b>\$ 14,398,209</b>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCE</b>       |                     |                           |                                   |                                |
| <b>LIABILITIES</b>  |                     |                           |                                   |                                |
| Warrants Payable  | \$ 198,717          | \$ 188,139                | \$ 69,177                         | \$ 456,033                     |
| Accrued Payroll   | 138,236             | 9                         | 5,148                             | 143,393                        |
| Other Liabilities   | 12,412              | -                         | -                                 | 12,412                         |
| <b>Total Liabilities</b>  | <b>349,365</b>      | <b>188,148</b>            | <b>74,325</b>                     | <b>611,838</b>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                           |                                   |                                |
| Unavailable Revenue   | 1,121,206           | 7,863                     | 9,360                             | 1,138,429                      |
| <b>FUND BALANCE</b>   |                     |                           |                                   |                                |
| Nonspendable  | -                   | -                         | 294,020                           | 294,020                        |
| Restricted  | 680,965             | 641,266                   | 3,302,892                         | 4,625,123                      |
| Committed   | 2,512,453           | -                         | -                                 | 2,512,453                      |
| Assigned  | 81,056              | -                         | -                                 | 81,056                         |
| Unassigned  | 5,176,086           | -                         | (40,796)                          | 5,135,290                      |
| <b>Total Fund Balance</b>   | <b>8,450,560</b>    | <b>641,266</b>            | <b>3,556,116</b>                  | <b>12,647,942</b>              |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balance</b> | <b>\$ 9,921,131</b> | <b>\$ 837,277</b>         | <b>\$ 3,639,801</b>               | <b>\$ 14,398,209</b>           |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE — GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

|  | General             | Community<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                           |                                   |                                |
| Real Estate and Personal Property Taxes                      | \$ 28,567,456       | \$ -                      | \$ -                              | \$ 28,567,456                  |
| Motor Vehicle and Other Excise Taxes                         | 1,135,350           | -                         | -                                 | 1,135,350                      |
| Meals tax  | 66,051              | -                         | -                                 | 66,051                         |
| Tax Liens  | 37,419              | -                         | -                                 | 37,419                         |
| Payments in Lieu of Taxes                                    | 35,557              | -                         | -                                 | 35,557                         |
| Community Preservation Surcharges                            | -                   | 476,870                   | -                                 | 476,870                        |
| Charges for Services   | 111,894             | -                         | 366,570                           | 478,464                        |
| Intergovernmental  | 1,011,956           | 108,610                   | 871,292                           | 1,991,858                      |
| Penalties and Interest on Taxes                              | 72,560              | -                         | -                                 | 72,560                         |
| Licenses and Permits   | 357,181             | -                         | -                                 | 357,181                        |
| Fines and Forfeitures  | 4,350               | -                         | -                                 | 4,350                          |
| Departmental and Other                                       | 170,461             | -                         | 12,850                            | 183,311                        |
| Contributions  | -                   | -                         | 233,695                           | 233,695                        |
| Investment Income  | 104,879             | 15,261                    | 17,048                            | 137,188                        |
| Other  | -                   | -                         | 900                               | 900                            |
| Total Revenues   | <u>31,675,114</u>   | <u>600,741</u>            | <u>1,502,355</u>                  | <u>33,778,210</u>              |
| <b>EXPENDITURES</b>  |                     |                           |                                   |                                |
| Current:   |                     |                           |                                   |                                |
| General Government   | 2,005,041           | 510,631                   | 222,191                           | 2,737,863                      |
| Public Safety  | 2,928,145           | -                         | 223,898                           | 3,152,043                      |
| Education  | 19,145,148          | -                         | -                                 | 19,145,148                     |
| Public Works   | 1,836,560           | -                         | 565,359                           | 2,401,919                      |
| Health and Human Services                                    | 309,802             | 2,000                     | 47,269                            | 359,071                        |
| Culture and Recreation                                       | 1,114,811           | 800                       | 360,815                           | 1,476,426                      |
| Hamilton Development Corporation                             | 74,880              | -                         | -                                 | 74,880                         |
| Pension Benefits   | 987,370             | -                         | -                                 | 987,370                        |
| Employee Benefits  | 838,602             | -                         | -                                 | 838,602                        |
| Property and Liability Insurance                             | 231,969             | -                         | -                                 | 231,969                        |
| State and County Charges                                     | 247,245             | -                         | -                                 | 247,245                        |
| Debt Service:  |                     |                           |                                   |                                |
| Principal  | 620,000             | 125,000                   | -                                 | 745,000                        |
| Interest   | 122,803             | 28,500                    | -                                 | 151,303                        |
| Total Expenditures   | <u>30,462,376</u>   | <u>666,931</u>            | <u>1,419,532</u>                  | <u>32,548,839</u>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 1,212,738           | (66,190)                  | 82,823                            | 1,229,371                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                           |                                   |                                |
| Proceeds of Bonds and Notes                                  | -                   | -                         | 940,000                           | 940,000                        |
| Premium from Issuance of Bonds and Notes                     | -                   | -                         | 80,926                            | 80,926                         |
| Transfers In   | 463,806             | -                         | 294,740                           | 758,546                        |
| Transfer Out   | (260,690)           | (200,000)                 | (48,176)                          | (508,866)                      |
| Total Other Financing Sources (Uses)                         | <u>203,116</u>      | <u>(200,000)</u>          | <u>1,267,490</u>                  | <u>1,270,606</u>               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | 1,415,854           | (266,190)                 | 1,350,313                         | 2,499,977                      |
| Fund Balance - Beginning of Year                             | <u>7,034,706</u>    | <u>907,456</u>            | <u>2,205,803</u>                  | <u>10,147,965</u>              |
| <b>FUND BALANCE - END OF YEAR</b>                            | <u>\$ 8,450,560</u> | <u>\$ 641,266</u>         | <u>\$ 3,556,116</u>               | <u>\$ 12,647,942</u>           |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCE TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

|  |                                    |
|--|------------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>   | <b>\$ 12,647,942</b>               |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 21,783,444                         |
| Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.           | 1,138,429                          |
| 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.               | (33,054)                           |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.  |                                    |
| Bonds and Notes Payable, Net   | (5,291,958)                        |
| Capital Lease Obligations  | (439,038)                          |
| Compensated Absences   | (317,767)                          |
| Net Pension Liability  | (10,871,458)                       |
| Total OPEB Liability   | (6,670,091)                        |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions and OPEB.  | 2,243,630                          |
| In the statement of net position, deferred inflows of resources are reported for amounts related to pensions and OPEB.   | <u>(2,034,540)</u>                 |
| <b>Net Position of Governmental Activities</b>   | <b><u><u>\$ 12,155,539</u></u></b> |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

**Net Change in Fund Balance - Total Governmental Funds** \$ 2,499,977

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.

|                 |           |
|-----------------|-----------|
| Capital Outlays | 1,479,884 |
| Depreciation    | (981,711) |

In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed. (22,459)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources. 131,645

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (when material). These amounts represent the related activity of the current period.

|  |           |
|--|-----------|
| Proceeds of Bonds and Notes              | (940,000) |
| Premium from Issuance of Bonds and Notes | (80,926)  |
| Bond Maturities                          | 745,000   |
| Net Amortization of Bond Premiums        | 32,468    |
| Capital Lease Maturities                 | 46,322    |

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. (49)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:

|                       |           |
|-----------------------|-----------|
| Compensated Absences  | (40,759)  |
| Total OPEB Liability  | 1,258,893 |
| Net Pension Liability | 130,714   |

In the statement of activities, deferred outflows related to pensions and OPEB are amortized and recognized as pension and OPEB expense. This amount represents the net change in deferred outflows related to pensions and OPEB. (430,542)

In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions and OPEB. (1,395,600)

**Changes in Net Position of Governmental Activities** \$ 2,432,857

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF FUND NET POSITION — PROPRIETARY FUND  
JUNE 30, 2020**

|  | <u>Business-Type<br/>Activities -<br/>Enterprise Fund<br/>Water</u> |
|--|---|
| <b>ASSETS</b>  |   |
| Current Assets:  |   |
| Cash and Cash Equivalents                                | \$ 1,095,229  |
| Restricted Cash and Cash Equivalents                     | 1,739,974   |
| Receivables, Net of Allowance for Uncollectible Amounts: |   |
| Water Charges  | 514,039   |
| Water Liens  | 10,092  |
| Total Current Assets                                     | <u>3,359,334</u>  |
| Noncurrent Assets:                                       |   |
| Capital Assets Not Being Depreciated                     | 473,762   |
| Capital Assets, Net of Accumulated Depreciation          | 11,534,980  |
| Total Noncurrent Assets                                  | <u>12,008,742</u>   |
| Total Assets   | <u><u>\$ 15,368,076</u></u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |   |
| Related to OPEB  | \$ 39,991   |
| Related to Pensions                                      | 106,772   |
| Total Deferred Outflows of Resources                     | <u>146,763</u>  |
| <b>LIABILITIES</b>                                       |   |
| Current Liabilities:                                     |   |
| Warrants Payable   | 64,439  |
| Accrued Payroll  | 8,292   |
| Accrued Interest   | 42,878  |
| Compensated Absences                                     | 4,542   |
| Total OPEB Liability                                     | 12,781  |
| Long-Term Bonds and Notes Payable                        | 523,076   |
| Total Current Liabilities                                | <u>656,008</u>  |
| Noncurrent Liabilities:                                  |   |
| Compensated Absences                                     | 40,882  |
| Total OPEB Liability                                     | 423,529   |
| Net Pension Liability                                    | 711,133   |
| Long-Term Bonds and Notes Payable                        | 8,152,335   |
| Total Noncurrent Liabilities                             | <u>9,327,879</u>  |
| Total Liabilities  | 9,983,887   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |   |
| Related to OPEB  | 80,999  |
| Related to Pensions                                      | 52,086  |
| Total Deferred Inflows of Resources                      | <u>133,085</u>  |
| <b>FUND NET POSITION</b>                                 |   |
| Net Investment in Capital Assets                         | 5,073,305   |
| Unrestricted   | 324,562   |
| Total Net Position                                       | <u><u>\$ 5,397,867</u></u>  |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION — PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

|   | Business-Type<br>Activities -<br>Enterprise Fund<br><u>Water</u> |
|---|--|
| <b>OPERATING REVENUES</b>                   |  |
| Charges for Services                        | \$ 1,768,620   |
| Other                                       | 13,636   |
| Total Operating Revenues                    | <u>1,782,256</u>   |
| <b>OPERATING EXPENSES</b>                   |  |
| Cost of Service and Administration          | 904,165  |
| Depreciation                                | 371,652  |
| Total Operating Expenses                    | <u>1,275,817</u>   |
| <b>OPERATING INCOME (LOSS)</b>              | 506,439  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>     |  |
| Investment Income                           | 9,281  |
| Interest Expense                            | (232,758)  |
| Total Nonoperating Revenues (Expenses), Net | <u>(223,477)</u>   |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>       | 282,962  |
| Transfers In                                | 169,950  |
| Transfers Out                               | (419,630)  |
| Total Transfers, Net                        | <u>(249,680)</u>   |
| <b>CHANGE IN FUND NET POSITION</b>          | 33,282   |
| Fund Net Position - Beginning of Year       | <u>5,364,585</u>   |
| <b>FUND NET POSITION - END OF YEAR</b>      | <u><u>\$ 5,397,867</u></u>                                       |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS — PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

|  | <u>Business-Type<br/>Activities -<br/>Enterprise Fund<br/>Water</u> |
|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Receipts from Customers and Users  | \$ 1,685,517  |
| Payments to Vendors  | (430,741)   |
| Payments to Employees  | (324,589)   |
| Net Cash Provided by Operating Activities  | <u>930,187</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |   |
| Transfers Out  | (419,630)   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |   |
| Transfers In   | 169,950   |
| Proceeds from the Issuance of Bonds and Notes  | 3,030,000   |
| Premium from the Issuance of Bonds and Notes   | 193,271   |
| Acquisition and Construction of Capital Assets   | (189,850)   |
| Principal Payments on Bonds and Notes  | (2,015,000)   |
| Interest Expense   | (258,710)   |
| Net Cash Provided by Capital and Related Financing Activities  | <u>929,661</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |
| Investment Income  | <u>9,281</u>  |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 1,449,499   |
| Cash and Cash Equivalents - Beginning of Year<br>(Includes \$260,633 Reported as Restricted in the Water Enterprise Fund)    | <u>1,385,704</u>  |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b><br>(Includes \$1,739,974 Reported as Restricted in the Water Enterprise Fund) | <u><u>\$ 2,835,203</u></u>  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                |   |
| Operating Income   | \$ 506,439  |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:                               |   |
| Changes in Assets and Liabilities not Requiring Current Cash Flows:  |   |
| Depreciation   | 371,652   |
| Net Pension Liability  | 61,986  |
| Total OPEB Liability   | (45,875)  |
| Deferred Inflows of Resources Related to Pensions  | 17,805  |
| Deferred Outflows of Resources Related to Pensions   | 14,844  |
| Deferred Inflows of Resources Related to OPEB  | 80,999  |
| Deferred Outflows of Resources Related to OPEB   | 7,030   |
| Effect of Changes in Operating Assets and Liabilities:   |   |
| Water Charges  | (92,641)  |
| Water Liens  | (4,098)   |
| Warrants Payable   | 6,119   |
| Accrued Payroll  | 2,932   |
| Compensated Absences   | 2,995   |
| Total Adjustments  | <u>423,748</u>  |
| Net Cash Provided by Operating Activities  | <u><u>\$ 930,187</u></u>  |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS  
JUNE 30, 2020**

|   | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|---|--|
| <b>ASSETS</b>                           |  |
| Cash and Cash Equivalents               | \$ 27,510                                  |
| Investments:                            |  |
| Equities                                | 5,964                                      |
| Fixed Income Securities                 | <u>34,447</u>                              |
| Total Assets                            | <u>67,921</u>                              |
| <b>NET POSITION</b>                     |  |
| Assets Held in Trust for Other Purposes | <u><u>\$ 67,921</u></u>                    |

*See accompanying Notes to Financial Statements.*



**TOWN OF HAMILTON, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2020**

|                                   | Private<br>Purpose<br>Trust Funds |
|-----------------------------------|-----------------------------------|
| <b>ADDITIONS</b>                  |                                   |
| Contributions:                    |                                   |
| Private Donations                 | \$ 22,998                         |
| Net Investment Income:            |                                   |
| Interest                          | 966                               |
| Total Additions                   | 23,964                            |
| <b>DEDUCTIONS</b>                 |                                   |
| Other                             | 14,728                            |
| <b>CHANGE IN NET POSITION</b>     | 9,236                             |
| Net Position - Beginning of Year  | 58,685                            |
| <b>NET POSITION - END OF YEAR</b> | \$ 67,921                         |

See accompanying Notes to Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

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

**B. Reporting Entity**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Joint Ventures (Continued)**

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

**Hamilton-Wenham Library**

During fiscal year 1998, the Town entered into an agreement with the Town of Wenham (Joint Library Agreement) to construct and operate a joint public library to be operated under the direction of a Joint Board of Library Trustees. The construction project was completed during fiscal year 2002, and the Joint Library began operations during fiscal year 2002. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Wenham is the administrator for all matters associated with the management and operation of the Joint Library. Accordingly, all revenues and expenditures associated with the Joint Library are accounted for by the Town of Wenham. During fiscal year 2020, the Town paid approximately \$881,000 to the Town of Wenham to cover the Town's portion of the operating and administrative costs.

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

**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 2020, the Department's operating and administrative expenditures totaled approximately \$186,000. The Town of Wenham paid the Town of Hamilton approximately \$79,000 for their share of the Department's costs.

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Veterans' Memorial Pool at Patton Park**

The Towns of Hamilton and Wenham operate a joint pool (Pool) that is used for the summer park and recreation program offered by the Hamilton-Wenham Joint Recreation Committee (Committee). The capital costs associated with the design and construction of the Pool were allocated 66.4% to the Town of Hamilton and 33.6% to the Town of Wenham. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Pool. Costs associated with the operation and maintenance of the Pool are paid from revenues collected in a pool revolving fund maintained by the Town of Hamilton. The Town of Wenham will be annually charged an administrative fee based upon a calculation of the Town of Hamilton's indirect costs of administration associated with the Pool. During fiscal year 2020, the Town of Wenham paid the Town of Hamilton approximately \$1,700 for their share of indirect costs of administration associated with the Pool.

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

**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, 2020, the Town's assessment for operating and capital costs totaled approximately \$18,686,000 and \$255,000, respectively.

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

**North Shore Technical School**

The North Shore Technical School is governed by a 16-member school district committee consisting of one elected representative from each member town, including the Town of Hamilton. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2020, the Town's assessment for operating and capital costs totaled approximately \$184,000 and \$20,000, respectively. Separate financial statements may be obtained by writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts 01949.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2020, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postpones the implementation dates of certain GASB Statements.

**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 nonfiduciary activities of the primary government and the discretely presented component unit. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees.

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

**Government-Wide Financial Statements (Continued)**

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

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

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

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

**Fund Financial Statements**

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

**Fund Financial Statements (Continued)**

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

**Fund Financial Statements (Continued)**

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 fund is reported:

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

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

The following fiduciary fund type is reported:

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

**F. Cash and Cash Equivalents and Investments**

**Government-Wide and Fund Financial Statements**

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



**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**G. Accounts Receivable (Continued)**

**Departmental and Other**

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

**Intergovernmental**

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

**H. Allowance for Uncollectible Amounts**

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

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

At June 30, 2020, the allowances related to these accounts receivable are immaterial and therefore not reported.

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

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

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

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

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

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

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

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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**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 balance outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balance”.

**Fund Financial Statements**

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

**M. Interfund Transfers**

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

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**N. Deferred Outflows of Resources**

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**O. Deferred Inflows of Resources**

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

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

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

**P. Net Position and Fund Balance**

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

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

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

Net position has been “restricted” for the following:

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

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**P. Net Position and Fund Balance (Continued)**

**Governmental Funds Financial Statements (Fund Balance)**

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

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

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

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

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

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

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

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

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Q. Long-Term Debt (Continued)**

**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. Pensions**

**Government-Wide and Fund Financial Statements**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**U. Postretirement Benefits**

**Government-Wide and Fund Financial Statements**

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

**V. Use of Estimates**

**Government-Wide and Fund Financial Statements**

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

**W. Total Column**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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



**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**A. Budgetary Information (Continued)**

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 2020 approved budget for the general fund and community preservation fund authorized appropriations of \$33,179,725 and \$427,000, respectively. During the fiscal year, appropriations were reduced for the general fund by \$161,692, and increased for the community preservation fund by \$457,906.

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, 2020, the following fund deficits exist in the governmental funds:

|                     | <u>Fund</u> | <u>Amount</u>    | <u>Funding Source</u> |
|---------------------|-------------|------------------|-----------------------|
| Covid FEMA          |             | \$ 34,501        | Federal Grant         |
| Fire Grant          |             | 3,948            | State Grant           |
| Pool Revolving Fund |             | 821              | Available Funds       |
| Police Detail       |             | 792              | Available Funds       |
| Bulletproof Vest    |             | 734              | State Grant           |
| Total               |             | <u>\$ 40,796</u> |                       |

**C. Expenditures in Excess of Appropriations**

During the year ended June 30, 2020, expenditures exceeded appropriations for State and County Charges.

**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.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

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

**A. Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town and the Hamilton Development Corporation do not have policies for custodial credit risk of deposits. As of June 30, 2020, \$5,504,915 of the Town's bank balance of \$11,920,404 was uninsured and uncollateralized. As of June 30, 2020, the Hamilton Development Corporation was not exposed to custodial credit risk.

**B. Investments Summary**

The Town's investments at June 30, 2020 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

| <u>Investment Type</u>          | <u>Total<br/>Amount</u> | <u>Investment Maturities (in Years)</u> |                     |
|---------------------------------|-------------------------|---|---------------------|
|                                 |                         | <u>Less<br/>Than One</u>                | <u>One to Five</u>  |
| Debt Securities:                |                         |   |                     |
| U.S. Treasuries                 | \$ 225,830              | \$ 105,508                              | \$ 120,322          |
| U.S. Agencies                   | 402,581                 | -                                       | 402,581             |
| Corporate Bonds                 | 1,122,338               | 187,187                                 | 935,151             |
| Mutual Bond Funds               | 186,268                 | 186,268                                 | -                   |
| Certificates of Deposit         | 658,639                 | 146,815                                 | 511,824             |
| External Investment Pool (MMDT) | 57,158                  | 57,158                                  | -                   |
| Total Debt Securities           | <u>2,652,814</u>        | <u>\$ 682,936</u>                       | <u>\$ 1,969,878</u> |
| Other Investments:              |                         |   |                     |
| Equity Securities               | 416,973                 |   |                     |
| Equity Mutual Funds             | 491,456                 |   |                     |
| Total Other Investments         | <u>908,429</u>          |   |                     |
| Total Investments               | <u>\$ 3,561,243</u>     |   |                     |

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**D. Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2020, the Town's investments were not exposed to custodial credit risk.

**E. Investments - Credit Risk of Debt Securities**

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2020, the credit ratings of the Town's investments in debt securities, exclusive of exempt U.S. Treasuries of \$225,830 are as follows:

| Quality Ratings * | Investment Type     |                   |                     |                            |                      |                                       |
|-------------------|---------------------|-------------------|---------------------|----------------------------|----------------------|---------------------------------------|
|                   | Total<br>Amount     | U.S.<br>Agencies  | Corporate<br>Bonds  | Certificates of<br>Deposit | Mutual Bond<br>Funds | External<br>Investment<br>Pool (MMDT) |
| AAA               | \$ 201,950          | \$ 55,560         | \$ 146,390          | \$ -                       | \$ -                 | \$ -                                  |
| AA+               | 347,021             | 347,021           | -                   | -                          | -                    | -                                     |
| AA                | 47,160              | -                 | 47,160              | -                          | -                    | -                                     |
| A+                | 184,156             | -                 | 184,156             | -                          | -                    | -                                     |
| A-                | 344,343             | -                 | 344,343             | -                          | -                    | -                                     |
| BBB+              | 400,289             | -                 | 400,289             | -                          | -                    | -                                     |
| Unrated           | 902,065             | -                 | -                   | 658,639                    | 186,268              | 57,158                                |
| Total             | <u>\$ 2,426,984</u> | <u>\$ 402,581</u> | <u>\$ 1,122,338</u> | <u>\$ 658,639</u>          | <u>\$ 186,268</u>    | <u>\$ 57,158</u>                      |

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

**F. Investments - Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2020, the Town was not exposed to concentration of credit risk.

**G. Investments - Fair Value Measurements**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

The Town has the following recurring fair value measurements as of June 30, 2020:

| <u>Investment Type</u>                         | <u>Fair Value</u>   | <u>Fair Value Measurements Using</u>  |  |
|--|---------------------|---|--|
|  |                     | <u>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets (Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs (Level 2)</u> |
| <b>Equity Securities:</b>                      |                     |   |  |
| Equity Mutual Funds                            | \$ 491,456          | \$ -  | \$ 491,456   |
| Equity Securities                              | 416,973             | 416,973   | -  |
| Total Equity Securities                        | <u>908,429</u>      | <u>416,973</u>  | <u>491,456</u>   |
| <b>Debt Securities:</b>                        |                     |   |  |
| U.S. Agency Securities                         | 402,581             | -   | 402,581  |
| U.S. Treasury Securities                       | 225,830             | -   | 225,830  |
| Corporate Bonds                                | 1,122,338           | -   | 1,122,338  |
| Certificates of Deposit                        | 658,639             | -   | 658,639  |
| Mutual Bond Funds                              | 186,268             | -   | 186,268  |
| Total Debt Securities                          | <u>2,595,656</u>    | <u>-</u>  | <u>2,595,656</u>   |
| Total Investments by Fair Value Level          | 3,504,085           | <u>\$ 416,973</u>   | <u>\$ 3,087,112</u>  |
| <b>Investments Measured at Amortized Cost:</b> |                     |   |  |
| External Investment Pool (MMDT)                | 57,158              |   |  |
| Total Investments - Town                       | <u>\$ 3,561,243</u> |   |  |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2020, receivables for the individual major governmental funds and nonmajor governmental funds, in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

|   | <u>Gross Amount</u> | <u>Allowance for<br/>Uncollectibles</u> | <u>Net Amount</u>   |
|---|---------------------|---|---------------------|
| <u>Receivables:</u>                     |                     |   |                     |
| Real Estate and Personal Property Taxes | \$ 559,688          | \$ -                                    | \$ 559,688          |
| Real Estate Tax Deferrals               | 41,685              | -                                       | 41,685              |
| Tax Liens                               | 99,630              | -                                       | 99,630              |
| Motor Vehicle and Other Excise Taxes    | 121,229             | -                                       | 121,229             |
| Community Preservation Surcharges       | 7,863               | -                                       | 7,863               |
| Departmental and Other                  | 9,360               | -                                       | 9,360               |
| Intergovernmental                       | 531,572             | -                                       | 531,572             |
| Total                                   | <u>\$ 1,371,027</u> | <u>\$ -</u>                             | <u>\$ 1,371,027</u> |

At June 30, 2020, receivables for the water enterprise fund consist of the following:

|                     | <u>Gross Amount</u> | <u>Allowance for<br/>Uncollectibles</u> | <u>Net Amount</u> |
|---------------------|---------------------|---|-------------------|
| <u>Receivables:</u> |                     |   |                   |
| Water Charges       | \$ 514,039          | \$ -                                    | \$ 514,039        |
| Water Liens         | 10,092              | -                                       | 10,092            |
| Total               | <u>\$ 524,131</u>   | <u>\$ -</u>                             | <u>\$ 524,131</u> |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

|  | Beginning<br>Balance | Increases      | Decreases        | Ending<br>Balance |
|--|----------------------|----------------|------------------|-------------------|
| <b>Governmental Activities:</b>                          |                      |                |                  |                   |
| Capital Assets Not Being Depreciated:                    |                      |                |                  |                   |
| Land   | \$ 2,373,848         | \$ -           | \$ -             | \$ 2,373,848      |
| Intangible Assets  | 1,750,000            | -              | -                | 1,750,000         |
| Construction in Progress                                 | 537,889              | 1,167,033      | (363,701)        | 1,341,221         |
| Total Capital Assets Not Being<br>Depreciated            | 4,661,737            | 1,167,033      | (363,701)        | 5,465,069         |
| Capital Assets Being Depreciated:                        |                      |                |                  |                   |
| Improvements   | 3,379,175            | 472,420        | (119,424)        | 3,732,171         |
| Buildings  | 14,620,129           | -              | (41,788)         | 14,578,341        |
| Machinery and Equipment                                  | 2,201,092            | 55,774         | (18,111)         | 2,238,755         |
| Vehicles   | 2,806,896            | 148,358        | (222,456)        | 2,732,798         |
| Library Books  | 265,666              | -              | -                | 265,666           |
| Software   | 20,765               | -              | -                | 20,765            |
| Infrastructure   | 5,450,689            | -              | -                | 5,450,689         |
| Total Capital Assets Being<br>Depreciated                | 28,744,412           | 676,552        | (401,779)        | 29,019,185        |
| Less: Accumulated Depreciation for:                      |                      |                |                  |                   |
| Improvements   | (866,645)            | (164,947)      | 107,218          | (924,374)         |
| Buildings  | (6,785,497)          | (332,059)      | 31,535           | (7,086,021)       |
| Machinery and Equipment                                  | (1,011,709)          | (171,303)      | 18,111           | (1,164,901)       |
| Vehicles   | (1,587,451)          | (177,851)      | 222,456          | (1,542,846)       |
| Library Books  | (265,666)            | -              | -                | (265,666)         |
| Software   | (20,765)             | -              | -                | (20,765)          |
| Infrastructure   | (1,560,686)          | (135,551)      | -                | (1,696,237)       |
| Total Accumulated Depreciation                           | (12,098,419)         | (981,711)      | 379,320          | (12,700,810)      |
| <br>Total Capital Assets Being<br>Depreciated, Net       | <br>16,645,993       | <br>(305,159)  | <br>(22,459)     | <br>16,318,375    |
| <br>Total Governmental Activities<br>Capital Assets, Net | <br>\$ 21,307,730    | <br>\$ 861,874 | <br>\$ (386,160) | <br>\$ 21,783,444 |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

|  | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance    |
|--|----------------------|---------------------|-------------|----------------------|
| <b>Business-Type Activities:</b>                               |                      |                     |             |                      |
| Capital Assets Not Being Depreciated:                          |                      |                     |             |                      |
| Land   | \$ 283,912           | \$ -                | \$ -        | \$ 283,912           |
| Construction in Progress                                       | -                    | 189,850             | -           | 189,850              |
| Total Capital Assets Not Being Depreciated                     | 283,912              | 189,850             | -           | 473,762              |
| Capital Assets Being Depreciated:                              |                      |                     |             |                      |
| Buildings  | 3,454,199            | -                   | -           | 3,454,199            |
| Machinery and Equipment  | 41,848               | -                   | -           | 41,848               |
| Vehicles   | 335,662              | -                   | -           | 335,662              |
| Infrastructure   | 12,662,347           | -                   | -           | 12,662,347           |
| Total Capital Assets Being Depreciated                         | 16,494,056           | -                   | -           | 16,494,056           |
| Less: Accumulated Depreciation for:                            |                      |                     |             |                      |
| Buildings  | (1,359,535)          | (79,710)            | -           | (1,439,245)          |
| Machinery and Equipment  | (26,762)             | (4,521)             | -           | (31,283)             |
| Vehicles   | (223,617)            | (25,997)            | -           | (249,614)            |
| Infrastructure   | (2,977,510)          | (261,424)           | -           | (3,238,934)          |
| Total Accumulated Depreciation                                 | (4,587,424)          | (371,652)           | -           | (4,959,076)          |
| Total Capital Assets Being Depreciated, Net                    | 11,906,632           | (371,652)           | -           | 11,534,980           |
| Total Business-Type Activities Capital Assets, Net             | <u>\$ 12,190,544</u> | <u>\$ (181,802)</u> | <u>\$ -</u> | <u>\$ 12,008,742</u> |
| <br>   |                      |                     |             |                      |
|  | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance    |
| <b>Hamilton Development Corporation:</b>                       |                      |                     |             |                      |
| Capital Assets Not Being Depreciated:                          |                      |                     |             |                      |
| Land   | \$ 339,500           | \$ -                | \$ -        | \$ 339,500           |
| Capital Assets Being Depreciated:                              |                      |                     |             |                      |
| Buildings  | 260,550              | -                   | -           | 260,550              |
| Less: Accumulated Depreciation for:                            |                      |                     |             |                      |
| Buildings  | (35,827)             | (6,514)             | -           | (42,341)             |
| Total Capital Assets Being Depreciated, Net                    | 224,723              | (6,514)             | -           | 218,209              |
| Total Discretely Presented Component Units Capital Assets, Net | <u>\$ 564,223</u>    | <u>\$ (6,514)</u>   | <u>\$ -</u> | <u>\$ 557,709</u>    |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

**Governmental Activities:**

|  |                   |
|--|-------------------|
| General Government                                   | \$ 77,264         |
| Public Safety  | 344,889           |
| Education  | 39,090            |
| Public Works   | 220,716           |
| Health and Human Services                            | 4,420             |
| Culture and Recreation                               | 295,332           |
| Total Depreciation Expense - Governmental Activities | <u>\$ 981,711</u> |

**Business-Type Activities:**

|       |                   |
|-------|-------------------|
| Water | <u>\$ 371,652</u> |
|-------|-------------------|

**Discretely Presented Component Unit:**

|                                  |                 |
|----------------------------------|-----------------|
| Hamilton Development Corporation | <u>\$ 6,514</u> |
|----------------------------------|-----------------|

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2020 are summarized as follows:

| <u>Transfers Out</u>        | Transfers In      |                                   |                             | Total             |
|-----------------------------|-------------------|-----------------------------------|-----------------------------|-------------------|
|                             | General<br>Fund   | Nonmajor<br>Governmental<br>Funds | Water<br>Enterprise<br>Fund |                   |
| General Fund                | \$ -              | \$ 90,740                         | \$ 169,950                  | \$ 260,690 (1)    |
| Community Preservation Fund | -                 | 200,000                           | -                           | 200,000 (2)       |
| Nonmajor Governmental Funds | 44,176            | 4,000                             | -                           | 48,176 (3)        |
| Water Enterprise Fund       | 419,630           | -                                 | -                           | 419,630 (4)       |
| Total                       | <u>\$ 463,806</u> | <u>\$ 294,740</u>                 | <u>\$ 169,950</u>           | <u>\$ 928,496</u> |

(1) Represents budgeted transfers from the general fund to the Patton Homestead fund (\$86,343) and eco grant fund (\$4,397). Also represents transfers to the water enterprise fund for debt service costs (\$169,950).

(2) Represents budgeted transfer from the community preservation fund to the affordable housing trust fund.

(3) Represents budgeted transfers from the sale of lots and graves fund (\$2,000) and from the Patton Homestead fund (\$42,176) to the general fund for indirect costs. Also represents transfer from the Clark Property fund to the conservation fund (\$4,000).

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



**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020 is as follows:

**Notes Payable – Water Enterprise Fund**

| <u>Type</u> | <u>Description</u> | <u>Origination Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance at June 30, 2019</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at June 30, 2020</u> |
|-------------|--------------------|-------------------------|----------------------|----------------------|---------------------------------|------------------|------------------|---------------------------------|
| BAN         | Water              | 11/30/18                | 11/13/19             | 3.00%                | \$ 1,500,000                    | -                | \$ (1,500,000)   | -                               |

**Subsequent Event**

On August 28, 2020 the Town issued BAN's in the amount of \$467,767 (governmental funds) and \$1,200,000 (water enterprise fund) at an interest rate of 1.25% and a maturity date of August 27, 2021.

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020:

|   | Balance<br>June 30,<br>2019 | Increases           | Decreases           | Balance<br>June 30,<br>2020 | Current<br>Portion |
|---|-----------------------------|---------------------|---------------------|-----------------------------|--------------------|
| <b>Governmental Activities:</b>             |                             |                     |                     |                             |                    |
| Bonds and Notes Payable                     | \$ 4,800,000                | \$ 940,000          | \$ (745,000)        | \$ 4,995,000                | \$ 620,000         |
| Unamortized Bond Premium                    | 248,500                     | 80,926              | (32,468)            | 296,958                     | 35,165             |
| Total Bonds and Notes Payable               | <u>5,048,500</u>            | <u>1,020,926</u>    | <u>(777,468)</u>    | <u>5,291,958</u>            | <u>655,165</u>     |
| Capital Lease Obligations                   | 485,360                     | -                   | (46,322)            | 439,038                     | 48,062             |
| Compensated Absences                        | 277,008                     | -                   | 40,759              | 317,767                     | 31,777             |
| Total                                       | <u>\$ 5,810,868</u>         | <u>\$ 1,020,926</u> | <u>\$ (783,031)</u> | <u>\$ 6,048,763</u>         | <u>\$ 735,004</u>  |
| <b>Business-Type Activities:</b>            |                             |                     |                     |                             |                    |
| Bonds and Notes Payable                     | \$ 5,850,000                | \$ 3,030,000        | \$ (515,000)        | \$ 8,365,000                | \$ 505,000         |
| Unamortized Bond Premium                    | 130,383                     | 193,271             | (13,243)            | 310,411                     | 18,076             |
| Total Bonds and Notes Payable               | <u>5,980,383</u>            | <u>3,223,271</u>    | <u>(528,243)</u>    | <u>8,675,411</u>            | <u>523,076</u>     |
| Compensated Absences                        | 42,429                      | -                   | 2,995               | 45,424                      | 4,542              |
| Total                                       | <u>\$ 6,022,812</u>         | <u>\$ 3,223,271</u> | <u>\$ (525,248)</u> | <u>\$ 8,720,835</u>         | <u>\$ 527,618</u>  |
| <b>Discretely Presented Component Unit:</b> |                             |                     |                     |                             |                    |
| Mortgage Loan Payable                       | <u>\$ 448,151</u>           | <u>\$ -</u>         | <u>\$ (16,449)</u>  | <u>\$ 431,702</u>           | <u>\$ 431,702</u>  |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 CAPITAL LEASE OBLIGATION**

The Town leases a fire truck under a capital lease for which payments conclude in fiscal year 2028. The lease began in fiscal year 2019 and requires payments annually for 10 years. The lease agreement contains a bargain purchase option which would allow the Town to purchase the fire truck at the end of the lease term. The cost of the lease for the year ended June 30, 2020 was \$64,557 and is reported as a public safety expenditure of the general fund.

The future minimum lease payments are as follows at June 30, 2020:

| <u>Year Ending June 30,</u>             | <u>Amount</u>            |
|---|--------------------------|
| 2021                                    | \$ 64,557                |
| 2022                                    | 64,557                   |
| 2023                                    | 64,557                   |
| 2024                                    | 64,557                   |
| 2025                                    | 64,557                   |
| 2026                                    | 64,557                   |
| 2027                                    | 64,557                   |
| 2028                                    | <u>64,553</u>            |
| Total Minimum Lease Payments            | 516,452                  |
| Less: Amounts Representing Interest     | <u>(77,414)</u>          |
| Present Value of Minimum Lease Payments | <u><u>\$ 439,038</u></u> |

Machinery and equipment and the related accumulated depreciation under the capital lease is as follows:

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Asset:                         |                                    |
| Machinery and Equipment        | \$ 549,917                         |
| Less: Accumulated Amortization | <u>(82,488)</u>                    |
| Total                          | <u><u>\$ 467,429</u></u>           |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements, are as follows:

**Bonds and Notes Payable - Governmental Funds**

| Project                            | Maturity Date | Interest Rate % | Outstanding at June 30, |                   | Outstanding at June 30, |                     |
|------------------------------------|---------------|-----------------|-------------------------|-------------------|-------------------------|---------------------|
|                                    |               |                 | 2019                    | Issued            | Redeemed                | 2020                |
| Library Refunding                  | 5/15/2020     | 2.00 - 3.00     | \$ 110,000              | \$ -              | \$ (110,000)            | \$ -                |
| Donovan Property                   | 5/15/2020     | 2.00 - 3.00     | 40,000                  | -                 | (40,000)                | -                   |
| Energy Services Contract (ESCO)    | 5/15/2020     | 2.00 - 3.00     | 25,000                  | -                 | (25,000)                | -                   |
| Landfill Closure                   | 3/15/2022     | 2.00            | 110,000                 | -                 | (90,000)                | 20,000              |
| Public Safety Building - Refunding | 9/15/2025     | 2.00 - 4.00     | 1,935,000               | -                 | (70,000)                | 1,865,000           |
| Fire Truck                         | 5/15/2027     | 2.00 - 4.00     | 560,000                 | -                 | (285,000)               | 275,000             |
| Landfill Capping                   | 5/15/2030     | 2.00 - 4.00     | 940,000                 | -                 | (40,000)                | 900,000             |
| Sagamore Hill Land Acquisition     | 3/15/2032     | 2.00 - 3.00     | 1,080,000               | -                 | (85,000)                | 995,000             |
| Chebacco Road Paving               | 11/1/2034     | 2.00 - 5.00     | -                       | 940,000           | -                       | 940,000             |
| Total Governmental Funds           |               |                 | <u>\$ 4,800,000</u>     | <u>\$ 940,000</u> | <u>\$ (745,000)</u>     | <u>\$ 4,995,000</u> |

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

| Fiscal Year | Principal           | Interest          | Total               |
|-------------|---------------------|-------------------|---------------------|
| 2021        | \$ 620,000          | \$ 143,228        | \$ 763,228          |
| 2022        | 620,000             | 121,728           | 741,728             |
| 2023        | 585,000             | 98,678            | 683,678             |
| 2024        | 580,000             | 79,178            | 659,178             |
| 2025        | 575,000             | 64,453            | 639,453             |
| 2026        | 570,000             | 47,303            | 617,303             |
| 2027        | 305,000             | 38,028            | 343,028             |
| 2028        | 230,000             | 30,753            | 260,753             |
| 2029        | 230,000             | 23,175            | 253,175             |
| 2030        | 225,000             | 16,298            | 241,298             |
| 2031        | 140,000             | 10,445            | 150,445             |
| 2032        | 140,000             | 6,845             | 146,845             |
| 2033        | 60,000              | 3,215             | 63,215              |
| 2034        | 60,000              | 1,925             | 61,925              |
| 2035        | 55,000              | 633               | 55,633              |
| Total       | <u>\$ 4,995,000</u> | <u>\$ 685,880</u> | <u>\$ 5,680,880</u> |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

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

| Project                            | Maturity<br>Date | Interest<br>Rate % | Outstanding<br>at June 30,<br>2019 | Issued              | Redeemed            | Outstanding<br>at June 30,<br>2020 |
|------------------------------------|------------------|--------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Water Bonds Refunding              | 05/15/20         | 2.00 - 3.00        | \$ 165,000                         | \$ -                | \$ (165,000)        | \$ -                               |
| Water System Reconstruction        | 05/15/35         | 2.00 - 4.00        | 3,975,000                          | -                   | (255,000)           | 3,720,000                          |
| Water System Reconstruction        | 03/15/37         | 2.00 - 3.00        | 1,710,000                          | -                   | (95,000)            | 1,615,000                          |
| Water Distribution System          | 11/1/39          | 2.00 - 5.00        | -                                  | 1,255,000           | -                   | 1,255,000                          |
| Water Distribution System Phase IV | 11/1/39          | 2.00 - 5.00        | -                                  | 1,600,000           | -                   | 1,600,000                          |
| Water Treatment Plant              | 11/1/39          | 2.00 - 5.00        | -                                  | 175,000             | -                   | 175,000                            |
| Total Enterprise Funds             |                  |                    | <u>\$ 5,850,000</u>                | <u>\$ 3,030,000</u> | <u>\$ (515,000)</u> | <u>\$ 8,365,000</u>                |

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

| Fiscal Year | Principal           | Interest            | Total                |
|-------------|---------------------|---------------------|----------------------|
| 2021        | \$ 505,000          | \$ 248,898          | \$ 753,898           |
| 2022        | 500,000             | 231,598             | 731,598              |
| 2023        | 500,000             | 211,948             | 711,948              |
| 2024        | 500,000             | 192,298             | 692,298              |
| 2025        | 500,000             | 175,923             | 675,923              |
| 2026        | 500,000             | 161,873             | 661,873              |
| 2027        | 500,000             | 148,123             | 648,123              |
| 2028        | 500,000             | 132,823             | 632,823              |
| 2029        | 495,000             | 116,372             | 611,372              |
| 2030        | 495,000             | 101,605             | 596,605              |
| 2031        | 495,000             | 89,163              | 584,163              |
| 2032        | 490,000             | 75,913              | 565,913              |
| 2033        | 490,000             | 62,638              | 552,638              |
| 2034        | 490,000             | 49,213              | 539,213              |
| 2035        | 490,000             | 35,331              | 525,331              |
| 2036        | 240,000             | 21,433              | 261,433              |
| 2037        | 240,000             | 15,175              | 255,175              |
| 2038        | 145,000             | 8,845               | 153,845              |
| 2039        | 145,000             | 5,329               | 150,329              |
| 2040        | 145,000             | 1,776               | 146,776              |
| Total       | <u>\$ 8,365,000</u> | <u>\$ 2,086,271</u> | <u>\$ 10,451,271</u> |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

**Discretely Presented Component Unit – Mortgage Loan Payable**

The Hamilton Development Corporation has a \$435,815 outstanding mortgage obligation at June 30, 2020. 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>      |
|--------------------|-------------------|------------------|-------------------|
| 2021               | \$ 15,448         | \$ 19,977        | \$ 35,425         |
| 2022               | 14,991            | 20,434           | 35,425            |
| 2023               | 15,748            | 19,677           | 35,425            |
| 2024               | 389,628           | 17,634           | 407,262           |
| Total              | <u>\$ 435,815</u> | <u>\$ 77,722</u> | <u>\$ 513,537</u> |

**Authorized and Unissued Debt**

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had authorized and unissued debt of \$1,667,767 for water treatment plant improvements and Town Hall improvements in the amounts of \$1,200,000 and \$467,767 respectively.

**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 Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The Plan holds no assets accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4 because the Plan assets held in trust are not irrevocable.

The number of participants as of July 1, 2019, the latest actuarial valuation, is as follows:

|                   |                  |
|-------------------|------------------|
| Active Employees  | 59               |
| Retired Employees | <u>38</u>        |
| Total             | <u><u>97</u></u> |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

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

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

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

|                             |  |
|-----------------------------|--|
| Discount Rate               | 3.36% (20-year municipal bond rate)  |
| Inflation                   | 2.50%  |
| Healthcare Cost Trend Rates | 4.50% in FY2020, and staying at that level through FY2021 and later  |
| Pre-Retirement Mortality    | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females<br>Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females                   |
| Post-Retirement Mortality   | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females<br>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females |
| Disabled Mortality          | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year  |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Total OPEB Liability** – The Town’s total OPEB Liability of \$7,106,401 was measured as of July 1, 2019 for the year ended June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Changes in the total OPEB liability are as follows:

|  |                                 |
|--|---------------------------------|
|  | <u>Total OPEB<br/>Liability</u> |
| Balance - June 30, 2018                            | \$ 8,411,170                    |
| Changes for the Year:                              |                                 |
| Service Cost                                       | 224,658                         |
| Interest of Liability and Service Cost             | 256,109                         |
| Change in Assumptions                              | (336,109)                       |
| Benefit Payments                                   | (199,203)                       |
| Differences Between Actual and Expected Experience | (1,250,224)                     |
| Net Changes  | <u>(1,304,769)</u>              |
| Balance - June 30, 2019                            | <u>\$ 7,106,401</u>             |

*Sensitivity of the total OPEB liability to changes in the discount rate* - The following presents the total OPEB liability calculated using the discount rate of 3.36%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.36%) or one-percentage-point higher (4.36%) than the current rate:

|                      |   |  |   |
|----------------------|---|--|---|
|                      | <u>One Percent<br/>Decrease<br/>(2.36%)</u> | <u>Current<br/>Discount<br/>Rate (3.36%)</u> | <u>One Percent<br/>Increase<br/>(4.36%)</u> |
| Total OPEB Liability | <u>\$ 8,376,250</u>                         | <u>\$ 7,106,401</u>                          | <u>\$ 6,107,355</u>                         |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* - The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that is one-percentage-point lower (3.50%) or one-percentage-point higher (5.50%) than the current rate:

|                      |                                 |  |                                 |
|----------------------|---------------------------------|--|---------------------------------|
|                      | <u>One Percent<br/>Decrease</u> | <u>Healthcare Cost<br/>Trend Rates</u> | <u>One Percent<br/>Increase</u> |
| Total OPEB Liability | <u>\$ 6,027,758</u>             | <u>\$ 7,106,401</u>                    | <u>\$ 8,506,416</u>             |



**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - For the year ended June 30, 2020, the Town recognized OPEB expense of \$375,967. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 245,609                           | \$ (1,039,749)                      |
| Changes of Assumptions                             | 197,573                              | (279,525)                           |
| Contributions Subsequent to the Measurement Date   | 208,167                              | -                                   |
| Total  | \$ 651,349                           | \$ (1,319,274)                      |

The \$208,167 reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the total OPEB liability during fiscal year 2021. All other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

| Year Ended June 30, | Amount       |
|---------------------|--------------|
| 2021                | \$ (104,800) |
| 2022                | (104,800)    |
| 2023                | (170,087)    |
| 2024                | (245,367)    |
| 2025                | (251,038)    |
| Total               | \$ (876,092) |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 12 FUND BALANCE**

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

|                                 | General             | Community<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------|---------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>Nonspendable:</b>            |                     |                           |                                   |                                |
| Permanent Fund Principal        | \$ -                | \$ -                      | \$ 294,020                        | \$ 294,020                     |
| <b>Restricted for:</b>          |                     |                           |                                   |                                |
| Other Post Employment Benefits  | 680,965             | -                         | -                                 | 680,965                        |
| Community Preservation          | -                   | 641,266                   | -                                 | 641,266                        |
| Affordable Housing              | -                   | -                         | 842,586                           | 842,586                        |
| Capital                         | -                   | -                         | 273,111                           | 273,111                        |
| General Government              | -                   | -                         | 543,688                           | 543,688                        |
| Public Safety                   | -                   | -                         | 86,459                            | 86,459                         |
| Public Works                    | -                   | -                         | 1,208,411                         | 1,208,411                      |
| Health and Human Services       | -                   | -                         | 139,775                           | 139,775                        |
| Culture and Recreation          | -                   | -                         | 208,955                           | 208,955                        |
| Subtotal Restricted             | <u>680,965</u>      | <u>641,266</u>            | <u>3,302,892</u>                  | <u>4,625,123</u>               |
| <b>Committed to:</b>            |                     |                           |                                   |                                |
| Subsequent Year's Expenditures  | 1,155,349           | -                         | -                                 | 1,155,349                      |
| Capital Stabilization           | 510,301             | -                         | -                                 | 510,301                        |
| Recreation Fields Stabilization | 553,794             | -                         | -                                 | 553,794                        |
| Continuing Appropriations       | 293,009             | -                         | -                                 | 293,009                        |
| Subtotal Committed              | <u>2,512,453</u>    | <u>-</u>                  | <u>-</u>                          | <u>2,512,453</u>               |
| <b>Assigned to:</b>             |                     |                           |                                   |                                |
| General Government              | 28,685              | -                         | -                                 | 28,685                         |
| Public Safety                   | 6,200               | -                         | -                                 | 6,200                          |
| Public Works                    | 35,122              | -                         | -                                 | 35,122                         |
| Employee Benefits               | 11,049              | -                         | -                                 | 11,049                         |
| Subtotal Assigned               | <u>81,056</u>       | <u>-</u>                  | <u>-</u>                          | <u>81,056</u>                  |
| <b>Unassigned</b>               | <u>5,176,086</u>    | <u>-</u>                  | <u>(40,796)</u>                   | <u>5,135,290</u>               |
| Total                           | <u>\$ 8,450,560</u> | <u>\$ 641,266</u>         | <u>\$ 3,556,116</u>               | <u>\$ 12,647,942</u>           |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13 STABILIZATION FUNDS**

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

The balance of the general, recreation fields, and capital stabilization funds at June 30, 2020 total \$1,237,302, \$553,794 and \$510,301, respectively, and are reported in the general fund as unassigned (\$1,237,302) and committed (\$553,794 and \$510,301) 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. Claims losses have not exceeded commercial insurance coverage in any of the past three years.

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

**NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM**

**General Information about the Pension Plan**

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

*Contributions.* Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee’s membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$987,370 for the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a liability of \$11,582,591 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020; which was rolled back to the measurement date of December 31, 2019. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer’s covered payroll and direct charges for early retirement incentives.

At June 30, 2020, the Town’s proportion was 2.749%, which compared to a proportion of 2.758% at June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,388,465. At June 30, 2020, the Town reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience  | \$ 1,590                             | \$ 55,045                           |
| Differences Between Projected and Actual Earnings on Investments  | -                                    | 431,854                             |
| Changes of Assumptions  | 1,157,651                            | -                                   |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 579,803                              | 361,452                             |
| Total   | <u>\$ 1,739,044</u>                  | <u>\$ 848,351</u>                   |

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

| <u>Year Ended June 30.</u> | <u>Amount</u>     |
|----------------------------|-------------------|
| 2021                       | \$ 309,336        |
| 2022                       | 204,136           |
| 2023                       | 394,796           |
| 2024                       | (17,575)          |
| Total                      | <u>\$ 890,693</u> |

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

Salary Increases: Based on years of service, ranging from 7.50% at zero years of service decreasing to 3.75% after five years of service.

Mortality Rates: Pre-Retirement - The RP-2014 Employee Mortality Table projected generationally with scale MP-2019.

Health-Retiree - The RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2019.

Disabled Retiree - The RP-2014 Healthy Annuitant Mortality Table, set forward two years, projected generationally with scale MP-2019.

Investment Rate of Return: 7.30% (previously 7.50%)

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

| <u>Asset Class</u>                     | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--|------------------------------|---|
| Domestic Equity                        | 21.00 %                      | 6.15 %  |
| Core Fixed Income                      | 15.00                        | 1.11  |
| International Developed Markets Equity | 13.00                        | 6.78  |
| Private Equity                         | 13.00                        | 9.99  |
| Hedge Fund, GTAA, Risk Parity          | 11.00                        | 3.19  |
| Real Estate                            | 10.00                        | 4.33  |
| High-Yield Fixed Income                | 8.00                         | 3.51  |
| International Emerging Markets Equity  | 5.00                         | 8.65  |
| Commodities                            | 4.00                         | 4.13  |
| Total                                  | <u>100.00 %</u>              |   |

*Discount rate.* The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.30%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage-point higher (8.30%) than the current rate:

|  | <u>One Percent<br/>Decrease<br/>(6.3%)</u> | <u>Current<br/>Discount Rate<br/>(7.3%)</u> | <u>One Percent<br/>Increase<br/>(8.3%)</u> |
|--|--|---|--|
| Town's Proportionate Share of the<br>Net Pension Liability | <u>\$ 14,565,820</u>                       | <u>\$ 11,582,591</u>                        | <u>\$ 9,075,001</u>                        |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16 COMMITMENTS**

The Town has entered into, or is planning to enter into, contracts totaling approximately \$11,500,000 for the design and reconstruction of its water system and facilities. Of the \$11,500,000 authorized for the water system and facilities, \$10,300,000 has been funded through the issuance of bonds.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$470,000 for the design and reconstruction of the Town Hall.

**NOTE 17 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

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

**NOTE 18 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.



**TOWN OF HAMILTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 18 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)**

- Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**TOWN OF HAMILTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —**  
**GENERAL FUND — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

|  | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original Budget     | Supplemental<br>Appropriations<br>and Transfers | Final Budget        |
|--|--|---------------------|---|---------------------|
| <b>REVENUES</b>  |  |                     |   |                     |
| Real Estate and Personal Property Taxes                      | \$ -   | \$ 28,990,590       | \$ (190,192)                                    | \$ 28,800,398       |
| Motor Vehicle and Other Excise Taxes                         | -  | 1,076,700           | -   | 1,076,700           |
| Meals Tax  | -  | 68,000              | -   | 68,000              |
| Tax Liens  | -  | -                   | -   | -                   |
| Payments in Lieu of Taxes                                    | -  | 33,000              | -   | 33,000              |
| Charges for Services   | -  | -                   | -   | -                   |
| Intergovernmental  | -  | 1,080,074           | -   | 1,080,074           |
| Penalties and Interest on Taxes                              | -  | 76,500              | -   | 76,500              |
| Licenses and Permits   | -  | 269,900             | -   | 269,900             |
| Fines and Forfeitures  | -  | 6,850               | -   | 6,850               |
| Departmental and Other                                       | -  | 185,760             | -   | 185,760             |
| Investment Income  | -  | 8,000               | -   | 8,000               |
| Total Revenues   | -  | 31,795,374          | (190,192)                                       | 31,605,182          |
| <b>EXPENDITURES</b>  |  |                     |   |                     |
| Current:   |  |                     |   |                     |
| General Government   | 289,206  | 2,420,702           | -   | 2,709,908           |
| Public Safety  | 18,392   | 3,159,093           | (1,567)   | 3,157,526           |
| Education  | -  | 19,305,538          | (160,125)                                       | 19,145,413          |
| Public Works   | 25,705   | 2,179,526           | -   | 2,205,231           |
| Health and Human Services                                    | 50   | 337,880             | -   | 337,930             |
| Culture and Recreation                                       | 10,665   | 1,194,453           | -   | 1,205,118           |
| Hamilton Development Corporation                             | -  | 74,880              | -   | 74,880              |
| Pension Benefits   | -  | 997,523             | -   | 997,523             |
| Employee Benefits  | -  | 1,033,258           | -   | 1,033,258           |
| Property and Liability Insurance                             | -  | 254,092             | -   | 254,092             |
| State and County Charges                                     | -  | 241,322             | -   | 241,322             |
| Debt Service:  |  |                     |   |                     |
| Principal  | -  | 620,000             | -   | 620,000             |
| Interest   | -  | 151,658             | -   | 151,658             |
| Total Expenditures   | 344,018  | 31,969,925          | (161,692)                                       | 32,133,859          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |  |                     |   |                     |
|  | (344,018)  | (174,551)           | (28,500)  | (528,677)           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                     |   |                     |
| Transfers In   | -  | 463,806             | -   | 463,806             |
| Transfers Out  | -  | (1,209,800)         | -   | (1,209,800)         |
| Total Other Financing Sources (Uses)                         | -  | (745,994)           | -   | (745,994)           |
| <b>NET CHANGE IN FUND BALANCE</b>                            |  |                     |   |                     |
|  | (344,018)  | (920,545)           | (28,500)  | (1,274,671)         |
| Fund Balance - Beginning of Year                             | 5,009,964  | 5,009,964           | 5,009,964                                       | 5,009,964           |
| <b>FUND BALANCE - END OF YEAR</b>                            | <u>\$ 4,665,946</u>  | <u>\$ 4,089,419</u> | <u>\$ 4,981,464</u>                             | <u>\$ 3,735,293</u> |

**TOWN OF HAMILTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —**  
**GENERAL FUND — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

| Actual              | Current Year<br>Encumbrances<br>and Continuing<br>Appropriations | Actual and<br>Encumbrances<br>and Continuing<br>Appropriations | Variance<br>Positive/<br>(Negative) |
|---------------------|--|--|-------------------------------------|
| \$ 28,564,764       | \$ -   | \$ 28,564,764  | \$ (235,634)                        |
| 1,135,350           | -  | 1,135,350  | 58,650                              |
| 66,051              | -  | 66,051   | (1,949)                             |
| 37,419              | -  | 37,419   | 37,419                              |
| 35,557              | -  | 35,557   | 2,557                               |
| 111,894             | -  | 111,894  | 111,894                             |
| 1,011,956           | -  | 1,011,956  | (68,118)                            |
| 72,560              | -  | 72,560   | (3,940)                             |
| 357,181             | -  | 357,181  | 87,281                              |
| 4,350               | -  | 4,350  | (2,500)                             |
| 170,460             | -  | 170,460  | (15,300)                            |
| 23,605              | -  | 23,605   | 15,605                              |
| <u>31,591,147</u>   | <u>-</u>   | <u>31,591,147</u>  | <u>(14,035)</u>                     |
| 1,992,600           | 181,418  | 2,174,018  | 535,890                             |
| 2,928,145           | 6,476  | 2,934,621  | 222,905                             |
| 19,145,148          | -  | 19,145,148   | 265                                 |
| 1,836,560           | 125,122  | 1,961,682  | 243,549                             |
| 309,802             | -  | 309,802  | 28,128                              |
| 1,114,811           | 50,000   | 1,164,811  | 40,307                              |
| 74,880              | -  | 74,880   | -                                   |
| 987,370             | -  | 987,370  | 10,153                              |
| 838,602             | 11,049   | 849,651  | 183,607                             |
| 231,969             | -  | 231,969  | 22,123                              |
| 247,245             | -  | 247,245  | (5,923)                             |
| 620,000             | -  | 620,000  | -                                   |
| 122,803             | -  | 122,803  | 28,855                              |
| <u>30,449,935</u>   | <u>374,065</u>   | <u>30,824,000</u>  | <u>1,309,859</u>                    |
| 1,141,212           | (374,065)  | 767,147  | 1,295,824                           |
| 463,806             | -  | 463,806  | -                                   |
| (1,209,800)         | -  | (1,209,800)  | -                                   |
| <u>(745,994)</u>    | <u>-</u>   | <u>(745,994)</u>   | <u>-</u>                            |
| 395,218             | (374,065)  | 21,153   | 1,295,824                           |
| 5,009,964           | -  | 5,009,964  | -                                   |
| <u>\$ 5,405,182</u> | <u>\$ (374,065)</u>  | <u>\$ 5,031,117</u>  | <u>\$ 1,295,824</u>                 |

**TOWN OF HAMILTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — COMMUNITY**  
**PRESERVATION FUND — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

|  | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original Budget   | Supplemental<br>Appropriations<br>and Transfers | Final Budget      |
|--|--|-------------------|---|-------------------|
| <b>REVENUES</b>  |  |                   |   |                   |
| Community Preservation Surcharges                            | \$ -   | \$ 430,201        | \$ -  | \$ 430,201        |
| Intergovernmental  | -  | 50,000            | -   | 50,000            |
| Investment Income  | -  | -                 | -   | -                 |
| Total Revenues   | <u>-</u>   | <u>480,201</u>    | <u>-</u>  | <u>480,201</u>    |
| <b>EXPENDITURES</b>  |  |                   |   |                   |
| Current:   |  |                   |   |                   |
| Administrative   | -  | 19,677            | -   | 19,677            |
| Projects, Acquisitions, and Other                            | 16,072   | 253,823           | 257,906   | 527,801           |
| Debt Service:  |  |                   |   |                   |
| Principal  | -  | 125,000           | -   | 125,000           |
| Interest   | -  | 28,500            | -   | 28,500            |
| Total Expenditures   | <u>16,072</u>  | <u>427,000</u>    | <u>257,906</u>                                  | <u>700,978</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (16,072)   | 53,201            | (257,906)                                       | (220,777)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                   |   |                   |
| Transfers Out  | -  | -                 | (200,000)                                       | (200,000)         |
| Total Other Financing Sources (Uses)                         | <u>-</u>   | <u>-</u>          | <u>(200,000)</u>                                | <u>(200,000)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (16,072)   | 53,201            | (457,906)                                       | (420,777)         |
| Fund Balance - Beginning of Year                             | <u>903,204</u>   | <u>903,204</u>    | <u>903,204</u>                                  | <u>903,204</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                            | <u>\$ 887,132</u>  | <u>\$ 956,405</u> | <u>\$ 445,298</u>                               | <u>\$ 482,427</u> |

**TOWN OF HAMILTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE — COMMUNITY PRESERVATION FUND —  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

| Actual            | Current Year<br>Encumbrances<br>and Continuing<br>Appropriations | Actual and<br>Encumbrances<br>and Continuing<br>Appropriations | Variance<br>Positive/<br>(Negative) |
|-------------------|--|--|-------------------------------------|
| \$ 476,869        | \$ -   | \$ 476,869   | \$ 46,668                           |
| 108,610           | -  | 108,610  | 58,610                              |
| 9,512             | -  | 9,512  | 9,512                               |
| <u>594,991</u>    | <u>-</u>   | <u>594,991</u>   | <u>114,790</u>                      |
| 1,323             | -  | 1,323  | 18,354                              |
| 512,108           | 15,693   | 527,801  | -                                   |
| 125,000           | -  | 125,000  | -                                   |
| 28,500            | -  | 28,500   | -                                   |
| <u>666,931</u>    | <u>15,693</u>  | <u>682,624</u>   | <u>18,354</u>                       |
| (71,940)          | (15,693)   | (87,633)   | 133,144                             |
| <u>(200,000)</u>  | <u>-</u>   | <u>(200,000)</u>   | <u>-</u>                            |
| <u>(200,000)</u>  | <u>-</u>   | <u>(200,000)</u>   | <u>-</u>                            |
| (271,940)         | (15,693)   | (287,633)  | 133,144                             |
| <u>903,204</u>    | <u>-</u>   | <u>903,204</u>   | <u>-</u>                            |
| <u>\$ 631,264</u> | <u>\$ (15,693)</u>   | <u>\$ 615,571</u>  | <u>\$ 133,144</u>                   |

**TOWN OF HAMILTON, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>         | <u>2017</u>          | <u>2016</u>         | <u>2015</u>         |
|--|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| Town's Proportion of the Net Pension Liability   | 2.749%               | 2.758%               | 2.535 %             | 2.741 %              | 2.628 %             | 2.746 %             |
| Town's Proportionate Share of the Net Pension Liability  | <u>\$ 11,582,591</u> | <u>\$ 11,651,319</u> | <u>\$ 9,538,820</u> | <u>\$ 10,559,951</u> | <u>\$ 9,546,806</u> | <u>\$ 9,315,055</u> |
| Town's Covered Payroll   | <u>\$ 3,909,649</u>  | <u>\$ 3,761,561</u>  | <u>\$ 3,613,506</u> | <u>\$ 3,526,675</u>  | <u>\$ 3,470,734</u> | <u>\$ 3,333,273</u> |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 296.26%              | 309.75%              | 263.98 %            | 299.43 %             | 275.07 %            | 279.46 %            |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 55.46 %              | 51.89 %              | 55.40 %             | 51.12 %              | 51.01 %             | 52.27 %             |

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

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

|  | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially Required Contribution                                  | \$ 987,370          | \$ 921,648          | \$ 789,304          | \$ 794,132          | \$ 721,863          | \$ 704,356          |
| Contributions in Relation to the Actuarially Required Contribution | <u>(987,370)</u>    | <u>(921,648)</u>    | <u>(789,304)</u>    | <u>(794,132)</u>    | <u>(721,863)</u>    | <u>(704,356)</u>    |
| Contribution Deficiency (Excess)                                   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| Town's Covered Payroll   | <u>\$ 3,909,649</u> | <u>\$ 3,761,561</u> | <u>\$ 3,613,506</u> | <u>\$ 3,526,675</u> | <u>\$ 3,470,734</u> | <u>\$ 3,333,273</u> |
| Contributions as a Percentage of Covered Payroll                   | 25.25 %             | 24.50 %             | 21.84 %             | 22.52 %             | 20.80 %             | 21.13 %             |

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

**TOWN OF HAMILTON, MASSACHUSETTS  
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE  
JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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

|  | Measurement<br>Date<br><u>June 30, 2019</u> | Measurement<br>Date<br><u>June 30, 2018</u> | Measurement<br>Date<br><u>June 30, 2017</u> |
|--|---|---|---|
| <b>TOTAL OPEB LIABILITY</b>                                |   |   |   |
| Service Cost   | \$ 224,658                                  | \$ 284,193                                  | \$ 232,636                                  |
| Interest   | 256,109                                     | 238,471                                     | 232,202                                     |
| Differences Between Expected and Actual Experience         | (1,250,224)                                 | -   | 556,505                                     |
| Change in Assumptions                                      | (336,109)                                   | 314,827                                     | -   |
| Benefits Payments  | <u>(199,203)</u>                            | <u>(180,976)</u>                            | <u>(354,621)</u>                            |
| <b>NET CHANGE IN TOTAL OPEB LIABILITY</b>                  | (1,304,769)                                 | 656,515                                     | 666,722                                     |
| Total OPEB Liability - Beginning of Year                   | <u>8,411,170</u>                            | <u>7,754,655</u>                            | <u>7,087,933</u>                            |
| <b>TOTAL OPEB LIABILITY - END OF YEAR</b>                  | <u><u>\$ 7,106,401</u></u>                  | <u><u>\$ 8,411,170</u></u>                  | <u><u>\$ 7,754,655</u></u>                  |
| Covered Payroll  | <u><u>\$ 5,230,107</u></u>                  | <u><u>\$ 4,938,721</u></u>                  | <u><u>\$ 4,794,875</u></u>                  |
| Total OPEB Liability as a Percentage of<br>Covered Payroll | 135.87%                                     | 170.31%                                     | 161.73%                                     |

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

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

**TOWN OF HAMILTON, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**NOTE 1 BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund for the fiscal year ended June 30, 2020, is presented below:

**General Fund**

|  | <u>Revenues</u>      | <u>Expenditures</u>  | <u>OFS/<br/>(OFU), Net</u> | <u>Fund<br/>Balance</u> |
|--|----------------------|----------------------|----------------------------|-------------------------|
| Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | \$ 31,591,147        | \$ 30,824,000        | \$ (745,994)               | \$ 5,031,117            |
| <b><u>Adjustments and Reclassifications</u></b>  |                      |                      |                            |                         |
| Activity of Stabilization Fund Recorded in the General Fund for GAAP Purposes  | 41,279               | 5,162                | 321,087                    | 1,237,302               |
| Activity of Other Post Employment Benefits Fund Recorded in the General Fund for GAAP Purposes                         | 18,447               | 2,967                | 125,000                    | 680,965                 |
| Activity of Recreation Stabilization Fund Recorded in the General Fund for GAAP Purposes                               | 12,778               | 2,820                | -                          | 553,794                 |
| Activity of Capital Stabilization Fund Recorded in the General Fund for GAAP Purposes                                  | 8,770                | 1,492                | 503,023                    | 510,301                 |
| Net Change in Recording 60-Day Receipts  | 2,693                | -                    | -                          | 63,016                  |
| To Record Encumbrances and Continuing Appropriations   | -                    | (374,065)            | -                          | 374,065                 |
| GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance                         | <u>\$ 31,675,114</u> | <u>\$ 30,462,376</u> | <u>\$ 203,116</u>          | <u>\$ 8,450,560</u>     |

**Community Preservation Fund**

|  | <u>Revenues</u>   | <u>Expenditures</u> | <u>OFS/<br/>(OFU), Net</u> | <u>Fund<br/>Balance</u> |
|--|-------------------|---------------------|----------------------------|-------------------------|
| Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | \$ 594,991        | \$ 682,624          | \$ (200,000)               | \$ 615,571              |
| <b><u>Adjustments</u></b>  |                   |                     |                            |                         |
| Net Change in Recording Investment Income To Record Encumbrances and Continuing Appropriations                         | 5,750             | -                   | -                          | 10,002                  |
|  | -                 | (15,693)            | -                          | 15,693                  |
| GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance                         | <u>\$ 600,741</u> | <u>\$ 666,931</u>   | <u>\$ (200,000)</u>        | <u>\$ 641,266</u>       |



**TOWN OF HAMILTON, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

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

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

