

TOWN OF HAMILTON, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

**TOWN OF HAMILTON, MASSACHUSETTS
FINANCIAL STATEMENTS AND
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JUNE 30, 2017**

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CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Hamilton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Hamilton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, 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 29, 2018

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of the Town of Hamilton, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2017.

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 \$17,520,952 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$6,116,399.
- The Town's total net position increased by \$2,077,434 in the current fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$4,327,153, or 15.25% of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$2,217,479 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 non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

The Town maintains 88 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation (special revenue) fund and Bridge Street Culvert project fund (capital projects), which are considered to be major funds. Data from the other 85 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Proprietary Funds

The Town maintains one type of proprietary fund.

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

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

Fiduciary Funds

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary information

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

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 \$17,520,952 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets	\$ 10,830,566	\$ 11,599,188	\$ 5,251,459	\$ 3,345,957	\$ 16,082,025	\$ 14,945,145
Noncurrent Assets (Excluding Capital Assets)	428,366	426,000	-	-	428,366	426,000
Capital assets (net)	<u>21,347,457</u>	<u>18,131,528</u>	<u>8,112,473</u>	<u>7,950,796</u>	<u>29,459,930</u>	<u>26,082,324</u>
Total Assets	<u>32,606,389</u>	<u>30,156,716</u>	<u>13,363,932</u>	<u>11,296,753</u>	<u>45,970,321</u>	<u>41,453,469</u>
Deferred Outflows of Resources	<u>1,146,671</u>	<u>481,821</u>	<u>69,299</u>	<u>28,962</u>	<u>1,215,970</u>	<u>510,783</u>
Liabilities						
Current Liabilities (Excluding Debt)	609,995	1,286,908	128,450	68,169	738,445	1,355,077
Noncurrent Liabilities (Excluding Debt)	13,258,996	11,887,107	751,605	680,567	14,010,601	12,567,674
Current Debt	1,534,770	1,447,518	568,412	483,412	2,103,182	1,930,930
Noncurrent Debt	<u>5,833,269</u>	<u>5,119,630</u>	<u>6,503,794</u>	<u>5,172,206</u>	<u>12,337,063</u>	<u>10,291,836</u>
Total liabilities	<u>21,237,030</u>	<u>19,741,163</u>	<u>7,952,261</u>	<u>6,404,354</u>	<u>29,189,291</u>	<u>26,145,517</u>
Deferred Inflows of Resources	<u>449,112</u>	<u>354,049</u>	<u>26,936</u>	<u>21,168</u>	<u>476,048</u>	<u>375,217</u>
Net Position						
Net Investment in Capital Assets	15,758,673	11,579,291	4,465,943	4,197,676	20,224,616	15,776,967
Restricted	3,412,735	3,783,971	-	-	3,412,735	3,783,971
Unrestricted	<u>(7,104,490)</u>	<u>(4,819,937)</u>	<u>988,091</u>	<u>702,517</u>	<u>(6,116,399)</u>	<u>(4,117,420)</u>
Total Net Position	<u>\$ 12,066,918</u>	<u>\$ 10,543,325</u>	<u>\$ 5,454,034</u>	<u>\$ 4,900,193</u>	<u>\$ 17,520,952</u>	<u>\$ 15,443,518</u>

The largest portion of the Town's net position (\$20,224,616) 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 (\$3,412,735) 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 \$988,091 that may be used to support business-type activities.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Changes in Net Position

For the fiscal year ended June 30, 2017, the Town's total net position increased by \$2,077,434, compared to an increase of \$2,528,130 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$ 1,070,093	\$ 1,504,705	\$ 1,800,981	\$ 1,880,566	\$ 2,871,074	\$ 3,385,271
Operating Grants and Contributions	456,204	454,668	5,313	6,838	461,517	461,506
Capital Grants and Contributions	1,587,603	47,254	-	-	1,587,603	47,254
General Revenues:						
Real Estate and Personal Property Taxes	25,115,457	24,726,017	-	-	25,115,457	24,726,017
Motor Vehicle and Other Excise Taxes	1,216,705	1,150,009	-	-	1,216,705	1,150,009
Meals Tax	71,764	68,596	-	-	71,764	68,596
Penalties and Interest on Taxes	87,389	93,892	-	-	87,389	93,892
Payments in lieu of taxes	33,687	46,305	-	-	33,687	46,305
Community Preservation Surcharges	404,423	394,922	-	-	404,423	394,922
Grants and Contributions not Restricted to Specific Programs	776,158	751,924	-	-	776,158	751,924
Unrestricted Investment Income	54,120	105,265	-	-	54,120	105,265
Gain on sale of capital assets	-	824,613	-	-	-	824,613
Total Revenues	30,873,603	30,168,170	1,806,294	1,887,404	32,679,897	32,055,574
Expenses						
General Government	3,104,868	2,562,613	-	-	3,104,868	2,562,613
Public Safety	4,314,572	4,000,933	-	-	4,314,572	4,000,933
Education	17,695,660	17,257,107	-	-	17,695,660	17,257,107
Public Works	1,526,200	1,479,647	-	-	1,526,200	1,479,647
Environmental Remediation	-	470,134	-	-	-	470,134
Health and Human Services	616,713	581,580	-	-	616,713	581,580
Culture and Recreation	1,496,126	1,460,110	-	-	1,496,126	1,460,110
Hamilton Development Corporation	65,000	65,000	-	-	65,000	65,000
Debt Service - Interest	145,633	215,272	-	-	145,633	215,272
Water	-	-	1,076,525	1,018,472	1,076,525	1,018,472
Waste Removal	-	-	561,166	416,576	561,166	416,576
Total Expenses	28,964,772	28,092,396	1,637,691	1,435,048	30,602,463	29,527,444
Change in Net Position Before Transfers	1,908,831	2,075,774	168,603	452,356	2,077,434	2,528,130
Transfers, Net	(385,238)	(191,806)	385,238	191,806	-	-
Change in Net Position	1,523,593	1,883,968	553,841	644,162	2,077,434	2,528,130
Net Position - Beginning of Year	10,543,325	8,659,357	4,900,193	4,256,031	15,443,518	12,915,388
Net Position - End of Year	\$ 12,066,918	\$ 10,543,325	\$ 5,454,034	\$ 4,900,193	\$ 17,520,952	\$ 15,443,518

Governmental activities increased the Town's net position by \$1,523,593. In the prior year, governmental activities increased the Town's net position by \$1,883,968. The key element of this change was the prior year's gain on the disposal of capital assets of approximately \$825,000.

Business-type activities increased the Town's net position by \$553,841. In the prior year, business-type activities increased the Town's net position by \$644,162. This change can be attributed to the decrease in the accrual for unbilled water consumption charges at year-end; along with increases in costs of service and administration for the water and waste removal enterprise funds.

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$9,234,697, a decrease of \$10,092 in comparison with the prior year. Approximately \$4,115,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$265,857)
- Restricted (\$3,681,448)
- Committed (\$1,086,315)
- Assigned (\$85,764)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$4,327,153, while total fund balance was \$5,770,214. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15.25% of total general fund expenditures and transfers out, while total fund balance represents 20.33% of that same amount.

The balance of the Town's general fund increased by \$94,290 during fiscal year 2017. The Town recognized a budgetary surplus of approximately \$1,265,000 (excluding encumbrances and continuing appropriations) and utilized approximately \$1,147,000 of reserves to fund appropriations during fiscal year 2017.

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 \$430,897 during the current fiscal year. The fund recognized \$406,053 in surcharges, \$81,253 in intergovernmental revenue and investment income of \$2,612. Expenditures and transfers out of \$126,178 and \$794,637, respectively, were incurred during the fiscal year.

The fund balance of the Bridge Street Culvert project fund decreased by \$182,989, which was due to project expenditures of \$923,989 which were reimbursed by intergovernmental revenues totaling \$741,000. A deficit of approximately \$183,000 remained in the fund at fiscal year-end.

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, 2017**

Unrestricted net position of the water and waste removal enterprise funds at the end of the year amounted to \$915,524 and \$72,567 respectively. The water fund had an increase in net position for the year of \$534,747 and the waste removal fund had an increase of \$19,094. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$28,811,335. During the year, appropriations were increased by \$142,126. The following table summarizes the increase:

<u>Purpose of Increase (Decrease)</u>	<u>Amount</u>	<u>Funding Source</u>
Transfer out to waste removal fund.....	\$ 180,000	Unassigned fund balance
Transfer out to water fund.....	100,000	Reserve fund
Recreation.....	(1,100)	Unassigned fund balance
Public works.....	(8,300)	Unassigned fund balance
Public safety.....	(10,625)	Unassigned fund balance
General government.....	(17,849)	Unassigned fund balance
Reserve fund.....	(100,000)	Unassigned fund balance
	<u>\$ 142,126</u>	

During the year, general fund revenues exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$1,164,000. Encumbrances and continuing appropriations totaled \$100,764 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 \$29,459,930 (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 \$3,377,606 or 12.95% (a 12.33% increase for governmental activities and a 0.62% increase for business-type activities).

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

- Sagamore Hill conservation restriction (\$1,750,000)
- Culvert and field construction in progress (\$1,150,000)
- Veterans' Memorial Pool project completion (\$2,117,000)

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
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	-
Land Improvements	2,779,312	661,700	-	-	2,779,312	661,700
Buildings	8,500,964	8,834,504	2,254,084	2,333,794	10,755,048	11,168,298
Machinery and Equipment	405,914	430,946	24,128	29,138	430,042	460,084
Vehicles	1,447,488	1,463,213	156,341	154,795	1,603,829	1,618,008
Infrastructure	2,940,322	2,647,802	5,006,327	3,389,465	7,946,649	6,037,267
Construction in Progress	1,149,609	1,719,515	387,681	1,759,692	1,537,290	3,479,207
Total Capital Assets	\$ 21,347,457	\$ 18,131,528	\$ 8,112,473	\$ 7,950,796	\$ 29,459,930	\$ 26,082,324

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$13,699,245, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 6,627,039	\$ 5,826,148	\$ 7,072,206	\$ 5,655,618	\$ 13,699,245	\$ 11,481,766

The Town's total bonded debt increased by \$2,217,479 during the current fiscal year.

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

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The Town of Hamilton's fiscal year 2018 General Fund appropriations, approved at the Annual Spring Town Meeting, totaled \$29,270,969. In addition, encumbrances and continuing appropriations from fiscal year 2017 totaled \$100,764. The provisions of Proposition 2 ½ limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 2 ½ plus a factor for new growth. Fiscal year 2017 general fund revenues (excluding real estate and personal property taxes) exceeded the Town's projections by 12%; the largest contributor being tax liens.

The challenge in the development of Town budgets will be achieving a sustainable balance between rising expenses and the ability to fund governmental operations based on a 95+% residential tax base. The Town continues to explore cost containment efforts and revenue generation opportunities in full understanding that significant cost increases for items such as retirement, insurances are inevitable.

For fiscal year 2018, the Finance and Advisory Committee recommended a modest cost-of-living (COLA) increase for Town employees and a reduction in the Tax Rate. Having as a priority the

**TOWN OF HAMILTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

development of new revenue streams, the Town continues to move forward with the development of the Landfill into revenue producing solar field site and the potential for new growth in tax revenue.

Some economic factors for the Town are as follows:

- According to the U.S. Census Bureau, the median household income for the Town was \$109,500. This compares favorably with the Massachusetts median household income of \$70,628, and the U.S. median household income of \$55,775.
- According to Homefacts.com, the unemployment rate for the Town for July 2017 was 3.5% which compared favorably to the statewide and national averages of 3.7% and 4.4%, respectively.
- According to the Town's Board of Assessors, the 2017 median value of a single family home in Hamilton was \$462,600; the median value of a commercial/industrial property was \$355,400.

REQUESTS FOR INFORMATION

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

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hamilton Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,460,052	\$ 1,426,303	\$ 5,886,355	\$ 162,523
Restricted Cash and Cash Equivalents	2,806,383	3,425,677	6,232,060	-
Investments	1,312,248	-	1,312,248	-
Restricted Investments	1,218,496	-	1,218,496	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	212,915	-	212,915	-
Tax and Utility Liens	90,726	6,832	97,558	-
Motor Vehicle and Other Excise Taxes	72,560	-	72,560	-
Community Preservation Surcharges	2,784	-	2,784	-
Water Charges	-	392,647	392,647	-
Departmental and Other	10,089	-	10,089	-
Intergovernmental	643,838	-	643,838	-
Loans	475	-	475	-
Total Current Assets	<u>10,830,566</u>	<u>5,251,459</u>	<u>16,082,025</u>	<u>162,523</u>
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:			-	
Real Estate Tax Deferrals	66,378	-	66,378	-
Tax Foreclosures	361,988	-	361,988	-
Capital Assets not being Depreciated	5,273,457	671,593	5,945,050	339,500
Capital Assets, Net of Accumulated Depreciation	<u>16,074,000</u>	<u>7,440,880</u>	<u>23,514,880</u>	<u>237,751</u>
Total Noncurrent Assets	<u>21,775,823</u>	<u>8,112,473</u>	<u>29,888,296</u>	<u>577,251</u>
Total Assets	<u>32,606,389</u>	<u>13,363,932</u>	<u>45,970,321</u>	<u>739,774</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	<u>1,146,671</u>	<u>69,299</u>	<u>1,215,970</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Warrants Payable	449,407	99,156	548,563	-
Accrued Payroll	74,934	3,679	78,613	-
Other Liabilities	15,021	-	15,021	2,955
Accrued Interest	37,103	23,858	60,961	-
Compensated Absences	33,530	1,757	35,287	-
Short-Term Notes Payable	741,000	-	741,000	-
Long-Term Bonds and Notes Payable	793,770	568,412	1,362,182	-
Mortgage loan payable	-	-	-	16,248
Total Current Liabilities	<u>2,144,765</u>	<u>696,862</u>	<u>2,841,627</u>	<u>19,203</u>
Noncurrent Liabilities:				
Compensated Absences	301,766	15,809	317,575	-
Net OPEB Obligation	2,972,315	160,760	3,133,075	-
Net Pension Liability	9,984,915	575,036	10,559,951	-
Long-Term Bonds and Notes Payable	5,833,269	6,503,794	12,337,063	-
Mortgage loan payable	-	-	-	462,535
Total Noncurrent Liabilities	<u>19,092,265</u>	<u>7,255,399</u>	<u>26,347,664</u>	<u>462,535</u>
Total Liabilities	<u>21,237,030</u>	<u>7,952,261</u>	<u>29,189,291</u>	<u>481,738</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	<u>449,112</u>	<u>26,936</u>	<u>476,048</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	15,758,673	4,465,943	20,224,616	98,468
Restricted for:				
Other Postemployment Benefits	270,982	-	270,982	-
Community Preservation	1,265,156	-	1,265,156	-
Affordable Housing	217,476	-	217,476	-
Permanent Funds:				
Expendable	323,284	-	323,284	-
Nonexpendable	265,857	-	265,857	-
Other Specific Purposes	1,069,980	-	1,069,980	-
Unrestricted	<u>(7,104,490)</u>	<u>988,091</u>	<u>(6,116,399)</u>	<u>159,568</u>
Total Net Position	<u>\$ 12,066,918</u>	<u>\$ 5,454,034</u>	<u>\$ 17,520,952</u>	<u>\$ 258,036</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Primary Government:					
Governmental Activities:					
General Government	\$ 3,104,868	\$ 187,349	\$ 16,278	\$ -	\$ (2,901,241)
Public Safety	4,314,572	490,582	77,565	-	(3,746,425)
Education	17,695,660	-	-	-	(17,695,660)
Public Works	1,526,200	32,293	88,055	1,441,763	35,911
Health and Human Services	616,713	71,371	53,980	-	(491,362)
Culture and Recreation	1,496,126	288,498	220,326	145,840	(841,462)
Hamilton Development Corporation	65,000	-	-	-	(65,000)
Debt Service-Interest	145,633	-	-	-	(145,633)
Total Governmental Activities	<u>28,964,772</u>	<u>1,070,093</u>	<u>456,204</u>	<u>1,587,603</u>	<u>(25,850,872)</u>
Business-Type Activities:					
Water	1,076,525	1,726,966	4,420	-	654,861
Waste Removal	561,166	74,015	893	-	(486,258)
Total Business-Type Activities	<u>1,637,691</u>	<u>1,800,981</u>	<u>5,313</u>	<u>-</u>	<u>168,603</u>
Total Primary Government	<u>\$ 30,602,463</u>	<u>\$ 2,871,074</u>	<u>\$ 461,517</u>	<u>\$ 1,587,603</u>	<u>\$ (25,682,269)</u>
Component Units:					
Hamilton Development Corporation	<u>\$ 72,821</u>	<u>\$ 30,877</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 23,056</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (From Previous Page)	\$ (25,850,872)	\$ 168,603	\$ (25,682,269)	\$ 23,056
General Revenues:				
Real Estate and Personal Property Taxes	25,115,457	-	25,115,457	-
Motor Vehicle and Other Excise Taxes	1,216,705	-	1,216,705	-
Meals tax	71,764	-	71,764	-
Penalties and Interest on Taxes	87,389	-	87,389	-
Payments in Lieu of Taxes	33,687	-	33,687	-
Community Preservation Surcharges	404,423	-	404,423	-
Grants and Contributions not Restricted to Specific Programs	776,158	-	776,158	-
Unrestricted Investment Income	54,120	-	54,120	261
Transfers, Net	(385,238)	385,238	-	-
Total General Revenues and Transfers	27,374,465	385,238	27,759,703	261
CHANGE IN NET POSITION	1,523,593	553,841	2,077,434	23,317
Net Position - Beginning of Year	10,543,325	4,900,193	15,443,518	234,719
NET POSITION - END OF YEAR	\$ 12,066,918	\$ 5,454,034	\$ 17,520,952	\$ 258,036

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Bridge Street Culvert Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 4,460,052	\$ -	\$ -	\$ -	\$ 4,460,052
Investments	1,312,248	-	-	-	1,312,248
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	212,915	-	-	-	212,915
Real Estate Tax Deferrals	66,378	-	-	-	66,378
Tax Liens	90,726	-	-	-	90,726
Motor Vehicle and Other Excise taxes	72,560	-	-	-	72,560
Community Preservation Surcharges	-	2,784	-	-	2,784
Departmental and Other	-	-	-	10,089	10,089
Intergovernmental	-	-	131,767	512,071	643,838
Loans	-	-	-	475	475
Tax Foreclosures	361,988	-	-	-	361,988
Restricted Assets:					
Cash and Cash Equivalents	287	755,228	519,450	1,531,418	2,806,383
Investments	270,695	517,549	-	430,252	1,218,496
Total Assets	\$ 6,847,849	\$ 1,275,561	\$ 651,217	\$ 2,484,305	\$ 11,258,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Warrants Payable	\$ 271,235	\$ 10,405	\$ 93,206	\$ 74,561	\$ 449,407
Accrued Payroll	60,379	-	-	14,555	74,934
Other Liabilities	15,021	-	-	-	15,021
Short-Term Notes Payable	-	-	741,000	-	741,000
Total Liabilities	346,635	10,405	834,206	89,116	1,280,362
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	731,000	2,784	-	10,089	743,873
FUND BALANCES					
Nonspendable	-	-	-	265,857	265,857
Restricted	270,982	1,262,372	-	2,148,094	3,681,448
Committed	1,086,315	-	-	-	1,086,315
Assigned	85,764	-	-	-	85,764
Unassigned	4,327,153	-	(182,989)	(28,851)	4,115,313
Total Fund Balances	5,770,214	1,262,372	(182,989)	2,385,100	9,234,697
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,847,849	\$ 1,275,561	\$ 651,217	\$ 2,484,305	\$ 11,258,932

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	General	Community Preservation	Bridge Street Culvert Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 25,058,254	\$ -	\$ -	\$ -	\$ 25,058,254
Motor Vehicle and Other Excise Taxes	1,203,065	-	-	-	1,203,065
Meals tax	71,764	-	-	-	71,764
Tax Liens	125,530	-	-	-	125,530
Payments in Lieu of Taxes	33,687	-	-	-	33,687
Community Preservation Surcharges	-	406,053	-	-	406,053
Charges for Services	-	-	-	590,900	590,900
Intergovernmental	998,754	81,253	741,000	1,011,416	2,832,423
Penalties and Interest on Taxes	87,389	-	-	-	87,389
Licenses and Permits	179,281	-	-	-	179,281
Fines and Forfeitures	5,443	-	-	2,246	7,689
Departmental and Other	241,006	-	-	12,478	253,484
Contributions	-	-	-	16,050	16,050
Investment Income	52,696	2,612	-	11,425	66,733
Total Revenues	28,056,869	489,918	741,000	1,644,515	30,932,302
EXPENDITURES					
Current:					
General Government	1,774,592	26,437	-	390,570	2,191,599
Public Safety	2,554,003	-	-	337,469	2,891,472
Education	17,657,820	-	-	-	17,657,820
Public Works	1,240,308	-	923,989	451,824	2,616,121
Health and Human Services	278,150	13,000	-	40,749	331,899
Culture and Recreation	928,673	38,826	-	2,470,021	3,437,520
Hamilton Development Corporation	65,000	-	-	-	65,000
Pension Benefits	794,132	-	-	-	794,132
Employee Benefits	815,017	-	-	-	815,017
Property and Liability Insurance	191,216	-	-	-	191,216
State and County Charges	232,015	-	-	-	232,015
Debt Service:					
Principal	640,000	40,000	-	-	680,000
Interest	154,465	7,915	-	-	162,380
Total Expenditures	27,325,391	126,178	923,989	3,690,633	32,066,191
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	731,478	363,740	(182,989)	(2,046,118)	(1,133,889)
OTHER FINANCING SOURCES (USES)					
Proceeds of Bonds and Notes	-	-	-	1,444,000	1,444,000
Premium from Issuance of Bonds and Notes	-	-	-	65,035	65,035
Transfers In	416,489	-	-	1,048,804	1,465,293
Transfer Out	(1,053,677)	(794,637)	-	(2,217)	(1,850,531)
Total Other Financing Sources (Uses)	(637,188)	(794,637)	-	2,555,622	1,123,797
NET CHANGE IN FUND BALANCES	94,290	(430,897)	(182,989)	509,504	(10,092)
Fund Balances - Beginning of Year	5,675,924	1,693,269	-	1,875,596	9,244,789
FUND BALANCES - END OF YEAR	\$ 5,770,214	\$ 1,262,372	\$ (182,989)	\$ 2,385,100	\$ 9,234,697

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances	\$	9,234,697
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		21,347,457
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		743,873
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		(37,103)
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		(6,627,039)
Compensated Absences		(335,296)
Net Pension Liability		(9,984,915)
Net OPEB Obligation		(2,972,315)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions		1,146,671
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		<u>(449,112)</u>
Net Position of Governmental Activities	\$	<u><u>12,066,918</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (10,092)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	4,061,143
Depreciation	(838,311)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>	
	(6,903)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	(58,699)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (when material). These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds and Notes	(1,444,000)
Bond Maturities	680,000
Net Amortization of Bond Premiums	(36,891)
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(11,398)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	(91,532)
Net OPEB Obligation	(334,318)
Net Pension Liability	(955,193)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>	
	664,850
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>	
	<u>(95,063)</u>
Changes in Net Position of Governmental Activities	<u>\$ 1,523,593</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,298,525	\$ 127,778	\$ 1,426,303
Restricted Cash and Cash Equivalents	3,425,677	-	3,425,677
Receivables, Net of Allowance for Uncollectible Amount:			
Water Charges	392,647	-	392,647
Water Liens	6,832	-	6,832
	5,123,681	127,778	5,251,459
Total Current Assets			
Noncurrent Assets:			
Capital Assets not being Depreciated	671,593	-	671,593
Capital Assets, Net of Accumulated Depreciation	7,440,880	-	7,440,880
	8,112,473	-	8,112,473
Total Noncurrent Assets			
	13,236,154	127,778	13,363,932
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	68,447	852	69,299
	68,447	852	69,299
LIABILITIES			
Current Liabilities:			
Warrants Payable	50,935	48,221	99,156
Accrued Payroll	3,679	-	3,679
Accrued Interest	23,858	-	23,858
Compensated Absences	1,757	-	1,757
Long-Term Bonds and Notes Payable	568,412	-	568,412
	648,641	48,221	696,862
Total Current Liabilities			
Noncurrent Liabilities:			
Compensated Absences	15,809	-	15,809
Net OPEB Obligation	159,707	1,053	160,760
Net Pension Liability	568,576	6,460	575,036
Long-Term Bonds and Notes Payable	6,503,794	-	6,503,794
	7,247,886	7,513	7,255,399
Total Noncurrent Liabilities			
	7,896,527	55,734	7,952,261
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	26,607	329	26,936
	26,607	329	26,936
FUND NET POSITION			
Net Investment in Capital Assets	4,465,943	-	4,465,943
Unrestricted	915,524	72,567	988,091
	5,381,467	72,567	5,454,034
Total Net Position			

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
OPERATING REVENUES			
Charges for Services	\$ 1,718,688	\$ 74,015	\$ 1,792,703
Other	8,278	-	8,278
Total Operating Revenues	1,726,966	74,015	1,800,981
OPERATING EXPENSES			
Cost of Service and Administration	645,155	545,962	1,191,117
Depreciation	272,223	15,204	287,427
Total Operating Expenses	917,378	561,166	1,478,544
OPERATING INCOME (LOSS)	809,588	(487,151)	322,437
NONOPERATING REVENUES (EXPENSES)			
Investment Income	4,420	893	5,313
Interest Expense	(159,147)	-	(159,147)
Total Nonoperating Revenues (Expenses), Net	(154,727)	893	(153,834)
INCOME (LOSS) BEFORE TRANSFERS	654,861	(486,258)	168,603
Transfers In	294,375	509,302	803,677
Transfers Out	(414,489)	(3,950)	(418,439)
Total Transfers, net	(120,114)	505,352	385,238
CHANGE IN FUND NET POSITION	534,747	19,094	553,841
Fund Net Position - Beginning of Year	4,846,720	53,473	4,900,193
FUND NET POSITION - END OF YEAR	\$ 5,381,467	\$ 72,567	\$ 5,454,034

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,787,821	\$ 74,015	\$ 1,861,836
Payments to Vendors	(287,587)	(523,934)	(811,521)
Payments to Employees	(282,381)	(3,602)	(285,983)
	1,217,853	(453,521)	764,332
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	294,375	509,302	803,677
Transfers Out	(414,489)	(3,950)	(418,439)
	(120,114)	505,352	385,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	1,900,000	-	1,900,000
Acquisition and Construction of Capital Assets	(449,104)	-	(449,104)
Principal Payments on Bonds and Notes	(475,000)	-	(475,000)
Interest Expense	(164,423)	-	(164,423)
	811,473	-	811,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	4,420	893	5,313
	1,913,632	52,724	1,966,356
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents - Beginning of Year (Includes \$1,902,498 Reported as Restricted in the Water Enterprise Fund)	2,810,570	75,054	2,885,624
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$3,425,677 Reported as Restricted in the Water Enterprise Fund)			
	\$ 4,724,202	\$ 127,778	\$ 4,851,980
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 809,588	\$ (487,151)	\$ 322,437
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	272,223	15,204	287,427
Net Pension Liability	57,243	709	57,952
Deferred Outflows/Inflows of Resources Related to Pensions	(34,146)	(423)	(34,569)
Net OPEB Obligation	20,039	264	20,303
Effect of Changes in Operating Assets and Liabilities:			
Water Charges	62,570	-	62,570
Water Liens	(1,715)	-	(1,715)
Warrants Payable	40,638	17,876	58,514
Accrued Payroll	(569)	-	(569)
Compensated Absences	(8,018)	-	(8,018)
	408,265	33,630	441,895
Total Adjustments	408,265	33,630	441,895
Net Cash Provided by Operating Activities	\$ 1,217,853	\$ (453,521)	\$ 764,332

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

ASSETS	<u>Private Purpose Trust Funds</u>
Cash and Cash Equivalents	\$ 25,181
Investments:	
Equities	8,618
Fixed Income Securities	<u>28,863</u>
Total Assets	<u>62,662</u>
 LIABILITIES	
Warrants Payable	<u>2,250</u>
 NET POSITION	
Assets Held in Trust for Other Purposes	<u>\$ 60,412</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private Donations	\$ 13,840
Net Investment Income:	
Interest	<u>888</u>
Total Additions	14,728
DEDUCTIONS	
Other	<u>17,411</u>
CHANGE IN NET POSITION	(2,683)
Net Position - Beginning of Year	<u>63,095</u>
NET POSITION - END OF YEAR	<u><u>\$ 60,412</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Library

During fiscal year 1998, the Town entered into an agreement with the Town of Wenham (Joint Library Agreement) to construct and operate a joint public library to be operated under the direction of a Joint Board of Library Trustees. The construction project was completed during fiscal year 2002, and the Joint Library began operations during fiscal year 2002. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Wenham is the administrator for all matters associated with the management and operation of the Joint Library. Accordingly, all revenues and expenditures associated with the Joint Library are accounted for by the Town of Wenham. During fiscal year 2017, the Town paid approximately \$719,000 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 2017, the Department's operating and administrative expenditures totaled approximately \$157,000. The Town of Wenham paid the Town of Hamilton approximately \$106,000 for their share of the Department's costs of which approximately \$45,000 related to FY16.

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

Veterans' Memorial Pool at Patton Park

The Towns of Hamilton and Wenham operate a joint pool (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 2017, the Town of Wenham paid the Town of Hamilton approximately \$433,000 for their share of the Pool's design and construction costs.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (District) is governed by a six member school committee consisting of one appointed and two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Operating costs are apportioned amongst the Towns based on the assessed values on their last three tax recapitulation sheets. Capital costs, including debt service, are apportioned amongst the Towns based on a combination of the three year valuation average and pupil enrollments. For the fiscal year ended June 30, 2017, the Town's assessment for operating and capital costs totaled approximately \$16,838,000 and \$568,000, respectively.

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

North Shore Technical School

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative from each member town, including the Town of Hamilton. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2017, the Town's assessment totaled approximately \$228,000. Separate financial statements may be obtained by writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts 01949.

C. Implementation of New Accounting Principles

For the year ending June 30, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of these GASB Statements had no significant reporting impact for the Town.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

The *Bridge Street Culvert project fund* is a capital projects fund used to account for the activity associated with the Bridge Street Culvert project.

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The following proprietary funds are reported:

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

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

As voted at the fiscal year 2018 annual town meeting, the waste removal enterprise fund was dissolved in fiscal year 2018. The fund's remaining net position was subsequently transferred to the general fund.

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
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

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

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

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

Water Charges and Water Liens

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

Departmental and Other

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

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

Intergovernmental

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

H. Allowance for Uncollectible Amounts

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

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

At June 30, 2017, the allowances related to these accounts receivable are immaterial and therefore not reported.

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

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

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 market value at the date of donation.

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

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

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

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

Governmental Funds Financial Statements

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

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

M. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Deferred Outflow of Resources

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

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

O. Deferred Inflows of Resources

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances

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

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

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

Net position 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.

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Investment Income

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

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

S. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements

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

T. Pensions

Government-Wide and Fund Financial Statements

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

U. Post Retirement Benefits

Government-Wide and Fund Financial Statements

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

V. Use of Estimates

Government-Wide and Fund Financial Statements

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

W. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2017 approved budget for the general fund authorized \$28,811,335 in appropriations. During the fiscal year, appropriations were increased by \$142,126. The original fiscal year 2017 approved budget for the community preservation fund authorized \$498,173 in appropriations. During the fiscal year, supplemental appropriations totaling \$545,000 were authorized.

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

B. Individual Fund Deficits

At June 30, 2017, the following fund deficits exist in the governmental funds:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Bridge Street Culvert Project.....	\$ 182,989	State grant
Child Safety Grant.....	10,322	State grant
Energy Conservation.....	5,989	State grant
Cultural Facilities Grant.....	4,088	State grant
Fire Grant.....	3,948	State grant
Police Revolving Fund.....	2,481	Available funds
Forest Fire Grant.....	2,023	State grant
Total	<u>\$ 211,840</u>	

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, 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, 2017, \$8,454,261 of the Town's bank balance of \$12,144,337 was uninsured and uncollateralized. As of June 30, 2017 the Hamilton Development Corporation was not exposed to custodial credit risk.

B. Investments Summary

The Town's investments at June 30, 2017 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Treasuries	\$ 399,373	\$ -	\$ 399,373
U.S. Agencies	365,858	-	365,858
Corporate Bonds	386,690	290,819	95,871
Money Market Mutual Funds	224,762	224,762	-
Mutual Bond Funds	357,506	357,506	-
Certificates of Deposit	449,788	75,323	374,465
External Investment Pool (MMDT)	53,987	53,987	-
Total Debt Securities	2,237,964	\$ 1,002,397	\$ 1,235,567
<u>Other Investments:</u>			
Equity Securities	409,710		
Equity Mutual Funds	199,300		
Total Other Investments	609,010		
Total Investments	\$ 2,846,974		

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments - Interest Rate Risk of Debt Securities

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

D. Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2017, 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, 2017, the credit ratings of the Town's investments in debt securities are as follows:

Investment Type	Total Amount	Quality Ratings *			
		A-	AA+	BBB+	Unrated
U.S. Agencies	\$ 365,858	\$ -	\$ 365,858	\$ -	\$ -
Corporate bonds	386,690	45,157	-	341,533	-
Money market mutual funds	224,762	-	-	-	224,762
Certificates of deposit	449,788	-	-	-	449,788
Mutual bond funds	357,506	-	-	-	357,506
External investment pool (MMDT)	53,987	-	-	-	53,987
Total	\$ 1,838,591	\$ 45,157	\$ 365,858	\$ 341,533	\$ 1,086,043

* 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, 2017, the Town held investments with Goldman Sachs totaling \$188,887, or 6.6% of total investments.

G. Investments – Fair Value Measurements

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Equity Securities:</u>			
Equity Mutual Funds	\$ 199,300	\$ -	\$ 199,300
Common Stock	409,710	409,710	-
Total Equity Securities	<u>609,010</u>	<u>409,710</u>	<u>199,300</u>
<u>Debt Securities:</u>			
U.S. Agency Securities	365,858	-	365,858
U.S. Treasury Securities	399,373	-	399,373
Money Market Mutual Funds	224,762	-	224,762
Corporate Bonds	386,690	-	386,690
Certificates of Deposit	449,788	-	449,788
Mutual Bond Funds	357,506	-	357,506
Total Debt Securities	<u>2,183,977</u>	<u>-</u>	<u>2,183,977</u>
Total Investments by Fair Value Level	<u>2,792,987</u>	<u>\$ 409,710</u>	<u>\$ 2,383,277</u>
<u>Investments Measured at Amortized Cost:</u>			
External Investment Pool (MMDT)	53,987		
Total Investments -Town	<u>\$ 2,846,974</u>		

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

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2017, receivables for the individual major governmental funds and nonmajor governmental funds, in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes	\$ 212,915	\$ -	\$ 212,915
Real estate tax deferrals	66,378	-	66,378
Tax liens	90,726	-	90,726
Motor vehicle and other excise taxes	72,560	-	72,560
Community preservation surcharges	2,784	-	2,784
Departmental and other	10,089	-	10,089
Intergovernmental	643,838	-	643,838
Loans	<u>475</u>	<u>-</u>	<u>475</u>
	<u>\$ 1,099,765</u>	<u>\$ -</u>	<u>\$ 1,099,765</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2017, receivables for the water enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water charges	\$ 392,647	\$ -	\$ 392,647
Water liens	<u>6,832</u>	<u>-</u>	<u>6,832</u>
	<u>\$ 399,479</u>	<u>\$ -</u>	<u>\$ 399,479</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,373,848	\$ -	\$ -	\$ 2,373,848
Intangible assets	-	1,750,000	-	1,750,000
Construction in progress	<u>1,719,515</u>	<u>1,149,610</u>	<u>(1,719,516)</u>	<u>1,149,609</u>
Total capital assets not being depreciated	<u>4,093,363</u>	<u>2,899,610</u>	<u>(1,719,516)</u>	<u>5,273,457</u>
<u>Capital assets being depreciated:</u>				
Improvements	1,111,680	2,218,446	-	3,330,126
Buildings	14,620,129	-	-	14,620,129
Machinery and equipment	1,227,056	65,190	(147,123)	1,145,123
Vehicles	2,719,859	203,324	(97,949)	2,825,234
Library books	265,666	-	-	265,666
Software	20,765	-	-	20,765
Infrastructure	<u>7,095,029</u>	<u>394,089</u>	<u>-</u>	<u>7,489,118</u>
Total capital assets being depreciated	<u>27,060,184</u>	<u>2,881,049</u>	<u>(245,072)</u>	<u>29,696,161</u>
<u>Less accumulated depreciation for:</u>				
Improvements	(449,980)	(100,834)	-	(550,814)
Buildings	(5,785,624)	(333,541)	-	(6,119,165)
Machinery and equipment	(796,111)	(90,221)	147,123	(739,209)
Vehicles	(1,256,646)	(212,146)	91,046	(1,377,746)
Library books	(265,666)	-	-	(265,666)
Software	(20,765)	-	-	(20,765)
Infrastructure	<u>(4,447,227)</u>	<u>(101,569)</u>	<u>-</u>	<u>(4,548,796)</u>
Total accumulated depreciation	<u>(13,022,019)</u>	<u>(838,311)</u>	<u>238,169</u>	<u>(13,622,161)</u>
Total capital assets being depreciated, net	<u>14,038,165</u>	<u>2,042,738</u>	<u>(6,903)</u>	<u>16,074,000</u>
Total governmental activities capital assets, net	<u>\$ 18,131,528</u>	<u>\$ 4,942,348</u>	<u>\$ (1,726,419)</u>	<u>\$ 21,347,457</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 283,912	\$ -	\$ -	\$ 283,912
Construction in progress	1,759,692	387,681	(1,759,692)	387,681
Total capital assets not being depreciated	2,043,604	387,681	(1,759,692)	671,593
<u>Capital assets being depreciated:</u>				
Buildings	3,454,199	-	-	3,454,199
Machinery and equipment	180,034	13,853	-	193,887
Vehicles	268,002	47,570	-	315,572
Infrastructure	6,693,974	1,759,692	-	8,453,666
Total capital assets being depreciated	10,596,209	1,821,115	-	12,417,324
<u>Less accumulated depreciation for:</u>				
Buildings	(1,120,405)	(79,710)	-	(1,200,115)
Machinery and equipment	(150,896)	(18,863)	-	(169,759)
Vehicles	(113,207)	(46,024)	-	(159,231)
Infrastructure	(3,304,509)	(142,830)	-	(3,447,339)
Total accumulated depreciation	(4,689,017)	(287,427)	-	(4,976,444)
Total capital assets being depreciated, net	5,907,192	1,533,688	-	7,440,880
Total business-type activities capital assets, net	\$ 7,950,796	\$ 1,921,369	\$ (1,759,692)	\$ 8,112,473
	Beginning Balance	Increases	Decreases	Ending Balance
Hamilton Development Corporation:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 339,500	\$ -	\$ -	\$ 339,500
<u>Capital assets being depreciated:</u>				
Buildings	260,550	-	-	260,550
<u>Less accumulated depreciation for:</u>				
Buildings	(16,285)	(6,514)	-	(22,799)
Total capital assets being depreciated, net	244,265	(6,514)	-	237,751
Total discretely presentend component units capital assets, net	\$ 583,765	\$ (6,514)	\$ -	\$ 577,251

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General government	\$ 40,200
Public safety	306,366
Education	37,840
Public works	214,743
Health and human services	2,033
Culture and recreation	<u>237,129</u>
Total depreciation expense - governmental activities	<u>\$ 838,311</u>
 Business-Type Activities:	
Water	\$ 272,223
Waste removal	<u>15,204</u>
Total depreciation expense - business-type activities	<u>\$ 287,427</u>
 Discretely Presented Component Unit:	
Hamilton Development Corporation	<u>\$ 6,514</u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2017 are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Nonmajor Waste Removal Fund	Total	
General Fund	\$ -	\$ 250,000	\$ 294,375	\$ 509,302	\$ 1,053,677	(1)
Community Preservation Fund	-	794,637	-	-	794,637	(2)
Nonmajor Governmental Funds	2,000	217	-	-	2,217	(3)
Water Enterprise Fund	414,489	-	-	-	414,489	(4)
Nonmajor Waste Removal Fund	-	3,950	-	-	3,950	(5)
	<u>\$ 416,489</u>	<u>\$ 1,048,804</u>	<u>\$ 294,375</u>	<u>\$ 509,302</u>	<u>\$ 2,268,970</u>	

(1) Represents budgeted transfer to the water enterprise fund for filtration plant and debt service costs (\$294,375), budgeted transfer to the Patton Homestead property capital projects fund (\$250,000) and general fund subsidy of the waste removal enterprise fund (\$509,302).

(2) Represents transfers from the Community Preservation Fund to the Hamilton-Wenham Regional School District field renovations fund (\$44,647), affordable housing trust fund (\$249,990), and Sagamore Hill conservation restriction acquisition fund (\$500,000).

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

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

(5) Represents a transfer of grant funds from the waste removal fund to the recycling grant fund.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2016	Increases	Decreases	Balance at 6/30/2017
GAN	Bridge Street Culvert	5/2/16	4/12/17	0.75%	\$ 741,000	\$ -	\$ (741,000)	\$ -
BAN	Sagamore Hill Land Acquisition	3/24/17	6/30/17	1.25%	-	1,250,000	(1,250,000)	-
GAN	Bridge Street Culvert	4/12/17	10/12/17	1.25%	-	741,000	-	741,000
Total					\$ 741,000	\$ 1,991,000	\$ (1,991,000)	\$ 741,000

Subsequent Events:

On October 12, 2017, the Town repaid the Bridge Street Culvert GAN in the amount of \$741,000.

On December 1, 2017, the Town issued a BAN in the amount of \$1,500,000 with an interest rate of 2.25% and a maturity date of November 30, 2018.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental Activities:					
Bonds and notes payable	\$ 5,555,000	\$ 1,444,000	\$ (680,000)	\$ 6,319,000	\$ 764,000
Unamortized bond premium	<u>271,148</u>	<u>65,035</u>	<u>(28,144)</u>	<u>308,039</u>	<u>29,770</u>
Total bonds and notes payable	5,826,148	1,509,035	(708,144)	6,627,039	793,770
Net OPEB obligation	2,637,997	520,717	(186,399)	2,972,315	-
Net pension liability	9,029,722	955,193	-	9,984,915	-
Compensated absences	<u>243,764</u>	<u>91,532</u>	<u>-</u>	<u>335,296</u>	<u>33,530</u>
Total	<u>\$ 17,737,631</u>	<u>\$ 3,076,477</u>	<u>\$ (894,543)</u>	<u>\$ 19,919,565</u>	<u>\$ 827,300</u>
Business-type Activities:					
Bonds and notes payable	\$ 5,500,000	\$ 1,900,000	\$ (475,000)	\$ 6,925,000	\$ 560,000
Unamortized bond premium	<u>155,618</u>	<u>-</u>	<u>(8,412)</u>	<u>147,206</u>	<u>8,412</u>
Total bonds and notes payable	5,655,618	1,900,000	(483,412)	7,072,206	568,412
Net OPEB obligation	140,457	31,623	(11,320)	160,760	-
Net pension liability	517,084	57,952	-	575,036	-
Compensated absences	<u>25,584</u>	<u>-</u>	<u>(8,018)</u>	<u>17,566</u>	<u>1,757</u>
Total	<u>\$ 6,338,743</u>	<u>\$ 1,989,575</u>	<u>\$ (502,750)</u>	<u>\$ 7,825,568</u>	<u>\$ 570,169</u>
Discretely Presented Component Unit					
Mortgage loan payable	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ (1,217)</u>	<u>\$ 478,783</u>	<u>\$ 16,248</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.

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**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements, are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
State House Serial Loan Notes	2/01/2017	5.20	\$ 25,000	\$ -	\$ (25,000)	\$ -
Library Refunding	5/15/2020	2.00 - 3.00	450,000	-	(115,000)	335,000
Donovan Property	5/15/2020	2.00 - 3.00	160,000	-	(40,000)	120,000
Energy Services Contract (ESCO)	5/15/2020	2.00 - 3.00	115,000	-	(30,000)	85,000
Landfill Capping	5/15/2030	2.00 - 4.00	1,210,000	-	(90,000)	1,120,000
Fire Truck	5/15/2027	2.00 - 4.00	770,000	-	(70,000)	700,000
Public Safety Building - Refunding	9/15/2025	2.00 - 4.00	2,825,000	-	(310,000)	2,515,000
Landfill Closure	3/15/2022	2.00	-	194,000	-	194,000
Sagamore Hill Land Acquisition	3/15/2032	2.00 - 3.00	-	1,250,000	-	1,250,000
Total governmental funds			\$ <u>5,555,000</u>	\$ <u>1,444,000</u>	\$ <u>(680,000)</u>	\$ <u>6,319,000</u>

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

Fiscal Year	Principal	Interest	Total
2018	\$ 764,000	\$ 179,354	\$ 993,104
2019	755,000	160,108	955,358
2020	745,000	135,908	911,858
2021	555,000	112,058	688,983
2022	555,000	93,808	661,208
2023	520,000	74,008	598,008
2024	515,000	57,758	574,483
2025	510,000	45,958	554,383
2026	505,000	34,258	532,045
2027	240,000	25,183	262,370
2028	165,000	18,758	182,631
2029	165,000	14,105	177,979
2030	165,000	9,453	173,326
2031	80,000	4,800	84,800
2032	80,000	2,400	82,400
Total	\$ <u>6,319,000</u>	\$ <u>967,912</u>	\$ <u>7,432,933</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water Enterprise Fund

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2017</u>
Water Bonds Refunding	05/15/20	2.00 - 3.00	\$ 675,000	\$ -	\$ (175,000)	\$ 500,000
Water Plant	05/15/18	2.00 - 3.00	85,000	-	(45,000)	40,000
Water System Reconstruction	05/15/35	2.00 - 4.00	4,740,000	-	(255,000)	4,485,000
Water System Reconstruction	03/15/37	2.00 - 3.00	-	1,900,000	-	1,900,000
Total enterprise funds			\$ <u>5,500,000</u>	\$ <u>1,900,000</u>	\$ <u>(475,000)</u>	\$ <u>6,925,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 560,000	\$ 193,125	\$ 753,125
2019	515,000	184,823	699,823
2020	515,000	170,323	685,323
2021	350,000	155,823	505,823
2022	345,000	146,273	491,273
2023	345,000	134,373	479,373
2024	345,000	122,473	467,473
2025	345,000	113,073	458,073
2026	345,000	103,673	448,673
2027	345,000	94,573	439,573
2028	345,000	85,473	430,473
2029	340,000	75,997	415,997
2030	340,000	66,655	406,655
2031	340,000	57,313	397,313
2032	340,000	47,113	387,113
2033	340,000	36,913	376,913
2034	340,000	26,713	366,713
2035	340,000	16,206	356,206
2036	95,000	5,700	100,700
2037	95,000	2,850	97,850
Total	\$ <u>6,925,000</u>	\$ <u>1,839,459</u>	\$ <u>8,764,459</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Mortgage Loan Payable

The Hamilton Development Corporation has a \$478,783 outstanding mortgage obligation at June 30, 2017. 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>
2018	\$ 16,248	\$ 21,334	\$ 37,582
2019	15,721	20,639	36,360
2020	16,449	19,911	36,360
2021	<u>430,365</u>	<u>16,013</u>	<u>446,378</u>
Total	<u>\$ 478,783</u>	<u>\$ 77,897</u>	<u>\$ 556,680</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water distribution system replacement	\$ 3,100,000
Landfill capping	504,000
Land acquisition	<u>500</u>
Total	<u>\$ 3,604,500</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

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

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

Active employees	56	
Retired employees	42	42
 Total		 98

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

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

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

		Amount
Annual required contribution	\$	430,893
Interest on net OPEB obligation		111,139
Adjustment to annual required contribution		(154,498)
Amortization of actuarial (gains)/losses		164,806
 Annual OPEB cost		 552,340
Contributions made		(197,719)
 Increase in net OPEB obligation		 354,621
Net OPEB obligation at beginning of year		2,778,454
 Net OPEB obligation at end of year	\$	 3,133,075

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2015	\$ 510,152	34.5%	\$ 2,436,735
June 30, 2016	530,793	35.6%	2,778,454
June 30, 2017	552,340	35.8%	3,133,075

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Governmental Activities:	
General government	\$ 114,771
Public safety	297,416
Public works	61,234
Health and human services	22,780
Culture and recreation	<u>24,516</u>
Total AOPEBC - governmental activities	<u>520,717</u>
 Business-Type Activities:	
Water	31,212
Waste removal	<u>411</u>
Total AOPEBC - business-type activities	<u>31,623</u>
Total AOPEBC	<u>\$ 552,340</u>

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 11 FUND BALANCES

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

	General	Community Preservation	Bridge Street Culvert Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 265,857	\$ 265,857
Restricted for:					
Other post employment benefits	270,982	-	-	-	270,982
Community preservation	-	1,262,372	-	-	1,262,372
Loans	-	-	-	475	475
Affordable housing	-	-	-	217,476	217,476
Capital	-	-	-	14,389	14,389
General government	-	-	-	865,558	865,558
Public safety	-	-	-	43,449	43,449
Public works	-	-	-	504,724	504,724
Health and human services	-	-	-	134,586	134,586
Culture and recreation	-	-	-	367,437	367,437
Sub-total - Restricted	<u>270,982</u>	<u>1,262,372</u>	<u>-</u>	<u>2,148,094</u>	<u>3,681,448</u>
Committed to:					
Subsequent year's expenditures	550,000	-	-	-	550,000
Recreation fields stabilization	521,315	-	-	-	521,315
Continuing appropriations - general government	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Sub-total - Committed	<u>1,086,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,086,315</u>
Assigned to:					
General government	9,389	-	-	-	9,389
Public safety	1,195	-	-	-	1,195
Public works	66,132	-	-	-	66,132
Culture and recreation	<u>9,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,048</u>
Sub-total - Assigned	<u>85,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,764</u>
Unassigned	<u>4,327,153</u>	<u>-</u>	<u>(182,989)</u>	<u>(28,851)</u>	<u>4,115,313</u>
Totals	<u>\$ 5,770,214</u>	<u>\$ 1,262,372</u>	<u>\$ (182,989)</u>	<u>\$ 2,385,100</u>	<u>\$ 9,234,697</u>

NOTE 12 STABILIZATION FUNDS

The Town maintains general and recreation field 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 and recreation field stabilization funds at June 30, 2017 total \$856,152 and \$521,315, respectively, and are reported in the general fund as unassigned (\$856,152) and committed (\$521,315) fund balance.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 13 RISK FINANCING

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

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

Workers' compensation activities are recorded in the General Fund where expenditures are recognized when the claims are expected to be paid with current expendable available resources. As of June 30, 2017, there were no outstanding workers' compensation claims.

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$794,132 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$10,559,951 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the December 31, 2016 measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll and direct charges for early retirement incentives. At June 30, 2017, the Town's proportion was 2.741 percent, which compared to a proportion of 2.628 percent at June 30, 2016.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

For the year ended June 30, 2017, the Town recognized pension expense of \$1,202,921. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$462,579 from the net difference between projected and actual investment earnings on plan investments, \$447,541 for changes of assumptions, and \$305,850 for changes in proportion and differences between employer contributions and proportionate share of contributions. The Town reported deferred inflows of resources related to pensions of \$190,168 for differences between expected and actual experience and \$285,880 from changes in proportion and differences between employer contributions and proportionate share of contributions.

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

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 190,414
2019	190,414
2020	200,452
2021	131,820
2022	<u>26,822</u>
	<u>\$ 739,922</u>

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

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

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

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

Investment rate of return: 7.75%, annually

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

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

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

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2015, and applied to all periods included in the measurement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Bonds	5.00%	5.00%
20+ Year Treasuries	5.00%	3.75%
TIPS	3.00%	3.75%
High Yield Bonds	1.50%	5.75%
Bank Loans	1.50%	6.00%
EMD (External)	1.00%	5.75%
EMD (Local Currency)	2.00%	6.50%
Private Debt	4.00%	9.06%
Large Cap Equities	14.50%	7.50%
Mid/Small Cap Equities	3.50%	7.75%
International Equities	16.00%	7.83%
Emerging Market Equities	6.00%	9.61%
Private Equity	10.00%	9.50%
Real Estate	10.00%	6.50%
Timber/Natural Resources	4.00%	6.00%
Hedge Funds and Portfolio Completion	13.00%	6.48%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's Proportionate Share of the Net Pension Liability	\$ 12,943,019	\$ 10,559,951	\$ 8,796,893

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

NOTE 15 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$10,000,000 to design and reconstruction of its water system and facilities. Of the \$10,000,000 authorized for the water system and facilities, \$6,900,000 has been funded through the issuance of bonds.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund and community preservation fund, which totaled \$100,764 and \$124,971, respectively at June 30, 2017.

NOTE 16 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2017.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), these programs are still subject to financial and compliance audits. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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**TOWN OF HAMILTON, MASSACHUSETTS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 25,007,295	\$ (37,874)	\$ 24,969,421
Motor Vehicle and Other Excise Taxes	-	1,102,000	-	1,102,000
Meals Tax	-	65,000	-	65,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	42,000	-	42,000
Intergovernmental	-	904,173	-	904,173
Penalties and Interest on Taxes	-	85,000	-	85,000
Licenses and Permits	-	215,000	-	215,000
Fines and Forfeitures	-	9,500	-	9,500
Departmental and Other	-	207,750	-	207,750
Investment Income	-	8,000	-	8,000
	<u>-</u>	<u>27,645,718</u>	<u>(37,874)</u>	<u>27,607,844</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	146,871	2,093,108	(117,849)	2,122,130
Public Safety	-	2,716,542	(10,625)	2,705,917
Education	-	17,760,758	-	17,760,758
Public Works	69,475	1,316,645	(8,300)	1,377,820
Health and Human Services	-	280,173	-	280,173
Culture and Recreation	1,050	951,007	(1,100)	950,957
Hamilton Development Corporation	-	65,000	-	65,000
Pension Benefits	-	812,166	-	812,166
Employee Benefits	-	959,765	-	959,765
Property and Liability Insurance	-	205,594	-	205,594
State and County Charges	-	237,134	-	237,134
Debt Service:	-	-	-	-
Principal	-	640,000	-	640,000
Interest	-	174,766	-	174,766
	<u>217,396</u>	<u>28,212,658</u>	<u>(137,874)</u>	<u>28,292,180</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(217,396)</u>	<u>(566,940)</u>	<u>100,000</u>	<u>(684,336)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	416,489	-	416,489
Transfers Out	-	(598,677)	(280,000)	(878,677)
	<u>-</u>	<u>(182,188)</u>	<u>(280,000)</u>	<u>(462,188)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE				
	(217,396)	(749,128)	(180,000)	(1,146,524)
Fund Balance - Beginning of Year	<u>3,929,717</u>	<u>3,929,717</u>	<u>3,929,717</u>	<u>3,929,717</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,712,321</u>	<u>\$ 3,180,589</u>	<u>\$ 3,749,717</u>	<u>\$ 2,783,193</u>

See Accompanying Independent Auditor's Report.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	24,939,196	\$ -	\$ 24,939,196	\$ (30,225)
	1,203,065	-	1,203,065	101,065
	71,764	-	71,764	6,764
	125,530	-	125,530	125,530
	33,687	-	33,687	(8,313)
	998,754	-	998,754	94,581
	87,389	-	87,389	2,389
	179,281	-	179,281	(35,719)
	5,443	-	5,443	(4,057)
	241,006	-	241,006	33,256
	12,901	-	12,901	4,901
	<u>27,898,016</u>	<u>-</u>	<u>27,898,016</u>	<u>290,172</u>
	1,766,550	24,389	1,790,939	331,191
	2,554,003	1,195	2,555,198	150,719
	17,657,820	-	17,657,820	102,938
	1,240,308	66,132	1,306,440	71,380
	278,150	-	278,150	2,023
	928,673	9,048	937,721	13,236
	65,000	-	65,000	-
	794,132	-	794,132	18,034
	815,017	-	815,017	144,748
	191,216	-	191,216	14,378
	232,015	-	232,015	5,119
	640,000	-	640,000	-
	154,465	-	154,465	20,301
	<u>27,317,349</u>	<u>100,764</u>	<u>27,418,113</u>	<u>874,067</u>
	<u>580,667</u>	<u>(100,764)</u>	<u>479,903</u>	<u>1,164,239</u>
	416,489	-	416,489	-
	(878,677)	-	(878,677)	-
	<u>(462,188)</u>	<u>-</u>	<u>(462,188)</u>	<u>-</u>
	118,479	(100,764)	17,715	1,164,239
	<u>3,929,717</u>	<u>-</u>	<u>3,929,717</u>	<u>-</u>
\$	<u>4,048,196</u>	<u>(100,764)</u>	<u>3,947,432</u>	<u>1,164,239</u>

**TOWN OF HAMILTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 360,000	\$ -	\$ 360,000
Intergovernmental	-	81,253	-	81,253
Investment Income	-	23,747	-	23,747
	<u>-</u>	<u>465,000</u>	<u>-</u>	<u>465,000</u>
Total Revenues	-	465,000	-	465,000
EXPENDITURES				
Current:				
General Government	-	26,437	-	26,437
Health and Human Services	-	13,000	-	13,000
Culture and Recreation	114,231	9,499	45,000	168,730
Debt Service:				
Principal	-	146,685	-	146,685
Interest	-	7,915	-	7,915
	<u>-</u>	<u>7,915</u>	<u>-</u>	<u>7,915</u>
Total Expenditures	<u>114,231</u>	<u>203,536</u>	<u>45,000</u>	<u>362,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(114,231)</u>	<u>261,464</u>	<u>(45,000)</u>	<u>102,233</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(294,637)</u>	<u>(500,000)</u>	<u>(794,637)</u>
NET CHANGE IN FUND BALANCE	<u>(114,231)</u>	<u>(33,173)</u>	<u>(545,000)</u>	<u>(692,404)</u>
Fund Balance at Beginning of Year	<u>1,695,159</u>	<u>1,695,159</u>	<u>1,695,159</u>	<u>1,695,159</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,580,928</u>	<u>\$ 1,661,986</u>	<u>\$ 1,150,159</u>	<u>\$ 1,002,755</u>

See Accompanying Independent Auditor's Report.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 406,053	\$ -	\$ 406,053	\$ 46,053
81,253	-	81,253	-
12,126	-	12,126	(11,621)
<u>499,432</u>	<u>-</u>	<u>499,432</u>	<u>34,432</u>
26,437	-	26,437	-
13,000	-	13,000	-
38,826	124,971	163,797	4,933
40,000	-	40,000	106,685
7,915	-	7,915	-
<u>126,178</u>	<u>124,971</u>	<u>251,149</u>	<u>111,618</u>
<u>373,254</u>	<u>(124,971)</u>	<u>248,283</u>	<u>146,050</u>
<u>(794,637)</u>	<u>-</u>	<u>(794,637)</u>	<u>-</u>
(421,383)	(124,971)	(546,354)	146,050
<u>1,695,159</u>	<u>-</u>	<u>1,695,159</u>	<u>-</u>
<u>\$ 1,273,776</u>	<u>\$ (124,971)</u>	<u>\$ 1,148,805</u>	<u>\$ 146,050</u>

**TOWN OF HAMILTON, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	2.741%	2.628%	2.746%
Town's proportionate share of the net pension liability	\$ 10,559,951	9,546,806	9,315,055
Town's covered-employee payroll	\$ 3,526,675	3,470,734	3,333,273
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	299.43%	275.07%	279.46%
Plan fiduciary net position as a percentage of the total pension liability	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 CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 794,132	721,863	704,356
Contributions in Relation to the Actuarially Required Contribution	(794,132)	(721,863)	(704,356)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Town's Covered-Employee Payroll	\$ 3,526,675	3,470,734	3,333,273
Contributions as a Percentage of Covered Employee Payroll	22.52%	20.80%	21.13%

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

See Accompanying Independent Auditor's Report.

**TOWN OF HAMILTON, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE
JUNE 30, 2017**

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 4,163,491	\$ 4,163,491	-	\$ 2,220,531	187%
07/01/11	-	5,567,972	5,567,972	-	2,399,020	232%
07/01/14	-	5,959,170	5,959,170	-	2,589,736	230%

See Accompanying Independent Auditor's Report.

**TOWN OF HAMILTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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, 2017, is presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 27,898,016	\$ 27,418,113	\$ (462,188)	\$ 3,947,432
<u>Adjustments and Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes	6,479	4,124	-	856,152
Activity of other post employment benefits fund recorded in the general fund for GAAP purposes	21,569	1,233	75,000	270,982
Activity of recreation stabilization fund recorded in the general fund for GAAP purposes	11,747	2,685	(250,000)	521,315
Net change in recording 60-day receipts	6,028	-	-	73,569
Net change in recording tax refunds payable	113,030	-	-	-
To record encumbrances and continuing appropriations	<u>-</u>	<u>(100,764)</u>	<u>-</u>	<u>100,764</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 28,056,869</u>	<u>\$ 27,325,391</u>	<u>\$ (637,188)</u>	<u>\$ 5,770,214</u>

Community Preservation Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 499,432	\$ 251,149	\$ (794,637)	\$ 1,148,805
<u>Adjustments</u>				
Net change in recording investment income	(9,514)	-	-	(11,404)
To record encumbrances and continuing appropriations	<u>-</u>	<u>(124,971)</u>	<u>-</u>	<u>124,971</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 489,918</u>	<u>\$ 126,178</u>	<u>\$ (794,637)</u>	<u>\$ 1,262,372</u>