



**HAMILTON-WENHAM**  
**REGIONAL SCHOOL DISTRICT**

**HAMILTON-WENHAM REGIONAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2024**

(With Independent Auditors' Report Thereon)



# HAMILTON-WENHAM REGIONAL SCHOOL DISTRICT

## FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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## INDEPENDENT AUDITORS' REPORT

To the Honorable School Committee  
**Hamilton-Wenham Regional School District**

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton-Wenham Regional School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, and the pension plan and other postemployment benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2024 on our consideration of the District's 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 District'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 District's internal control over financial reporting and compliance.

*Marcum LLP*

Merrimack, NH  
December 26, 2024

# *Management's Discussion and Analysis*

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

June 30, 2024

As management of the Hamilton-Wenham Regional School District (District), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2024. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

### *Overview of the Basic Financial Statements*

This discussion and analysis is intended to serve as an introduction to the Hamilton-Wenham Regional School District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets and liabilities, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent 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 periods (e.g., uncollected revenues and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by member Town assessments and intergovernmental revenues (*governmental activities*). The governmental activities include administration, instructional services, other student services, operation and maintenance, employee benefits and other fixed charges, programs with other school districts, depreciation, and interest.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and 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 fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating near-term financing requirements.

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

June 30, 2024

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 impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary basis of accounting, pension and other postemployment benefits.

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

June 30, 2024

### *Government-wide Financial Analysis*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$28.9 million at the close of 2024.

	<u>2024</u>	<u>2023</u>
<b>Assets:</b>		
Current assets.....	\$ 29,624,628	\$ 17,565,247
Capital assets, non depreciable.....	1,335,685	-
Capital assets, net of accumulated depreciation....	<u>16,212,742</u>	<u>17,186,602</u>
<b>Total assets.....</b>	<b><u>47,173,055</u></b>	<b><u>34,751,849</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>2,006,811</u></b>	<b><u>5,292,244</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	4,237,144	4,405,503
Noncurrent liabilities (excluding debt).....	43,906,747	50,253,526
Current debt.....	12,310,000	1,109,800
Noncurrent debt.....	<u>1,365,000</u>	<u>1,575,000</u>
<b>Total liabilities.....</b>	<b><u>61,818,891</u></b>	<b><u>57,343,829</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>16,251,105</u></b>	<b><u>14,441,552</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	14,220,081	14,847,294
Restricted.....	2,596,180	1,997,087
Unrestricted.....	<u>(45,706,391)</u>	<u>(48,585,669)</u>
<b>Total net position.....</b>	<b><u>\$ (28,890,130)</u></b>	<b><u>\$ (31,741,288)</u></b>

Net position of \$14.2 million reflects its investment in capital assets; less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

**June 30, 2024**

Restricted net position of \$2.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a year-end deficit of \$45.7 million. The primary reason for the deficit is the recognition of the \$33.7 million net other postemployment benefit (OPEB) liability, and the \$9.8 million net pension liability.

Governmental activities increased the District's net position by \$2.9 million. The following table shows the key elements affecting this increase.

	2024	2023
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,181,580	\$ 1,020,492
Operating grants and contributions.....	9,157,032	8,795,787
Capital grants and contributions.....	179,006	-
<b>General Revenues:</b>		
Member town assessments.....	34,867,901	33,961,998
Grants and contributions not restricted to specific programs.....	4,084,626	4,458,313
Unrestricted investment income.....	667,441	182,010
Miscellaneous.....	115,060	56,839
<b>Total revenues.....</b>	<b>50,252,646</b>	<b>48,475,439</b>
<b>Expenses:</b>		
District administration.....	1,294,097	1,311,511
Instructional services.....	22,616,566	22,687,199
Other student services.....	4,556,409	4,878,821
Operation and maintenance.....	3,784,343	2,906,507
Employee benefits and other fixed charges.....	9,467,447	10,871,190
Programs with other school districts (tuitions).....	4,237,466	2,761,202
Unallocated depreciation.....	1,360,333	1,371,295
Interest.....	84,827	56,444
<b>Total expenses.....</b>	<b>47,401,488</b>	<b>46,844,169</b>
<b>Change in net position.....</b>	<b>2,851,158</b>	<b>1,631,270</b>
<b>Net position, beginning of year.....</b>	<b>(31,741,288)</b>	<b>(33,372,558)</b>
<b>Net position, end of year.....</b>	<b>\$ (28,890,130)</b>	<b>\$ (31,741,288)</b>

Revenue increased by \$1.8 million during the year, which was primarily due to a \$906,00 increase in member town assessments and a \$485,000 increase in investment income. The increase in operating grants is mainly attributable to the \$704,000 increase in on-behalf payments to the Massachusetts

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

June 30, 2024

Teachers Retirement System (MTRS) that were made by the Commonwealth of Massachusetts, offset by a decrease in education grants.

Expenses increased by \$557,000 during the year and the most significant changes from the prior year include a \$1.5 million increase in programs with other school districts - tuitions, a \$878,000 increase in operations and maintenance, and a \$1.4 million decrease in employee benefits. The decrease in employee benefits is mainly attributable to a \$2.0 million decrease in the OPEB trust contribution offset by a \$704,000 increase in MTRS on-behalf payments. The increase in programs with other school districts mainly relates to contracted services with private schools. The increase in operations and maintenance is mainly due to an increase in utility costs such as gas and electric.

The \$2.9 million increase in net position is primarily due to a \$1.1 million increase in the governmental funds fund balance, a \$888,000 increase from change in the net OPEB liability and the related deferred outflows/inflows of resources, a \$391,000 increase from change in the net pension liability and the related deferred outflows/inflows of resources, and a \$362,000 increase from capital asset additions that were funded by the operating budget and available funds.

### *Financial Analysis of the Government's Funds*

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

**Governmental funds.** The focus of the Hamilton-Wenham Regional School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At year-end, governmental funds reported a combined ending fund balance of \$13.5 million of which \$10.8 million related to the general fund, \$3.8 million related to the revolving fund, a deficit of \$1.1 million related to the athletic facilities improvement project fund, and a deficit of \$136,000 related to the nonmajor governmental funds. Cumulatively there was an increase of \$1.1 million in fund balance from the prior year. The increase primarily related to the \$1.3 million increase in the general fund.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.4 million, while total fund balance was \$10.8 million. Assigned fund balance includes \$2.3 million that was voted to fund the fiscal 2025 budget as well as \$962,000 that was reserved for encumbrances. The District established a new capital stabilization fund in fiscal 2025 which totaled \$1.8 million and is reported as restricted fund balance (see Note 8 for further details). Nonspendable fund balance of \$1.4 million represents prepaid tuitions for fiscal 2025.

# Hamilton-Wenham Regional School District

## Management's Discussion and Analysis

June 30, 2024

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 fund expenditures. Unassigned fund balance represents 10% of total general fund expenditures, while total fund balance represents 25% of that same amount.

The \$1.3 million increase in the general fund is due to a revenue surplus of \$810,000, and an appropriation surplus of \$1.3 million. These increases were offset by the use of excess and deficiency (E&D) to balance the operating budget. The most significant turn backs related to instructional costs, other student services, employee benefits, and programs with other districts.

The \$617,000 increase in the revolving fund was due to expected timing differences between the receipt and expenditure of program funds.

The \$1.1 million decrease in the athletic facilities improvement capital project fund is due to expected timing differences between costs being incurred for capital acquisitions and improvements and the permanent financing of those costs. At year end, the District had a \$10.5 million short-term note outstanding to temporarily fund the project.

### ***Capital Asset and Debt Administration***

Outstanding long-term debt totaled \$1.6 million as of June 30, 2024, of which \$695,000 relates to the Cutler School roof and repair projects and \$880,000 relates to the Buker School and Winthrop School heating and roof projects.

The short-term debt outstanding as of June 30, 2024, was \$12.1 million, and the majority related to the athletic and recreational facilities, the remainder related to various school capital improvements.

Capital asset additions totaled \$1.7 million and related to the athletic facilities, machinery and equipment, and other building improvements. As of June 30, 2024, the District's capital assets totaled \$17.5 million.

Please refer to Notes 4, 6 and 7 of the basic financial statements for further discussion of the capital asset and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Hamilton-Wenham Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Hamilton-Wenham Regional School District, 5 School Street, Wenham, Massachusetts 01984.

# *Basic Financial Statements*

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# Hamilton-Wenham Regional School District

## Statement of Net Position

June 30, 2024

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 27,370,443
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	888,017
Prepaid expense.....	<u>1,366,168</u>
Total current assets.....	<u>29,624,628</u>
NONCURRENT:	
Capital assets, nondepreciable.....	1,335,685
Capital assets, net of accumulated depreciation.....	<u>16,212,742</u>
Total noncurrent assets.....	<u>17,548,427</u>
TOTAL ASSETS.....	<u>47,173,055</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	997,218
Deferred outflows related to other postemployment benefits....	<u>1,009,593</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>2,006,811</u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	1,857,526
Accrued payroll.....	2,026,959
Other liabilities.....	168,095
Compensated absences.....	184,564
Notes payable.....	12,100,000
Bonds payable.....	<u>210,000</u>
Total current liabilities.....	<u>16,547,144</u>
NONCURRENT:	
Compensated absences.....	322,532
Net pension liability.....	9,840,860
Net other postemployment benefits liability.....	33,743,355
Bonds payable.....	<u>1,365,000</u>
Total noncurrent liabilities.....	<u>45,271,747</u>
TOTAL LIABILITIES.....	<u>61,818,891</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions.....	1,333,479
Deferred inflows related to other postemployment benefits.....	<u>14,917,626</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>16,251,105</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	14,220,081
Restricted for:	
Gifts and grants.....	2,596,180
Unrestricted.....	<u>(45,706,391)</u>
TOTAL NET POSITION.....	<u>\$ (28,890,130)</u>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Statement of Activities

**Year Ended June 30, 2024**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
District administration.....	\$ 1,294,097	\$ -	\$ -	\$ -	\$ (1,294,097)
Instructional services.....	22,616,566	255,838	2,768,763	-	(19,591,965)
Other student services.....	4,556,409	925,742	1,208,629	-	(2,422,038)
Operation and maintenance.....	3,784,343	-	-	179,006	(3,605,337)
Employee benefits and other fixed charges.....	9,467,447	-	5,179,640	-	(4,287,807)
Programs with other school districts (tuitions).....	4,237,466	-	-	-	(4,237,466)
Unallocated depreciation.....	1,360,333	-	-	-	(1,360,333)
Interest.....	84,827	-	-	-	(84,827)
<b>Total Governmental Activities.....</b>	<b>\$ 47,401,488</b>	<b>\$ 1,181,580</b>	<b>\$ 9,157,032</b>	<b>\$ 179,006</b>	<b>\$ (36,883,870)</b>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Statement of Activities (Continued)

Year Ended June 30, 2024

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>Changes in net position:</b>	
Net (expense) revenue from previous page..... \$	<b>(36,883,870)</b>
<i>General revenues:</i>	
Member town assessments.....	34,867,901
Grants and contributions not restricted to specific programs.....	4,084,626
Unrestricted investment income.....	667,441
Miscellaneous revenue.....	115,060
Total general revenues.....	<u>39,735,028</u>
Change in net position.....	2,851,158
<i>Net position:</i>	
Beginning of year.....	<u>(31,741,288)</u>
End of year..... \$	<u>(28,890,130)</u>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Governmental Funds Balance Sheet

**June 30, 2024**

	General	Revolving Fund	Athletic Facilities Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 11,783,771	\$ 3,872,502	\$ 10,221,679	\$ 1,492,491	\$ 27,370,443
Receivables, net of uncollectibles:					
Intergovernmental.....	820,529	-	-	67,488	888,017
Prepaid expenditure.....	1,366,168	-	-	-	1,366,168
<b>TOTAL ASSETS.....</b>	<b>\$ 13,970,468</b>	<b>\$ 3,872,502</b>	<b>\$ 10,221,679</b>	<b>\$ 1,559,979</b>	<b>\$ 29,624,628</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 967,051	\$ 30,926	\$ 789,500	\$ 70,049	\$ 1,857,526
Accrued payroll.....	1,999,694	-	-	27,265	2,026,959
Other liabilities.....	168,095	-	-	-	168,095
Notes payable.....	-	-	10,501,800	1,598,200	12,100,000
<b>TOTAL LIABILITIES.....</b>	<b>3,134,840</b>	<b>30,926</b>	<b>11,291,300</b>	<b>1,695,514</b>	<b>16,152,580</b>
<b>FUND BALANCES</b>					
Nonspendable.....	1,366,168	-	-	-	1,366,168
Restricted.....	1,768,043	3,841,576	-	542,843	6,152,462
Assigned.....	3,264,278	-	-	-	3,264,278
Unassigned.....	4,437,139	-	(1,069,621)	(678,378)	2,689,140
<b>TOTAL FUND BALANCES.....</b>	<b>10,835,628</b>	<b>3,841,576</b>	<b>(1,069,621)</b>	<b>(135,535)</b>	<b>13,472,048</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 13,970,468</b>	<b>\$ 3,872,502</b>	<b>\$ 10,221,679</b>	<b>\$ 1,559,979</b>	<b>\$ 29,624,628</b>

*See notes to basic financial statements.*

**Hamilton-Wenham Regional School District**

**Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Position**

**June 30, 2024**

Total governmental fund balances.....	\$	13,472,048
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		17,548,427
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(14,244,294)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds:		
Bonds payable.....	(1,575,000)	
Net pension liability.....	(9,840,860)	
Net other postemployment benefits liability.....	(33,743,355)	
Compensated absences.....	<u>(507,096)</u>	
Net effect of reporting long-term liabilities.....		<u>(45,666,311)</u>
Net position of governmental activities.....	\$	<u>(28,890,130)</u>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

**Year Ended June 30, 2024**

	General	Revolving Fund	School Capital Projects	Athletic Facilities Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Member town assessments.....	\$ 34,867,901	\$ -	\$ -	\$ -	\$ -	\$ 34,867,901
Intergovernmental.....	4,084,626	2,507,087	-	-	2,117,666	8,709,379
Intergovernmental - teachers retirement.....	5,179,640	-	-	-	-	5,179,640
Charges for services.....	-	507,537	-	-	205,688	713,225
Miscellaneous revenue.....	115,060	-	-	-	-	115,060
Investment income.....	667,441	-	-	-	-	667,441
<b>TOTAL REVENUES.....</b>	<b>44,914,668</b>	<b>3,014,624</b>	<b>-</b>	<b>-</b>	<b>2,323,354</b>	<b>50,252,646</b>
<b>EXPENDITURES:</b>						
Current:						
District administration.....	1,294,097	-	-	-	-	1,294,097
Instructional services.....	21,546,060	166,404	-	-	859,106	22,571,570
Other student services.....	2,623,479	724,386	-	-	1,208,544	4,556,409
Operation and maintenance.....	3,301,553	12,460	-	-	1,254	3,315,267
Employee benefits and other fixed charges.....	5,544,518	13,416	-	-	9,783	5,567,717
Pension benefits - teachers retirement.....	5,179,640	-	-	-	-	5,179,640
Programs with other school districts (tuitions).....	2,756,404	1,481,062	-	-	-	4,237,466
Capital outlay.....	509,090	-	-	1,069,621	612,523	2,191,234
Debt service:						
Debt service principal.....	195,000	-	-	-	-	195,000
Interest.....	84,827	-	-	-	-	84,827
<b>TOTAL EXPENDITURES.....</b>	<b>43,034,668</b>	<b>2,397,728</b>	<b>-</b>	<b>1,069,621</b>	<b>2,691,210</b>	<b>49,193,227</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,880,000</b>	<b>616,896</b>	<b>-</b>	<b>(1,069,621)</b>	<b>(367,856)</b>	<b>1,059,419</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in.....	-	-	-	-	582,759	582,759
Transfers out.....	(582,759)	-	-	-	-	(582,759)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(582,759)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>582,759</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,297,241</b>	<b>616,896</b>	<b>-</b>	<b>(1,069,621)</b>	<b>214,903</b>	<b>1,059,419</b>
<b>FUND BALANCES, 6/30/2023, AS PREVIOUSLY REPORTED.....</b>	<b>9,538,387</b>	<b>3,224,680</b>	<b>(224,738)</b>	<b>-</b>	<b>(125,700)</b>	<b>12,412,629</b>
<b>ADJUSTMENT - CHANGE FROM MAJOR TO NONMAJOR FUND.....</b>	<b>-</b>	<b>-</b>	<b>224,738</b>	<b>-</b>	<b>(224,738)</b>	<b>-</b>
<b>FUND BALANCES, 6/30/2023, AS ADJUSTED.....</b>	<b>9,538,387</b>	<b>3,224,680</b>	<b>-</b>	<b>-</b>	<b>(350,438)</b>	<b>12,412,629</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 10,835,628</b>	<b>\$ 3,841,576</b>	<b>\$ -</b>	<b>\$ (1,069,621)</b>	<b>\$ (135,535)</b>	<b>\$ 13,472,048</b>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

**Year Ended June 30, 2024**

Net change in fund balances - total governmental funds.....	\$	1,059,419
<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.</p>		
Capital outlay.....		1,722,158
Depreciation expense.....		<u>(1,360,333)</u>
Net effect of reporting capital assets.....		361,825
<p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		<u>195,000</u>
Net effect of reporting long-term debt.....		195,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(44,996)
Net change in deferred outflow/(inflow) of resources related to pensions.....		(708,965)
Net change in net pension liability.....		1,100,433
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....		(4,386,021)
Net change in net other postemployment benefits liability.....		<u>5,274,463</u>
Net effect of recording long-term liabilities.....		<u>1,234,914</u>
Change in net position of governmental activities.....	\$	<u><u>2,851,158</u></u>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2024

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ -	\$ 49,328
Investments:		
Investments in Pension Reserve Investment Trust..	2,798,375	-
Other investments.....	-	457,621
<b>TOTAL ASSETS.....</b>	<b>2,798,375</b>	<b>506,949</b>
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	2,798,375	-
Held in trust for other purposes.....	-	506,949
<b>TOTAL NET POSITION.....</b>	<b>\$ 2,798,375</b>	<b>\$ 506,949</b>

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Fiduciary Funds Statement of Changes in Fiduciary Net Position

**June 30, 2024**

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b><u>ADDITIONS:</u></b>		
Contributions:		
Employer contributions.....	\$ 200,000	\$ -
Employer contributions for other postemployment benefit payments.....	2,476,721	-
Private donations.....	-	296
Total contributions.....	2,676,721	296
Net investment income:		
Investment income.....	235,807	25,055
TOTAL ADDITIONS.....	2,912,528	25,351
<b><u>DEDUCTIONS:</u></b>		
Other postemployment benefit payments.....	2,476,721	-
Educational scholarships.....	-	21,388
TOTAL DEDUCTIONS.....	2,476,721	21,388
NET INCREASE IN NET POSITION.....	435,807	3,963
NET POSITION AT BEGINNING OF YEAR.....	2,362,568	502,986
NET POSITION AT END OF YEAR.....	\$ 2,798,375	\$ 506,949

*See notes to basic financial statements.*

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Hamilton-Wenham Regional School District (District) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

#### A. Reporting Entity

The Hamilton-Wenham Regional School District (the District) was regionalized in 1974 and by agreement serves the Towns of Hamilton and Wenham, Massachusetts. A seven-member School Committee governs the District, which consists of elected members from the member Towns.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

#### B. Government-Wide and Fund Financial Statements

##### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member Town assessments and intergovernmental revenues.

##### *Fund Financial Statements*

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

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type, *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Governmental activities are generally financed through intergovernmental assessments or other nonexchange transactions.

#### *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 regardless of the timing of the cash flows. 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 particular 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the District's functions and are included in employee benefits and other fixed charges in the statement of activities. Depreciation is reported as one amount, in total, on the statement of activities. None of these costs are allocated among the respective functions.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Other items not identifiable as program revenues are reported as general revenues.  
The effect of interfund activity has been removed from the government-wide financial statements.

#### *Fund Financial Statements*

**Governmental** fund 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 (60 days). 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, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Investment income is susceptible to accrual. Other receipts and 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 the primary operating fund and is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *revolving fund* is used to account for the District's revolving fund activities such as state circuit breaker, school choice, regional transportation and pre-school tuition, which were established in accordance with Massachusetts General Laws.

The *athletic facilities improvement project fund* is used to account for and report financial resources that are restricted or committed to expenditures for improvements at the Regional High School and Miles River Middle School campus. The project includes accessibility improvements, new multi-sport artificial turf playing fields, replacing a new running/walking track, new tennis courts, and new lighting.

The *nonmajor governmental funds* consist of other special revenue and capital project funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental fund financial statements. The following describes the general use of this fund type:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

The *capital projects fund* is 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 of the governmental funds.

**Fiduciary** fund 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 governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities.

The *private purpose trust fund* is used to account for assets that are held for future scholarships and awards.

#### D. Cash 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.

#### E. Fair Value Measurements

The District reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participations at the measurement date.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

valuation methodologies. Certain fixed income securities, U.S. government obligations, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

#### F. Accounts Receivable

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

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary 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.

##### *Intergovernmental*

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

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

#### G. Capital Assets

##### *Government-Wide Financial Statements*

Capital assets, which include buildings and improvements, and machinery and equipment are reported in 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 fair value.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	15-50
Machinery and equipment.....	5-20

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 Fund Financial Statements*

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

#### H. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

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 then. The District has reported deferred outflows of resources related to pensions and OPEB in this category.

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. The District has reported deferred inflows of resources related to pensions and OPEB in this category.

#### *Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The District does not have any elements that qualify for reporting in this category.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### I. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within 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.

### J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

#### *Fund Financial Statements*

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

### K. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Net position has been restricted for “gifts and grants” which represents assets that have restrictions placed on them from outside parties.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications may include the following:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, the member communities.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the District will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the District’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### L. Investment Income

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

### M. 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 year. Actual results could vary from estimates that were used.

### N. Pensions

For purposes 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 both the Essex Regional Retirement System (ERRS) and the Massachusetts Teachers Retirement System (MTRS) and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. 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.

### O. Long-term Debt

#### *Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported gross of the applicable bond premium or discount. Bond issuance costs are reported as an outflow of resources in the reporting period in which the costs are incurred.

#### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. 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.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures. Compensated absences are reported in governmental funds only if they have matured.

#### *Government-Wide Financial Statements*

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

#### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

### Q. Fund Deficits

Individual fund deficits existed at June 30, 2024, in the Athletic Facilities Improvement project capital fund and the nonmajor capital projects fund. These deficits will be funded by available funds and or bond proceeds in future years.

### R. Total Column

#### *Fund Financial Statements*

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

## **NOTE 2 – CASH AND INVESTMENTS**

The District maintains a cash and investment pool that is available for use by all Funds. Each Fund Type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

The OPEB trust fund participates in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth who serves as trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 2.98 to 14.57 years. There is no credit quality rating for the fund.

#### Custodial Credit Risk – Deposits

In the case of deposits, this is risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy allows for unlimited bank deposits up to one year in financial institutions that are fully collateralized or fully insured by Federal Depository Insurance or the Depository Insurance Fund. The District's policy limits unsecured deposits to no more than 5% of an institution's assets and no more than 25% of the District's cash may be comprised of unsecured bank deposits. This percentage may be increased for no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the District in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.

At year-end, the carrying amount of deposits totaled \$25,643,574 and the bank balance totaled \$27,613,351. Of the bank balance, \$24,607,317 was covered by Federal Depository Insurance, and \$3,006,034 was uninsured and uncollateralized.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's policy to mitigate custodial credit risk requires review of the financial institution's financial statements and the background of the brokerage house and broker/dealer (Advisor). The intent of this qualification is to limit the District's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the District will be held in the District's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

At year-end, the District's investments in equity securities and debt securities were subject to custodial credit risk. The investments in mutual funds and PRIT are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### Interest Rate Risk

The District's policy to mitigate interest rate risk is to manage the duration of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2024, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury bonds.....	\$ 94,470	\$ 23,905	70,565
Government sponsored enterprises.....	75,554	-	75,554
Corporate bonds.....	<u>179,199</u>	<u>20,198</u>	<u>159,001</u>
Total debt securities.....	349,223	\$ <u>44,103</u>	\$ <u>305,120</u>
<u>Other investments:</u>			
Equity securities.....	104,570		
Fixed income mutual funds.....	3,828		
Money market mutual funds.....	1,776,197		
Pension Reserve Investment Trust (PRIT)....	<u>2,798,375</u>		
Total investments.....	\$ <u>5,032,193</u>		

#### Credit Risk

The District's policy to mitigate credit risk allows for unlimited investments in United States Treasury and United States Government Agency obligations. Regarding other investments, the District will only purchase investment grade securities with a high concentration in securities rated A or better. The District may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. Currently, there are no investments in MMDT.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

As of June 30, 2024, the District's investments in debt securities other than U.S. Treasury bonds, were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 17,820
AA+.....	75,554	-
A+.....	-	41,478
A.....	-	36,565
A-.....	-	24,198
BBB+.....	-	34,404
BBB.....	-	24,734
Total.....	\$ <u>75,554</u>	\$ <u>179,199</u>

#### Concentration of Credit Risk

The District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District had no investments that exceeded 5% of the District's total investments. Investments in government agencies, government sponsored enterprises, mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

#### Fair Value of Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a tabular format for disclosing the levels within the fair value hierarchy.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

The following table presents financial assets at June 30, 2024, for which the District measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 94,470	\$ 94,470	\$ -	\$ -
Government sponsored enterprises.....	75,554	-	75,554	-
Corporate bonds.....	179,199	-	179,199	-
Total debt securities.....	349,223	94,470	254,753	-
<u>Other investments:</u>				
Equity securities.....	104,570	104,570	-	-
Fixed income mutual funds.....	3,828	3,828	-	-
Money market mutual funds.....	1,776,197	1,776,197	-	-
Total other investments.....	1,884,595	1,884,595	-	-
Total investments measured at fair value.....	2,233,818	\$ 1,979,065	\$ 254,753	\$ -
<b>Investments measured at net asset value:</b>				
Pension Reserve Investment Trust (PRIT).	2,798,375			
Total investments.....	\$ 5,032,193			

U.S. Treasury bonds, government sponsored enterprises, equity securities, fixed income mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

PRIT investments are valued using the net asset value (NAV) method. The District does not have the ability to control any of the investment decisions relative to its funds in PRIT.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### NOTE 3 – RECEIVABLES

As of June 30, 2024, the District has intergovernmental receivables totaling \$888,017, of which \$120,815 relates to member assessments, \$699,714 relates to state transportation aid payments and \$67,488 relates to education grants. These receivables are considered to be 100% collectible and therefore do not report an allowance for uncollectible receivables.

#### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 1,335,685	\$ -	\$ 1,335,685
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 39,286,016	\$ 48,493	\$ -	\$ 39,334,509
Machinery and equipment.....	2,996,203	337,980	(141,183)	3,193,000
Total capital assets being depreciated.....	42,282,219	386,473	(141,183)	42,527,509
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(23,877,602)	(1,109,545)	-	(24,987,147)
Machinery and equipment.....	(1,218,015)	(250,788)	141,183	(1,327,620)
Total accumulated depreciation.....	(25,095,617)	(1,360,333)	141,183	(26,314,767)
Total capital assets being depreciated, net.....	17,186,602	(973,860)	-	16,212,742
Total governmental activities capital assets, net.	\$ 17,186,602	\$ 361,825	\$ -	\$ 17,548,427

Depreciation expense was not allocated to school functions and appears unallocated on the statement of activities.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2024, totaled \$582,759 and represent budgeted transfers from the general fund to the nonmajor governmental funds to paydown bond anticipation notes.

#### NOTE 6 – 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 or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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.

Details related to the short-term debt activity for the year ended June 30, 2024, were as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2023	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2024
BAN	Winthrop School fire suppression system..	4.50	01/18/24	\$ 340,000	\$ -	\$ (340,000)	\$ -
BAN	School capital improvements.....	4.50	01/18/24	574,800	-	(574,800)	-
BAN	Winthrop School fire suppression system..	4.25	12/19/24	-	215,000	-	215,000
BAN	School capital improvements.....	4.25	12/19/24	-	183,200	-	183,200
BAN	Cutler Elementary School feasibility study	4.25	12/19/24	-	1,200,000	-	1,200,000
BAN	Athletic and recreational facilities.....	4.25	12/19/24	-	10,501,800	-	10,501,800
Total Governmental Funds.....				\$ 914,800	\$ 12,100,000	\$ (914,800)	\$ 12,100,000

#### NOTE 7 – LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness for capital acquisition and construction. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Select Board in each of the member communities comprising the District.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

As of June 30, 2024, the District's general obligation bonds outstanding were as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2024
Cutler School roof and repair projects.....	2030	\$ 1,582,000	2.0 - 3.5	\$ 695,000
Buker/Winthrop heating and roof projects..	2032	1,531,000	2.0 - 3.0	<u>880,000</u>
Total General Obligation Bonds Payable.....				<u>\$ 1,575,000</u>

Debt service requirements for principal and interest for general obligation bonds payable in future years were as follows:

Year	Principal	Interest	Total
2025.....	\$ 210,000	\$ 38,701	\$ 248,701
2026.....	215,000	33,376	248,376
2027.....	220,000	27,376	247,376
2028.....	230,000	20,876	250,876
2029.....	230,000	14,476	244,476
2030.....	240,000	7,938	247,938
2031.....	115,000	3,450	118,450
2032.....	<u>115,000</u>	<u>1,150</u>	<u>116,150</u>
Total.....	<u>\$ 1,575,000</u>	<u>\$ 147,343</u>	<u>\$ 1,722,343</u>

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2024, the District had the following authorized and unissued debt:

Purpose	Amount
Athletic and recreational facilities.....	\$ 13,320,000
Cutler School feasibility study.....	1,200,000
Winthrop School fire suppression.....	215,000
Capital improvements.....	<u>183,200</u>
Total.....	<u>\$ 14,918,200</u>

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### Changes in long-term liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term debt payable.....\$	1,770,000	\$ -	\$ (195,000)	\$ -	\$ -	\$ 1,575,000	\$ 210,000
Compensated absences.....	462,100	-	-	212,681	(167,685)	507,096	184,564
Net pension liability.....	10,941,293	-	-	659,732	(1,760,165)	9,840,860	-
Net OPEB liability.....	39,017,818	-	-	1,788,279	(7,062,742)	33,743,355	-
Total governmental activity long-term liabilities.....	\$ 52,191,211	\$ -	\$ (195,000)	\$ 2,660,692	\$ (8,990,592)	\$ 45,666,311	\$ 394,564

#### **NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that can only be used for specific purposes pursuant to self-imposed constraints of the District from its highest level of decision-making authority, the member communities.
- **Assigned:** fund balances that contain self-imposed constraints of the District to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The District’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Massachusetts General Law Ch. 71 §16G½ allows for the establishment of a stabilization fund for any purpose for which regional school districts may borrow money or for such other district purpose as the commissioner of elementary and secondary education may approve. The stabilization fund may be appropriated by vote of two thirds of all of the members of the regional district school committee. At year-end, the balance of the capital stabilization fund totaled \$1,768,043 and is reported as restricted fund balance within the general fund.

The District has classified its fund balances within the following hierarchy:

	General	Revolving Fund	Athletic Facilities Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Prepaid expenditures.....	\$ 1,366,168	\$ -	\$ -	\$ -	\$ 1,366,168
Restricted for:					
Capital stabilization.....	1,768,043	-	-	-	1,768,043
Revolving fund.....	-	3,841,576	-	-	3,841,576
Receipts reserved for appropriation.....	-	-	-	4,075	4,075
Athletic/extracurricular revolving fund.....	-	-	-	149,107	149,107
Gifts and grants.....	-	-	-	23,996	23,996
Cafeteria.....	-	-	-	365,665	365,665
Assigned to:					
District administration.....	110,099	-	-	-	110,099
Instructional services.....	47,842	-	-	-	47,842
Other student services.....	96,302	-	-	-	96,302
Operation and maintenance.....	511,279	-	-	-	511,279
Employee benefits and other fixed charges	19,824	-	-	-	19,824
Programs with other school districts.....	87,739	-	-	-	87,739
Capital outlay.....	88,885	-	-	-	88,885
E&D used for subsequent year budget.....	2,302,308	-	-	-	2,302,308
Unassigned.....	4,437,139	-	(1,069,621)	(678,378)	2,689,140
Total Fund Balances.....	\$ 10,835,628	\$ 3,841,576	\$ (1,069,621)	\$ (135,535)	\$ 13,472,048

#### NOTE 9 – RISK FINANCING

The District 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 District carries commercial insurance. The District participates in premium-based health care plans for its active employees and its retirees.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### NOTE 10 – PENSION PLAN

#### *Plan Descriptions*

The District is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The District is a member of the MTRS, a cost-sharing multi-employer defined benefit pension plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

#### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2023. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$5,179,640 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$55,474,268 as of the measurement date.

#### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System 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 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

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2023 and totaled \$1,051,200 which was 27.24% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

#### *Pension Liabilities*

At June 30, 2024, the District reported a liability of \$9,840,860 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024, that was updated to December 31, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2023, the District's proportion was 2.22%, previously 2.36%.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### *Pension Expense*

For the year ended June 30, 2024, the District recognized pension expense of \$659,732. The balances of deferred outflows and inflows of resources at June 30, 2024, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 182,110	\$ (117,842)	\$ 64,268
Difference between projected and actual earnings, net.....	544,965	-	544,965
Changes of assumptions.....	270,143	-	270,143
Changes in proportion and proportionate share of contributions.	-	(1,215,637)	(1,215,637)
Total deferred outflows/(inflows) of resources.....	\$ 997,218	\$ (1,333,479)	\$ (336,261)

The District's net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2025.....	\$ (236,781)
2026.....	(131,880)
2027.....	206,284
2028.....	(173,884)
Total.....	\$ (336,261)

#### *Actuarial Assumptions*

The total pension liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2023:

Valuation date.....	January 1, 2024
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Net investment return/discount rate...	7.00%
Interest on employee contributions....	3.50%

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Mortality Rates:

Pre-Retirement.....	RP-2014 Employee Mortality Table projected generationally using Scale MP-2021.
Healthy Retiree.....	RP-2014 Healthy Annuitant Mortality Table projected generationally using Scale MP-2021.
Disabled Retiree.....	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally using Scale MP-2021.

*Investment Policy*

The ERRS’s policy in regard to the allocation of invested assets is established by the Pension Reserve Investment Trust (PRIT) and the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 returns 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, adding expected inflation and subtracting expected investment expenses and risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	24.10%	6.90%
International developed markets equity.....	10.80%	6.60%
International emerging markets equity.....	4.40%	9.20%
Core fixed income.....	13.60%	4.90%
High-yield fixed income.....	7.30%	4.20%
Private equity.....	17.10%	10.20%
Real estate.....	10.30%	6.60%
Timberland.....	3.20%	7.10%
Hedge fund, PCS.....	9.20%	6.40%
Total.....	100.00%	

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

*Rate of Return*

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments was 11.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested, measured monthly.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of December 31, 2023 and December 31, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The District's proportionate share of the net pension liability.....	\$ 12,757,540	\$ 9,840,860	\$ 7,393,655

*Changes of Assumptions* – None.

*Changes in Plan Provisions* – None.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Hamilton-Wenham Regional School District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

#### *Funding Policy*

Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its other postemployment benefits (OPEB) liability. During 2024, the District pre-funded future OPEB liabilities totaling \$200,000 by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. This fund is reported within the District's Fiduciary Fund financial statements. As of June 30, 2024, the balance of this fund totaled \$2,798,375.

#### *Employees Covered by Benefit Terms*

The following table represents the Plan's membership as of July 1, 2023, the actuarial valuation date:

Active members.....	295
Inactive employees or beneficiaries currently receiving benefit	<u>223</u>
Total.....	<u>518</u>

#### *Components of the Net OPEB Liability*

The following table represents the components of the Plan's OPEB liability as of June 30, 2024:

Total OPEB liability.....	\$ 36,541,730
Less: OPEB plan's fiduciary net position.....	<u>(2,798,375)</u>
Net OPEB liability.....	<u>\$ 33,743,355</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.	7.66%

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### *Significant Actuarial Methods and Assumptions*

The net OPEB liability in the July 1, 2023, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, that was updated to June 30, 2024:

Valuation date.....	July 1, 2023
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.97%, net of OPEB plan investment expense, including inflation. Previously 6.30%.
Single equivalent discount rate.....	6.38%, net of OPEB plan investment expense, including inflation. Previously 5.52%.
Municipal bond rate.....	4.21% as of June 30, 2024 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG). Previously 4.09%.
Inflation rate.....	2.50% as of June 30, 2024 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2024 and for future periods.
Healthcare cost trend rate.....	Medical costs increase according to the Getzen Model of long-run medical cost trends for active and Medicare supplement plans, which includes a rate of 9.00% in fiscal year 2024 and an ultimate trend rate of 3.63% in fiscal year 2060+.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Post-Retirement mortality..... General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.  
Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Disabled mortality..... General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.  
Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

#### *Rate of Return*

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense was 9.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

The long-term expected rate of return on OPEB plan investments was derived using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return is added to the expected inflation rate, less interest expense to produce the long-term expected nominal rate of return of 6.97%.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Best estimates of real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap.....	14.50%	4.91%
Domestic equity - small/mid cap.....	3.50%	5.29%
International equity - developed market....	16.00%	5.32%
International equity - emerging market.....	6.00%	6.13%
Domestic fixed income.....	20.00%	2.30%
International fixed income.....	3.00%	2.02%
Alternatives.....	23.00%	6.35%
Real estate.....	14.00%	6.25%
Total.....	<u>100.00%</u>	

#### *Discount Rate*

The discount rate used to measure the net OPEB liability was 6.38% as of June 30, 2024, and 5.52% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.21% as of June 30, 2024. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### *Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(a)	Net Position	(a) - (b)
	(a)	(b)	(a) - (b)
Balance at June 30, 2023..... \$	41,380,386	\$ 2,362,568	\$ 39,017,818
Changes for the year:			
Service cost.....	1,197,265	-	1,197,265
Interest.....	2,282,847	-	2,282,847
Differences between expected and actual experience...	(1,424,442)	-	(1,424,442)
Changes in assumptions.....	(4,417,605)	-	(4,417,605)
Benefit payments.....	(2,476,721)	(2,476,721)	-
Contributions - employer.....	-	2,676,721	(2,676,721)
Net investment income/(loss).....	-	235,807	(235,807)
	(4,838,656)	435,807	(5,274,463)
Net change.....	(4,838,656)	435,807	(5,274,463)
Balance at June 30, 2024..... \$	36,541,730	\$ 2,798,375	\$ 33,743,355

#### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following table presents the net other postemployment benefits liability, calculated using the discount rate of 6.38%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current	1% Increase
	(5.38%)	Discount Rate	(7.38%)
	(5.38%)	(6.38%)	(7.38%)
Net OPEB liability..... \$	38,947,533	\$ 33,743,355	\$ 29,521,801

#### *Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following table presents the net other postemployment benefits liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefits liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability..... \$	29,101,528	\$ 33,743,355	\$ 39,487,220

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

*OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,788,279. At June 30, 2024, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.... \$	-	\$ (4,356,681)	\$ (4,356,681)
Difference between projected and actual earnings, net...	-	(86,225)	(86,225)
Changes of assumptions.....	1,009,593	(10,474,720)	(9,465,127)
Total deferred outflows/(inflows) of resources..... \$	1,009,593	\$ (14,917,626)	\$ (13,908,033)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2025.....	\$ (3,052,264)
2026.....	(4,061,855)
2027.....	(4,062,480)
2028.....	(1,843,803)
2029.....	(887,631)

Total deferred outflows/(inflows) of resources.. \$ (13,908,033)

*Changes of Assumptions* – The discount rate was increased from 5.52% to 6.38%. The assumption for future increases in health care costs was modified using the Getzen model to reflect higher costs in the near-term.

*Changes in Plan Provisions* – None.

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### NOTE 12 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending. 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, 2024, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2024.

The general fund had various commitments for goods and services related to encumbrances totaling \$961,970.

#### NOTE 13 – CHANGE IN FUND CLASSIFICATION

During the fiscal year ended June 30, 2024, the District reviewed its fund classifications and determined that the school capital projects fund, previously reported as a major fund, no longer meets the criteria for major fund reporting according to the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

The school capital projects fund has been reclassified as a nonmajor fund for the fiscal year ended June 30, 2024. This reclassification is based on the fund’s financial activity, which no longer meets the quantitative thresholds established for major fund reporting. The decision to reclassify was made to provide more accurate and relevant financial information to users of the financial statements.

The effects of this reclassification are reflected in the accompanying financial statements for the fiscal year ended June 30, 2024. The reclassification did not have any impact on the total net position or the change in net position of the District.

	Reporting Units Affected by Adjustments to Beginning Balances	
	Funds	
	School Capital Projects	Nonmajor Governmental Funds
June 30, 2023, as previously reported.....	\$ (224,738)	\$ (125,700)
Change from major fund to nonmajor fund...	<u>224,738</u>	<u>(224,738)</u>
June 30, 2023, as adjusted.....	<u>\$ -</u>	<u>\$ (350,438)</u>

# Hamilton-Wenham Regional School District

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 26, 2024, which is the date the financial statements were available to be issued.

### NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2024, the following GASB pronouncements were implemented:

- GASB Statement #100, *Accounting Changes and Error Corrections*. As more fully described in Note 13, the implementation of this pronouncement required disclosure of a change in fund classification from major to nonmajor.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.
- The GASB issued Statement #102. *Certain Risk Disclosures*, which is required to be implemented in 2025.
- The GASB Issued Statement #103. *Financial Reporting Model Improvements*, which is required to be implemented in 2026.
- The GASB issued Statement #104, *Disclosure of Certain Capital Assets*, which is required to be implemented in 2026.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

*Required Supplementary Information*

# Hamilton-Wenham Regional School District

## Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund – Budget and Actual

**Year Ended June 30, 2024**

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Member town assessments.....	\$ -	\$ 34,867,851	\$ 34,867,851	\$ 34,867,851	\$ 34,867,901	\$ -	\$ 50
Intergovernmental.....	-	3,984,489	3,984,489	3,984,489	4,084,626	-	100,137
Investment income.....	-	3,070	3,070	3,070	597,685	-	594,615
Miscellaneous revenue.....	-	-	-	-	115,060	-	115,060
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>38,855,410</b>	<b>38,855,410</b>	<b>38,855,410</b>	<b>39,665,272</b>	<b>-</b>	<b>809,862</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
District administration.....	46,073	1,564,488	1,610,561	1,610,561	1,294,097	110,099	206,365
Instructional.....	1,894,190	20,449,694	22,343,884	24,073,390	21,539,303	2,044,694	489,393
Other student services.....	71,073	4,377,575	4,448,648	2,928,137	2,545,712	96,302	286,123
Operation and maintenance.....	258,912	2,846,878	3,105,790	3,517,281	3,286,849	511,279	(280,847)
Employee benefits and other fixed charges.....	67,184	6,282,809	6,349,993	5,777,990	5,528,694	19,824	229,472
Programs with other school districts (tuitions).....	9,733	3,370,539	3,380,272	3,380,271	2,947,539	87,739	344,993
Capital outlay.....	88,895	575,000	663,895	627,591	509,090	88,885	29,616
<b>Debt service:</b>							
Debt service principal.....	-	195,000	195,000	195,000	195,000	-	-
Interest.....	-	84,827	84,827	84,827	84,827	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,436,060</b>	<b>39,746,810</b>	<b>42,182,870</b>	<b>42,195,048</b>	<b>37,931,111</b>	<b>2,958,822</b>	<b>1,305,115</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,436,060)</b>	<b>(891,400)</b>	<b>(3,327,460)</b>	<b>(3,339,638)</b>	<b>1,734,161</b>	<b>(2,958,822)</b>	<b>2,114,977</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Use of prior year reserves.....	2,436,060	3,172,446	5,608,506	5,620,684	-	-	(5,620,684)
Transfers out.....	-	(2,281,046)	(2,281,046)	(2,281,046)	(2,281,046)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,436,060</b>	<b>891,400</b>	<b>3,327,460</b>	<b>3,339,638</b>	<b>(2,281,046)</b>	<b>-</b>	<b>(5,620,684)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(546,885)</b>	<b>(2,958,822)</b>	<b>(3,505,707)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>-</b>	<b>10,245,154</b>	<b>10,245,154</b>	<b>10,245,154</b>	<b>10,245,154</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ 10,245,154</b>	<b>\$ 10,245,154</b>	<b>\$ 10,245,154</b>	<b>\$ 9,698,269</b>	<b>\$ (2,958,822)</b>	<b>\$ (3,505,707)</b>

*See notes to required supplementary information.*

## *Pension Plan Schedules*

The Schedule of the District's Proportionate Share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

The Schedule of District's Contributions presents multi-year trend information on the District's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the District along with related ratios.

## Hamilton-Wenham Regional School District

### Schedule of the District's Proportionate Share of the Net Pension Liability

#### Essex Regional Retirement System

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2023.....	2.22%	\$ 9,840,860	\$ 3,783,340	260.11%	61.13%
December 31, 2022.....	2.36%	10,941,293	3,776,507	289.72%	57.57%
December 31, 2021.....	2.60%	9,017,212	3,772,971	238.99%	67.01%
December 31, 2020.....	2.72%	10,783,804	4,105,325	262.68%	59.73%
December 31, 2019.....	2.72%	11,456,239	3,953,177	289.80%	55.46%
December 31, 2018.....	2.72%	11,482,455	3,858,732	297.57%	51.89%
December 31, 2017.....	2.78%	10,477,680	3,709,896	282.43%	55.40%
December 31, 2016.....	2.84%	10,943,949	3,971,144	275.59%	51.12%
December 31, 2015.....	2.84%	10,306,211	3,656,348	281.87%	51.01%
December 31, 2014.....	2.75%	9,315,057	3,502,758	265.93%	52.27%

*See notes to required supplementary information.*

# Hamilton-Wenham Regional School District

## Schedule of District's Contributions

### Essex Regional Retirement System

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2024.....	\$ 1,051,200	(1,051,200)	\$ -	\$ 3,859,007	27.24%
June 30, 2023.....	1,049,214	(1,049,214)	-	3,852,037	27.24%
June 30, 2022.....	1,076,094	(1,076,094)	-	3,848,430	27.96%
June 30, 2021.....	1,048,965	(1,048,965)	-	4,187,432	25.05%
June 30, 2020.....	976,599	(976,599)	-	4,032,241	24.22%
June 30, 2019.....	908,291	(908,291)	-	3,935,907	23.08%
June 30, 2018.....	866,990	(866,990)	-	3,784,094	22.91%
June 30, 2017.....	823,009	(823,009)	-	4,050,567	20.32%
June 30, 2016.....	779,283	(779,283)	-	3,729,475	20.90%
June 30, 2015.....	704,356	(704,356)	-	3,572,813	19.71%

*See notes to required supplementary information.*

## Hamilton-Wenham Regional School District

### Schedule of the Special Funding Amounts of the Net Pension Liability

#### Massachusetts Teachers' Retirement System

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2024.....	\$ 55,474,268	\$ 5,179,640	58.48%
2023.....	54,407,188	4,475,522	57.75%
2022.....	48,097,369	3,859,614	62.03%
2021.....	63,796,379	7,879,767	50.67%
2020.....	58,249,212	7,063,728	53.95%
2019.....	53,814,444	5,453,315	54.84%
2018.....	52,560,042	5,485,845	54.25%
2017.....	51,438,198	5,247,033	52.73%
2016.....	47,483,472	3,851,332	55.38%
2015.....	37,616,788	2,613,419	61.64%

*See notes to required supplementary information.*

## *Other Postemployment Benefit Plan Schedules*

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the District's Contributions presents multi-year trend information on the District's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

# Hamilton-Wenham Regional School District

## Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios

### Other Postemployment Benefit Plan

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
<b>Total OPEB Liability</b>							
Service cost.....	\$ 1,375,144	\$ 1,565,986	\$ 1,950,280	\$ 2,044,674	\$ 2,504,319	\$ 1,123,610	\$ 1,197,265
Interest.....	936,777	1,172,841	1,308,010	1,376,416	1,299,679	2,196,576	2,282,847
Differences between expected and actual experience..	5,568,629	-	(727,454)	-	(6,086,077)	-	(1,424,442)
Changes of assumptions.....	-	-	8,305,424	5,047,957	(12,904,567)	(113,061)	(4,417,605)
Benefit payments.....	(748,115)	(868,691)	(1,080,002)	(1,170,536)	(1,261,903)	(1,264,826)	(2,476,721)
Net change in total OPEB liability.....	7,132,435	1,870,136	9,756,258	7,298,511	(16,448,549)	1,942,299	(4,838,656)
Total OPEB liability - beginning.....	29,829,296	36,961,731	38,831,867	48,588,125	55,886,636	39,438,087	41,380,386
Total OPEB liability - ending (a).....	<u>\$ 36,961,731</u>	<u>\$ 38,831,867</u>	<u>\$ 48,588,125</u>	<u>\$ 55,886,636</u>	<u>\$ 39,438,087</u>	<u>\$ 41,380,386</u>	<u>\$ 36,541,730</u>
<b>Plan fiduciary net position</b>							
Employer contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 2,150,000	\$ 200,000
Employer contributions for OPEB payments.....	-	-	-	-	1,261,903	1,264,826	2,476,721
Net investment income.....	-	-	-	-	58	112,510	235,807
Benefit payments.....	-	-	-	-	(1,261,903)	(1,264,826)	(2,476,721)
Net change in plan fiduciary net position.....	-	-	-	-	100,058	2,262,510	435,807
Plan fiduciary net position - beginning of year.....	-	-	-	-	-	100,058	2,362,568
Plan fiduciary net position - end of year (b).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,058</u>	<u>\$ 2,362,568</u>	<u>\$ 2,798,375</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 36,961,731</u>	<u>\$ 38,831,867</u>	<u>\$ 48,588,125</u>	<u>\$ 55,886,636</u>	<u>\$ 39,338,029</u>	<u>\$ 39,017,818</u>	<u>\$ 33,743,355</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability.....</b>							
	N/A	N/A	N/A	N/A	0.25%	5.71%	7.66%
Covered-employee payroll.....	\$ 18,795,232	\$ 19,359,089	\$ 20,667,883	\$ 21,287,919	\$ 20,913,218	\$ 21,540,615	\$ 22,514,542
Net OPEB liability as a percentage of covered-employee payroll.....	196.65%	200.59%	235.09%	262.53%	188.10%	181.14%	149.87%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

*See notes to required supplementary information.*

# Hamilton-Wenham Regional School District

## Schedule of the District's Contributions

### Other Postemployment Benefit Plan

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2024.....	\$ 2,925,630	\$ (2,676,721)	\$ 248,909	\$ 22,514,542	11.89%
June 30, 2023.....	2,930,339	(3,414,826)	(484,487)	21,540,615	15.85%
June 30, 2022.....	4,321,491	(1,361,903)	2,959,588	20,913,218	6.51%
June 30, 2021.....	3,716,906	(1,170,536)	2,546,370	21,287,919	5.50%
June 30, 2020.....	4,285,556	(1,080,002)	3,205,554	20,667,883	5.23%
June 30, 2019.....	3,349,372	(868,691)	2,480,681	19,359,089	4.49%
June 30, 2018.....	3,158,530	(748,115)	2,410,415	18,795,232	3.98%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

*See notes to required supplementary information.*

# Hamilton-Wenham Regional School District

## Schedule of Investment Returns

### Other Postemployment Benefit Plan

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2024.....	9.59%
June 30, 2023.....	13.75%
June 30, 2022.....	0.12%
June 30, 2021.....	N/A
June 30, 2020.....	N/A
June 30, 2019.....	N/A
June 30, 2018.....	N/A

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

*See notes to required supplementary information.*

# Hamilton-Wenham Regional School District

## Notes to Required Supplementary Information

### Year Ended June 30, 2024

#### NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgetary Information

The District adopts a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources, and recommendations of expenditures and other financing uses. The Committee, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases in the budget subsequent to the approval of the annual budget require majority Committee approval.

The majority of the District’s appropriations are non-continuing which lapse at the end of the year.

The District adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2024 approved budget for the general fund authorized \$42.0 million in appropriations and included \$2.4 million in carryforwards from the prior year. The District did not approve supplemental appropriations during the current year.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained in accordance with the legal level of spending approved by the member communities and as amended by the School Committee. Budgetary control is exercised through the District’s accounting system.

##### Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2024, is presented below:

Net change in fund balance - budgetary basis.....	\$ (546,885)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,768,043
<u>Basis of accounting differences:</u>	
Net change in recording prepaid tuitions.....	191,135
Net change in recording accrued payroll.....	(115,052)
Recognition of revenue for on-behalf payments.....	5,179,640
Recognition of expenditures for on-behalf payments....	<u>(5,179,640)</u>
Net change in fund balance - GAAP basis.....	\$ <u>1,297,241</u>

# Hamilton-Wenham Regional School District

## Notes to Required Supplementary Information

Year Ended June 30, 2024

### NOTE B – PENSION PLAN

#### Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability details the District's allocated percentage of the net pension liability (asset), the District's proportionate share of the net pension liability, and the District's covered payroll. It also demonstrates the District's net position as a percentage of the District's pension liability and the District's net pension liability as a percentage of the District's covered payroll.

#### Schedule of District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The District's 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 system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The District's appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual District contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

#### Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the District; the portion of the collective pension expense as both revenue and pension expense recognized by the District; and the Plan's fiduciary net position as a percentage of the total liability.

Changes of Assumptions – None.

Changes in Plan Provisions – None.

# Hamilton-Wenham Regional School District

## Notes to Required Supplementary Information

Year Ended June 30, 2024

### NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members.

#### **The Other Postemployment Benefit Plan**

##### The Schedule of Changes in the District’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

##### Schedule of the District’s Contributions

The Schedule of the District’s Contributions includes the District’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarial contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

# Hamilton-Wenham Regional School District

## Notes to Required Supplementary Information

### Year Ended June 30, 2024

Methods and assumptions used to determine contribution rates were as follows:

Valuation date.....	July 1, 2023
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.97%, net of OPEB plan investment expense, including inflation. Previously 6.30%.
Single equivalent discount rate.....	6.38%, net of OPEB plan investment expense, including inflation. Previously 5.52%.
Municipal bond rate.....	4.21% as of June 30, 2024 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG). Previously 4.09%.
Inflation rate.....	2.50% as of June 30, 2024 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2024 and for future periods.
Healthcare cost trend rate.....	Medical costs increase according to the Getzen Model of long-run medical cost trends for active and Medicare supplement plans, which includes a rate of 9.00% in fiscal year 2024 and an ultimate trend rate of 3.63% in fiscal year 2060+.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

# Hamilton-Wenham Regional School District

## Notes to Required Supplementary Information

Year Ended June 30, 2024

### Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions – The discount rate was increased from 5.52% to 6.38%. The assumption for future increases in health care costs was modified using the Getzen model to reflect higher costs in the near-term.

Changes in Provisions – None.