

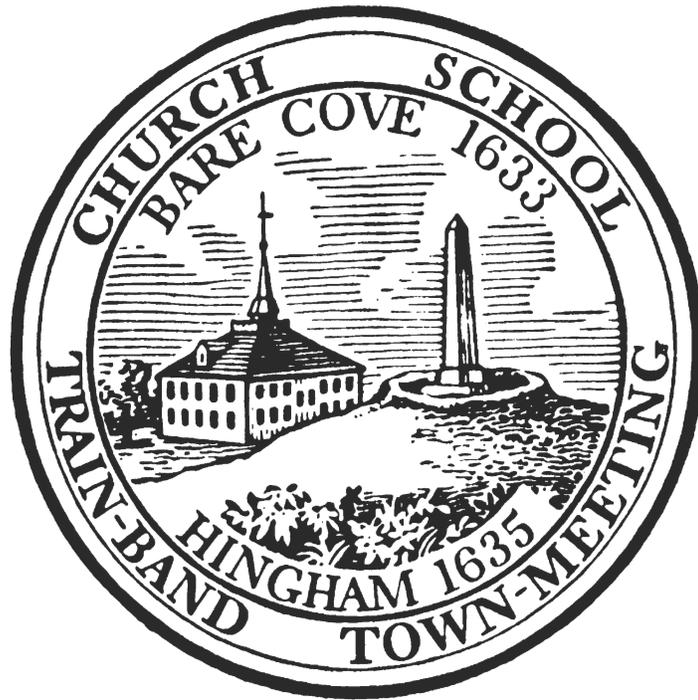
Town of Hingham Massachusetts



**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2005**

Cover: Hingham Veterans Memorial
Photograph by Eileen Fournier

The Veterans Memorial was dedicated on November 11, 2004. Early in 2001 a committee was formed to explore the idea of having a permanent memorial to veterans of all wars and to place it in front of the Town Hall. A contest for the design was held as well as a fund raising campaign. The winning design of an illuminated globe was submitted by Stefan Vogelmann. The memorial includes a large bricked circular area surrounded by a sitting wall. Over 2000 people gave their financial support, as well as donations of time and materials, to the project.



Town of Hingham, Massachusetts

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2005**

Prepared By:

Accounting Department
Finance Director/Town Accountant
Ted C. Alexiades

TOWN OF HINGHAM, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For The Fiscal Year Ended June 30, 2005

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TOWN OF HINGHAM, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Hingham,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

INTRODUCTORY SECTION

TOWN OF HINGHAM

ACCOUNTING DEPARTMENT



Ted C. Alexiades
Finance Director/Town Accountant

January 10, 2006

To the Citizens of the Town of Hingham, Massachusetts:

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005 for the Town of Hingham, Massachusetts is hereby submitted for your consideration in the new format prescribed under Government Accounting Standards Board (GASB) Statements 34, 37 and 38.

The report is the primary means of reporting the Town's financial activities. The objective of this new model is to provide a clearer picture of our government as a single, unified entity, while retaining certain traditional financial information previously provided.

This document presents the Town's financial information on three bases of accounting, each serving a different purpose. The last section of the book includes as "required supplementary information" budgetary basis schedules, which are prepared in accordance with the Town's budgetary process.

The fund perspective statements present the governmental operation on the same basis (modified accrual basis of accounting) as previous CAFR's with one exception. The account groups for long-term debt and fixed assets have been deleted. In addition, there is a perspective difference in that certain funds that are shown as fiduciary under this perspective are not portrayed under GASB 34, or are reclassified. This basis is designed to measure inter-period equity, the extent to which current resources (available within the next year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund them.

In addition to this "fund perspective," the new CAFR presents an "entity wide" perspective. This perspective combines all governmental and business activities in a statement of net assets and a statement of activities, presenting all functions on a full accrual basis of accounting. All fixed assets, with the exception of road and bridge infrastructure, are added to the statements, as are long-term liabilities such as outstanding debt. The Town is presently undertaking the task of capitalizing road and bridge infrastructure. The balance sheet has been reorganized into a "net assets format." This format classifies assets and liabilities as short and long-term and then subtracts those liabilities from net assets to arrive at net assets similar to a private company.

The Town's statement of revenues, expenditures and changes in fund balances has been completely reorganized to a new statement of activities. The expenses of the town, organized by activity, are netted against fees, fines, grant revenues and assessments generated to fund each activity in an attempt derive the net cost to the taxpayer of each activity. The reader of the financial statements can now discern the net cost of a particular function of government funded by taxation and other general revenues by a review of this statement.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hingham for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the ninth consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit raters as well as residents and taxpayers of Hingham.

This CAFR is presented in three sections: **Introductory, Financial and Statistical**. This **Introductory Section** contains this transmittal letter with economic conditions and outlook, major initiatives, financial information and other relevant information. The **Financial Section** contains a Management's Discussion and Analysis (MD&A) section. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to compliment the MD&A where the financial analysis is now presented. The Town's MD&A can be found immediately following the independent auditor's report from O'Connor & Drew, PC. The Town of Hingham is responsible for the accuracy of the financial statements as well as their completeness and fairness. We believe the statements are accurate in all material aspects and that they fairly set forth the financial position of the Town. The **Statistical Section** contains, in most cases, a ten-year history of trends of both financial and demographic data.

PROFILE OF THE TOWN OF HINGHAM

This CAFR includes all of the operational departments of the Town. The Hingham Housing Authority is not included in the reporting entity because they do not meet criteria for inclusion. The Hingham Public Library, the Hingham Municipal Lighting Plant and the Hingham Contributory Retirement System are included in this report as component units, with the first two being discrete units, and the latter being a blended unit, included within the statement of fiduciary net assets.

The Town of Hingham is a seacoast community located approximately 20 miles southeast of downtown Boston. Primarily an established single family community, Hingham has several historic village districts and more recent

single family subdivisions that were constructed within the last 40 years.

The Town provides general government services including police and fire protection, disposal of rubbish, public education, streets, recreation and a municipal golf course (The South Shore Country Club). The Massachusetts Water Resources Authority (MWRA) provides certain sewer services to the Town. A municipal sewer system serves approximately 25% of the households of the Town. The Hingham Municipal Lighting Plant, a self-supporting enterprise, provides electric power to the Town, while the Aquarion Water Company of Massachusetts, a private firm, provides water services to the Town. The Hingham Housing Authority maintains housing for elderly and handicapped residents. In addition, the Town has a Department of Elder Services to service senior citizens with various programs as well as outreach projects. Bus services are provided by the Massachusetts Bay Transit Authority and connect to established stations of the Authority.

Several recreational programs are provided among the parks located throughout the Town, in addition to significant beach and swimming facilities. Bare Cove Park contains 468 acres and was a former federal ammunition depot. It is mostly in its original pristine condition with many trees and forests and is adjacent to the scenic Back River. It provides walking and bicycle trails, nature studies, picnic facilities and other items of interest.

The Commonwealth of Massachusetts maintains Wompatuck State Park in the Towns of Hingham and Cohasset containing 3,509 acres, of which 2,047 acres are in Hingham. In addition to the facilities provided by Bare Cove Park, it offers hiking trails in the summer which become cross country skiing trails in the winter, and extensive camping facilities are provided.

The principal services provided by the County are court facilities, a jail and house of correction and registry of deeds and probate.

The three member elected Board of Selectmen is the administrative authority; however, the Town has a diverse government with many elected and autonomous boards and committees. A Town Administrator is appointed by the Selectmen and is responsible for day to day administration.

ECONOMIC CONDITION AND OUTLOOK

Unemployment rates in Massachusetts, which have been in decline for much of the past decade, have risen during the last year. However, the Town traditionally and currently has lower rates than the state or the nation.

The Town's population has modestly increased in the nineties, after having declined through most of the late eighties. There is a parallel impact in school enrollment, which declined through the late eighties and then increased 11% during the nineties.

State budget problems abated slightly during fiscal year 2005, and the state modestly increased aid to cities and towns during the fiscal year 2005.

MAJOR INITIATIVES

Since the mid 1990's the Town has consistently made capital expenditures a high priority, and to that end the Capital Outlay Committee recommended a total of \$6,411,334 for capital improvements for Fiscal 2006. The largest capital items included a renovation and expansion of the Central Fire Station and a consolidation of the Public Works functions in to a centralized facility.

FINANCIAL INFORMATION

Financial Management. The Advisory Committee, Board of Selectmen and School Committee has adopted a Financial Policy. It is a comprehensive statement covering financial management, capital expenditures and debt service. The purpose of the Policy is to stabilize tax rates and control expenditures. It is expected to give guidance to the preparation, review and approval of budgets.

The Policy recommends that Available Reserves (Undesignated Fund Balance) be maintained at about 5% of annual appropriations. Each year that Available Reserves increase, any excess of the 5% level should be available for spending or tax reductions.

Budgetary Controls. The Town Administrator is responsible for the preparation of the executive budget and initiates the process with the development of a five-year financial forecast and budget guidelines for the coming fiscal year.

The various boards prepare the budgets for departments under their jurisdiction. The Town Administrator reviews all budgets and recommendations are submitted to the Board of Selectmen. The 15 member Advisory Committee reviews the budgets approved by the Board of Selectmen, attempts to resolve any differences and then prepares the annual budget recommendations to the Town Meeting, which is the body that has final approval authority. Once approved, the budgets are controlled at the department level with the Town Accountant approving all payrolls and invoices. The Advisory Committee, based on a recommendation of the Board of Selectmen, may approve subsequent transfers from a reserve fund.

The Treasurer/Collector is responsible for all of the Town's cash and investments, debt management and payment of invoices. The Assessors set the tax rate and commit the Real Estate taxes, Personal Property taxes and Motor Vehicle Excise taxes to the Treasurer/Collector for collection. About 97% of all Real Estate taxes are collected during the fiscal year of billing with the remaining 3% collected the following year. This efficiency greatly aids the Treasurer/Collector in not only reducing or avoiding temporary loans but also maximizing investment potential.

The Treasurer/Collector, in common with other towns as a result of permissive legislation, changed from a semi-annual billing system to a quarterly billing system in Fiscal Year 1992. This change has not only eliminated the need for temporary borrowings, which were costing the Town \$150,000 per year, but also provided temporary excess cash beyond immediate needs which is available for short-term investment.

In addition to approval authority over all disbursements, the Finance Director/Town Accountant is responsible for providing accurate and timely estimates of the Town's current and future financial position to the Town Administrator.

The Town Accountant, whom also serves as the Director of Finance, holds quarterly meetings with the Town's financial officers to establish goals and objectives and to review monthly reports of comparison of budgeted revenues and expenditures with actual.

OTHER INFORMATION

Certificate of Achievement for Excellence in Financial Reporting. In order to

be awarded the Certificate of Achievement, a governmental unit (state, county, district, town or town) must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards established by the Government Finance Officers Association of the United States and Canada (GFOA). Such reports must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. We will be submitting the fiscal 2005 report to GFOA for review in anticipation of receiving the certificate.

Independent Audit. The financial statements for the fiscal year ended June 30, 2005 were audited by the public accounting firm of O'Connor & Drew, P.C. The financial statements have received an "unqualified opinion" from the auditors. An "unqualified opinion" is the best opinion which a governmental unit can receive. It indicates that the financial statements were prepared in accordance with generally accepted accounting principles and that they are fairly presented in all material aspects.

Additionally, the Town is required to have a single audit, under the requirements of the Single Audit Act of 1984, of all Federal programs, as prescribed in the Federal office of Management & Budget's Circular A133.

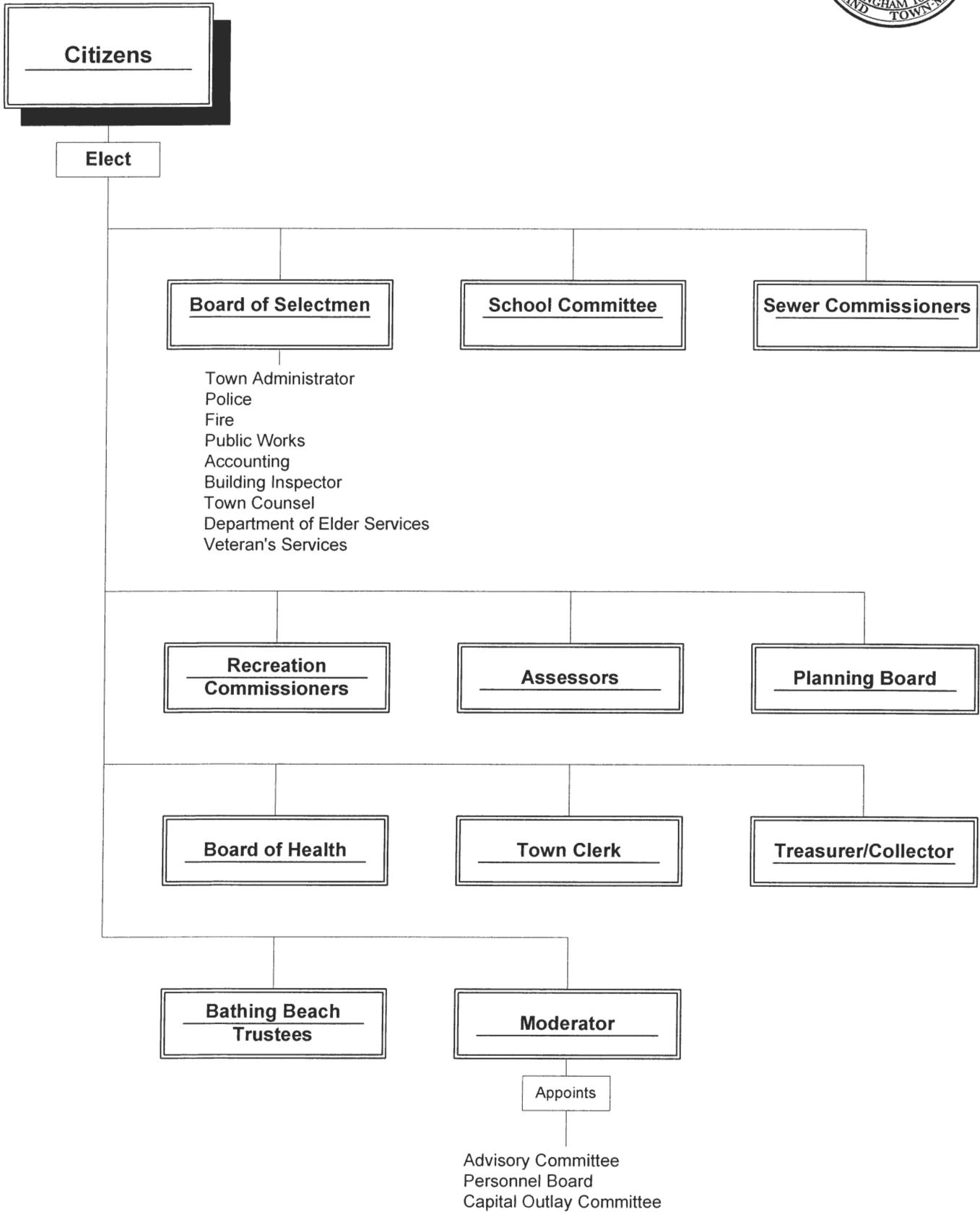
Acknowledgments. A special gratitude is owed to Dave A. DiIulis, and Kevin Carnes, Partners, at O'Connor & Drew, P.C., whose attention to the fiscal year 2005 financial statements was invaluable.

I also want to express my appreciation to the accounting personnel, Sue Nickerson, Steve Becker, Nancy Skillings, and Jan Jacobson for their assistance with the preparation of this CAFR, and to Betty Tower of the Selectmen's Office for her work on the cover design. I wish to acknowledge their efforts, and the efforts of all the town departments that assisted in the production of the final report.

Cordially yours,

Ted C. Alexiades, CPFO
Finance Director/Town Accountant

The Town of Hingham, Massachusetts Organizational Chart



TOWN OF HINGHAM
ELECTED OFFICIALS

		<u>Term Expires</u>
MODERATOR	Thomas L. P. O'Donnell	2006
BOARD OF SELECTMEN	Mathew E. MacIver, Chairman	2006
	Phillip J. Edmundson	2007
	Melissa A. Tully	2008
TOWN CLERK	Eileen A. McCracken	2006
TREASURER/COLLECTOR	Jean Montgomery	2007
BOARD OF ASSESSORS	Stuart "Greg" Hall, Chairman	2008
	Robert H. Kurtz	2006
	Mark F. Tyburski	2007
BOARD OF HEALTH	Stephan J. White, Chairman	2008
	Peter B. Bickford	2006
	Kirk J. Shilts	2007
SCHOOL COMMITTEE	Linda Krause Hill, Chairman	2006
	Christine Smith	2008
	Esther Healy	2008
	Chrisanne D. Greggoire	2007
	Arthur Shabo	2006
	Christine Parnell	2007
	Stephen Nagle	2007
PLANNING BOARD	Sarah H. Corey, Chairman	2008
	John A. Riley, Clerk	2007
	Paul K. Healey	2009
	Susan C. Murphy	2010
	William Tod McGrath	2006
SEWER COMMISSIONERS	John M. Brandt, Chairman	2008
	Michael A. Salerno	2006
	Edmund Demko	2007

TOWN OF HINGHAM
ADMINISTRATIVE STAFF

<u>Position</u>	<u>Official</u>	<u>Salary</u>
Police Chief	Steve Carlson	\$135,025
Superintendent of Schools	Dr. Dorothy H. Galo	129,962
Light Plant General Manager	John Tzimorangas	123,173
Light Plant Engineer	Panos Tokadjian	115,880
Town Administrator	Charles J. Cristello	114,431
Asst. Superintendent of Schools	Ellen Keane	105,942
School Business Manager	David Killory	99,583
Light Plant Business Manager	Joan Griffin	96,055
Finance Director/Town Accountant	Ted C. Alexiades	96,054
Director of Public Works	Joseph Stigliani	91,687
Fire Chief	Mark Duff	90,493
Light Plant Asst. General Mgr.	Joseph Gozzo	85,074
Library Director	Dennis Corcoran	75,312
Director of Public Health	Bruce Capman	71,383
Building Inspector	Richard E. Morgan Jr.	71,283
Town Clerk	Eileen McCracken	70,916
Director of Assessing	Richard Partridge	70,883
Director of Planning	Katharine Lacy	60,749
Conservation Administrator	Cliff Prentiss	59,644
Treasurer/Collector	Jean Montgomery	57,369
Elder Services Director	Barbara Farnsworth	56,566

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Hingham

We have audited the accompanying basic financial statements, governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hingham, Massachusetts which collectively comprise the Town's basic financial statements as listed in the table of contents as of June 30, 2005 and for the year then ended. These basic financial statements are the responsibility of the management of the Town of Hingham, Massachusetts. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements for the Hingham Municipal Lighting Plant as of December 31, 2004 were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity not audited by us included as a blended component unit of the Town of Hingham, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

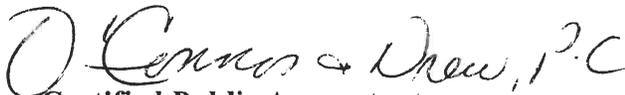
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activity, the discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Hingham, Massachusetts at June 30, 2005, and the changes in financial position and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The Management's Discussion and Analysis, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Town's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of the Town's management. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The letter of transmittal and the information in the statistical section of this report are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 2005 on our consideration of the Town of Hingham's internal control structure and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Certified Public Accountants

September 23, 2005

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited)

This analysis, prepared by the Town Accountant/Finance Director, offers readers of the Town's financial statements a narrative overview of the activities of the Town for the fiscal year ended June 30, 2005. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and the Town's financial statements, which follow. Unlike the letter of transmittal, this analysis is required by the Government Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included and excluded from this analysis.

The following discussion and analysis will include highlights of fiscal year 2005 with comparisons from fiscal 2004. These comparisons should be more meaningful for the reader in explaining the Town's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- The financial statements of the Town for fiscal year 2005 include a prior period adjustment to reflect the inclusion of the Hingham Municipal Lighting Plant as a discrete component unit of the Town. The following highlights reflect this inclusion for both fiscal year 2005 and 2004.
- The assets of the Town exceeded its liabilities as of the fiscal year ended June 30, 2005 and 2004 by \$60,844,430 and \$61,238,022, respectively (net assets). Included in net assets for fiscal year 2005 is unrestricted amounts of \$14,958,555 (unrestricted net assets) that may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets including component units increased in 2005 from 2004 by \$378,169, or .004 percent, during the fiscal year. The increase is attributable to the operations of the Hingham Municipal Lighting Plant.
- As of June 30, 2005 and 2004, the town's governmental funds reported combined ending fund balances of \$14,887,184 and \$14,943,528, respectively. Approximately 96% and 93% of this amount for 2005 and 2004 respectively, is unreserved fund balance available for spending at the Town's discretion within the purposes specified for the Town's funds.
- At the close of the fiscal year 2005 and 2004, unreserved fund balance for the general fund was \$8,376,664 and \$8,010,281, respectively or 12.9% and 13.34% of total general fund expenditures of \$64,818,332 for fiscal year 2005 and \$60,014,608 for fiscal year 2004.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These various elements of the CAFR are related as shown in the graphic on the following page:

Organization of the Town of Hingham's Comprehensive Annual Financial Report

CAFR	Introductory Section	<i>INTRODUCTORY SECTION</i>			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of net assets	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of net assets	Statement of fiduciary net assets
			Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets	
		Statement of activities		Statement of cash flows	Statement of changes in fiduciary net assets
		Notes to the Financial Statements			
		Required Supplementary Information Other Than MD&A			
	Information on individual non-major funds and other supplementary information that is not required				
Statistical Section					

TOWN OF HINGHAM

Management’s Discussion and Analysis (Unaudited) - Continued

The following table summarizes the major features of the financial statements, and describes the structure and contents of each of the statements in more detail:

	Government-wide Statement	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the Town for basic governmental services	The day-to-day operating activities of the Town for business-type enterprises	Instances in which the Town administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual Accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or sooner.	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business. The **statement of net assets** presents information on all of the Town’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus,

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Government-Wide Financial Statements - Continued

revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government administration and finance, public safety protection, education, public works, human services, and culture and recreation. The business-type activities of the Town are comprised of a municipal golf course (The South Shore Country Club).

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e. most of the Town's basic services are reported in governmental funds. These statements, however focus on (1) how cash and other financial assets can be readily converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

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 government'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.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Fund Financial Statements - Continued

The Town maintains several individual governmental funds organized according to their type (general, special revenue, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds are generally used to account for services for which the Town charges customers, and provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains the one proprietary fund type, an **Enterprise fund**, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for the operations of the South Shore Country Club (Municipal Golf Course).

Fiduciary funds are used to account resources held for the benefit of parties other than the governmental unit. Since the resources of these funds are not available to support the Town's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Certain amounts from fiscal year 2004 have been reclassified to conform with 2005 presentation and the reclassification of the Hingham Municipal Lighting Plant as a discretionary component unit rather than a blended unit.

Net Assets			
June 30, 2005 and 2004			
	2005	2004	
	Governmental	Governmental	
	<u>Activities</u>	<u>Activities</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 26,182,518	\$ 26,502,603	\$ (320,085)
Non current-Intergovernmental	22,727,340	23,581,806	(854,466)
Non current-Capital assets (net)	<u>58,670,671</u>	<u>61,233,311</u>	<u>(2,562,640)</u>
Total assets	<u>107,580,529</u>	<u>111,317,720</u>	<u>(3,737,191)</u>
Liabilities:			
Current	11,254,959	11,599,618	(344,659)
Non-current	<u>43,519,841</u>	<u>46,476,018</u>	<u>(2,956,177)</u>
Total Liabilities	<u>54,774,800</u>	<u>58,075,636</u>	<u>(3,300,836)</u>
Net Assets:			
Invested in capital assets, net of related debt	37,754,728	38,073,230	(318,502)
Restricted	616,664	937,214	(320,550)
Unrestricted	<u>14,434,337</u>	<u>14,231,640</u>	<u>202,697</u>
Total net assets	\$ <u>52,805,729</u>	\$ <u>53,242,084</u>	\$ <u>(436,355)</u>

Analysis of Net Assets Governmental Activities

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities for Governmental Activities by \$52,805,729 and \$53,242,084 at June 30, 2005 and 2004 respectively. Of this balance, assets decreased by \$3.7 million of which Non-current Capital assets decreased \$2.5 million due to current year depreciation. Total Liabilities decreased by \$3.3 million of which the majority is the result of the payment on bonds for approximately \$3 million dollars.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Net Assets			
June 30, 2005 and 2004			
	2005	2004	
	Business-type	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 598,774	\$ 719,848	\$ (121,074)
Non current-other assets	-	-	-
Non current-Capital assets (net)	<u>8,114,483</u>	<u>8,171,840</u>	<u>(57,357)</u>
Total assets	<u>8,713,257</u>	<u>8,891,688</u>	<u>(178,431)</u>
Liabilities:			
Current	274,556	295,750	(21,194)
Non-current	<u>400,000</u>	<u>600,000</u>	<u>(200,000)</u>
Total Liabilities	<u>674,556</u>	<u>895,750</u>	<u>(221,194)</u>
Net Assets:			
Invested in capital assets, net of related debt	7,514,483	7,371,840	142,643
Restricted	-	-	-
Unrestricted	<u>524,218</u>	<u>624,098</u>	<u>(99,880)</u>
Total net assets	\$ <u>8,038,701</u>	\$ <u>7,995,938</u>	\$ <u>42,763</u>

Analysis of Net Assets Business-Type Activities

The net assets of the Business-type Activities increased by \$42,763 in fiscal year 2005. The largest component of this increase was the decrease in Non-current liabilities for \$200,000 representing the pay down of debt during the year. The increase in Net assets invested in capital assets, net of related debt was also increased due to the pay down of \$200,000 in debt.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Net Assets June 30, 2005 and 2004

	2005	2004	
	<u>Component Units</u>	<u>Component Units</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 7,710,614	\$ 7,452,082	\$ 258,532
Non current-other assets	12,385,060	10,358,254	2,026,806
Non current-Capital assets (net)	<u>14,537,293</u>	<u>14,823,793</u>	<u>(286,500)</u>
Total assets	<u>34,632,967</u>	<u>32,634,129</u>	<u>1,998,838</u>
Liabilities:			
Current	2,998,574	2,053,220	945,354
Non-current	<u>3,538,754</u>	<u>3,257,031</u>	<u>281,723</u>
Total Liabilities	<u>6,537,328</u>	<u>5,310,251</u>	<u>1,227,077</u>
Net Assets:			
Invested in capital assets, net of related debt	13,567,293	13,548,793	18,500
Restricted	7,468,121	6,819,000	649,121
Unrestricted	<u>7,060,225</u>	<u>6,956,085</u>	<u>104,140</u>
Total net assets	\$ <u>28,095,639</u>	\$ <u>27,323,878</u>	\$ <u>771,761</u>

Analysis of Net Assets Component Unit Library

The net assets of the Component Unit represent both the Hingham Public Library as well as the Hingham Municipal Lighting Plant. The net assets of the component units increased by \$771,761 of which the Non-current other assets increased \$2.0 million dollars of which most of this increase is in cash and equivalents. The current liabilities also increased \$945,354 of which the majority of this is in warrants payable and accrued expenses.

Analysis of Net Assets Town

The largest portion of the Town's net assets (excluding component units)(74.4%) reflect its investment of \$45.2 million in capital assets (e.g. land, buildings and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens, and therefore these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of 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 liquidated for these liabilities.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

An additional portion of the Town's net assets, \$10.2 million (16.8 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$5.3 million (8.8 percent), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole, as well as for business-type activities.

Analysis of Changes in Net Assets

Changes in Net Assets					
June 30, 2005 and 2004					
	2005		2004		
	Governmental	% of	Governmental	% of	
	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Property taxes, Licenses and Fees	\$ 47,500,326	65.1%	\$ 44,463,797	66.3%	\$ 3,036,529
Charges for Services	7,098,242	9.7%	6,402,542	9.6%	695,700
Operating Grants & contribution	2,317,009	3.2%	1,724,718	2.9%	592,291
Grants & Contributions	14,108,355	19.3%	12,717,178	18.7%	1,391,177
Miscellaneous	1,060,264	1.5%	1,047,100	1.6%	13,164
Penalties & Interest	340,133	0.4%	335,005	0.5%	5,128
Investment income	<u>570,971</u>	<u>0.8%</u>	<u>249,899</u>	<u>0.4%</u>	<u>321,072</u>
Total Revenues	72,995,300	100.0%	66,940,239	100.0%	6,055,061
Program Expenses including					
Indirect Expenses:					
General Government	3,778,376	5.1%	3,863,297	5.0%	(84,921)
Public Safety	10,663,719	14.5%	10,009,778	13.1%	653,941
Education	38,635,348	52.5%	35,386,466	54.1%	3,248,882
Public Works	7,470,192	10.1%	6,439,533	9.9%	1,030,659
Group health insurance	2,752,529	3.7%	2,502,730	3.3%	249,799
Human Services	1,063,810	1.5%	883,123	1.3%	180,687
Culture & Recreation	2,108,078	2.9%	2,028,025	0.8%	80,053
Miscellaneous	3,045,493	4.1%	2,404,699	2.9%	640,794
Unallocated Interest on long term debt	2,173,466	3.0%	2,345,358	3.8%	(171,892)
State and county charges	<u>1,926,044</u>	<u>2.6%</u>	<u>1,656,636</u>	<u>2.4%</u>	<u>269,408</u>
Total Expenses	<u>73,617,055</u>	<u>100.0%</u>	<u>67,519,645</u>	<u>100.0%</u>	<u>6,097,410</u>
Net Assets:					
Resources expended for					
Transfers	<u>185,400</u>		<u>188,950</u>		<u>(3,550)</u>
Change in net assets	\$ <u>(436,355)</u>		\$ <u>(390,456)</u>		\$ <u>(45,899)</u>

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Governmental activities are detailed in the table above, and illustrate the Town's governmental expenses and revenues by function, its revenues by source, and percent of total. As shown, education is the largest function in expense at 53.5 percent and 54.1% for fiscal 2005 and 2004, respectively, followed by public safety at 14.5% and 13.1%. Property taxes, Licenses and Fees are the largest source of revenue for governmental activities, and comprise 65.1 and 66.3% percent of total revenues for fiscal year 2005 and 2004, respectively.

Total revenues from **Governmental activities** increased \$6,055,061 from 2004 of which the major increase was in Property taxes, licenses and fees as well as Grants and Contributions. Total expenses increased \$6,097,410 from 2004 levels. The largest increase in expenses was in education expenses.

Changes in Net Assets					
June 30, 2005 and 2004					
	2005		2004		
	Business-	% of	Business-type	% of	
	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Property taxes	\$ -	0%	\$ -	0%	\$ -
Licenses and fees	-	0%	-	0%	-
Charges for Services	1,520,687	101.6%	1,555,091	102.0%	(34,404)
Operating Grants & Contribution	-	0%	-	0%	-
Grants & Contributions	-	0%	-	0%	-
Miscellaneous	-	0%	-	0%	-
Penalties & Interest	-	0%	-	0%	-
Investment income	<u>(24,272)</u>	<u>-1.6%</u>	<u>(30,479)</u>	<u>-2.0%</u>	<u>6,207</u>
Total Revenues	<u>1,496,415</u>	<u>100.0%</u>	<u>1,524,612</u>	<u>100.0%</u>	<u>(28,197)</u>
Program Expenses including					
Indirect Expenses:					
General Government	-	0%	-	0%	-
Public Safety	-	0%	-	0%	-
Education	-	0%	-	0%	-
Public Works	-	0%	-	0%	-
Group health insurance	-	0%	-	0%	-
Human Services	-	0%	-	0%	-
Culture & Recreation	-	0%	-	0%	-
Miscellaneous	1,268,252	100.0%	1,331,818	100.0%	(63,566)
Unallocated Interest on long term debt	-	0%	-	0%	-
State and county charges	<u>-</u>	<u>0%</u>	<u>-</u>	<u>0%</u>	<u>-</u>
Total Expenses	1,268,252	100.0%	1,331,818	100.0%	(63,566)
Net Assets:					
Resources expended for Transfers	<u>(185,400)</u>		<u>(188,950)</u>		<u>3,550</u>
Change in net assets	\$ <u>42,763</u>		\$ <u>3,844</u>		\$ <u>38,919</u>

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

The change in assets for **Business-type activities** for 2005 was \$38,919. The revenues and expenses were relatively consistent with prior years.

Changes in Net Assets June 30, 2005 and 2004

	2005	% of	2004	% of	Variance
	<u>Component Units</u>	<u>Total</u>	<u>Component Units</u>	<u>Total</u>	
Revenues:					
Property taxes	\$ -	0%	\$ -	0%	\$ -
Licenses and fees	-	0%	-	0%	
Charges for Services	18,700,758	99.7%	16,736,484	99.1%	1,964,274
Operating Grants & Contribution	56,208	0.3%	38,246	0.2%	17,962
Grants & Contributions	-	0%	-	0%	-
Miscellaneous	126,494	0.7%	205,221	1.2%	(78,727)
Penalties & Interest	-	0%	-	0%	-
Investment income	<u>(124,782)</u>	<u>0.7%</u>	<u>(81,872)</u>	<u>-0.5%</u>	<u>(42,910)</u>
Total Revenues	<u>18,758,678</u>	<u>100.0%</u>	<u>16,898,079</u>	<u>100.0%</u>	<u>1,860,599</u>
Program Expenses including					
Indirect Expenses:					
General Government	-	0%	-	0%	-
Public Safety	-	0%	-	0%	-
Education	-	0%	-	0%	-
Public Works	-	0%	-	0%	-
Group health insurance	-	0%	-	0%	-
Human Services	-	0%	-	0%	-
Culture & Recreation	1,545,413	8.0%	1,436,533	8.1%	108,880
Miscellaneous	17,657,247	92.0%	16,395,350	91.9%	1,261,897
Unallocated Interest on long term debt	-	0%	-	0%	-
State and county charges	<u>-</u>	<u>0%</u>	<u>-</u>	<u>0%</u>	<u>-</u>
Total Expenses	<u>19,202,660</u>	<u>100.0%</u>	<u>17,831,883</u>	<u>100.0%</u>	<u>1,370,777</u>
Net Assets:					
Resources expended for					
Payment from the Town of Hingham	1,215,743		1,132,724		83,019
Transfers	<u>-</u>		<u>-</u>		<u>-</u>
Change in net assets	\$ <u>771,761</u>		\$ <u>198,920</u>		\$ <u>572,841</u>

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

The change in assets in the **Component-Units** for the year ended June 30, 2005 was \$572,841, the majority of this increase coming from an increase in Charges for Service of \$1,964,274.

The Town's net assets overall increased by \$771,761 for fiscal year 2005. This is up from 2004 due to the operations of the Hingham Municipal Lighting Plant.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the town's governmental funds is to provide information on the near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Capital Project Funds, and the Permanent Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending balances of \$14,887,184, a decrease of \$56,344 in comparison with the prior year. The decrease represents the town's relatively higher use of reserves, and reductions in carry-forward funds in fiscal year 2005.

Unreserved fund balance, which is available for spending at the Town's discretion within the purposes specified for the town's funds, was \$9,009,451 of the combined ending fund balance in the governmental funds, or 60.5 percent. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to fund continued programs or projects in future fiscal periods (\$4,862,327), and (2) for a variety of other restricted purposes (\$1,015,406).

Revenues for overall governmental functions totaled \$73,740,625 and \$68,182,238 in the fiscal year ended June 30, 2005 and 2004, respectively. Expenditures for governmental functions overall were \$73,982,369 and \$68,507,046 in the fiscal year ended June 30, 2005 and 2004, respectively. In fiscal year 2005 and 2004, expenses for overall governmental functions exceeded revenues by \$241,744 and \$324,808, respectively.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

The general fund is the chief operating fund of the Town. At the end of the current fiscal year the unreserved fund balance of the general fund was, \$8,376,664 while total fund balance was \$9,009,451. Total fund balance increased by \$366,383 during the fiscal year mainly due to an excess of revenues over expenditures. Overall, the general fund's performance resulted in revenues over expenditures in fiscal year ended June 30, 2005 of \$711,161, before transfers and other items are considered.

Proprietary Funds

The Town's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net assets for the South Shore Country Club, was \$524,218.

The growth in net assets of the proprietary funds was \$42,763 during fiscal year 2005, and the factors concerning the finances of the proprietary funds have been addressed previously in the discussion of the town's business-type activities.

Fiduciary Funds

The Town maintains fiduciary funds for the assets of the Hingham Contributory Retirement System, for various trust funds to which the Town is the Trustee, and various agency funds. At the end of the fiscal year, the net assets for the Hingham Contributory Retirement System were \$56,073,831, which represents an increase of \$6,218,970 (12.5 percent) from the previous fiscal year. The net assets of the private purpose funds totaled \$3,080,741, which is an increase of \$123,327 (4.2 percent) from the previous fiscal year.

General Fund Budgetary Highlights

Fiscal 2005 produced strong revenue growth in property taxes as a result of several large commercial property developments. Property tax revenue increases each year in accordance with the limitations of the Massachusetts law which limits such increases to 2 ½ over the preceding year's tax levy plus an allowance for new growth, and amounts specifically excluded by voters in special override elections. Continued strength in the local real estate sector resulted in increased building permits and a robust increase in licenses and permits. The state decreases in assistance abated during fiscal 2005, and leveled off, albeit at the lower levels of the past few years. However, the Town continued to receive from the state annual installments for school building assistance for the recently completed High School and Elementary School projects. Earnings on investments, which had been dropping precipitously for several years as a result of falling interest rates, increased for the first year as short term interest rates increased.

The Town negotiated labor contracts with all bargaining units, except the Police Patrolman's union, which provided an annual cost of living adjustment in fiscal year 2004 of 0.0%, and semi-annual cost of living adjustments of 2% for the fiscal years of 2005, 2006 & 2007.

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Capital Assets and Debt Administration

The town's capital assets for its governmental and business-type activities as of June 30, 2004 totaled \$83,835,310 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and infrastructure (sewer only). The total increase in the Town's capital assets for the fiscal year was \$11,888,372 (16.5 percent), which was the result of capital asset additions exceeding depreciation for the fiscal year.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital assets purchases as expenditures. For governmental activities, no major net infrastructure assets are reported because the Town has not implemented infrastructure reporting as part of GASB 34. Additional information about the Town's capital assets can be found in Note 5 to the Basic Financial Statements.

Changes in Capital Assets, (net of Accumulated Depreciation)

	2005 Governmental <u>Activities</u>	2004 Governmental <u>Activities</u>	<u>Variance</u>
Land	\$ 214,700	\$ 214,600	\$ 100
Land improvements	333,481	329,458	4,023
Buildings and improvements	49,978,434	51,173,362	(1,194,928)
Machinery and equipment	3,164,351	4,371,283	(1,206,932)
Infrastructure - sewer	<u>4,979,705</u>	<u>5,144,608</u>	<u>(164,903)</u>
Total	\$ <u>58,670,671</u>	\$ <u>61,233,311</u>	\$ <u>(2,562,640)</u>

Changes in Capital Assets (net of Accumulated Depreciation)

	2005 Business-type <u>Activities</u>	2004 Business-type <u>Activities</u>	<u>Total</u>
Land	\$ 7,008,200	\$ 7,000,000	\$ 8,200
Land improvements	-	-	-
Buildings and improvements	1,106,283	1,171,840	(65,557)
Machinery and equipment	-	-	-
Infrastructure - sewer	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>8,114,483</u>	\$ <u>8,171,840</u>	\$ <u>(57,357)</u>

TOWN OF HINGHAM

Management's Discussion and Analysis (Unaudited) - Continued

Debt Administration

The Town of Hingham maintained its bond rating of "Aaa" from Moody's Investor Services, "AAA" from Fitch Ratings, and subsequent to Fiscal 2005 Standard & Poors rating was increased from "AA+" to "AAA". It should be noted that of the 351 municipalities in Massachusetts only 12 have obtained the highest rating of Aaa. The outstanding bonded debt decreased during fiscal year 2005 to \$47,483,142 as a result of the ordinary principal payment for all outstanding long-term bonds. Funding for the majority of this debt service is from real estate taxes that have been exempt from the tax levy limitation of Proposition 2 ½. The details relating to the long term debt outstanding are disclosed within the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Ted C. Alexiades, Finance Director/Town Accountant, 210 Central Street, Hingham, MA 02403.

TOWN OF HINGHAM

Basic Financial Statements

June 30, 2005

TOWN OF HINGHAM

Statement of Net Assets

June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current:				
Cash and short-term investments	\$ 19,111,282	\$ 598,774	\$ 19,710,056	\$ 1,743,306
Investments	2,072,657	-	2,072,657	1,126,997
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	1,329,048	-	1,329,048	-
Tax Liens and foreclosures	486,105	-	486,105	-
Excise taxes	184,364	-	184,364	-
Intergovernmental	960,069	-	960,069	-
Departmental and other	316,194	-	316,194	-
User Charges and liens	1,722,799	-	1,722,799	2,794,584
Prepaid expenses and other assets	-	-	-	2,045,727
Noncurrent:				
Cash and equivalents	-	-	-	9,162,239
Investments	-	-	-	3,206,714
Other assets	-	-	-	16,107
Intergovernmental	22,727,340	-	22,727,340	-
Land	214,700	7,008,200	7,222,900	17,856
Property, Plant and Equipment, net	<u>58,455,971</u>	<u>1,106,283</u>	<u>59,562,254</u>	<u>14,519,437</u>
Total Assets	<u>\$ 107,580,529</u>	<u>\$ 8,713,257</u>	<u>\$ 116,293,786</u>	<u>\$ 34,632,967</u>
Liabilities:				
Current:				
Warrants payable	\$ 1,429,837	\$ 74,556	\$ 1,504,393	\$ 1,177,157
Accrued payroll	1,704,468	-	1,704,468	-
Accrued interest	553,622	-	553,622	-
Accrued sick and vacation	400,982	-	400,982	-
Accrued expenses and other	-	-	-	1,496,417
BAN payable	3,481,602	-	3,481,602	-
Bonds payable	3,047,885	200,000	3,247,885	325,000
Workers' compensation	280,000	-	280,000	-
Landfill closure and postclosure costs	234,434	-	234,434	-
Tax refunds payable	122,129	-	122,129	-
Noncurrent:				
Accrued sick and vacation	511,008	-	511,008	-
Customer deposits	-	-	-	801,456
Rate stabilization reserve	-	-	-	2,092,298
Bonds payable	41,340,767	400,000	41,740,767	645,000
Workers' compensation	493,066	-	493,066	-
Landfill closure and postclosure costs	<u>1,175,000</u>	<u>-</u>	<u>1,175,000</u>	<u>-</u>
Total Liabilities:	<u>54,774,800</u>	<u>674,556</u>	<u>55,449,356</u>	<u>6,537,328</u>
Net Assets				
Invested in capital assets, net of related debt	37,754,728	7,514,483	45,269,211	13,567,293
Restricted for:				
Capital projects	(398,742)	-	(398,742)	-
Debt service	-	-	-	3,468,000
Streets	-	-	-	-
Permanent funds:				
Expendable	1,015,406	-	1,015,406	-
Other purposes	-	-	-	4,000,121
Unrestricted	<u>14,434,337</u>	<u>524,218</u>	<u>14,958,555</u>	<u>7,060,225</u>
Total Net Assets	<u>\$ 52,805,729</u>	<u>\$ 8,038,701</u>	<u>\$ 60,844,430</u>	<u>\$ 28,095,639</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Statement of Activities

Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>	
Primary Government:				
<i>Governmental Activities:</i>				
General government	\$ 3,778,376	\$ 1,594,548	\$ -	\$ (2,183,828)
Public safety	10,663,719	2,277,532	-	(8,386,187)
Education	38,635,348	1,665,159	2,035,655	(34,934,534)
Public works	7,470,192	1,474,903	281,354	(5,713,935)
Group health insurance	2,752,529	-	-	(2,752,529)
Human services	1,063,810	86,100	-	(977,710)
Culture and recreation	2,108,078	-	-	(2,108,078)
Miscellaneous	3,045,493	-	-	(3,045,493)
Unallocated interest on long term debt	2,173,466	-	-	(2,173,466)
State and county charges	1,926,044	-	-	(1,926,044)
Total Governmental Activities	73,617,055	7,098,242	2,317,009	(64,201,804)
<i>Business-Type Activities:</i>				
Country Club	1,268,252	1,520,687	-	252,435
Total Primary Government	\$ 74,885,307	\$ 8,618,929	\$ 2,317,009	\$ (63,949,369)
Component Units:				
Library	1,545,413	64,300	56,208	(1,424,905)
Municipal Lighting Plant	17,657,247	18,636,458	-	979,211
	\$ 19,202,660	\$ 18,700,758	\$ 56,208	\$ (445,694)
Primary Government				
		Governmental Activities	Business-Type Activities	Total
		Component Units		
Changes in net assets:				
Net (expenses) revenues		\$ (64,201,804)	\$ 252,435	\$ (63,949,369)
<i>General revenues:</i>				
Real estate and personal property taxes, Motor vehicle and other excise taxes net of tax refunds payable		47,500,326	-	47,500,326
Grants and contributions not restricted to specific programs		14,108,355	-	14,108,355
Penalties and interest on taxes		340,133	-	340,133
Unrestricted investment income		570,971	(24,272)	546,699
Payments from Town of Hingham		-	-	1,215,743
Miscellaneous		1,060,264	-	1,060,264
Transfers		185,400	(185,400)	-
Total general revenues and transfers		63,765,449	(209,672)	63,555,777
Change in net assets		(436,355)	42,763	(393,592)
Net Assets:				
Beginning of year, as previously reported		53,242,084	30,338,093	83,580,177
Prior period restatement (note 15)		-	(22,342,155)	(22,342,155)
Beginning of year, as restated		53,242,084	7,995,938	61,238,022
End of year		\$ 52,805,729	\$ 8,038,701	\$ 60,844,430
		\$ 28,095,639		\$ 28,095,639

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Governmental Funds Balance Sheet

June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and short-term investments	\$ 9,190,149	\$ 9,921,133	\$ 19,111,282
Investments	2,003,335	69,322	2,072,657
Receivables, net of uncollectibles:			
Real estate and personal property taxes	1,329,048	-	1,329,048
Tax liens and foreclosures	486,105	-	486,105
Excise taxes	184,364	-	184,364
Departmental and other	134,963	181,231	316,194
Intergovernmental	23,687,409	-	23,687,409
User charges and liens	<u>1,420,593</u>	<u>302,206</u>	<u>1,722,799</u>
Total Assets	<u>\$ 38,435,966</u>	<u>\$ 10,473,892</u>	<u>\$ 48,909,858</u>
Liabilities and Fund Balances:			
Liabilities:			
Warrants payable	\$ 738,909	\$ 690,928	\$ 1,429,837
Accrued payroll	1,704,468	-	1,704,468
BAN payable	9,902	3,471,700	3,481,602
Deferred revenues	26,851,107	433,531	27,284,638
Tax refunds payable	<u>122,129</u>	<u>-</u>	<u>122,129</u>
Total Liabilities	<u>29,426,515</u>	<u>4,596,159</u>	<u>34,022,674</u>
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	632,787	-	632,787
Unreserved:			
Designated for subsequent years' expenditures	3,713,774	-	3,713,774
Undesignated, reported in:			
General fund	4,662,890	-	4,662,890
Special revenue funds	-	5,261,069	5,261,069
Capital projects funds	-	(398,742)	(398,742)
Permanent funds	<u>-</u>	<u>1,015,406</u>	<u>1,015,406</u>
Total Fund Balances	<u>9,009,451</u>	<u>5,877,733</u>	<u>14,887,184</u>
Total Liabilities and Fund Balances	<u>\$ 38,435,966</u>	<u>\$ 10,473,892</u>	<u>\$ 48,909,858</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Reconciliation of the Government Fund Balance Sheet Total Fund Balances to the Statement of Net Assets

Year Ended June 30, 2005

Total Governmental Fund Balances		\$ 14,887,184
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		58,670,671
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds		27,284,638
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(553,622)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable	(43,769,044)	
Unamortized bond premium	(619,608)	
Workers' compensation	(773,066)	
Landfill closure and postclosure costs	(1,409,434)	
Compensated absences	<u>(911,990)</u>	
Net effect of reporting long-term liabilities		<u>(47,483,142)</u>
Net Assets of Governmental Activities		<u>\$ 52,805,729</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances

Year Ended June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real estate and personal property taxes, motor vehicle and other excise taxes net of tax refunds	\$ 48,094,223	\$ -	\$ 48,094,223
Licenses and fees	2,443,941	-	2,443,941
Intergovernmental	12,940,552	3,203,444	16,143,996
Departmental and other	1,507,370	887,932	2,395,302
Investment income	543,407	27,564	570,971
Non-enterprise charges for services	<u>-</u>	<u>4,092,192</u>	<u>4,092,192</u>
Total Revenues	<u>65,529,493</u>	<u>8,211,132</u>	<u>73,740,625</u>
Expenditures:			
Current:			
General government	2,547,618	570,742	3,118,360
Public safety	8,560,138	662,887	9,223,025
Education	33,944,751	3,152,712	37,097,463
Public works	4,642,881	1,901,501	6,544,382
Human services	591,437	395,561	986,998
Culture and recreation	1,417,464	310,147	1,727,611
Pension benefits	2,290,770	-	2,290,770
Group health insurance	2,752,529	-	2,752,529
Miscellaneous	1,111,094	2,010,956	3,122,050
Intergovernmental	1,926,044	-	1,926,044
Debt service:			
Principal	2,879,176	106,390	2,985,566
Interest	<u>2,154,430</u>	<u>53,141</u>	<u>2,207,571</u>
Total Expenditures	<u>64,818,332</u>	<u>9,164,037</u>	<u>73,982,369</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>711,161</u>	<u>(952,905)</u>	<u>(241,744)</u>
Other Financing Sources (Uses):			
Operating transfers in	720,212	1,285,449	2,005,661
Operating transfers out	<u>(1,434,159)</u>	<u>(386,102)</u>	<u>(1,820,261)</u>
Total Other Financing Sources (Uses):	<u>(713,947)</u>	<u>899,347</u>	<u>185,400</u>
Net Change in Fund Balances	(2,786)	(53,558)	(56,344)
Fund Balances, at Beginning of Year	<u>9,012,237</u>	<u>5,931,291</u>	<u>14,943,528</u>
Fund Balances, at End of Year	<u>\$ 9,009,451</u>	<u>\$ 5,877,733</u>	<u>\$ 14,887,184</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

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

Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (56,344)

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.

Capital outlay	\$ 822,625	
Depreciation expense	<u>(3,385,265)</u>	
Net effect of reporting capital assets		(2,562,640)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue (810,264)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premium	36,991	
Debt service principal payments	<u>3,013,514</u>	
Net effect of reporting long-term debt		3,050,505

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.

Accrued interest on long-term debt	34,105	
Workers' compensation	76,557	
Landfill closure and postclosure costs	(110,000)	
Compensated absences	<u>(58,274)</u>	
Net effect of recording long-term liabilities and amortizing deferred assets		<u>(57,612)</u>

Change in Net Assets of Governmental Activities \$ (436,355)

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Proprietary Fund Statement of Net Assets

June 30, 2005

	<u>South Shore Country Club</u>
Assets:	
Current:	
Cash and equivalents	\$ 598,774
Total Current Assets	<u>598,774</u>
Non-Current:	
Land	7,008,200
Property, plant and equipment, net	<u>1,106,283</u>
Total Noncurrent Assets	<u>8,114,483</u>
Total Assets	<u>\$ 8,713,257</u>
Liabilities:	
Current:	
Warrants payable	\$ 74,556
Bonds payable	<u>200,000</u>
Total Current Liabilities	<u>274,556</u>
Noncurrent:	
Bonds payable	<u>400,000</u>
Total Noncurrent Liabilities	<u>400,000</u>
Total Liabilities	<u>674,556</u>
Net Assets	
Investment in capital assets, net of related debt	7,514,483
Unrestricted	<u>524,218</u>
Total Net Assets	<u>\$ 8,038,701</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2005

	<u>South Shore Country Club</u>
Operating Revenues:	
Charges for services	\$ <u>1,520,687</u>
Operating Expenses:	
Depreciation	94,022
Salaries and wages	70,265
Administrative expenses	30,199
Facility expenses	191,834
Program expenses	95,735
Grounds and custodial expenses	<u>786,197</u>
Total Operating Expenses	<u>1,268,252</u>
Operating Income	<u>252,435</u>
Non-Operating Revenues (Expenses):	
Investment income	828
Interest expense	<u>(25,100)</u>
Net Non-Operating Revenues (Expenses)	<u>(24,272)</u>
Income (Loss) Before Operating Transfers	<u>228,163</u>
Operating Transfers:	
Operating Transfers In	225,100
Operating Transfers Out	<u>(410,500)</u>
Net Operating Transfers	<u>(185,400)</u>
Income/Excess of Revenue Over Expenses	42,763
Net Assets:	
Beginning of year, as previously reported	30,338,093
Prior period restatement (note 15)	<u>(22,342,155)</u>
Beginning of year, as restated	<u>7,995,938</u>
Net Assets, End of Year	<u>\$ 8,038,701</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Statement of Cash Flows Proprietary Funds

For the Year Ended June 30, 2005

	<u>South Shore Country Club</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,520,687
Cash payments to suppliers	(1,125,159)
Cash paid for benefits	-
Payment in lieu of taxes	-
Cash paid to employees for services	<u>(70,265)</u>
 Net Cash Provided by Operating Activities	 <u>325,263</u>
 Cash Flows from Non-Capital Financing Activities:	
Operating transfers from other funds	225,100
Operating transfers to other funds	<u>(410,500)</u>
 Net Cash Applied to Non-Capital Financing Activities	 <u>(185,400)</u>
 Cash Flows from Capital and Related Financing Activities:	
Purchase of property, plant and equipment	(28,465)
Purchase of land	(8,200)
Principal paid on bonds	(200,000)
Interest paid on bonds	<u>(25,100)</u>
 Net Cash Applied to Capital and Related Financing Activities	 <u>(261,765)</u>
 Cash Flows from Investing Activities:	
Investment income	<u>828</u>
 Net Cash Provided by Investing Activities	 <u>828</u>

TOWN OF HINGHAM

Statement of Cash Flows Proprietary Funds - Continued

For the Year Ended June 30, 2005

	<u>South Shore Country Club</u>
Net (Decrease) in Cash and Equivalents	\$ (121,074)
Cash and Equivalents at Beginning of Year	<u>719,848</u>
Cash and Equivalents at End of Year	<u>\$ 598,774</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 252,435
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	94,022
Increase (decrease) in liabilities Warrants payable	<u>(21,194)</u>
Total adjustments	<u>72,828</u>
Net Cash Provided by Operating Activities	<u>\$ 325,263</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Component Units Statement of Net Assets

June 30, 2005

	<u>Hingham Public Library</u>	<u>Hingham Municipal Lighting Plant (as of December 31, 2004)</u>	<u>Totals</u>
Assets:			
Current:			
Cash and equivalents	\$ 164,033	\$ 1,579,273	\$ 1,743,306
Investments	1,126,997	-	1,126,997
Receivable user charges and liens	-	2,794,584	2,794,584
Prepaid expenses and other assets	-	1,705,652	1,705,652
Deposits	<u>-</u>	<u>340,075</u>	<u>340,075</u>
Total Current Assets	<u>1,291,030</u>	<u>6,419,584</u>	<u>7,710,614</u>
Non-Current:			
Cash and equivalents	-	9,162,239	9,162,239
Investments	-	3,206,714	3,206,714
Other assets	-	16,107	16,107
Land	-	17,856	17,856
Property, plant and equipment, net	<u>342,068</u>	<u>14,177,369</u>	<u>14,519,437</u>
Total Noncurrent Assets	<u>342,068</u>	<u>26,580,285</u>	<u>26,922,353</u>
Total Assets	<u>\$ 1,633,098</u>	<u>\$ 32,999,869</u>	<u>\$ 34,632,967</u>
Liabilities:			
Current:			
Warrants payable	\$ -	\$ 1,177,157	\$ 1,177,157
Accrued expenses and other	-	1,496,417	1,496,417
Bonds payable	<u>-</u>	<u>325,000</u>	<u>325,000</u>
Total Current Liabilities	<u>-</u>	<u>2,998,574</u>	<u>2,998,574</u>
Noncurrent:			
Customer deposits	-	801,456	801,456
Rate stabilization reserve	-	2,092,298	2,092,298
Bonds payable	<u>-</u>	<u>645,000</u>	<u>645,000</u>
Total Noncurrent Liabilities	<u>-</u>	<u>3,538,754</u>	<u>3,538,754</u>
Total Liabilities	<u>-</u>	<u>6,537,328</u>	<u>6,537,328</u>
Net Assets			
Restricted for debt service	-	3,468,000	3,468,000
Restricted for other purpose	849,532	3,150,589	4,000,121
Investment in capital assets, net of related debt	342,068	13,225,225	13,567,293
Unrestricted	<u>441,498</u>	<u>6,618,727</u>	<u>7,060,225</u>
Total Net Assets	<u>\$ 1,633,098</u>	<u>\$ 26,462,541</u>	<u>\$ 28,095,639</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Component Units Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2005

	<u>Hingham Public Library</u>	<u>Hingham Municipal Lighting Plant (as of December 31, 2004)</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 64,300	\$ 18,636,458	\$ 18,700,758
Grants and contributions	<u>56,208</u>	<u>-</u>	<u>56,208</u>
Total Operating Revenues	<u>120,508</u>	<u>18,636,458</u>	<u>18,756,966</u>
Operating Expenses:			
Depreciation	51,566	1,374,037	1,425,603
Salaries and wages	962,804	301,437	1,264,241
Administrative expenses	104,262	611,095	715,357
Facility expenses	165,649	183,773	349,422
Program expenses	217,135	14,186,096	14,403,231
Grounds and custodial expenses	<u>43,997</u>	<u>1,000,809</u>	<u>1,044,806</u>
Total Operating Expenses	<u>1,545,413</u>	<u>17,657,247</u>	<u>19,202,660</u>
Operating Income	<u>(1,424,905)</u>	<u>979,211</u>	<u>(445,694)</u>
Non-Operating Revenues (Expenses):			
Investment income	22,066	196,259	218,325
Gain from security redemption	-	50,603	50,603
Annual pension expense	-	(293,083)	(293,083)
Payments from Town of Hingham	1,215,743	-	1,215,743
Miscellaneous	126,494	-	126,494
Interest expense	<u>-</u>	<u>(100,627)</u>	<u>(100,627)</u>
Net Non-Operating Revenues (Expenses)	<u>1,364,303</u>	<u>(146,848)</u>	<u>1,217,455</u>
Income/Excess of Revenue Over Expenses	<u>(60,602)</u>	<u>832,363</u>	<u>771,761</u>
Net Assets:			
Beginning of year, as previously reported	1,693,700	-	1,693,700
Prior period restatement (note 15)	<u>-</u>	<u>25,630,178</u>	<u>25,630,178</u>
Beginning of year, as restated	<u>1,693,700</u>	<u>25,630,178</u>	<u>27,323,878</u>
Net Assets, End of Year	<u>\$ 1,633,098</u>	<u>\$ 26,462,541</u>	<u>\$ 28,095,639</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and short-term investments	\$ 220,266	\$ 191,281	\$ 373,971
Investments:			
Equity funds	30,914,345	2,889,460	-
Fixed income funds	12,700,861	-	-
Other	10,965,204	-	-
Receivables, net of allowance for uncollectibles:			
Employer	1,273,155	-	-
Total Assets	\$ 56,073,831	\$ 3,080,741	\$ 373,971
Liabilities:			
Warrants payable	-	-	485
Accrued liabilities	-	-	22,967
Other liabilities	6,179	-	350,519
Total Liabilities	6,179	-	373,971
Net Assets			
Held in trust for pension benefits and other purposes	\$ 56,067,652	\$ 3,080,741	\$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Statement of Changes in Fiduciary Net Assets Fiduciary Funds

Year Ended June 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 2,570,666	\$ -
Plan members	1,439,010	-
Other contributions	<u>538,958</u>	<u>47,252</u>
Total Contributions	<u>4,548,634</u>	<u>47,252</u>
Investment Income:		
Net appreciation in fair value of investments	5,241,862	-
Interest and dividend income	<u>1,500,627</u>	<u>-</u>
Net Investment Income	<u>6,742,489</u>	<u>233,611</u>
Total Additions	<u>11,291,123</u>	<u>280,863</u>
Deductions:		
Benefit payments	4,362,569	-
Refunds of contributions	271,408	-
Administrative expense	108,216	-
Reimbursements to other systems	155,304	-
COLA's paid	174,656	-
Miscellaneous	<u>-</u>	<u>157,536</u>
Total Deductions	<u>5,072,153</u>	<u>157,536</u>
Net Increase	<u>6,218,970</u>	<u>123,327</u>
 Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>49,848,682</u>	<u>2,957,414</u>
Net Assets, at End of Year	<u>\$ 56,067,652</u>	<u>\$ 3,080,741</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HINGHAM

Notes to the Basic Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies

A summary of the Town's significant accounting policies applied in the preparation of the accompanying basic financial statements follows.

The Town of Hingham complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Boards (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Boards (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on the operational or financial relationships with the Town.

The Hingham Contributory Retirement System issues a publicly audited financial report that includes financial statements and required supplemental information. Copies of these financial statements may be obtained by writing to the Hingham Retirement Board, 210 Central Street, Hingham, MA 02043. The Hingham Public Library does not issue separate financial statements. Further information about the Public Library can be obtained from the Library's administrative offices, at 66 Leavitt Street, Hingham, Ma 02043.

The Hingham Municipal Lighting Plant issues a publicly audited financial report that includes financial statements and supplemental information. Copies of these financial statements may be obtained by writing to the Hingham Municipal Lighting Plant, 222 Central Street, Hingham, MA 02043.

Financial statements for all entities included in the basic financial statements are for the year ended June 30, 2005 except for the Hingham Contributory Retirement System and the Hingham Municipal Lighting Plant, which are for the year ended December 31, 2004.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

Component units are reported in the Town's basic financial statements as shown in the following table:

A. Reporting Entity – Continued

<u>Blended Component Unit Reported Within the Primary Government</u>	<u>Brief Description of Activities and Relationship to the Town</u>	<u>Reporting Fund</u>
Hingham Contributory Retirement System	Provides retirement benefits to the employees of the Town of Hingham. Board members of the Retirement System consist of two elected members, who are employees or retirees within the system and who are elected by the members-in-service and retirees, an ex-officio member, who is a member by virtue of holding the office of Town Accountant, and an appointed member who is chosen by the Board of Selectmen. The remaining four members select the fifth member of the Board.	Fiduciary Fund
<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the Town</u>	
Hingham Municipal Lighting Plant	Purchases power from various sources and sells the power to residents of the Town of Hingham. Board members of the Hingham Municipal Lighting Plant consists of three elected members who appoint a manager to operate and manage the Plant under the direction and control of the Municipal Lighting Board. The Hingham Municipal Lighting Plant needs the Town's approval to issue debt.	

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

<u>Discretely Presented Component Unit</u>	<u>Brief Description of Activities and Relationship to the Town</u>
Hingham Public Library	The Hingham Public Library is a private non-profit corporation that operates a library for the Town of Hingham residents. The Board of Trustees for the Hingham Public Library consists of eleven members of the corporation, the superintendent of schools of the Town, the treasurer of the Town, a member of the Board of Selectmen, and five residents of which three are appointed by the Board of Selectmen and two are appointed by the Town Moderator. The library is financially accountable to the Town as a result of fiscal dependency. The Town has the authority to approve and modify the budget of the library.

B. Government - Wide and Fund Financial Statements

Government - Wide Financial Statements:

The government-wide financial statements (i.e., statements of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Government activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges for support.

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 the following:

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

B. Government - Wide and Fund Financial Statements - Continued

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements:

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

Major Fund Criteria

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

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

Additionally, any other governmental or enterprise 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.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

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

Government - Wide Financial Statements:

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed.

Fund Financial Statements:

Governmental: Governmental fund 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 periods or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

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

Fund Financial Statements - Continued:

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. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

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

The *Special Revenues Fund* is used to account for the proceeds of specific revenue sources (other than permanent fund or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *Permanent Fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary: Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

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

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

The following represents the propriety fund and its respective purpose:

South Shore Country Club - Manages and operates a recreational complex which primarily includes a municipal golf course in the Town of Hingham.

Fiduciary Fund Types

Fiduciary funds account for assets held by the Town in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

The following fiduciary fund types are reported:

The *Pension Trust Fund* is used to account for the activities of the Hingham Contributory Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *Private – Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other government.

The *Agency Fund* is used to account for assets held in a purely custodial capacity.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

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. Accounts Receivable

Government-Wide and Fund Financial Statements:

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes

Real and personal property taxes are based on values assessed as of each January 1 and due quarterly on the subsequent months of August, November, February, and May. In fiscal 2005 real estate and personal property taxes were levied in November 2004. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. A tax lien is issued on the property when more than one year's tax is overdue. Property taxes levied are recorded as receivables, net of estimated uncollectibles, in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting described in Note 1.

A statewide limitation statute known as "Proposition 2 1/2" limits the annual property tax levy increases to an amount equal to 2 ½% of the value of all taxable property in the Town, plus taxes levied on property newly added to the tax rolls. Certain Proposition 2½ taxing limitations can be overridden by a Town wide referendum vote. Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

E. Accounts Receivable - Continued

Property Taxes - Continued

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

The Hingham Municipal Lighting Plant is exempt from federal income taxes. Although also exempt from property taxes, the Hingham Municipal Lighting Plant pays amounts in lieu of taxes to the Town of Hingham.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year in which the service is performed. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental:

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

User Charges and Liens

User charges and liens consist primarily of amounts due from residents for the providing of services by various departments including the Hingham Municipal Lighting Plant. The allowance for uncollectibles is estimated based on historical trends and account analysis. Accounts receivable for the Hingham Municipal Lighting Plant are stated net of an allowance for doubtful accounts of \$48,466 as of the reporting period.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

F. Inventories

Government-Wide and Fund Financial Statements:

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements:

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

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets.

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

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of the capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in Years)</u>
Land Improvements	10-30
Buildings	35
Machinery, equipment and other	3-20
Infrastructure	50

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

G. Capital Assets - Continued

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 occurred. Improvements are capitalized.

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts's law stipulates that the Hingham Municipal Lighting Plant may change from the statutory depreciation rate only with the approval of the DTE. The Hingham Municipal Lighting Plant has used a rate of 5% for 2004. The Hingham Municipal Lighting Plant charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant.

Government-Fund Financial Statements:

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

H. Interfund Transfers

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

Government-Wide Financial Statements:

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as transfers, net. Operating transfers between and within funds are *not* eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

I. Deferred Revenues

Revenues at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenues are recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets):

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

Net assets have been “restricted for” the following:

“Capital projects” represents amounts restricted for capital purposes.

“Streets” represents amounts committed by the Commonwealth for the repair and/or construction of streets.

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

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

Fund Financial Statements (Fund Balances):

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents the amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

K. Long-Term Debt

Government-Wide and Proprietary Fund Statements:

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements:

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

L. Investment Income

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

Investment income from proprietary funds is maintained in those funds.

M. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. The General Fund has been used in prior years to liquidate the liability for compensated absences.

Government-Wide and Proprietary Fund Financial Statements:

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

Government 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.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

N. Post Retirement Benefits

Accrued Vacation and Sick Pay

Employees, including teachers, are granted sick and vacation pay in varying amounts based on tenure and in accordance with individual union contracts. Except in certain limited instances, employees are not compensated for unused sick pay upon termination, retirement or death. Effective July 1, 2001, unused sick leave will be paid to all town office employees, at normal retirement according to the following schedule:

<u>Accumulated Sick Days</u>	<u>Sick Pay Benefit</u>
Less than 100	\$ -
100-149	500
150-199	800
200-249	1,800
250+ over	2,000

Effective July 1, 2003, unused sick leave will be paid to all firefighters at normal retirement according to the following schedule:

<u>Accumulated Sick Days</u>	<u>Sick Pay Benefit</u>
1-74	\$ 12.00 per duty day
75-99	\$900 plus \$20.00 per day for duty days exceeding 75 accumulated duty days
100-149	\$1,800 plus \$30.00 per day for duty days exceeding 100 accumulated duty days
150 +	\$3,300 plus \$40 for each duty day over 150

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

N. Post Retirement Benefits - Continued

Accrued Vacation and Sick Pay - Continued

Effective July 1, 2001, unused sick leave will be paid to all police officers, DPW workers and library employees, at normal retirement according to the following schedule:

<u>Accumulated Sick Days</u>	<u>Sick Pay Benefit</u>
1-149	\$5.00 per day
150-199	\$800 plus \$7.50 per day for days exceeding 150 accumulated days
200 and over	\$1,800 plus \$9.00 per day for days exceeding 200 accumulated days

Risk Management

The Town of Hingham is a member of the Plymouth County HealthCare System. A cooperative having members in excess of 10,000 subscribers. The Town receives annual premium costs per subscriber. Annual premiums are reviewed and changed annually. The town is also self-insured for worker's compensation and unemployment benefits. For insured programs, there have been no significant reductions in insurance coverage. (Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.)

The Town is self-insured for property coverage over a group of vacant buildings given to them by the Federal Government. The Town maintains liability coverage on these respective buildings.

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

N. Post Retirement Benefits - Continued

Deferred Compensation Plan - Continued

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan) subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of the general creditors of the Town in an amount equal to the fair value of the deferred account for each participant.

Other Post-Employment Benefits

The Town provides health insurance and life insurance to eligible retired employees. These costs are recorded on the pay-as-you-go method.

O. 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 effect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements:

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

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

Q. Implementation of New GASB Pronouncement

In 2005, the Town adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires a broader range of financial statement risk disclosures.

New Governmental Accounting Pronouncement

In 2003, GASB issued Statements No. 42 and 44, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and Economic Condition Reporting: the Statistical Section*, which will be effective for the year ending June 30, 2006. In 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation* - an amendment of GASB Statement No. 34, which will also be effective for the year ending June 30, 2006. The Town does not anticipate the implementation of the new pronouncements to have a material effect on the Town's financial statements.

During 2004, GASB also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the year ending June 30, 2008. In 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which will be effective for the year ending June 30, 2006. As of the date of the opinion, the Town has not evaluated the financial impact of GASB Statements No. 45 and 47.

Note 2 - Cash and Equivalents

The Town maintains a cash pool and an investment pool that are available for use by all funds. Each fund type's portion of these pools is included in the combined balance sheet as "Cash and cash equivalents" and "Investments". Also included are investments separately held by several of the Town's funds.

It is the policy of Town of Hingham to invest public funds in accordance with the principles of sound treasury management and in compliance with state and local laws, regulations, and other policies governing the investment of public funds, specifically, according to the terms and conditions of the Massachusetts General Laws, Chapter 44, section 55B, and the Town's own written investment policy.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 2 - Cash and Equivalents - Continued

Massachusetts General Laws, Chapter 44, section 55 sets forth the types of investments that are legal for use by municipalities, as follows:

Certificates of deposits of a maturity of no more than one year;

Savings accounts;

United States Treasury securities with a maturity of one year or less;

Investment in a pooled fund operated under the authority of the State Treasurer (the Massachusetts Municipal Depository Trust, ("MMDT"))

Town policy provides that up to 100% of available cash may be invested in the State Treasurer's pooled fund. Investment in a single institution may not exceed 10% of the institution's capital and surplus position as of the most recent quarterly data available to the Treasurer. Investment in a single institution (other than MMDT) may not exceed 25% of the Treasurer's cash balance at any time. The Treasurer shall subscribe to information reports from a recognized bank rating company. Direct investment in an institution shall be restricted to those ranked in the upper half of rating categories utilized by the Town unless the Treasurer obtains additional adequate security for the investment or otherwise determines and documents in writing that the rating provided does not properly reflect the strength of the institution. Maintenance of disbursement or other types of accounts at an institution below a mid-range rating shall be limited, to the maximum extent possible, to a balance below \$100,000. When the rating falls to a "warning stage" or when more than one-half of an institution's capital and surplus has been lost in a 12-month period, any accounts shall be closed forthwith.

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$22,594,763 of the Town's bank balances of \$33,106,063 was uninsured and uncollateralized.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 3 - **Investments**

The Town Treasurer may take physical delivery of securities or may use a qualified depository bank for safekeeping securities. An account with a money center bank may be maintained for the purpose of settling investment transactions, safekeeping and collecting those investments. A safekeeping receipt issued by a qualified depository supports repurchase agreements with qualified depositories; otherwise, the securities are held in the custody of the Town Treasurer or the Town's safekeeping bank or trust company. Deposit receipts issued by the State Treasurer's Office support investments in the State Treasurer's Pool. All funds pledged or otherwise dedicated to the payment of interest and principal of bonds issued by the Town are invested in accordance with the terms and borrowing instruments applicable to such bonds. Town policy also provides that the remaining term to maturity of an investment may not exceed the period of availability of the funds invested. The investment of Town funds cannot be of a speculative nature.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificate of Deposit	\$ 1,062,323	\$ 1,062,323	\$ -	\$ -	\$ -
Yankee Dollar, Foreign					
Banks	85,908	85,908	-	-	-
Commercial Paper	547,421	547,421	-	-	-
Federal Agencies	78,263	78,263	-	-	-
Master Notes	3,222	3,222	-	-	-
Medium Term Notes	169,402	169,402	-	-	-
Repurchase Agreements	<u>126,118</u>	<u>126,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,072,657</u>	\$ <u>2,072,657</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Other Investments

Equity Mutual Funds	\$ 33,823,526
Equity Securities	910,845
Fixed income funds	12,827,173
Other	<u>10,965,204</u>
Total	\$ <u>58,526,748</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 3 - Investments - Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Massachusetts General Laws. Chapter 44 of the Massachusetts General Laws requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Law further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. Additionally the Law does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the Massachusetts General Laws as previously discussed.

At June 30, 2005, the Town had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>Unrated</u>
Certificate of Deposit Yankee Dollar, Foreign Banks	\$ 1,062,323 85,908	\$ -	\$ 1,062,323 85,908
Commercial Paper	547,421	-	547,421
Federal Agencies	78,263	69,322	8,941
Master Notes	3,222	-	3,222
Medium Term Notes	169,402	-	169,402
Repurchase Agreements	<u>126,118</u>	<u>-</u>	<u>126,118</u>
Total	\$ <u>2,072,657</u>	\$ <u>69,322</u>	\$ <u>2,003,335</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 4 - **Receivables**

At June 30, 2005, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	<u>Gross Amount</u>	<u>Allowance For Uncollectibles</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 1,338,248	\$ (9,200)	\$ 1,329,048
Tax liens and foreclosures	486,105	-	486,105
Motor Vehicle and other excise taxes	399,864	(215,500)	184,364
Departmental and other	602,394	(286,200)	316,194
Intergovernmental	23,687,409	-	23,687,409
User charges and liens	<u>1,722,799</u>	<u>-</u>	<u>1,722,799</u>
 Totals	 \$ <u>28,236,819</u>	 \$ <u>(510,900)</u>	 \$ <u>27,725,919</u>

Note 5 - **Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 214,600	\$ 100	\$ -	\$ 214,700
<u>Capital assets being depreciated:</u>				
Land improvements	385,029	23,669	-	408,698
Buildings	71,096,039	2,298,750	-	73,394,789
Machinery, equipment and other	11,858,669	543,396	(2,126,876)	10,275,189
Infrastructure - sewer	<u>8,579,682</u>	<u>6,707</u>	<u>-</u>	<u>8,586,389</u>
 Total capital being depreciated:	 \$ <u>91,919,419</u>	 \$ <u>2,872,522</u>	 \$ <u>(2,126,876)</u>	 \$ <u>92,665,065</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 5 - Capital Assets - Continued

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	\$ (55,571)	\$ (19,646)	\$ -	\$ (75,217)
Buildings	(19,922,677)	(3,493,678)	-	(23,416,355)
Machinery, equipment and other	(7,487,386)	(1,106,043)	1,482,591	(7,110,838)
Infrastructure	<u>(3,435,074)</u>	<u>(171,610)</u>	<u>-</u>	<u>(3,606,684)</u>
Total accumulated depreciation:	<u>(30,900,708)</u>	<u>(4,790,977)</u>	<u>1,482,591</u>	<u>(34,209,094)</u>
Total capital assets being depreciated, net:	<u>61,018,711</u>	<u>(1,918,455)</u>	<u>(644,285)</u>	<u>58,455,971</u>
Total governmental activities capital assets, net:	<u>\$ 61,233,311</u>	<u>\$ (1,918,355)</u>	<u>\$ (644,285)</u>	<u>\$ 58,670,671</u>

Business-Type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 7,000,000	\$ 8,200	-	\$ 7,008,200
<u>Capital assets being depreciated:</u>				
Building Improvements	<u>2,322,089</u>	<u>28,465</u>	<u>-</u>	<u>2,350,554</u>
Total Capital assets being Depreciated	<u>2,322,089</u>	<u>28,465</u>	<u>-</u>	<u>2,350,554</u>
<u>Less accumulated depreciation for:</u>				
Building Improvements	<u>(1,150,249)</u>	<u>(94,022)</u>	<u>-</u>	<u>(1,244,271)</u>
Total accumulated depreciation	<u>(1,150,249)</u>	<u>(94,022)</u>	<u>-</u>	<u>(1,244,271)</u>
Total capital assets being depreciated, net:	<u>1,171,840</u>	<u>(65,557)</u>	<u>-</u>	<u>1,106,283</u>
Total business-type activities capital assets, net:	<u>\$ 8,171,840</u>	<u>\$ (57,357)</u>	<u>\$ -</u>	<u>\$ 8,114,483</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 5 - **Capital Assets - Continued**

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

Governmental Activities:

General government	\$ 503,955
Public safety	406,236
Education	1,479,611
Public works	760,445
Library	197,830
Human services	1,867
Culture and recreations	<u>35,317</u>

Total depreciation expense - governmental activities \$ 3,385,261

Business-Type Activities:

Country Club	\$ <u>94,022</u>
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In accordance with GASB 34, the Town will recognize infrastructure assets related to roadways and bridges by June 30, 2007.

Note 6 - **Interfund Receivables, Payables and Transfers**

The interfund balances between the general fund, non-major funds and country club represents administrative, and debt service reimbursements, as well as returns from business-type activities.

	General Fund	Non-Major Funds	Country Club
<u>Transfers In:</u>			
General Fund	\$ -	\$ 1,255,449	\$ 225,100
Non-Major Funds	309,712	30,000	-
Country Club	<u>410,500</u>	<u>-</u>	<u>-</u>
	\$ <u>720,212</u>	\$ <u>1,285,449</u>	\$ <u>225,100</u>
	General Fund	Non-Major Funds	Country Club
<u>Transfers out:</u>			
General Fund	\$ (1,434,159)	\$ (356,102)	\$ (410,500)
Non-Major Funds	-	(30,000)	-
Country Club	<u>-</u>	<u>-</u>	<u>-</u>
	\$ (1,434,159)	\$ (386,102)	\$ (410,500)

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 7 - **Retirement Plan**

Plan Description

The Town is a member of the Hingham Contributory Retirement System, which is a single employer defined benefit pension plan. The System includes eligible employees of the Town (except for teachers and certain other personnel of the school department), the Hingham Municipal Lighting Plant and the Hingham Housing Authority.

The System administers the defined benefit pension plan for the Town of Hingham. It is governed by the Hingham Retirement Board under Massachusetts General Law, Chapter 32. In general, this law provides for uniform guidelines with respect to employer and employee contributions, benefits to be paid to members, and accounting and funds structure. It also assigns the authority to establish and amend the benefit provisions of the Plan to the state legislature.

The Hingham Contributory Retirement System issues a publicly available financial report that includes financial statements and required supplementary information.

Basis of Accounting

The financial statements of the retirement system are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Town's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are valued at estimated values.

Actuarial valuations are performed biennially. The last valuation was performed at January 1, 2004. The following is a summary of funding policies, contribution methods and benefit provisions:

Year established and governing authority	1938, Hingham Retirement Board Under Massachusetts General Law, Chapter 32
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TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 7 - **Retirement Plan - Continued**

Method Used to Value Investments - Continued

Determination of contribution requirements:	
Employer	Actuarially determined
Plan members	5, 7, 8 or 9% of payroll
Funding of administrative costs	Investment earnings
Period required to vest	10 years
Post retirement benefit increases	Provided at the discretion of Town meeting.
Eligibility of distributions	Age 65 for general employees and 55 for fire and police employees, or 20 years of service regardless of age on a reduced basis if under 65 for general employees and 55 for fire and police employees.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Membership of the Plan is as follows:

Retirees and beneficiaries currently receiving benefits	251
Terminated employees entitled to benefits but not yet receiving them	68
Fully vested, partially vested and non-vested active employees covered by the Plan	<u>480</u>
Total Members	<u>799</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 7 - **Retirement Plan - Continued**

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions are located in the supplemental information section of this report.

Current Year Annual Pension Cost and Net Pension Obligation

Current year annual pension costs are shown in the following trend information. Annual required contributions were made by the Plan. There were no pension obligations for the Plan.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
2002	\$ 2,446,468	100%	\$ -
2003	2,473,387	100%	-
2004	2,570,666	100%	-

Reserves

There are no assets legally reserved for purposes other than the payment of Plan member benefits. The Plan held no individual investments (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

Note 8 - **Other Post-Employment Benefits**

In addition to the retirement benefits described in Note 7, the Town provides health insurance and life insurance benefits to all employees who retire from the Town. Employees are eligible to retire at any age after 20 years of credible service. At June 30, 2005, current retirees, which totaled 444, meet these eligibility requirements, including eligible retired employees, their survivors and dependents.

As of June 30, 2005, life insurance of \$5,000 for 179 retirees is provided at a total cost of \$6,616 for the fiscal year.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 8 - Other Post-Employment Benefits - Continued

The Town provides health insurance coverage on a pay-as-you-go basis to retired employees, their survivors and dependents under various state statutes. For teachers, the Town pays 90% of the cost and for other retired Town employees; the Town's share of the cost is 50%.

The following schedule reflects retirees' participation in the Town's group health insurance plans as of June 30, 2005 and approximate cost for the year then ended:

<u>Participant Type</u>	<u>Number of Participants</u>	<u>Approximate Cost</u>
Active	527	\$ 2,479,730
Retired:		
Town	265	781,474
School	226	1,177,044

Note 9 - Trust Funds

The accompanying financial statements of the trust funds include only those trust funds in the custody of the Town. There are other trust funds not in the custody of the Town from which the Town or its residents receive funds.

Note 10 - Risk Management

The Town records an estimated liability for worker's compensation claims and any other claims against the Town. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. The following represents the changes in approximate aggregate liabilities for the Town from June 30, 2001 to June 2005:

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 10 - **Risk Management - Continued**

<u>Self-Insurance Liability</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2001-workmen's compensation	\$ -	\$ 172,578	\$ -	\$ -
2002-workmen's compensation	-	155,396	-	-
2003-workmen's compensation	-	97,691	-	1,121,955
2004-workmen's compensation	1,121,955	(106,204)	(166,128)	849,623
2005-workmen's compensation	849,623	63,015	(139,572)	773,066

Reported judgments are principally funded through property taxes.

Note 11- **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 notes (BANS) or grant anticipation of 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 and water and sewer enterprise funds, respectively.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 11 - Short-term Financing - Continued

Details related to the short-term debt activity for the fiscal year ended June 30, 2005, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2004	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2005
BAN	School	2.75	6/22/05	\$ 45,000	\$ -	\$ 45,000	\$ -
BAN	Highway	2.75	6/22/05	180,000	-	180,000	-
BAN	Sewer	2.75	6/22/05	2,300,000	-	2,300,000	-
BAN	Country Club	2.75	6/22/05	1,700,000	-	1,700,000	-
BAN	Highway	3.00	6/21/06	-	91,500	-	91,500
BAN	Sewer	3.00	6/21/06	-	1,680,200	-	1,680,200
BAN	Country Club	3.00	6/21/06	-	1,700,000	-	1,700,000
	Subtotal			4,225,000	3,471,700	4,225,000	3,471,700
BAN	Premium	2.75	6/22/05	46,306	-	46,306	-
BAN	Premium	3.00	6/21/06	-	9,902	-	9,902
Totals				\$ <u>4,271,306</u>	\$ <u>3,481,602</u>	\$ <u>4,271,306</u>	\$ <u>3,481,602</u>

Note 12 - General Long-Term Debt

Long-term debt is not limited to liabilities arising from debt issuance per se, but may also include non-current liabilities such as capital and operating leases, compensated absences, claims and judgements, pensions, special termination benefits, landfill closure and post-closure care, and similar commitments that are not current liabilities properly recorded in governmental funds.

Current maturities of general long-term debt, including interest, are appropriated and paid for out of the General Fund.

Bonds Payable

Chapter 44 of the Annotated Laws of the Commonwealth of Massachusetts permits the issuance of bonds up to 5% of the equalized valuation plus an additional 5% with the approval of the Emergency Finance Board. At June 30, 2005, the total statutory debt limit of the Town, including the approval of the Emergency Finance Board of 5%, was \$172,494,380 of which approximately \$45,000,000 of loans were outstanding applicable such limit. Included in the loans outstanding is approximately \$970,000 faith and credit by the Town of Hingham.

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 12 - **General Long-Term Debt - Continued**

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

	Balance June 30, <u>2004</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>2005</u>	Amounts Due within <u>One Year</u>
<u>Governmental Activities:</u>					
Sewer:					
\$177,092 issued July 14, 1993, non-interest bearing, maturing August 1, 2013	\$ 110,768	\$ -	\$ (9,188)	\$ 101,580	\$ 9,667
\$3,378,700 issued November 1, 1998, with interest at 4.5%, maturing February 1, 2018	2,657,700	-	(152,500)	2,505,200	155,400
\$30,000 issued October 28, 2000, non-interest bearing, maturing October 28, 2004	6,000	-	(6,000)	-	-
\$97,838 issued October 25, 2001, non-interest bearing, maturing August 1, 2018	81,530	-	(5,436)	76,094	5,436
Multipurpose bond:					
\$5,095,000 issued February 15, 1998, with interest at 4.5%, maturing June 30, 2018	3,215,000	-	(300,000)	2,915,000	300,000
\$42,155,000 issued April 1, 2002, with interest at 3.5%, maturing April 1, 2022	37,550,000	-	(2,300,000)	35,250,000	2,300,000
Bond premium	656,599	-	(36,991)	619,608	36,992
\$4,000,000 issued October 15, 1998, with interest at 4.12%, maturing October 15, 2018	3,000,000	-	(200,000)	2,800,000	200,000

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 12 - General Long-Term Debt - Continued

	<u>Balance</u> June 30, <u>2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> June 30, <u>2005</u>	<u>Amounts</u> Due within <u>One Year</u>
\$201,950 issued May 22, 2004, non-interest bearing, maturing May 15, 2008	\$ <u>161,560</u>	\$ <u> </u> -	\$ <u>(40,390)</u>	\$ <u>121,170</u>	\$ <u>40,390</u>
Other General Long-Term Debt Obligations:	<u>47,439,157</u>	<u> </u> -	<u>(3,050,505)</u>	<u>44,388,652</u>	<u>3,047,885</u>
Accrued vacation pay	853,716	400,000	(341,726)	911,990	400,982
Workers' Compensation	849,623	63,015	(139,572)	773,066	280,000
Landfill closure and postclosure care costs	<u>1,299,434</u>	<u>110,000</u>	<u> </u> -	<u>1,409,434</u>	<u>234,434</u>
Total other general long-term debt	<u>3,002,773</u>	<u>573,015</u>	<u>(481,298)</u>	<u>3,094,490</u>	<u>915,416</u>
Total General Long-Term Debt	<u>\$50,441,930</u>	<u>\$ 573,015</u>	<u>\$ (3,531,803)</u>	<u>\$47,483,142</u>	<u>\$ 3,963,301</u>

The General Fund has been used in prior years to liquidate the liability for claims and judgments and compensated absences.

The following is a schedule of annual future maturities and payments required on the Governmental Bonds Payable:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,047,885	\$ 2,090,490	\$ 5,138,375
2007	3,032,112	1,983,185	5,015,297
2008	3,002,275	1,852,473	4,854,748
2009	2,926,663	1,711,850	4,638,513
2010	2,931,624	1,572,170	4,503,794
2011-2015	14,068,069	5,952,714	20,020,784
2016-2020	13,050,296	2,412,222	15,462,518
2021-2025	<u>2,329,728</u>	<u>120,863</u>	<u>2,450,590</u>
Total	\$ <u>44,388,652</u>	\$ <u>17,695,967</u>	\$ <u>62,084,619</u>

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 12 - **General Long-Term Debt - Continued**

	Balance June 30, <u>2004</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>2005</u>	Amounts Due within <u>One Year</u>
<u>Business Type Activity</u>					
Enterprise Fund					
General Obligation Bond:					
\$1,845,000 issued October 15, 1998 with interest at 3.56%, maturing October 15, 2007	\$ 800,000	\$ -	\$ (200,000)	\$ 600,000	\$ 200,000
Total Proprietary Fund	\$ <u>800,000</u>	\$ <u>-</u>	\$ <u>(200,000)</u>	\$ <u>600,000</u>	\$ <u>200,000</u>

The following is a schedule of annual future maturities and payments required on the above indebtedness:

Year Ending <u>June 30,</u>	<u>Proprietary Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 200,000	\$ 18,050	\$ 218,050
2007	200,000	10,900	210,900
2008	<u>200,000</u>	<u>3,650</u>	<u>203,650</u>
Total	\$ <u>600,000</u>	\$ <u>32,600</u>	\$ <u>632,600</u>

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. The \$1,409,434 reported as landfill closure and postclosure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill net of amounts already expended. These amounts are based on what it would

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 12 - **General Long-Term Debt - Continued**

Landfill Closure and Postclosure Care Costs - Continued

cost to perform all closure and postclosure care in 2005. The Town expects to close the landfill in fiscal year 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Town is required by Federal and state laws and regulations to make annual contributions to finance closure and postclosure care. The Town is in compliance with these requirements and at June 30, 2005, investments of \$3,365,000 have been appropriated of which \$2,065,566 has already been expended for these purposes. These are reported as a reserve of fund balance on the balance sheet in the Capital Projects Fund. The Town expects that future inflation costs will be paid from interest earnings on these annual contributions.

Note 13 - **Contingencies**

At June 30, 2005, the Town was a defendant in a number of lawsuits.

Of these actions, there are several significant cases where it is uncertain to what extent these awards, if any, will be covered by insurance. The Town is involved in other smaller cases and it is the opinion of Town Counsels that the most likely exposure to the Town is not significant.

Note 14 - **Restricted Assets**

Certain proprietary funds and similar component unit assets are restricted for construction and funded through short-term debt and individual contributions. Reserved retained earnings include the excess of assets over certain liabilities restricted for construction.

Note 15 - **Prior Period Adjustment**

During the fiscal year ended on June 30, 2004 the Town implemented GASB pronouncement Statement #39 - Determining Whether Certain Organizations are Component Units (GASB 39).

As a result of implementing this pronouncement, the following restatements have been made to beginning net assets:

TOWN OF HINGHAM

Notes to the Basic Financial Statements - Continued

June 30, 2005

Note 15 - **Prior Period Adjustment - Continued**

Government - Wide Financial Statements:

	Business - Type Activities
Net Assets at June 30, 2004, as previously reported	\$ 30,338,093
To transfer net assets from the Hingham Hingham Municipal Lighting Plant To component units	(22,342,155)
Net Assets at June 30, 2004, restated	\$ <u>7,995,938</u>

Fund Financial Statements:

	Proprietary Funds	Component Units
Net Assets at June 30, 2004, As previously reported	\$ 30,338,093	\$ 1,693,700
To include Hingham Municipal Lighting Plants additional investments previously excluded	-	3,288,023
To transfer net assets from the Hingham Hingham Municipal Lighting Plant	(22,342,155)	<u>22,342,155</u>
Net Assets at June 30, 2004, restated	\$ <u>7,995,938</u>	\$ <u>27,323,878</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HINGHAM
Required Supplementary Information -
Hingham Contributory Retirement System
Schedule of Funding Progress

For the Year Ended December 31, 2004

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/95\$ 19,331,485\$	38,149,134	\$ (18,817,649)	50.67% \$ 9,685,311	57.08%	194.3%	180.2%
01/01/96	24,236,711	42,461,163	(18,224,452)	57.08%	10,109,832	105.6%
01/01/98	34,786,965	46,298,574	(11,511,609)	75.1%	10,898,418	73.5%
01/01/00	48,884,485	57,861,551	(8,977,066)	84.5%	12,214,509	180.6%
01/01/02	44,876,765	71,631,723	(26,754,958)	62.6%	14,811,862	232.1%
01/01/03	38,571,346	74,835,302	(36,263,956)	51.5%	15,626,514	131.8%
01/01/04	53,284,103	75,260,838	(21,976,735)	70.8%	16,669,815	

TOWN OF HINGHAM

Notes to Required Supplementary Information

For the Year Ended December 31, 2005

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Valuation date	January 1, 2004
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	Open
Remaining amortization period	24
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%
Cost of living adjustments	3%

TOWN OF HINGHAM

Schedule of Revenues, Expenditures And Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2005

	General Fund			
	Budgeted Amounts		Actual	
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance Over/(Under)
Revenues:				
Real estate and personal property taxes, Motor vehicle and other excise taxes net of tax refunds	\$ 47,295,551	\$ 47,295,551	\$ 48,054,702	\$ 759,151
Licenses and permits	1,188,550	1,188,550	2,443,941	1,255,391
Penalties and interest	215,000	215,000	235,859	20,859
Investment income	450,000	450,000	543,407	93,407
Other income	310,000	310,000	493,030	183,030
Charges for service	564,000	564,000	778,481	214,481
Intergovernmental	<u>7,456,862</u>	<u>7,614,201</u>	<u>7,703,226</u>	<u>89,025</u>
Total Revenues	<u>57,479,963</u>	<u>57,637,302</u>	<u>60,252,646</u>	<u>2,615,344</u>
Expenditures:				
Current:				
General government	2,345,625	2,674,608	2,547,618	126,990
Public safety	8,380,094	8,657,236	8,560,138	97,098
Education	28,734,595	28,918,647	28,707,425	211,222
Public works	3,712,446	4,951,984	4,642,881	309,103
Human services	640,322	665,061	591,437	73,624
Culture and recreation	1,332,372	1,438,123	1,417,464	20,659
Pension benefits	2,297,902	2,297,902	2,290,770	7,132
Group health insurance	3,052,726	3,052,726	2,752,529	300,197
Miscellaneous	1,095,540	1,189,220	1,111,094	78,126
Debt service	5,198,752	5,201,385	5,033,606	167,779
Intergovernmental				
State and county assessments	<u>1,926,836</u>	<u>1,926,836</u>	<u>1,926,044</u>	<u>792</u>
Total Expenditures	<u>58,717,210</u>	<u>60,973,728</u>	<u>59,581,006</u>	<u>1,392,722</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,237,247)</u>	<u>(3,336,426)</u>	<u>671,640</u>	<u>4,008,066</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	720,212	720,212
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,434,159)</u>	<u>(1,434,159)</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(713,947)</u>	<u>(713,947)</u>
Net Change in Fund Balances	(1,237,247)	(3,336,426)	(42,307)	3,294,119
Fund Balances, at Beginning of Year	<u>2,612,025</u>	<u>(1,035,022)</u>	<u>2,600,787</u>	<u>3,635,809</u>
Fund Balances, at End of Year	<u>\$ 1,374,778</u>	<u>\$ (4,371,448)</u>	<u>\$ 2,558,480</u>	<u>\$ 6,929,928</u>

See note to required supplementary information - Budgetary Reporting

TOWN OF HINGHAM

Notes to Required Supplementary Information

June 30, 2005

Note 1- Stewardship, Compliance and Accountability

A. Budgetary Information

The Town's original budget is adopted at the annual Town meeting prior to the beginning of the fiscal year. The general fund and sewer fund within the special revenue funds are the only funds for which a budget is legally adopted. A reserve fund, established to fund unforeseen expenditures, is voted as part of the original budget and any excess is closed out to undesignated fund balance at year end. The town also has a reserve fund established for negotiable pay rules and labor contract settlements. All amendments to the original budget must be adopted at special Town meetings with the exception of reserve fund transfers which require approval from the Town's Advisory Committee. In addition, management may amend components within a budgeted line item without seeking approval from special Town meeting.

The Town's general fund and special revenue fund (sewer fund) budgets are prepared on a basis other than generally accepted accounting principles (GAAP). The "actual" results column in the Schedule of Revenues and Expenditures - Budgetary Basis is prepared on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budgets and GAAP bases are encumbrances and appropriations, which are recorded as expenditures for budgetary purposes when the commitment to purchase is incurred and are recorded for GAAP purposes when the expenditure is actually paid.

Encumbrances outstanding and continuing appropriations at year end are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance. For the purpose of comparing actual results to budgeted activities, actual expenditures must be adjusted to add the encumbrances outstanding and continuing appropriations at year-end. Additional adjustments are required to remove the activity of restricted funds which are not budgeted by the Town.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2005 approved budget authorized approximately \$57,190,374 also approved supplemental appropriations totaling approximately \$1,856,518.

TOWN OF HINGHAM

Description of Non-Major Governmental Funds

For the Year Ended June 30, 2005

Special Revenue Funds

Town Gifts

This fund is used to account for gifts received by the Town. This account includes unrestricted and restricted gifts and the expenditures relating to these gifts.

School Gifts

This fund is used to account for gifts received by the Town to be specifically used by the school department. This account includes all expenditures relating to these gifts.

Town State Grants

This fund accounts for intergovernmental state grants received by the Town and related expenditures.

School State Grants

This fund is used to account for specific state grants received by the Town to be used by the school department and the related expenditures.

School Federal Grants

This fund is used to account for Federal grants received by the Town to be used by the school department and the related expenditures.

Town Revolving

This fund is used to account for activity where specific revenues are earmarked for specific purposes.

School Revolving

This fund is used to account for activity where specific school revenues are earmarked for specific purposes.

Town Other

This fund is used to account for revenues and expenditures relating to other various programs provided for the Town residents.

Sewer Maintenance Fund

This fund is used to account for revenues and expenditures relating to the maintenance of the sewer and drainage system of the Town.

TOWN OF HINGHAM

Description of Non-Major Governmental Funds - Continued

For the Year Ended June 30, 2005

Capital Project Funds

Capping Landfill

This fund is used to account for the costs relating to the capping of the Hingham landfill in accordance with required laws and regulations.

Whitney Wharf Renovation

This fund is used to account for the renovation of Whitney Wharf located at Hingham Harbor.

Junior High Addition

This fund is used to account for the construction of an addition to the Town's Junior High School.

Harbor Dredging

This fund is used to account for the costs associated with the dredging of the Town's harbor.

School Building Study, Construction and Renovation

This fund is used to account for the construction and renovation of the High School and the South Elementary School, including a study into the construction of the Town's schools.

Fire Station Renovation

This fund is used to account for the renovations of two of the Town's fire stations at the north and south ends of town.

Central Fire Station Renovation

This fund is used to account for the renovations of the Town's central fire station.

South Shore Country Club Irrigation System

This fund is used to account for the construction of a new irrigation system at SSCC.

Foundry Pond Dam

This fund is used to account for the costs associated with the maintenance of the Foundry Pond Dam.

Route 3A Force Main

This fund is used to account for the construction on Route 3A.

DPW Buildings

This fund is used to account for the construction of a new DPW facility.

TOWN OF HINGHAM

Description of Non-Major Governmental Funds - Continued

For the Year Ended June 30, 2005

Capital Project Funds - Continued

Weir River Phase II

This fund is used to account for the construction of the sewer system in the Weir River area of Town.

Permanent Funds

Preservation Projects Fund

This fund is used to account for amounts relating to the preservation of various historical facilities and programs in the Town.

Conservation

This fund is used to account for assets relating to the environmental conservation of various plots of land in the Town.

Town Funds

This fund is used to account for activity relating to various maintenance and improvements to Town property.

TOWN OF HINGHAM

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2005

Assets

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and equivalents	\$ 5,442,645	\$ 3,529,673	\$ 948,815	\$ 9,921,133
Investment securities, at fair value	-	-	69,322	69,322
Other receivables	181,231	-	-	181,231
User charges and liens	302,206	-	-	302,206
Total Assets	<u>\$ 5,926,082</u>	<u>\$ 3,529,673</u>	<u>\$ 1,018,137</u>	<u>\$ 10,473,892</u>

Liabilities and Fund Balances

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Liabilities:				
Warrants payable	\$ 231,482	\$ 456,715	\$ 2,731	\$ 690,928
BAN Payable	-	3,471,700	-	3,471,700
Deferred revenue	433,531	-	-	433,531
Total Liabilities	<u>665,013</u>	<u>3,928,415</u>	<u>2,731</u>	<u>4,596,159</u>
Fund Balances:				
Unreserved:				
Undesignated	5,261,069	(398,742)	1,015,406	5,877,733
Total Fund Balances	<u>5,261,069</u>	<u>(398,742)</u>	<u>1,015,406</u>	<u>5,877,733</u>
Total Liabilities and Fund Balances	<u>\$ 5,926,082</u>	<u>\$ 3,529,673</u>	<u>\$ 1,018,137</u>	<u>\$ 10,473,892</u>

TOWN OF HINGHAM

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 3,203,444	-	-	\$ 3,203,444
Departmental and other income	850,896	-	37,036	887,932
Investment income	-	-	27,564	27,564
Non-enterprise charges for services	4,092,192	-	-	4,092,192
Total Revenues	8,146,532	-	64,600	8,211,132
Expenditures:				
Current:				
General government	570,742	-	-	570,742
Public safety	662,887	-	-	662,887
Education	3,152,712	-	-	3,152,712
Public works	1,901,501	-	-	1,901,501
Human services	395,561	-	-	395,561
Culture and recreation	310,147	-	-	310,147
Debt Service - Principal	106,390	-	-	106,390
Debt Service - Interest	19,307	-	-	53,141
Capital Outlay	-	2,010,956	33,834	2,010,956
Total Expenditures	7,119,247	2,010,956	33,834	9,164,037
Excess of Revenues Over (Under) Expenditures	1,027,285	(2,010,956)	30,766	(952,905)
Other Financing Sources (Uses):				
Operating transfers in	610,449	675,000	-	1,285,449
Operating transfers out	(142,711)	-	(243,391)	(386,102)
Total Other Financing Sources (Uses)	467,738	675,000	(243,391)	899,347
Net Changes in Fund Balances	1,495,023	(1,335,956)	(212,625)	(53,558)
Fund Balances, June 30, 2004	3,766,046	937,214	1,228,031	5,931,291
Fund Balances, at End of Year	5,261,069	(398,742)	1,015,406	5,877,733

TOWN OF HINGHAM

Combining Balance Sheet - Nonmajor Governmental Funds

Special Revenue Funds June 30, 2005

Assets

	Town Gifts	School Gifts	Town State Grants	School State Grants	School Federal Grants	Town Revolving	School Revolving	Town Other	Sewer Inflow Infiltration Fund	Sewer Maintenance Fund	Total
Assets:											
Cash and equivalents	\$ 137,150	\$ 19,478	\$ 91,598	\$ 670,027	\$ 166,657	\$ 722,943	\$ 702,941	\$ 2,194,713	\$ 438,005	\$ 299,133	\$ 5,442,645
Other receivables	-	-	142,658	24,558	8,030	-	5,985	-	-	-	181,231
User charges and liens	-	-	-	-	-	-	-	-	-	302,206	302,206
Total Assets	\$ 137,150	\$ 19,478	\$ 234,256	\$ 694,585	\$ 174,687	\$ 722,943	\$ 708,926	\$ 2,194,713	\$ 438,005	\$ 601,339	\$ 5,926,082

Liabilities and Fund Balances

	Town Gifts	School Gifts	Town State Grants	School State Grants	School Federal Grants	Town Revolving	School Revolving	Town Other	Sewer Inflow Infiltration Fund	Sewer Maintenance Fund	Total
Liabilities:											
Warrants payable	\$ 509	-	\$ 35,561	\$ 67,827	\$ 24,415	\$ 33,061	\$ 12,479	\$ 6,962	\$ 33,620	\$ 17,048	\$ 231,482
Deferred revenue	-	-	-	-	-	131,325	-	-	-	302,206	433,531
Total Liabilities	509	-	35,561	67,827	24,415	164,386	12,479	6,962	33,620	319,254	665,013
Fund Balances:											
Unreserved:											
Undesignated	136,641	19,478	198,695	626,758	150,272	558,557	696,447	2,187,751	404,385	282,085	5,261,069
Total Fund Balances	136,641	19,478	198,695	626,758	150,272	558,557	696,447	2,187,751	404,385	282,085	5,261,069
Total Liabilities and Fund Balances	\$ 137,150	\$ 19,478	\$ 234,256	\$ 694,585	\$ 174,687	\$ 722,943	\$ 708,926	\$ 2,194,713	\$ 438,005	\$ 601,339	\$ 5,926,082

TOWN OF HINGHAM

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

		Town Gifts	School Gifts	Town State Grants	School State Grants	School Federal Grants	Town Revolving	School Revolving	Town Other	Sewer Inflow Infiltration Fund	Sewer Maintenance Fund	Total
Revenues:												
Intergovernmental	\$	-	-	\$ 1,167,789	\$ 945,492	\$ 1,090,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,203,444
Departmental and other income		93,450	21,026	-	-	-	-	-	543,289	114,099	79,032	850,896
Non-enterprise charges for services		-	-	-	-	-	744,208	1,665,159	-	-	1,682,825	4,092,192
Total Revenues		93,450	21,026	1,167,789	945,492	1,090,163	744,208	1,665,159	543,289	114,099	1,761,857	8,146,532
Expenditures:												
Current:												
General government		6,345	-	279,945	-	-	-	-	284,452	-	-	570,742
Public safety		12,680	-	398,256	-	-	224,968	-	26,983	-	-	662,887
Education		-	22,783	-	395,112	1,128,272	-	1,595,642	10,903	-	-	3,152,712
Public works		-	-	195,589	-	-	-	-	6,705	145,681	1,553,526	1,901,501
Human services		243,541	-	119,553	-	-	32,467	-	-	-	-	395,561
Culture and recreation		-	-	6,250	-	-	303,897	-	-	-	-	310,147
Debt Service - Principal		-	-	-	-	-	-	-	-	-	106,390	106,390
Debt Service - Interest		-	-	-	-	-	-	-	-	-	19,307	19,307
Total Expenditures		\$ 262,566	\$ 22,783	\$ 999,593	\$ 395,112	\$ 1,128,272	\$ 561,332	\$ 1,595,642	\$ 329,043	\$ 145,681	\$ 1,679,223	\$ 7,119,247
Excess of Revenues Over (Under) Expenditures		(169,116)	(1,757)	168,196	550,380	(38,109)	182,876	69,517	214,246	(31,582)	82,634	1,027,285
Other Financing Sources (Uses):												
Operating transfers in		-	-	-	-	-	-	-	564,059	-	46,390	610,449
Operating transfers out		-	-	-	-	-	(51,321)	-	(45,000)	(46,390)	-	(142,711)
Total Other Financing Sources (Uses)		-	-	-	-	-	(51,321)	-	519,059	(46,390)	46,390	467,738
Net Change in Fund Balances		(169,116)	(1,757)	168,196	550,380	(38,109)	131,555	69,517	733,305	(77,972)	129,024	1,495,023
Fund Balance, June 30, 2004		305,757	21,235	30,499	76,378	188,381	427,002	626,930	1,454,446	482,357	153,061	3,766,046
Fund Balance, at End of Year		\$ 136,641	\$ 19,478	\$ 198,695	\$ 626,758	\$ 150,272	\$ 558,557	\$ 696,447	\$ 2,187,751	\$ 404,385	\$ 282,085	\$ 5,261,069

TOWN OF HINGHAM

Combining Balance Sheet - Nonmajor Governmental Funds

Capital Projects Funds June 30, 2005

Assets

	School Building Study Construction and Renovation	Fire Station Renovation	Central Fire Station Renovation	South Shore Country Club Irrigation	Foundry Pond Dam	Route 3A Force Main	DPW Buildings	Weir River Phase II	
Whitney Wharf Renovation	-	-	-	-	-	-	-	-	-
Capping Landfill	-	-	-	-	-	-	-	-	-
\$ 1,554,434	\$ -	\$ -	\$ 704,549	\$ 460,098	\$ 23,268	\$ -	\$ 407,576	\$ -	\$ 3,529,673
-	-	-	-	-	-	-	-	-	-
\$ 1,554,434	\$ 379,166	\$ -	\$ 704,549	\$ 460,098	\$ 23,268	\$ -	\$ 407,576	\$ -	\$ 3,529,673
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TOWN OF HINGHAM

**Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds**

For the Year Ended June 30, 2005

				School Building Study Construction and Renovation	Central Fire Station Renovation	South Shore Country Club Irrigation	Foundry Pond Dam	Route 3A Force Main	DPW Buildings	Weir River Phase II	Total	
Revenues:												
Departmental and other income	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Total Revenues												
Expenditures:												
Current:												
Total Expenditures												
Excess of Revenues over (Under) Expenditures												
Bonds proceeds												
Operating transfers in												
Operating transfers out												
Total Other Financing Sources												
Net Change in Fund Balances												
Fund Balance, June 30, 2004												
Fund Balance, June 30, 2005												

TOWN OF HINGHAM

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2005
Permanent Funds

Assets

	<u>Preservation Projects</u>	<u>Conservation</u>	<u>Town Funds</u>	<u>Total</u>
Cash and equivalents	\$ 43,059	\$ 105,446	\$ 800,310	\$ 948,815
Investment securities at fair value	-	-	<u>69,322</u>	<u>69,322</u>
Total Assets	<u>\$ 43,059</u>	<u>\$ 105,446</u>	<u>\$ 869,632</u>	<u>\$ 1,018,137</u>

Liabilities and Fund Balances

	<u>Preservation Projects</u>	<u>Conservation</u>	<u>Town Funds</u>	<u>Total</u>
Warrants payable	\$ -	\$ -	\$ 2,731	\$ 2,731
Total Liabilities	-	-	<u>2,731</u>	<u>2,731</u>
Fund Balances:				
Unreserved:				
Undesignated	43,059	105,446	866,901	1,015,406
Total Fund Balances	<u>43,059</u>	<u>105,446</u>	<u>866,901</u>	<u>1,015,406</u>
Total Liabilities and Fund Balances	<u>\$ 43,059</u>	<u>\$ 105,446</u>	<u>\$ 869,632</u>	<u>\$ 1,018,137</u>

TOWN OF HINGHAM

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Permanent Funds

For the Year Ended June 30, 2005

	Preservation Projects	Conservation	Town Funds	Total
Revenues:				
Departmental and other income	\$ 3,376	\$ -	\$ 33,660	\$ 37,036
Investment income	856	1,612	25,096	27,564
Non-enterprise charges for services	-	-	-	-
Total Revenues	4,232	1,612	58,756	64,600
Expenditures:				
Current:				
Miscellaneous	479	-	33,355	33,834
Capital Outlay	-	-	-	-
Total Expenditures	479	-	33,355	33,834
Excess of Revenues Over (Under) Expenditures	3,753	1,612	25,401	30,766
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(243,391)	(243,391)
Total Net Other Financing Sources (Uses)	-	-	(243,391)	(243,391)
Net Change in Fund Balance	3,753	1,612	(217,990)	(212,625)
Fund Balances, June 30, 2004	39,306	103,834	1,084,891	1,228,031
Fund Balances, End of Year	\$ 43,059	\$ 105,446	\$ 866,901	\$ 1,015,406

TOWN OF HINGHAM

Combining Schedule of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Conservatory Park:				
Assets:				
Cash and equivalents	\$ <u>110,173</u>	\$ _____ -	\$ _____ -	\$ <u>110,173</u>
Liabilities:				
Other liabilities	\$ <u>110,173</u>	\$ _____ -	\$ _____ -	\$ <u>110,173</u>
Other Town Funds:				
Assets:				
Cash and equivalents	\$ <u>207,528</u>	<u>1,106,982</u>	<u>\$ (1,050,712)</u>	\$ <u>263,798</u>
Liabilities:				
Warrants payable	\$ -	\$ 485	\$ -	\$ 485
Accrued liabilities	21,554	22,967	(21,554)	22,967
Other liabilities	<u>185,974</u>	<u>1,083,530</u>	<u>(1,029,158)</u>	<u>240,346</u>
Total Liabilities	<u>\$ 207,528</u>	<u>\$ 1,106,982</u>	<u>\$ (1,050,712)</u>	<u>\$ 263,798</u>
Total Agency Funds:				
Assets:				
Cash and equivalents	<u>\$ 317,701</u>	<u>\$ 1,106,982</u>	<u>\$ (1,050,712)</u>	<u>\$ 373,971</u>
Liabilities:				
Warrants payable	\$ -	\$ 485	\$ -	\$ 485
Accrued liabilities	21,554	22,967	(21,554)	22,967
Other liabilities	<u>185,974</u>	<u>1,083,530</u>	<u>(1,029,158)</u>	<u>350,519</u>
Total Liabilities	<u>\$ 207,528</u>	<u>\$ 1,106,982</u>	<u>\$ (1,050,712)</u>	<u>\$ 373,971</u>

TOWN OF HINGHAM

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2005

	Special Revenue Fund			
	Budgeted Amounts		Actual	
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance Over/(Under)
Revenues:				
Real estate and personal property taxes, Motor vehicle and other excise taxes net of tax refunds	\$ -	-	\$ -	\$ -
Licenses and permits	-	-	-	-
Penalties and interest	-	-	-	-
Investment income	-	-	-	-
Other income	-	-	79,032	79,032
Charges for service	1,981,654	1,981,654	1,682,825	(298,829)
Intergovernmental	-	-	-	-
Total Revenues	<u>1,981,654</u>	<u>1,981,654</u>	<u>1,761,857</u>	<u>(219,797)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Education	-	-	-	-
Public works	-	-	-	-
Human services	-	-	-	-
Culture and recreation	-	-	-	-
Pension benefits	-	-	-	-
Group health insurance	-	-	-	-
Miscellaneous	-	-	-	-
Sewer	1,981,654	2,034,298	1,553,526	480,772
Debt service	-	-	125,697	(125,697)
Intergovernmental	-	-	-	-
State and county assessments	-	-	-	-
Total Expenditures	<u>1,981,654</u>	<u>2,034,298</u>	<u>1,679,223</u>	<u>355,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(52,644)</u>	<u>82,634</u>	<u>135,278</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	46,390	46,390
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>46,390</u>	<u>46,390</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (52,644)</u>	<u>\$ 129,024</u>	<u>\$ 181,668</u>

TOWN OF HINGHAM

Notes to Required Supplementary Information - Continued

June 30, 2005

Note 1- **Stewardship, Compliance and Accountability - Continued**

A. *Budgetary Information – Continued*

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting and reporting system.

B. *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 fiscal year ended June 30, 2005, is presented below:

Net change in fund balance – budgetary basis	\$ (42,307)
<u>Basis of accounting timing differences:</u>	
Net change in recording 60-day receipts accrual	44,320
Net change in recording ATB case payable	<u>(4,799)</u>
Net change in fund balance - GAAP basis	\$ <u>(2,786)</u>

The following funds had deficit fund balances on June 30, 2005:

Capital Projects:	
Fire Station Renovation	\$ (457)
South Shore Country Club Irrigation	(1,349,155)
School Building Study Construction	(43,791)
Junior High Construction	(45,807)
Weir River Phase II Construction	(1,825,950)
Route 3A Construction	<u>(188,396)</u>
Total:	\$ <u>(3,453,556)</u>

TOWN OF HINGHAM

Other Supplementary Schedules

June 30, 2005

TOWN OF HINGHAM

Notes to Supplementary Information

June 30, 2005

Note 1- Stewardship, Compliance and Accountability

A. Budgetary Information

The annual budget for the sewer fund for fiscal year 2005 was approved and authorized for \$1,981,654. During fiscal year 2005 the Town approved supplemental appropriations totaling \$52,644.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Selectmen
Town of Hingham
Hingham, Massachusetts

We have audited the basic financial statements of the Town of Hingham, Massachusetts, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Hingham's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

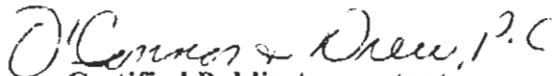
In **planning** and performing our audit, we considered the Town of Hingham's internal control over **financial** reporting in order to determine our auditing procedures for the purpose of expressing our **opinion** on the basic **financial** statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their

Board of Selectmen
Town of Hingham
Page 2

assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Hingham in a separate letter dated September 23, 2005.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

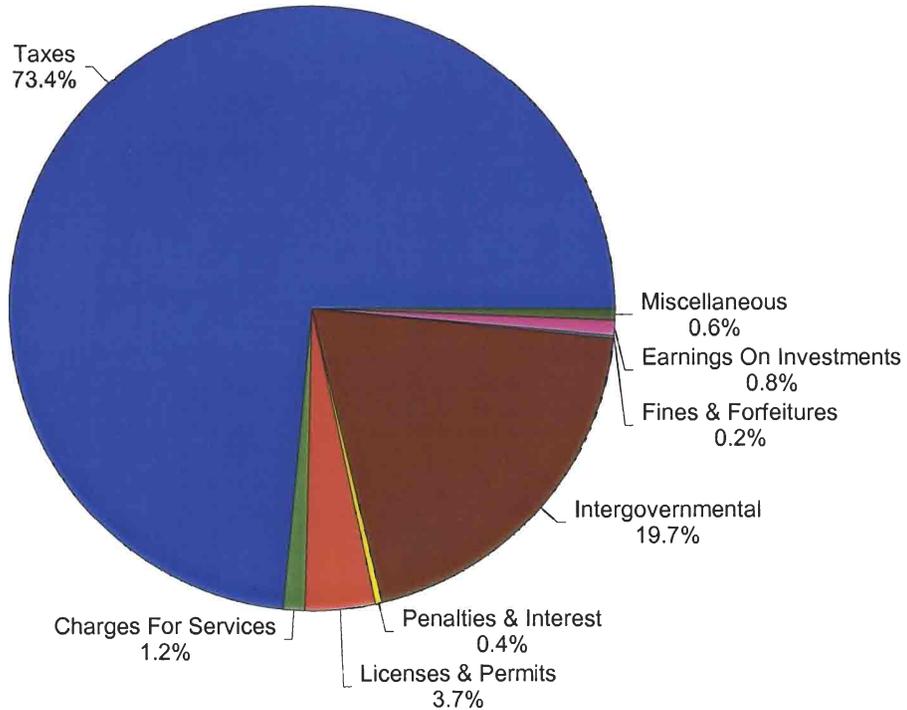
September 23, 2005

STATISTICAL SECTION

TOWN OF HINGHAM
 GENERAL FUND REVENUES BY SOURCE (1) (2)
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes (3)	Charges For Services	Licenses & Permits	Inter-governmental	Penalties & Interest	Fines & Forfeitures	Earnings On Investments	Misc.	Total
1996	32,263	318	315	3,645	494	101	640	45	37,820
1997	32,924	247	300	3,936	268	122	688	58	38,543
1998	34,239	336	312	4,283	268	121	628	47	40,233
1999	35,469	327	426	4,856	329	121	1,579	100	43,207
2000	37,433	368	573	5,679	240	108	1,294	287	45,980
2001	39,415	479	510	6,276	189	88	1,333	590	48,880
2002	41,693	608	668	8,714	241	80	1,193	280	53,476
2003	42,914	602	783	12,176	216	69	366	317	57,443
2004	45,733	643	1,842	11,724	214	120	239	315	60,829
2005	48,094	778	2,444	12,941	236	104	543	389	65,529

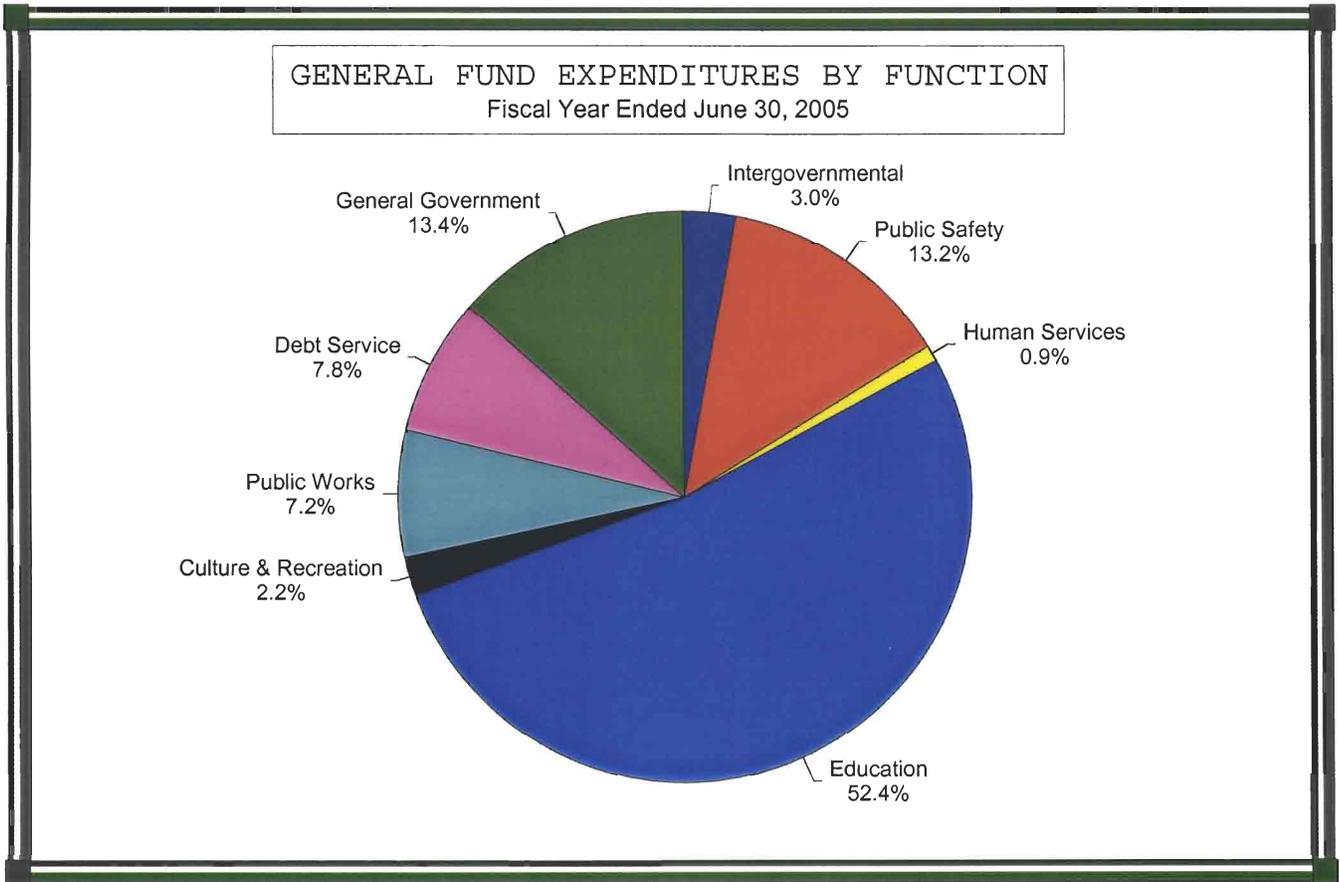
GENERAL FUND REVENUES BY SOURCE (1)(2)
 Fiscal Year Ended June 30, 2005



(1) All amounts in thousands (000's).
 (2) Excluding operating transfers in.
 (3) Includes real estate, personal, motor vehicle and other taxes.

TOWN OF HINGHAM
 GENERAL FUND EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS (1)

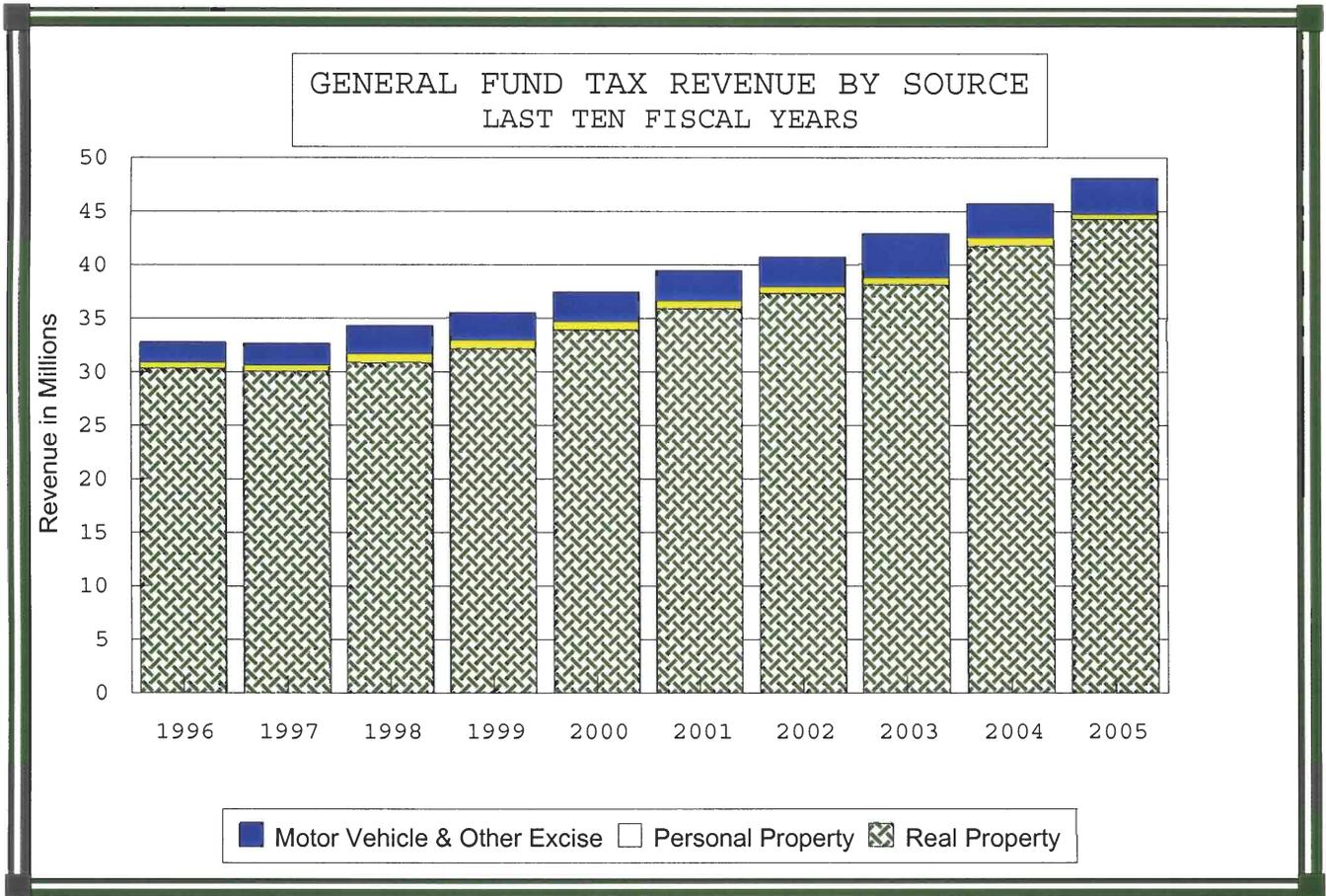
Fiscal Year Ended June 30	General Government (2)	Public Safety	Educational	Public Works	Human Services	Culture & Recreation	Intergovernmental	Debt Service	Total
1996	5,755	5,827	17,823	2,606	260	69	1,160	39	33,539
1997	5,611	6,126	19,343	2,553	290	89	1,223	125	35,359
1998	5,855	6,332	19,583	2,377	315	71	1,312	222	36,066
1999	6,464	6,570	21,182	2,585	356	110	1,389	938	39,595
2000	6,816	7,291	22,548	3,867	367	129	1,411	2,339	44,768
2001	7,328	7,093	23,653	3,810	425	136	1,394	2,806	46,646
2002	7,292	7,385	25,190	3,811	526	174	1,364	4,137	49,879
2003	7,615	7,954	30,054	4,308	596	172	1,521	5,272	57,491
2004	8,030	7,996	31,204	4,050	594	1,344	1,657	5,141	60,014
2005	8,703	8,560	33,945	4,643	591	1,417	1,926	5,033	64,818



(1) All amounts in thousands (000's).
 (2) Includes employee benefits and miscellaneous

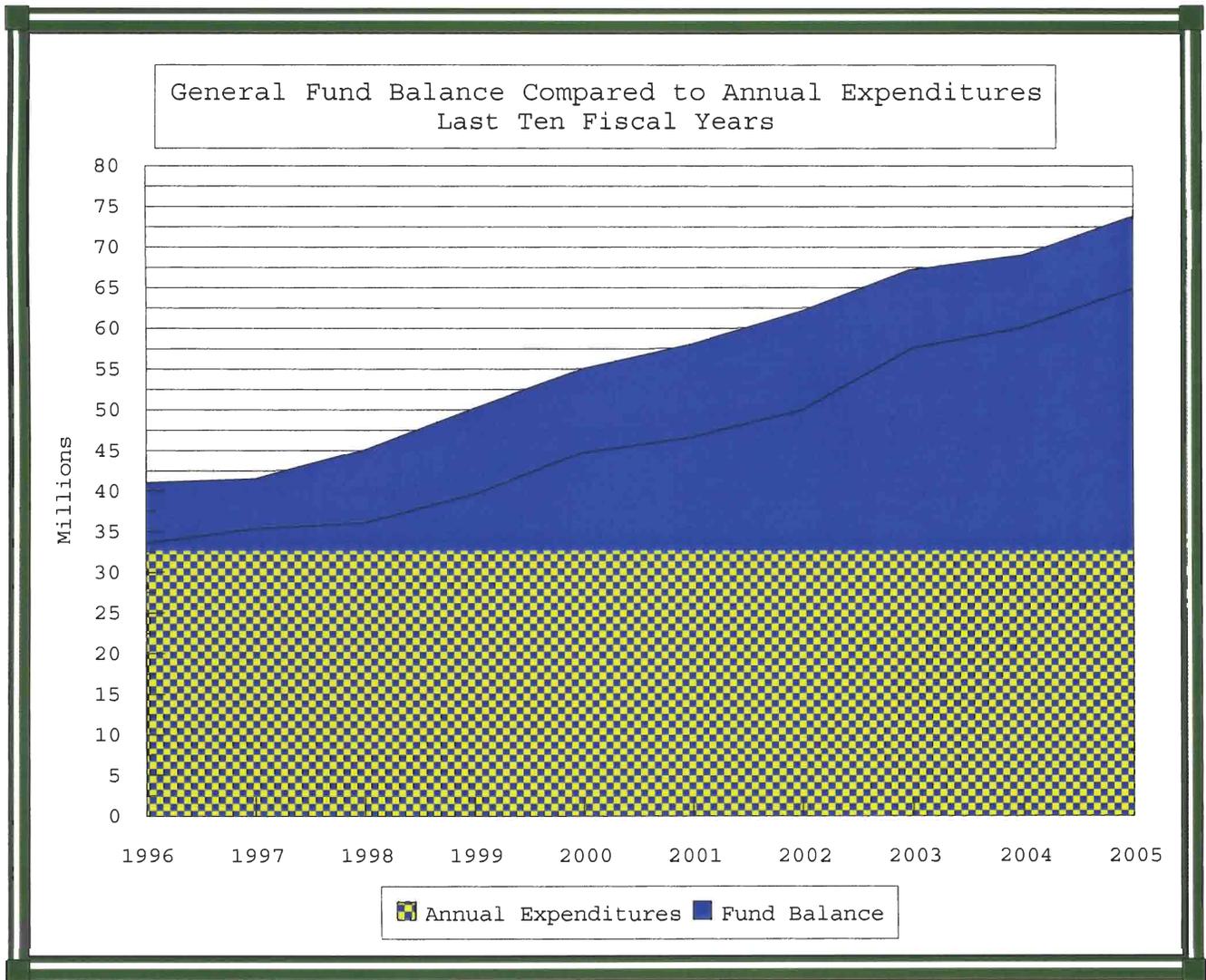
TOWN OF HINGHAM
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real Property	Personal Property	Motor Vehicle & Other Excise	Total
1996	30,323,283	553,204	1,879,887	29,720,549
1997	30,022,943	576,476	2,055,464	32,654,883
1998	30,813,791	813,086	2,611,760	34,238,637
1999	32,147,646	781,891	2,539,364	35,468,901
2000	33,915,720	782,741	2,734,172	37,432,633
2001	35,867,787	745,087	2,801,741	39,414,615
2002	37,309,524	625,711	2,783,268	40,718,503
2003	38,110,592	630,114	4,173,224	42,913,930
2004	41,723,063	874,984	3,134,734	45,732,781
2005	44,306,275	471,298	3,316,650	48,094,223



TOWN OF HINGHAM
 GENERAL FUND BALANCE COMPARED TO ANNUAL EXPENDITURES
 LAST TEN FISCAL YEARS

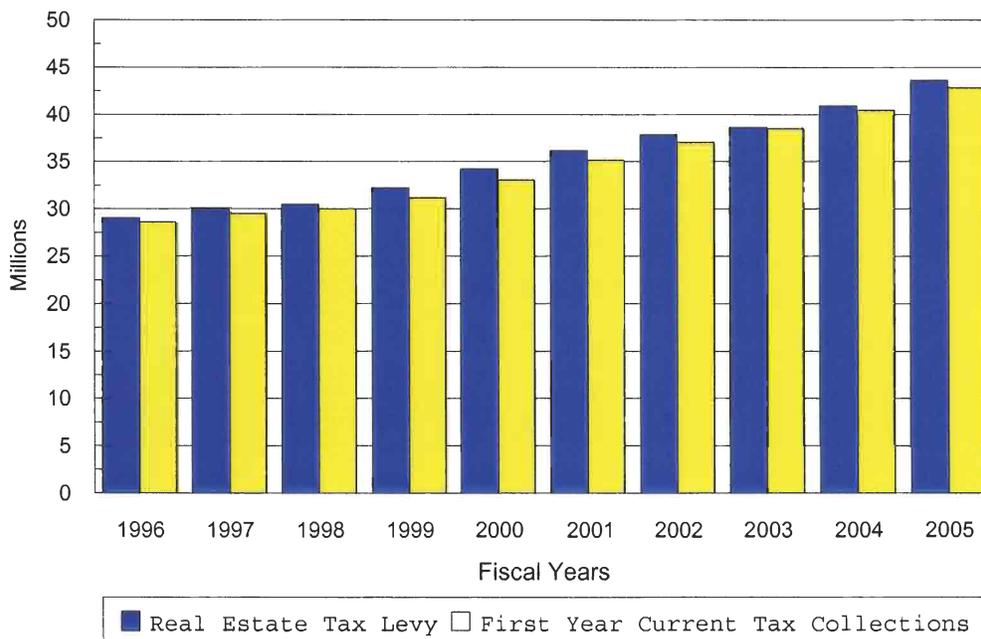
<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Fund Balance</u>	<u>Annual</u> <u>Expenditures</u>	<u>Balance as %</u> <u>of Expenditures</u>
1996	7,471,111	33,539,029	22.28%
1997	6,126,561	35,358,720	17.33%
1998	9,023,265	36,066,225	25.02%
1999	10,593,275	39,594,671	26.75%
2000	10,238,139	44,767,581	22.87%
2001	11,387,861	46,645,766	24.41%
2002	12,158,407	49,879,152	24.38%
2003	9,761,788	57,490,513	16.98%
2004	9,012,237	60,014,608	15.02%
2005	9,009,451	64,818,332	13.90%



TOWN OF HINGHAM
 REAL ESTATE TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Real Estate Tax Levy (1)</u>	<u>First Year Current Tax Collections (2)</u>	<u>Percent of Collected</u>	<u>Delinquent Levy Tax Collections</u>
1996	29,013,326	28,610,727	98.6%	585,716
1997	29,898,484	29,483,215	98.6%	166,331
1998	30,438,135	29,994,894	98.5%	118,678
1999	32,181,705	31,154,307	96.8%	210,031
2000	34,141,328	33,068,507	96.9%	200,031
2001	36,110,458	35,156,713	97.4%	109,278
2002	37,855,230	37,052,381	97.9%	126,626
2003	38,634,634	38,498,446	99.6%	48,423
2004	40,946,567	40,475,483	98.8%	109,179
2005	43,570,851	42,859,193	98.4%	66,592

Real Estate Tax Levies vs. First Year Collections
 Last Ten Fiscal Years

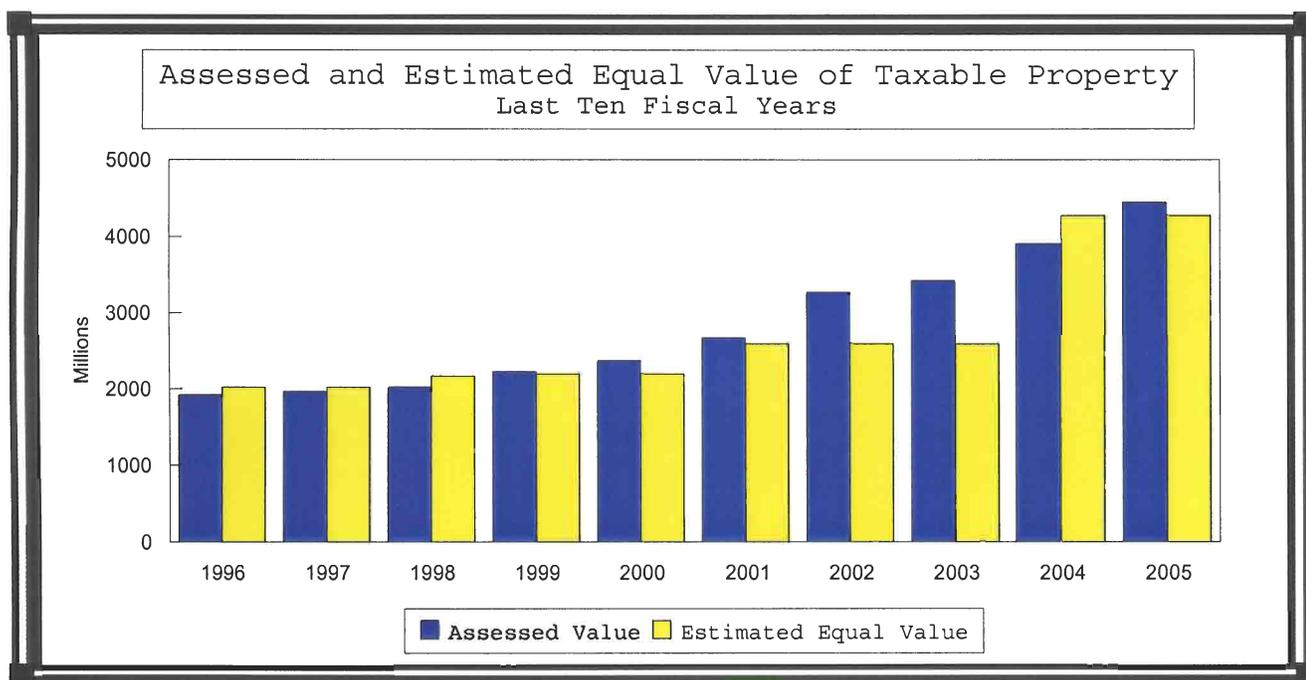


(1) Real Estate Tax Levy net of allowance for abatements and refunds.

(2) The "First Year Current Tax Collections" is the collection of the current year's taxes during the first fiscal year.

TOWN OF HINGHAM
 ASSESSED AND ESTIMATED EQUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Assessed Value (1)	Estimated Equal Value (2)	As Of	Assessed Value to Estimated Equal Value
1996	1,919,125,320	2,021,730,100	01/01/1995	94.9%
1997	1,961,415,852	2,021,730,100	01/01/1995	97.0%
1998	2,014,467,876	2,162,057,700	01/01/1997	93.2%
1999	2,213,907,480	2,191,461,700	01/01/1998	101.0%
2000	2,360,625,044	2,191,461,700	01/01/1998	107.7%
2001	2,654,902,440	2,588,869,000	01/01/2000	102.6%
2002	3,263,821,350	2,588,869,000	01/01/2000	126.1%
2003	3,416,302,980	2,588,869,000	01/01/2000	132.0%
2004	3,897,620,840	4,273,602,000	01/01/2004	91.2%
2005	4,436,561,270	4,273,602,000	01/01/2004	103.8%



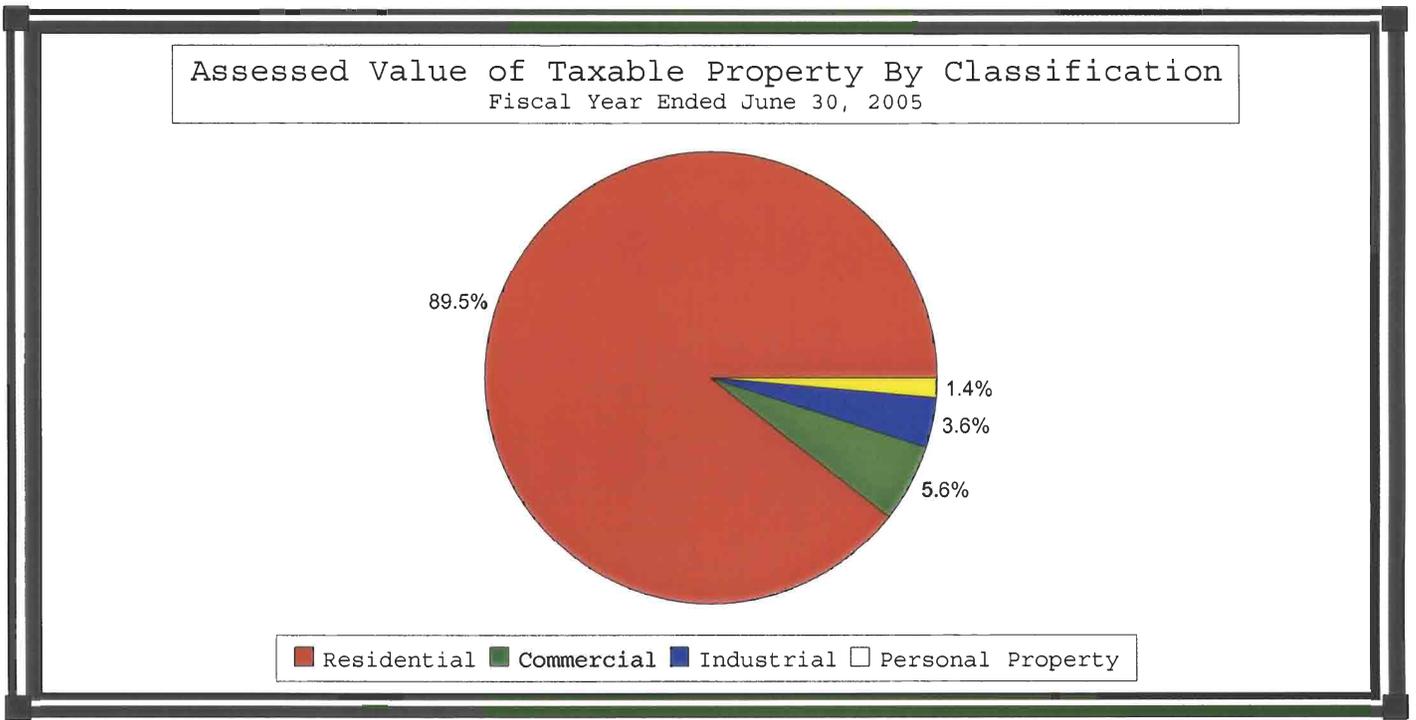
Source: Assessors Department, Town of Hingham

- (1) Assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.
- (2) The Commissioner of Revenue makes a determination of the fair cash value of the taxable property in each municipality in order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns. This is known as "equalized value."

TOWN OF HINGHAM
 ASSESSED VALUE OF TAXABLE PROPERTY BY CLASSIFICATION (1)
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30 (2)	Residential Valuation	Commercial Valuation	Industrial Valuation	Personal Property Valuation	Total Valuation
1996	1,624,035,645	160,379,431	98,502,774	36,207,500	1,919,125,350
1997	1,656,247,636	155,599,143	111,368,473	38,200,600	1,961,415,852
1998	1,696,076,557	154,231,046	111,163,273	52,997,000	2,014,467,876
1999	1,859,786,771	186,650,447	114,350,482	53,119,780	2,213,907,480
2000	2,009,206,664	184,860,278	113,285,982	53,272,120	2,360,625,044
2001	2,291,626,641	195,458,633	113,038,026	54,779,140	2,654,902,440
2002	2,844,936,015	221,833,805	143,584,280	53,467,250	3,263,821,350
2003	2,968,345,775	244,125,645	149,690,680	54,140,880	3,416,302,980
2004	3,445,300,065	229,436,735	153,148,500	69,735,540	3,897,620,840
2005	3,968,837,225	247,289,457	158,456,758	61,977,830	4,436,561,270

10 yr avg	\$2,436,439,899	\$197,986,462	\$126,658,923	\$52,789,764	\$2,813,875,048
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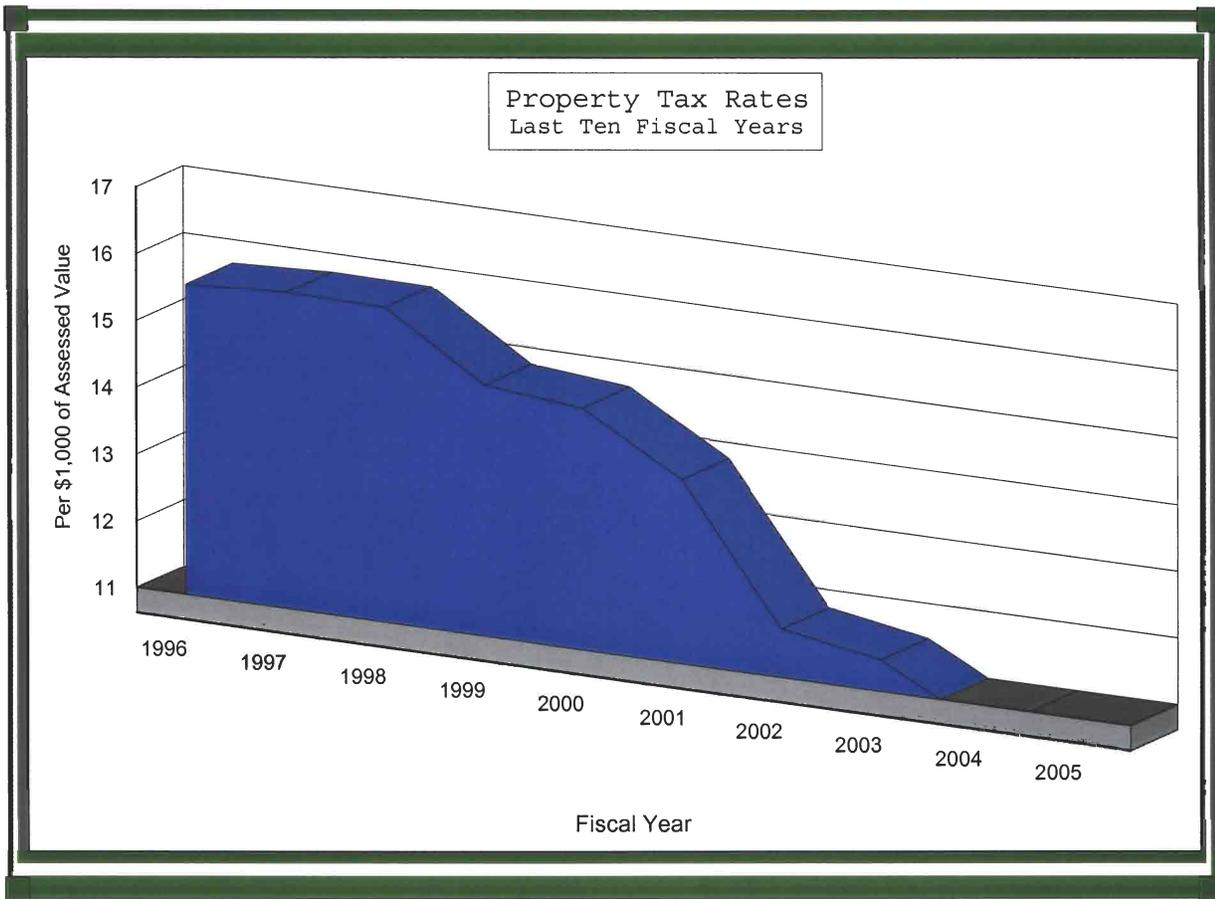


Source: Assessors Department, Town of Hingham

- (1) Assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.
- (2) Change in valuations caused by revaluation of taxable property as required by State statute every three years; 1993, 1996, 1999 and 2002.

TOWN OF HINGHAM
PROPERTY TAX RATES (1)
PER \$1000.00 OF ASSESSED VALUE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	<u>Residential</u>	<u>Commercial (2)</u>	<u>Industrial (2)</u>	<u>Personal</u>
1996	15.64	15.64	15.64	15.64
1997	15.71	15.71	15.71	15.71
1998	15.70	15.70	15.70	15.70
1999	14.74	14.74	14.74	14.74
2000	14.61	14.61	14.61	14.61
2001	13.75	13.75	13.75	13.75
2002	11.72	11.72	11.72	11.72
2003	11.47	11.47	11.47	11.47
2004	10.68	10.68	10.68	10.68
2005	9.96	9.96	9.96	9.96

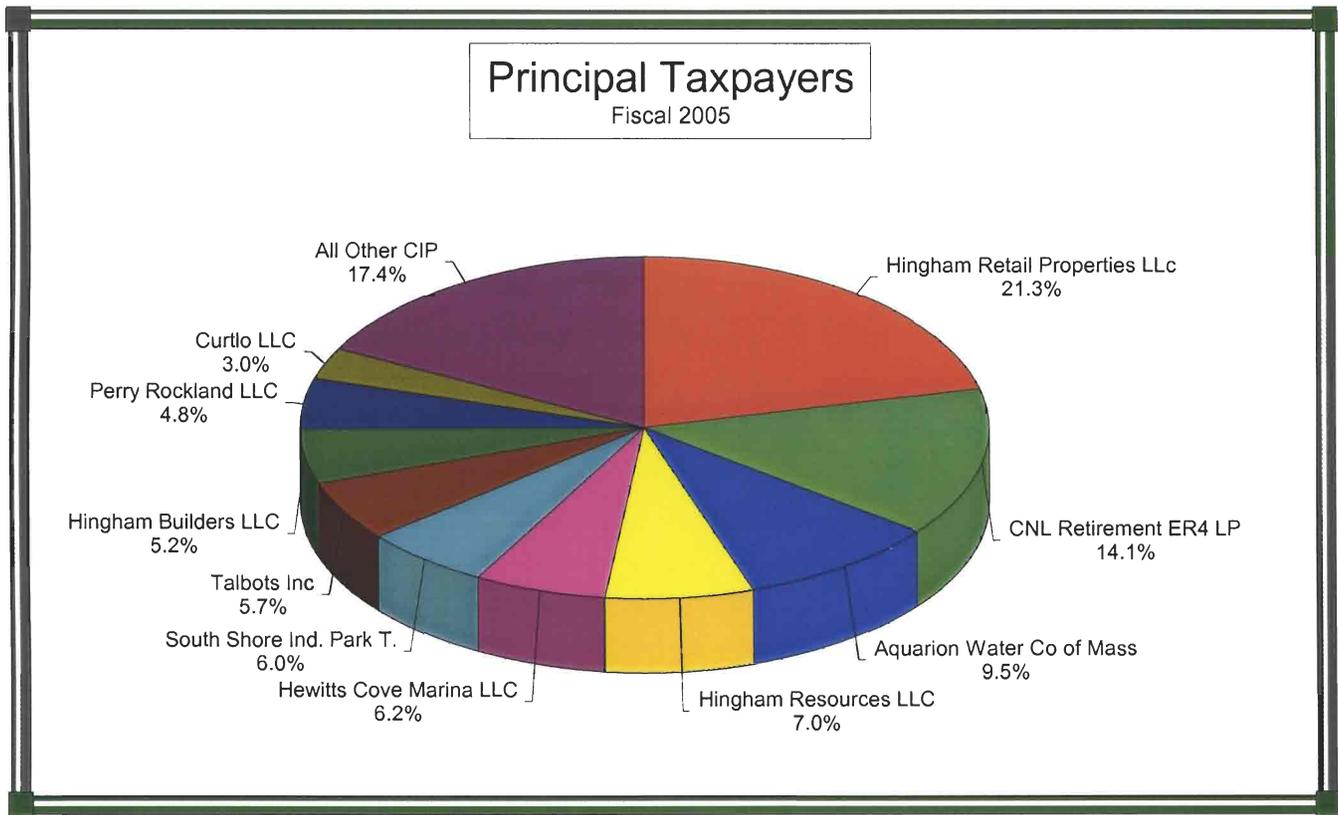


SOURCE: Assessor's Department, Town of Hingham

- (1) There are no property tax rates that apply to overlapping governments.
- (2) Towns in Massachusetts are permitted to charge a higher rate for commercial and industrial properties; However, the Town of Hingham has always maintained a single rate structure.

TOWN OF HINGHAM
 PRINCIPAL TAXPAYERS(1)
 JUNE 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Valuation</u>	<u>% of CIP(2)</u>	<u>% of Total Tax Levy(3)</u>
Hingham Retail Properties LLC	Mall	\$99,725,400	21.3%	2.2%
CNL Retirement ER4 LP	Housing	\$65,838,700	14.1%	1.5%
Aquarion Water Co of Mass	Utilities	\$44,336,720	9.5%	1.0%
Hingham Resources LLC	Golf	\$32,666,200	7.0%	0.7%
Hewitts Cove Marina LLC	Land	\$29,101,000	6.2%	0.7%
South Shore Ind. Park T.	Land	\$27,954,700	6.0%	0.6%
Talbots Inc	Office Manufacturing	\$26,611,300	5.7%	0.6%
Hingham Builders LLC	Real Estate	\$24,125,500	5.2%	0.5%
Perry Rockland LLC	Office Building	\$22,390,100	4.8%	0.5%
Curtlo LLC	Mall	\$13,813,700	3.0%	0.3%



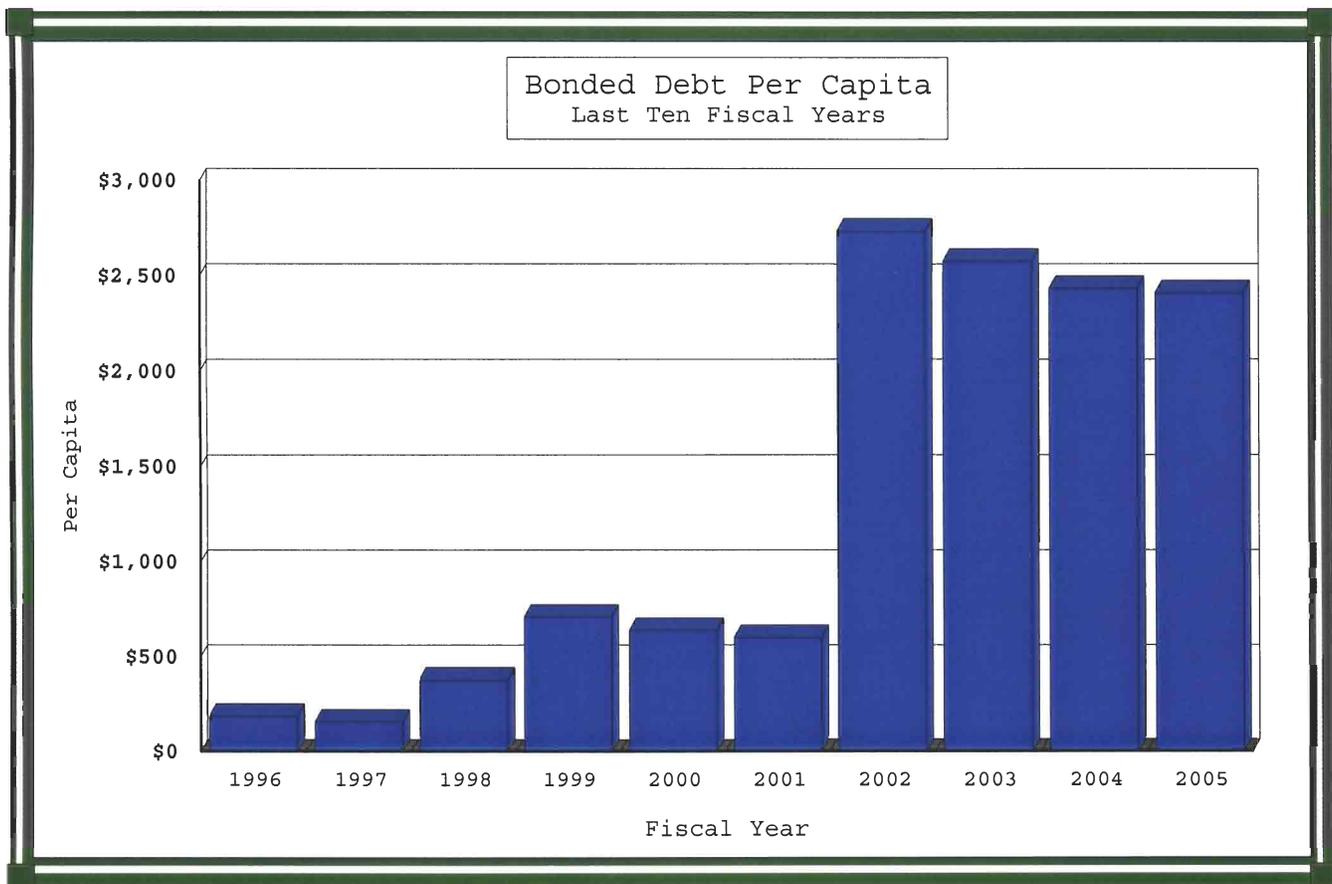
(1) SOURCE: Assessor's Department, Town of Hingham

(2) Total Commercial, Industrial & Personal Property (CIP) valuation \$467,724,045

(3) Total valuation of all property \$4,436,561,270

TOWN OF HINGHAM
 RATIO OF GENERAL BONDED DEBT
 TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITAL
 LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Population</u>	<u>Assessed Valuation (000s) (1)</u>	<u>General Bond Debt (000's)</u>	<u>Ratio of Bonded Debt to Assessed Valuation</u>	<u>Bonded Debt Per Capita</u>
1996	19,592	1,919,125	3,627	0.19%	\$185
1997	19,738	1,961,416	3,077	0.16%	\$156
1998	20,235	2,014,468	7,622	0.38%	\$377
1999	20,165	2,213,907	14,302	0.65%	\$709
2000	20,954	2,360,625	13,387	0.57%	\$639
2001	20,762	2,654,902	12,485	0.47%	\$601
2002	20,762	3,263,821	56,746	1.74%	\$2,733
2003	20,898	3,416,303	53,910	1.58%	\$2,580
2004	20,720	3,897,621	50,442	1.29%	\$2,434
2005	20,872	4,436,561	50,336	1.13%	\$2,412



(1) Assessed valuations are determined annually as of January 1, and are used for the fiscal year beginning on the next July 1.

TOWN OF HINGHAM
 COMPUTATION OF LEGAL DEBT MARGIN
 JUNE 30, 2005

Equalized valuation established as of January 1, 2004 by the Commonwealth of Massachusetts, Department of Revenue (1)	<u>\$4,273,602,000</u>
Debt Limit -- 5% of equalized valuation	\$213,680,100
Amount of debt applicable to debt limit: (2)	
Total bonded debt	\$47,483,142
Less: Bonded debt outside the debt margin:	
South Shore Country Club	\$600,000
Bonded debt within the debt margin	<u>\$46,883,142</u>
Legal debt margin	<u>\$166,796,958</u>

(1) Massachusetts General Laws, Chapter 44, Section 10 states that a town shall not authorize indebtedness to an amount exceeding five percent (5%) of the town's equalized valuation as determined by the Commissioner of Revenue. As of June 30, 2005 the most recent valuation was as of Jan 1, 2004. A town may; however, borrow up to ten percent (10%) of such equalized valuation with the approval of the Emergency Finance Board established under Chapter 49 of the Acts of 1993.

(2) The Town of Hingham does not have a debt service fund.

TOWN OF HINGHAM
 COMPUTATION OF OVERLAPPING DEBT
 JUNE 30, 2005

<u>Fiscal Year Ended June 30</u>	<u>Outstanding Long Term Debt</u>	<u>Hingham's Estimated Share (1)</u>	<u>2005 Dollar Assessment (2)</u>
Plymouth County (3)	\$0	N/A	\$87,739
MWRA (4)	\$3,529,647,000	0.033%	\$1,155,018
MBTA (5)			\$463,257

(1) Estimated share based upon operating expenses.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive, where applicable, of debt service.

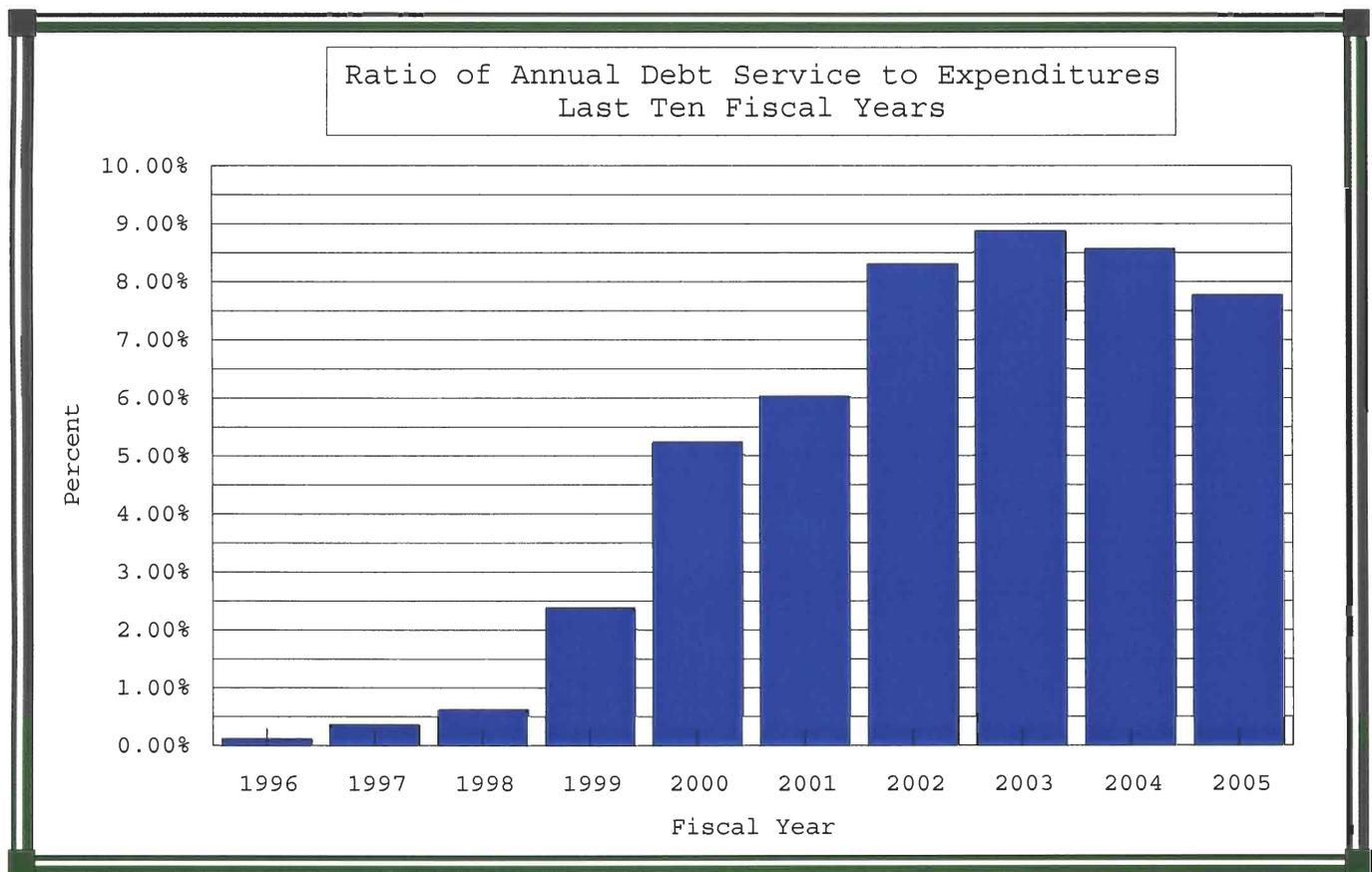
(3) Source: County Treasurer. County expenses, including debt service, are assessed upon the towns within the county in proportion to their taxable valuation.

(4) Source: Massachusetts Water Resources Authority (MWRA). Sewer debt only as of June 30, 2005. The MWRA provides water and sewer services to its member towns. Hingham is not a member of the MWRA water division as Hingham receives water from a private company.

(5) Source: Massachusetts Bay Transportation Authority (MBTA). As part of its Fiscal year 2000 annual appropriations act, Chapter 127 of the Acts of 1999 of the Commonwealth known as "Forward Funding Legislation" the Commonwealth repealed and restated the Prior Act effective July 1, 2000. As of July 1, 2000, the MBTA's 175 member communities are no longer responsible for overlapping debt and are solely responsible for their municipal assessment.

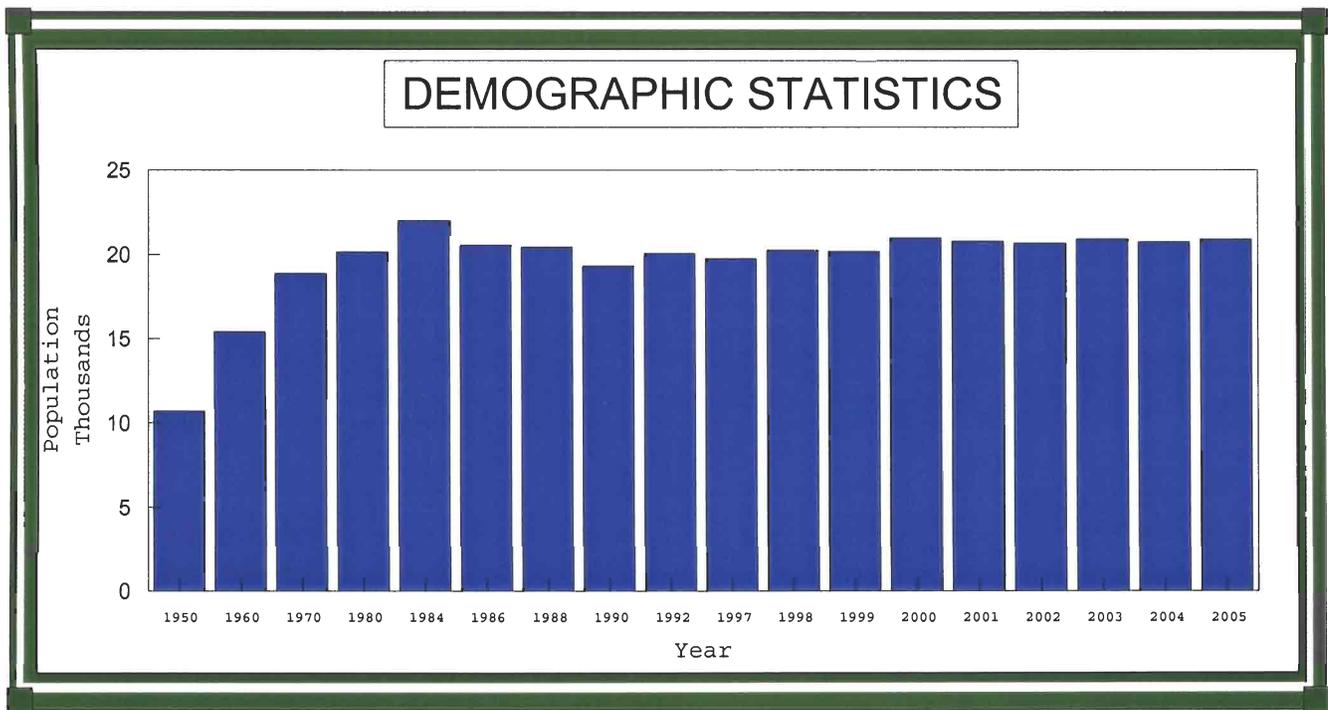
TOWN OF HINGHAM
 RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
 TO TOTAL GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS

Fiscal Year Year Ended <u>Ended June 30</u>	<u>Annual Debt Service</u>	<u>Total General Fund Expenditures</u>	Ratio of Annual Debt Service to <u>Expenditures</u>
1996	39,158	33,539,029	0.1%
1997	124,980	35,358,720	0.4%
1998	221,840	36,066,225	0.6%
1999	938,151	39,594,671	2.4%
2000	2,338,791	44,767,581	5.2%
2001	2,805,734	46,645,766	6.0%
2002	4,137,257	49,879,152	8.3%
2003	5,271,866	59,490,513	8.9%
2004	5,140,505	60,014,608	8.6%
2005	5,033,606	64,818,332	7.8%



TOWN OF HINGHAM
DEMOGRAPHIC STATISTICS

<u>Year</u>	Town of Hingham <u>Pop (1)</u>	Plymouth County <u>Pop (2)</u>	Commonwealth of Mass <u>Pop (2)</u>
1950	10,665	189,468	4,690,514
1960	15,378	248,449	5,148,578
1970	18,867	333,314	5,630,224
1980	20,139	405,437	5,737,083
1984	21,950	417,328	5,798,000
1986	20,533	424,400	5,832,000
1988	20,421	430,900	5,890,000
1990	19,295	435,276	6,016,000
1992	20,044	439,653	5,998,000
1997	19,738	462,159	6,117,520
1998	20,235	467,588	6,144,407
1999	20,165	473,026	6,175,169
2000	20,954	472,822	6,349,097
2001	20,762	481,059	6,379,304
2002	20,654	474,200	6,421,800
2003	20,898	485,747	6,427,803
2004	20,720	487,521	6,433,422
2005	20,872	490,655	6,416,505

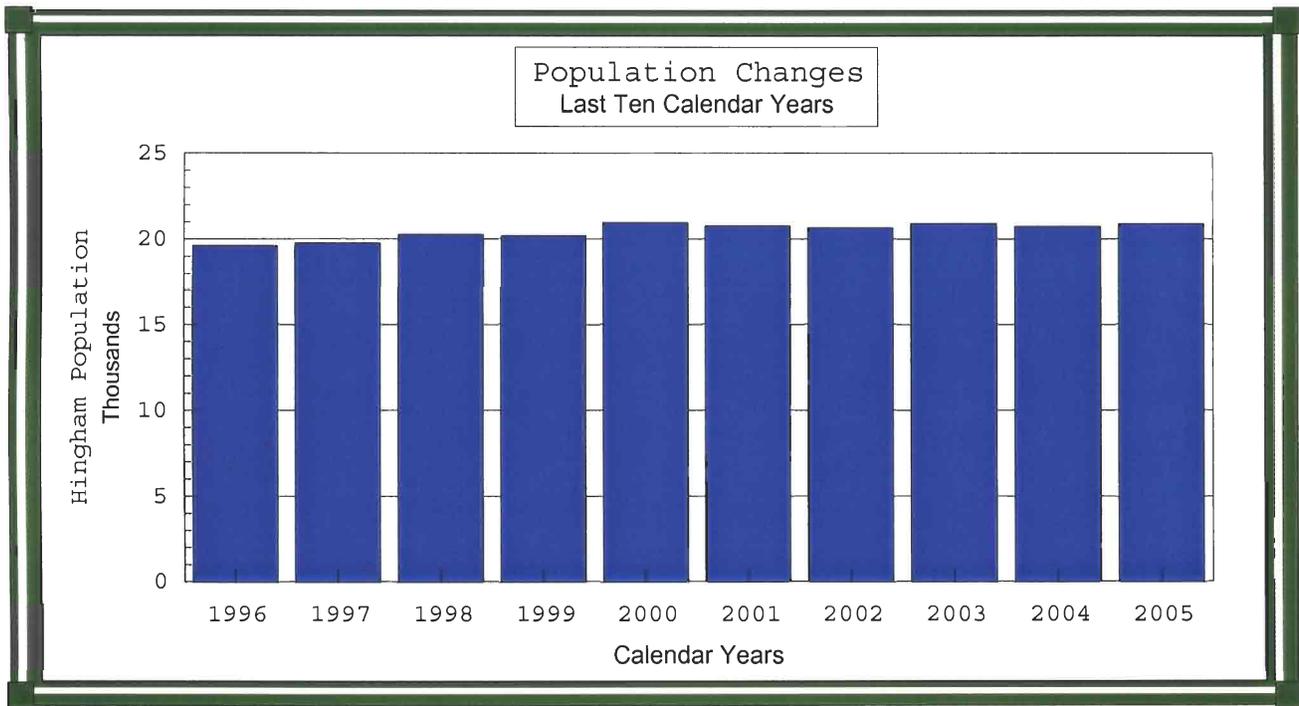


(1) Source: Hingham Town Clerk's Office.

(2) Source: US Department of Commerce, Bureau of the Census

TOWN OF HINGHAM
POPULATION CHANGES
LAST TEN CALENDAR YEARS

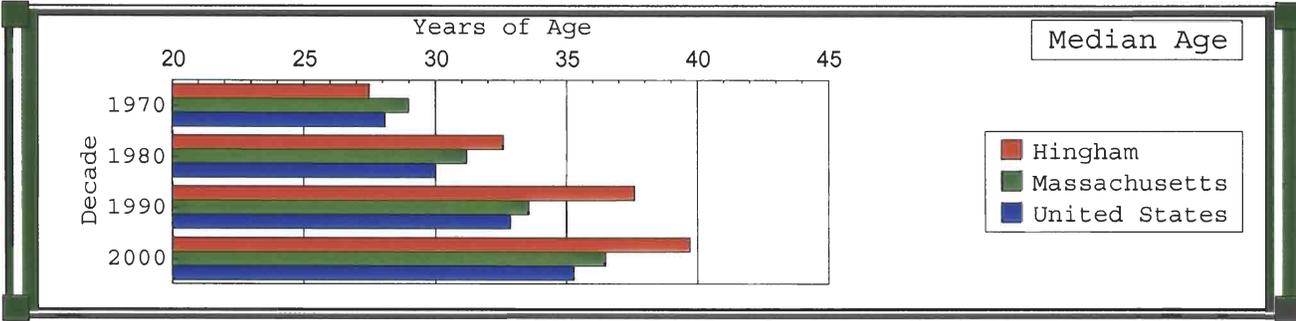
<u>Year</u>	<u>Population</u>	<u>Increase (Decrease)</u>
1996	19,592	(793)
1997	19,738	146
1998	20,235	497
1999	20,165	(70)
2000	20,954	789
2001	20,762	(192)
2002	20,654	(108)
2003	20,898	244
2004	20,720	(178)
2005	20,872	152



Source: Annual census data provided by the Town Clerk, Town of Hingham

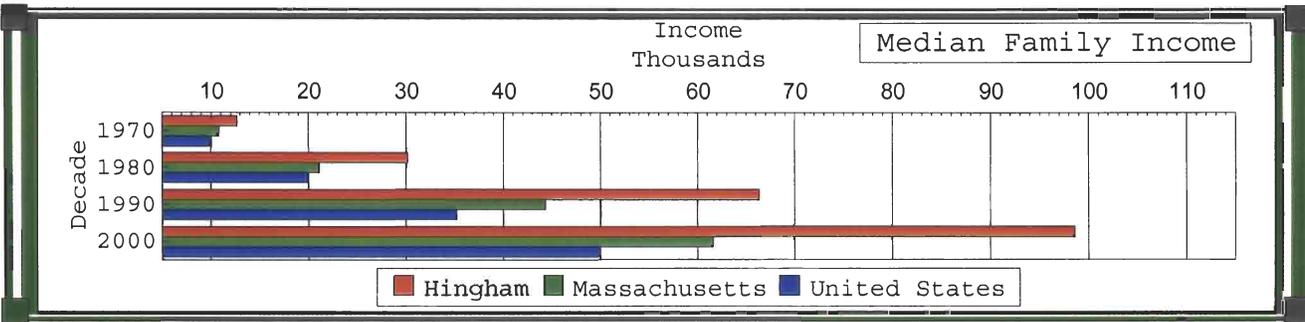
TOWN OF HINGHAM
 MEDIAN AGE, MEDIAN FAMILY INCOME
 AND PER CAPITA INCOME

	<u>Hingham</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age			
1970	27.5	29.0	28.1
1980	32.6	31.2	30.0
1990	37.6	33.6	32.9
2000	39.7	36.5	35.3



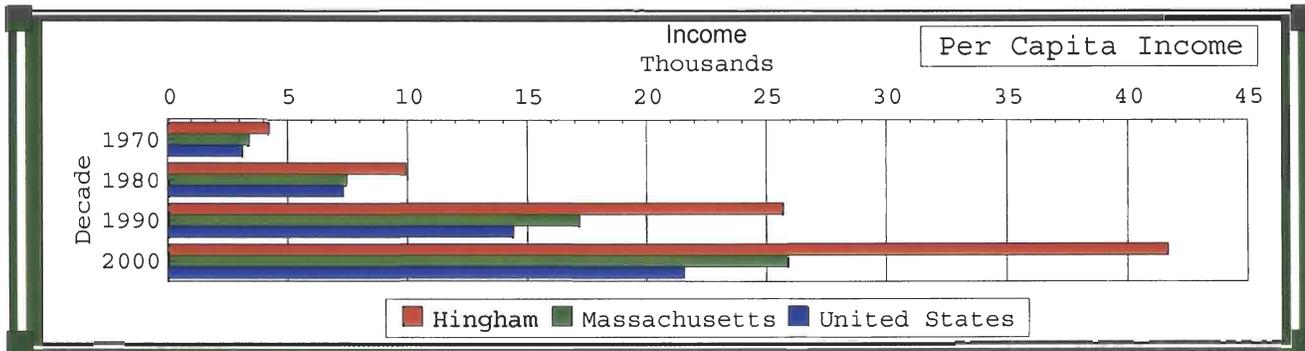
Median Family Income

1970	\$12,729	\$10,835	\$9,867
1980	30,157	21,116	19,908
1990	66,386	44,367	35,225
2000	98,598	61,664	50,046



Per Capita Income

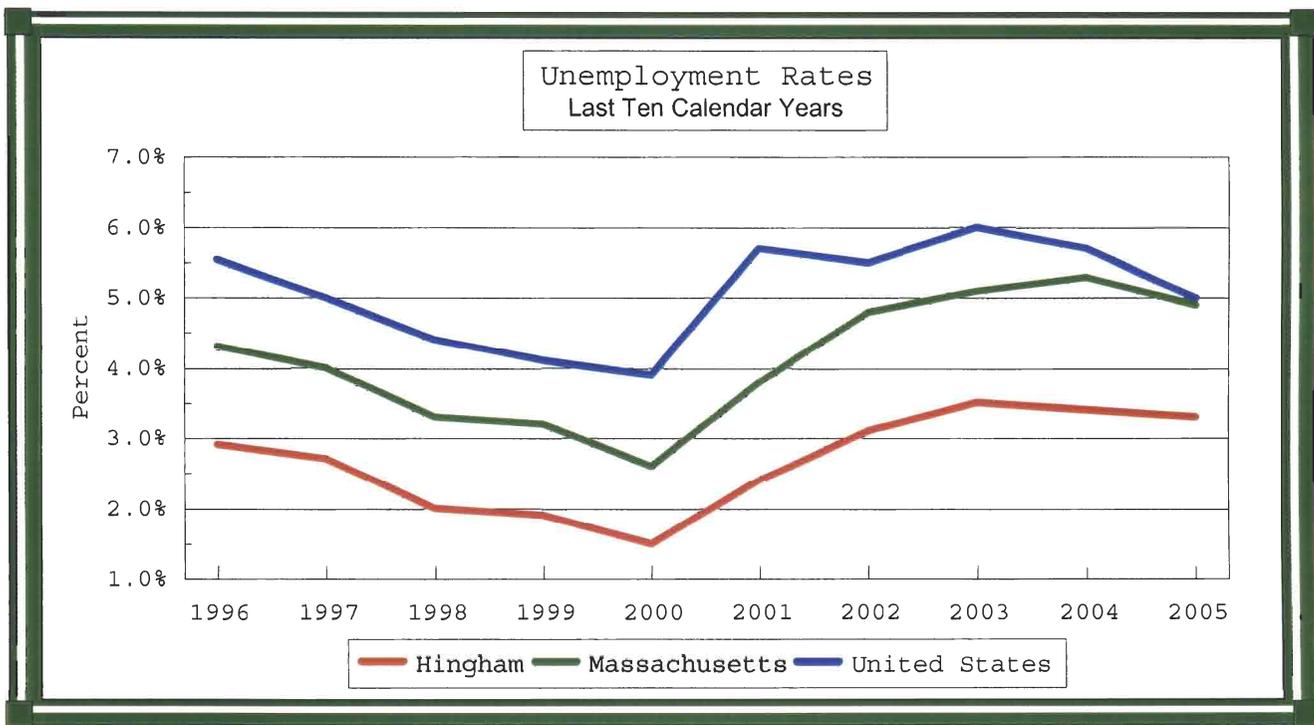
1970	\$4,251	\$3,425	\$3,139
1980	9,949	7,459	7,313
1990	25,726	17,224	14,420
2000	41,703	25,952	21,587



Source: Federal Bureau of the Census.

TOWN OF HINGHAM
UNEMPLOYMENT RATES
LAST TEN CALENDAR YEARS

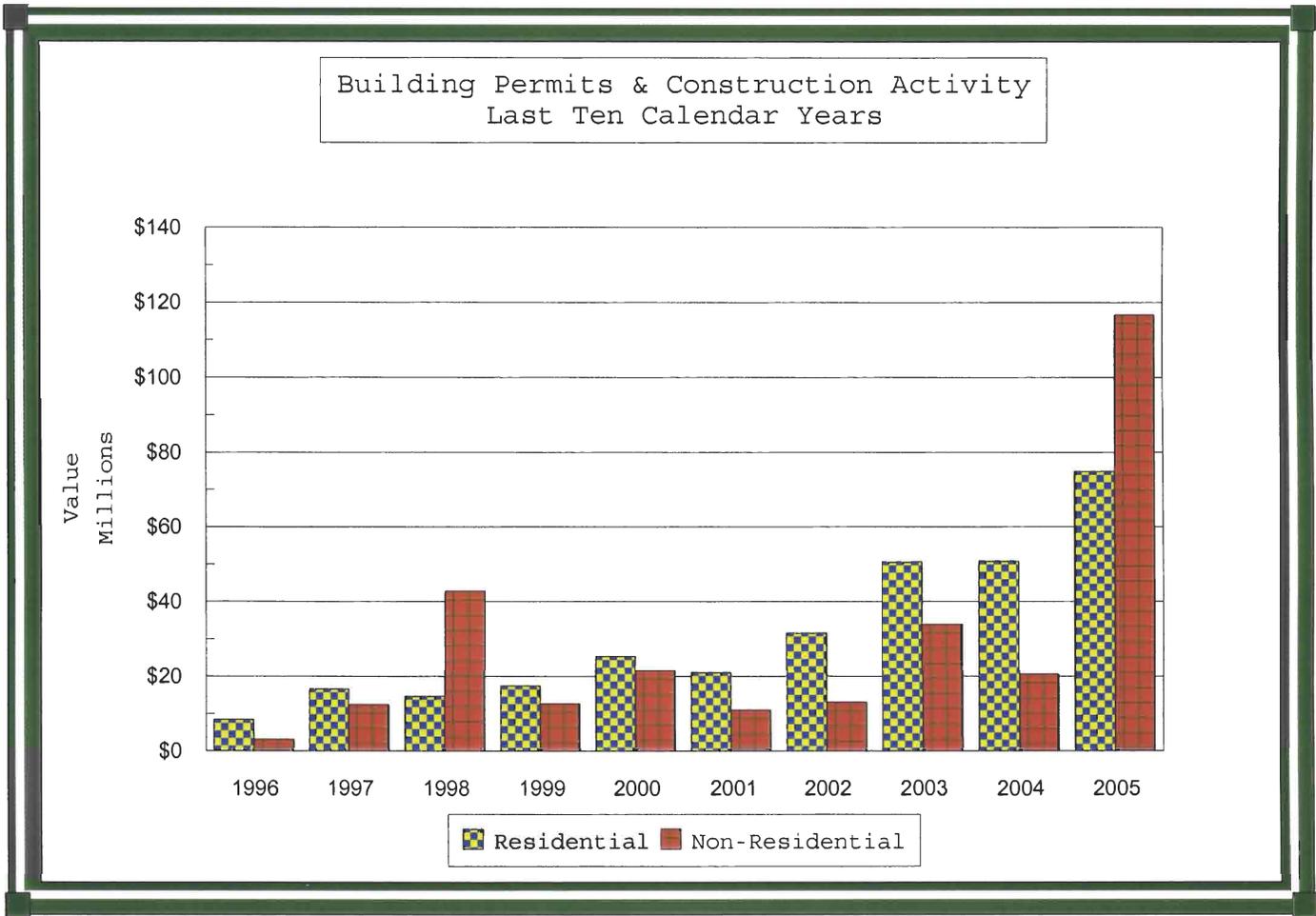
Year	Hingham (1)	Massachusetts (1)	United States (1)
1996	2.9%	4.3%	5.5%
1997	2.7%	4.0%	5.0%
1998	2.0%	3.3%	4.4%
1999	1.9%	3.2%	4.1%
2000	1.5%	2.6%	3.9%
2001	2.4%	3.8%	5.7%
2002	3.1%	4.8%	5.5%
2003	3.5%	5.1%	6.0%
2004	3.4%	5.3%	5.7%
2005	3.3%	4.9%	5.0%



(1) Source: Massachusetts Division of Employment and Training
(As of November 30, 2005)

TOWN OF HINGHAM
 BUILDING PERMITS AND CONSTRUCTION ACTIVITY
 LAST TEN CALENDAR YEARS (1)

<u>Year</u>	<u>Residential</u>		<u>Non-Residential</u>		<u>Total</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
1996	652	8,334,907	65	3,191,991	11,526,898
1997	606	16,599,831	106	12,493,530	29,093,361
1998	640	14,721,841	156	42,675,425	57,397,266
1999	691	17,443,789	77	12,783,436	30,227,225
2000	617	25,369,117	152	21,452,362	46,821,479
2001	550	20,966,124	200	11,078,881	32,045,005
2002	629	31,516,573	221	13,121,122	44,637,695
2003	664	50,477,912	231	33,959,121	84,437,033
2004	626	50,729,984	311	20,509,704	71,239,688
2005	760	74,780,951	302	116,596,153	191,377,104



(1) Source: Building Inspector, Town of Hingham. Includes additions and alterations.

TOWN OF HINGHAM, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For The Fiscal Year Ended June 30, 2005

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TOWN OF HINGHAM
TEN LARGEST EMPLOYERS
CALENDAR 2005

<u>Name</u>	<u>Nature of Business</u>	<u>Employment</u>
Talbots	Retail Clothing	1,200
Serono Laboratories	Bio-Technology	461
Russ Electric	Automatic Switches	275
Linden Ponds	Health Care	245
Stop & Shop	Retail	235
Kohl's	Retail	200
Harbor House	Health Care	200
Eat Well	Restaurant	170
Whole Foods	Retail	163
Black Rock Country Club	Golf	160