

# Town of Hingham Massachusetts



**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2006**

On entering the front door of the Hingham Town Hall you are drawn to the elegant stairway that was built in 1928 in the new High School. The building, designed in the Colonial Revival style, replaced the old High School further up the street which had burned down the year before. The stairway would be used by high school students until 1954 when a new High School was built and Junior High school feet started to tread the steps. In 1989, town finances forced the school to close in favor of the new Junior High in South Hingham. Thanks to the wisdom of Hingham citizens, the building was saved and restored and in 1998 became the Town Hall. Now Town Hall employees and the many residents that use the extensive town services enjoy the beauty and grandeur of this staircase.

*Christmas, 2006*



**Town of Hingham, Massachusetts**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2006**

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, 2006

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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, 2005

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.



President

Executive Director

# **INTRODUCTORY SECTION**

# TOWN OF HINGHAM

## ACCOUNTING DEPARTMENT

Ted C. Alexiades  
Finance Director / Town Accountant



January 29, 2007

**To the Citizens of the Town of Hingham, Massachusetts:**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006 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

-v-



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, 2005. This was the tenth 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 rose slightly over the past few years, have begun to decline again. However, the Town traditionally has a more stable employment profile than the state or the nation, and has maintained this consistency over the past few years.

The Town's population has modestly increased in the nineties, after having declined through most of the late eighties, and over the past few years has once again begun modest increases. 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 2006, and the state increased aid to cities and towns during the fiscal year 2006.

#### **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 \$8,657,867 for capital improvements for Fiscal 2007. Highlighting the Fiscal 2007 recommendations are a \$5,018,559 centralized public works facility and \$1,768,908 adjacent athletic field complex.

## 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, 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 2006 report to GFOA for review in anticipation of receiving the certificate.

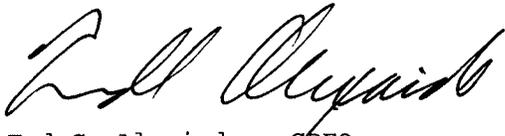
**Independent Audit.** The financial statements for the fiscal year ended June 30, 2006 were audited by the public accounting firm of O'Connor & Drew, P.C. The financial statements have received an "unqualified opinion" from the auditors. An "unqualified opinion" is the best opinion which a governmental 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 Kevin Carnes, and Dave A. DiIulis, Partners, at O'Connor & Drew, P.C., whose attention to the fiscal year 2006 financial statements was invaluable.

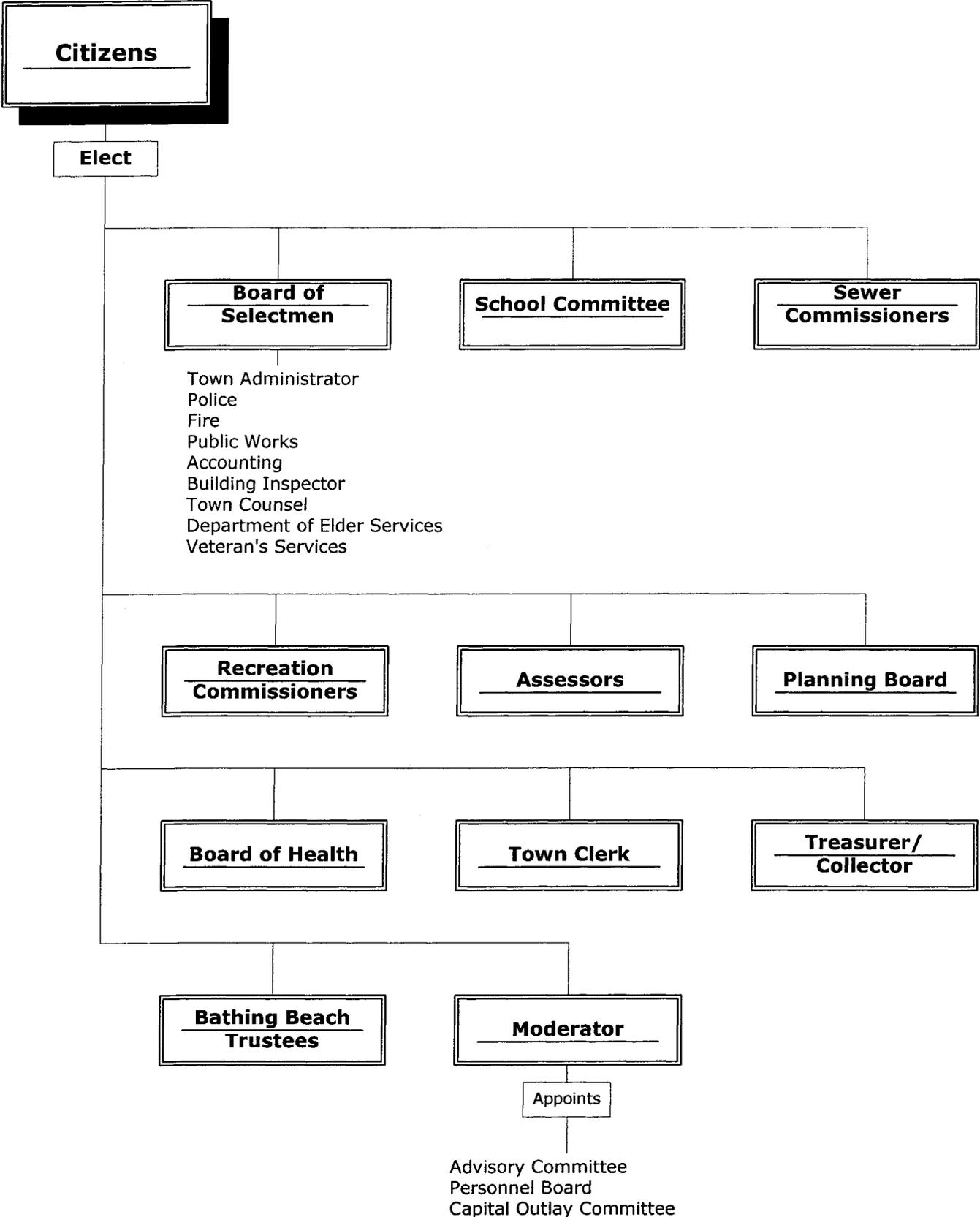
I also want to express my appreciation to the accounting personnel, Sue Nickerson, Steve Becker, Nancy Skillings, Kate Richardson, and Jan Jacobson for their assistance with the preparation of this CAFR, and to Betty Tower of the Selectmen's Office for her work on the cover design. I wish to acknowledge 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 Organizational Chart



TOWN OF HINGHAM  
ELECTED OFFICIALS

		<u>Term Expires</u>
MODERATOR	Thomas L. P. O'Donnell	2007
BOARD OF SELECTMEN	Phillip J. Edmundson, Chairman	2007
	Melissa A. Tully	2008
	John A. Riley	2009
TOWN CLERK	Eileen A. McCracken	2009
TREASURER/COLLECTOR	Jean Montgomery	2007
BOARD OF ASSESSORS	Stuart "Greg" Hall, Chairman	2008
	Robert H. Kurtz	2009
	Mark F. Tyburski	2007
BOARD OF HEALTH	Stephan J. White, Chairman	2008
	Peter B. Bickford	2009
	Kirk J. Shilts	2007
SCHOOL COMMITTEE	Chrisanne D. Greggoire, Chairman	2007
	Linda Krause Hill	2009
	Christine Smith	2008
	Esther Healy	2008
	Barbara Cooke	2009
	Kristin Parnell	2007
	Stephen Nagle	2007
PLANNING BOARD	Sarah H. Corey, Chairman	2008
	Judith Sneath	2007
	Paul K. Healey	2009
	Susan C. Murphy	2010
	William Tod McGrath	2011
SEWER COMMISSIONERS	John M. Brandt, Chairman	2008
	Michael A. Salerno	2009
	Edmund Demko	2007

TOWN OF HINGHAM  
ADMINISTRATIVE STAFF

<u>Position</u>	<u>Official</u>	<u>Salary</u>
Superintendent of Schools	Dr. Dorothy H. Galo	\$134,403
Chief of Police	Steve Carlson	130,021
Light Plant General Manager	John Tzimirangas	129,046
Light Plant Engineer	Panos Tokadjian	128,519
Town Administrator	Charles J. Cristello	123,597
Asst. Superintendent of Schools	Ellen Keane	110,296
School Business Manager	David Killory	103,534
Light Plant Business Manager	Joan Griffin	102,651
Fire Chief	Mark Duff	100,531
Finance Director/Town Accountant	Ted C. Alexiades	96,250
DPW Superintendent	Joseph Stigliani	95,352
Light Plant Asst. General Mgr.	Joseph Gozzo	88,280
Library Director	Dennis Corcoran	78,332
Executive Health Officer	Bruce Capman	74,245
Building Commissioner	Richard E. Morgan Jr.	74,145
Director of Assessing	Richard Partridge	73,745
Town Clerk	Eileen McCracken	73,678
Treasurer/Collector	Jean Montgomery	64,906
Town Planner	Katharine Lacy	63,188
Conservation Officer	Cliff Prentiss	63,188
Director of Elder Affairs	Barbara Farnsworth	61,602



# **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, 2006 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, 2005 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, 2006, 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 Balances-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 non-major 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 non-major 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 25, 2006 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 25, 2006

# 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, 2006. 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 2006 with comparisons from fiscal 2005. 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 2006 include a prior period adjustment to reflect the inclusion of infrastructure required with the final implementation of GASB 34. The following highlights reflect this inclusion for fiscal year 2006.
- The assets of the Town exceeded its liabilities as of the fiscal year ended June 30, 2006 and 2005 by \$79,237,962 and \$60,844,430, respectively (net assets). Included in net assets for fiscal year 2006 are unrestricted amounts of \$18,182,294 (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 2006 from 2005 by \$2,546,058, or 2.9 percent, during the fiscal year. The majority of the increase is attributable to the operations of the Hingham Municipal Lighting Plant.
- As of June 30, 2006 and 2005, the town's governmental funds reported combined ending fund balances of \$16,924,073 and \$14,887,184, respectively. Approximately 96% of this amount for 2006 and 2005 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 2006 and 2005, unreserved fund balance for the general fund was \$8,979,014 and \$8,376,664, respectively or 13.1% and 12.9% of total general fund expenditures of \$68,614,807 for fiscal year 2006 and \$64,818,332 for fiscal year 2005.

# 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

<b>CAFR</b>	Introductory Section	<i><b>INTRODUCTORY SECTION</b></i>				
	<b>Financial Section</b>	<b>Management's Discussion and Analysis</b>				
		<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>			
		Statement of net assets	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	
			Balance Sheet	Statement of net assets		
			Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets		Statement of fiduciary net assets
				Statement of cash flows		Statement of changes in fiduciary net assets
		Statement of activities				
		<b>Notes to the Financial Statements</b>				
	<b>Required Supplementary Information Other Than MD&amp;A</b>					
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
<b>Scope</b>	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
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	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 2005 have been reclassified to conform with 2006 presentation.

Net Assets			
June 30, 2006 and 2005			
	2006	2005	
	Governmental	Governmental	
	<u>Activities</u>	<u>Activities</u>	<u>Variance</u>
<b>Assets:</b>			
Current and other assets	\$ 30,032,730	\$ 26,182,518	\$ 3,850,212
Non current-Intergovernmental	21,704,620	22,727,340	1,022,720
Non current-Capital assets (net)	<u>71,668,629</u>	<u>76,512,363</u>	<u>(4,843,734)</u>
Total assets	<u>123,405,979</u>	<u>125,422,221</u>	<u>(2,016,242)</u>
<b>Liabilities:</b>			
Current	11,136,199	11,254,959	(118,760)
Non-current	<u>40,937,718</u>	<u>43,519,841</u>	<u>(2,582,123)</u>
Total Liabilities	<u>52,073,917</u>	<u>54,774,800</u>	<u>(2,700,883)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	52,330,548	55,596,420	(3,265,872)
Restricted	1,104,659	616,664	481,995
Unrestricted	<u>17,896,855</u>	<u>14,434,337</u>	<u>3,462,518</u>
Total net assets	\$ <u>71,332,062</u>	\$ <u>70,647,421</u>	\$ <u>684,641</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 \$71,332,062 and \$70,647,421 at June 30, 2006 and 2005 respectively. Of this balance, assets decreased by \$2.0 million of which Non-current Capital assets decreased \$5.0 million due to current year disposals and depreciation. Total Liabilities decreased by \$2.6 million of which the majority is the result of the payment on bonds for approximately \$2.5 million dollars.

# TOWN OF HINGHAM

## Management's Discussion and Analysis (Unaudited) - Continued

Net Assets			
June 30, 2006 and 2005			
	2006	2005	
	Business-type	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Variance</u>
<b>Assets:</b>			
Current and other assets	\$ 373,162	\$ 598,774	\$ (225,612)
Non current-other assets	-	-	-
Non current-Capital assets (net)	<u>8,020,461</u>	<u>8,114,483</u>	<u>(94,022)</u>
Total assets	<u>8,393,623</u>	<u>8,713,257</u>	<u>(319,634)</u>
<b>Liabilities:</b>			
Current	287,723	274,556	13,167
Non-current	<u>200,000</u>	<u>400,000</u>	<u>(200,000)</u>
Total Liabilities	<u>487,723</u>	<u>674,556</u>	<u>(186,833)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	7,620,461	7,514,483	105,978
Restricted	-	-	-
Unrestricted	<u>285,439</u>	<u>524,218</u>	<u>(238,779)</u>
Total net assets	\$ <u>7,905,900</u>	\$ <u>8,038,701</u>	\$ <u>(132,801)</u>

### Analysis of Net Assets Business-Type Activities

The net assets of the Business-type Activities decreased by \$132,801 in fiscal year 2006, due primarily to additional transfers relating to on going capital projects. There was also a decrease in non current assets due to depreciation during fiscal year 2006, and a \$200,000 pay down of debt reducing the liabilities of the Business-type Activities.

# TOWN OF HINGHAM

## Management's Discussion and Analysis (Unaudited) - Continued

### Net Assets June 30, 2006 and 2005

	2006	2005	
	<u>Component Units</u>	<u>Component Units</u>	<u>Variance</u>
<b>Assets:</b>			
Current and other assets	\$ 9,520,567	\$ 7,710,614	\$ 1,809,953
Non current-other assets	11,541,201	12,385,060	(843,859)
Non current-Capital assets (net)	<u>17,117,476</u>	<u>14,537,293</u>	<u>2,580,183</u>
Total assets	<u>38,179,244</u>	<u>34,632,967</u>	<u>3,546,277</u>
<b>Liabilities:</b>			
Current	5,008,836	2,998,574	2,010,262
Non-current	<u>3,080,554</u>	<u>3,538,754</u>	<u>(458,200)</u>
Total Liabilities	<u>8,089,390</u>	<u>6,537,328</u>	<u>1,552,062</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	16,472,476	13,567,293	2,905,183
Restricted	4,647,959	7,468,121	(2,820,162)
Unrestricted	<u>8,969,419</u>	<u>7,060,225</u>	<u>1,909,194</u>
Total net assets	\$ <u>30,089,854</u>	\$ <u>28,095,639</u>	\$ <u>1,994,215</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 \$1,994,215, and the Non-current Capital assets increased \$2.5 million dollars of which most of this is an increase in Hingham Municipal Lighting Plant revenues. The current liabilities also increased \$2.0 Million 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) (75.6%) reflect its investment of \$59.9 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

### Analysis of Changes in Net Assets

Changes in Net Assets June 30, 2006 and 2005						
		2006		2005		
		Governmental	% of	Governmental	% of	
		<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Total</u>	<u>Variance</u>
<b>Revenues:</b>						
Property taxes, Licenses and Fees	\$	52,296,707	67.9%	\$ 47,500,326	65.1%	\$ 4,796,381
Charges for Services		7,298,357	9.5%	7,098,242	9.7%	200,115
Operating Grants & contribution		2,335,920	3.0%	2,317,009	3.2%	18,911
Grants & Contributions		12,111,270	15.7%	12,182,311	19.3%	(71,041)
Miscellaneous		1,656,083	2.1%	1,060,264	1.5%	595,819
Penalties & Interest		347,513	0.4%	340,133	0.4%	7,380
Investment income		<u>982,239</u>	<u>1.4%</u>	<u>570,971</u>	<u>0.8%</u>	<u>411,268</u>
Total Revenues		77,028,089	100.0%	71,069,256	100.0%	5,958,833
<b>Program Expenses including</b>						
<b>Indirect Expenses:</b>						
General Government		3,760,874	4.9%	3,778,376	5.3%	(17,502)
Public Safety		12,304,222	16.1%	10,663,719	14.9%	1,640,503
Education		42,805,299	55.9%	41,680,841	58.1%	1,124,458
Public Works		8,412,191	10.9%	7,470,192	10.4%	941,999
Group health insurance		3,289,713	4.3%	2,752,529	3.7%	537,184
Human Services		1,000,201	1.3%	1,063,810	1.7%	(63,609)
Culture & Recreation		3,003,193	3.9%	2,108,078	2.9%	895,115
Unallocated Interest on long term debt		<u>2,058,722</u>	<u>2.7%</u>	<u>2,173,466</u>	<u>3.0%</u>	<u>(114,744)</u>
Total Expenses		<u>76,634,415</u>	<u>100.0%</u>	<u>71,691,011</u>	<u>100.0%</u>	<u>4,943,404</u>
<b>Net Assets:</b>						
Resources expended for						
Transfers		<u>290,970</u>		<u>185,400</u>		<u>105,570</u>
Change in net assets	\$	<u>684,644</u>		\$ <u>(436,355)</u>		\$ <u>1,120,999</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 55.9 percent and 58.1% for fiscal 2006 and 2005, respectively, followed by public safety at 16.1% and 14.9%. Property taxes, Licenses and Fees are the largest source of revenue for governmental activities, and comprise 67.9 and 65.1% percent of total revenues for fiscal year 2006 and 2005, respectively.

Total revenues from **Governmental activities** increased \$5,958,833 from 2005 of which the major increase was in Property taxes, licenses and fees as well as Investment income. Total expenses increased \$4,943,404 from 2005 levels. The largest increase in expenses was in public safety and education expenses.

<b>Changes in Net Assets</b>						
<b>June 30, 2006 and 2005</b>						
	2006		2005			
	Business- type	% of	Business-type	% of		
	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Total</u>	<u>Variance</u>	
<b>Revenues:</b>						
Property taxes	\$ -	0%	\$ -	0%	\$ -	
Licenses and fees	-	0%	-	0%	-	
Charges for Services	1,527,265	101.2%	1,520,687	101.6%	6,578	
Operating Grants & Contribution	-	0%	-	0%	-	
Grants & Contributions	-	0%	-	0%	-	
Miscellaneous	-	0%	-	0%	-	
Penalties & Interest	-	0%	-	0%	-	
Investment income	<u>(18,050)</u>	<u>-1.2%</u>	<u>(24,272)</u>	<u>-1.6%</u>	<u>6,222</u>	
Total Revenues	<u>1,509,215</u>	<u>100.0%</u>	<u>1,496,415</u>	<u>100.0%</u>	<u>12,800</u>	
<b>Program Expenses including</b>						
<b>Indirect Expenses:</b>						
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	1,351,046	100.0%	1,268,252	100.0%	82,794	
Unallocated Interest on long term debt	-	<u>0%</u>	-	<u>0%</u>	-	
Total Expenses	1,351,046	100.0%	1,268,252	100.0%	82,794	
<b>Net Assets:</b>						
Resources expended for Transfers	<u>(290,970)</u>		<u>(185,400)</u>		<u>105,570</u>	
Change in net assets \$	<u>(132,801)</u>		<u>42,763</u>		<u>(175,564)</u>	

# TOWN OF HINGHAM

## Management's Discussion and Analysis (Unaudited) - Continued

The change in assets for **Business-type activities** for 2006 was (\$132,801). The revenues were consistent with prior year, the expenses were higher due to the cost of operations.

### Changes in Net Assets June 30, 2006 and 2005

	2006	% of	2005	% of	Variance
	<u>Component Units</u>	<u>Total</u>	<u>Component Units</u>	<u>Total</u>	
<b>Revenues:</b>					
Property taxes	\$ -	0%	\$ -	0%	\$ -
Licenses and fees	-	0%	-	0%	-
Charges for Services	21,526,221	95.3%	18,700,758	99.7%	2,825,463
Operating Grants & Contribution	63,545	0.3%	56,208	0.3%	7,337
Grants & Contributions	-	0%	-	0%	-
Miscellaneous	174,698	0.8%	126,494	0.7%	48,204
Penalties & Interest	-	0%	-	0%	-
Investment income	<u>834,532</u>	<u>3.6%</u>	<u>(124,782)</u>	<u>0.7%</u>	<u>959,314</u>
Total Revenues	<u>22,598,996</u>	<u>100.0%</u>	<u>18,758,678</u>	<u>100.0%</u>	<u>3,840,318</u>
<b>Program Expenses including</b>					
<b>Indirect Expenses:</b>					
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	1,585,952	7.3%	1,545,413	8.0%	40,539
Miscellaneous	20,272,806	92.7%	17,657,247	92.0%	2,615,559
Unallocated Interest on long term debt	-	0%	-	0%	-
State and county charges	-	0%	-	0%	-
Total Expenses	<u>21,858,758</u>	<u>100.0%</u>	<u>19,202,660</u>	<u>100.0%</u>	<u>2,656,098</u>
<b>Net Assets:</b>					
Resources expended for					
Payment from the Town of Hingham	1,253,977		1,215,743		38,234
Transfers	-		-		-
Change in net assets	\$ <u>1,994,215</u>		\$ <u>771,761</u>		\$ <u>1,222,454</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, 2006 was \$1,222,454, the majority of this increase coming from an increase in Charges for Service of \$2,825,463.

The Town's net assets overall increased by \$2,546,055 for fiscal year 2006. The majority of this increase from 2005 is 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 \$16,924,073, an increase of \$2,036,889 in comparison with the prior year. The majority of the increase is due from the increase in collection of property taxes and investment income in 2006 over the 2005 amounts.

Unreserved fund balance, which is available for spending at the Town's discretion within the purposes specified for the town's funds, was \$16,319,957 of the combined ending fund balance in the governmental funds, or 96.4 percent. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Revenues for overall governmental functions totaled \$78,436,077 and \$73,740,625 in the fiscal year ended June 30, 2006 and 2005, respectively. Expenditures for governmental functions overall were \$77,169,358 and \$73,982,369 in the fiscal year ended June 30, 2006 and 2005, respectively. In fiscal year 2006 revenues exceeded expenditures for the overall government by \$1,266,719. This is an increase from 2005 of \$1,508,463. The majority of this increase is due to the collection of property taxes and investment income during fiscal year 2006.

# 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, \$8,979,014 while total fund balance was \$9,583,130. Total fund balance increased by \$573,679 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, 2006 of \$1,669,302, 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 fiscal year 2006 the unrestricted net assets for the South Shore Country Club were \$285,439.

The decrease in net assets of the proprietary funds was \$132,801 during fiscal year 2006, 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 \$62,711,199, which represents an increase of \$6,643,547 (11.8 percent) from the previous fiscal year. The net assets of the private purpose funds totaled \$3,195,079, which is an increase of \$114,338 (3.7 percent) from the previous fiscal year.

### General Fund Budgetary Highlights

Fiscal 2006 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 2006, 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, 2006 totaled \$79,689,090 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and infrastructure (sewer only). The total decrease in the Town's capital assets for fiscal year 2006 was \$4,937,756 (16.5 percent), which was the result of capital asset depreciation for the fiscal year exceeding additions.

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, net infrastructure assets are reported because the Town has implemented infrastructure reporting as part of GASB 34 for the fiscal year ended June 30, 2006. 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)

	2006 Governmental Activities	2005 Governmental Activities	Variance
Land	\$ 214,700	\$ 214,700	\$ 0
Land improvements	280,006	331,481	(53,475)
Buildings and improvements	45,965,608	49,978,434	(4,012,826)
Machinery and equipment	2,928,009	3,164,351	(236,342)
Infrastructure – sewer	<u>22,280,306</u>	<u>22,821,397</u>	<u>(541,091)</u>
Total	<u>\$ 71,668,629</u>	<u>\$ 76,512,363</u>	<u>\$ (4,843,734)</u>

#### Changes in Capital Assets (net of Accumulated Depreciation)

	2006 Business-type Activities	2005 Business-type Activities	Total
Land	\$ 7,008,200	\$ 7,008,200	\$ 0
Land improvements	-	-	-
Buildings and improvements	1,012,261	1,106,283	(94,022)
Machinery and equipment	-	-	-
Infrastructure – sewer	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,020,461</u>	<u>\$ 8,114,483</u>	<u>\$ (94,022)</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, "Aaa" from Standard & Poors. 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 2006 to \$44,830,346 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 found in notes 11 and 12.

### **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, 2006**

# TOWN OF HINGHAM

## Statement of Net Assets

June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
<b>Current:</b>				
Cash and short-term investments	\$ 18,191,744	\$ 373,162	\$ 18,564,906	\$ 1,881,282
Restricted cash and investments	79,862	-	79,862	-
Investments	4,574,382	-	4,574,382	1,155,831
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	1,317,001	-	1,317,001	-
Tax Liens and foreclosures	588,441	-	588,441	-
Excise taxes	320,958	-	320,958	-
Intergovernmental	1,022,719	-	1,022,719	-
Departmental and other	783,203	-	783,203	-
User Charges and liens	3,154,420	-	3,154,420	3,147,300
Prepaid expenses and other assets	-	-	-	3,336,154
<b>Total current assets</b>	<b>30,032,730</b>	<b>373,162</b>	<b>30,405,892</b>	<b>9,520,567</b>
<b>Noncurrent:</b>				
Cash and equivalents	-	-	-	11,477,986
Investments	-	-	-	52,477
Other assets	-	-	-	10,738
Intergovernmental	21,704,620	-	21,704,620	-
Land	214,700	7,008,200	7,222,900	17,856
Property, Plant and Equipment, net	71,453,929	1,012,261	72,466,190	17,099,620
<b>Total noncurrent assets</b>	<b>93,373,249</b>	<b>8,020,461</b>	<b>101,393,710</b>	<b>28,658,677</b>
<b>Total Assets</b>	<b>\$ 123,405,979</b>	<b>\$ 8,393,623</b>	<b>\$ 131,799,602</b>	<b>\$ 38,179,244</b>
<b>Liabilities:</b>				
<b>Current:</b>				
Warrants payable	\$ 1,610,113	\$ 87,723	\$ 1,697,836	\$ 1,421,208
Accrued payroll	1,350,580	-	1,350,580	-
Accrued interest	523,793	-	523,793	-
Accrued sick and vacation	400,917	-	400,917	-
Accrued expenses and other	-	-	-	3,242,628
BAN payable	3,357,438	-	3,357,438	-
Bonds payable	3,062,462	200,000	3,262,462	345,000
Workers' compensation	200,000	-	200,000	-
Landfill closure and postclosure costs	229,249	-	229,249	-
Tax refunds payable	401,647	-	401,647	-
<b>Total current liabilities</b>	<b>11,136,199</b>	<b>287,723</b>	<b>11,423,922</b>	<b>5,008,836</b>
<b>Noncurrent:</b>				
Accrued sick and vacation	466,000	-	466,000	-
Customer deposits	-	-	-	840,482
Rate stabilization reserve	-	-	-	1,940,072
Bonds payable	38,788,258	200,000	38,988,258	300,000
Workers' compensation	508,460	-	508,460	-
Landfill closure and postclosure costs	1,175,000	-	1,175,000	-
<b>Total noncurrent liabilities</b>	<b>40,937,718</b>	<b>200,000</b>	<b>41,137,718</b>	<b>3,080,554</b>
<b>Total Liabilities:</b>	<b>52,073,917</b>	<b>487,723</b>	<b>52,561,640</b>	<b>8,089,390</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	52,330,548	7,620,461	59,951,009	16,472,476
Restricted for:				
Capital projects	199,093	-	199,093	-
Debt service	-	-	-	3,793,000
Streets	10	-	10	-
Permanent funds:				
Expendable	905,556	-	905,556	-
Other purposes	-	-	-	854,959
Unrestricted	17,896,855	285,439	18,182,294	8,969,419
<b>Total Net Assets</b>	<b>\$ 71,332,062</b>	<b>\$ 7,905,900</b>	<b>\$ 79,237,962</b>	<b>\$ 30,089,854</b>

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

# TOWN OF HINGHAM

## Statement of Activities

Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government	\$ 3,760,874	\$ 1,694,778	\$ -	\$ (2,066,096)	
Public safety	12,304,222	2,129,662	-	(10,174,560)	
Education	42,805,299	1,693,845	1,873,771	(39,237,683)	
Public works	8,412,191	1,696,892	462,149	(6,253,150)	
Group health insurance	3,289,713	-	-	(3,289,713)	
Human services	1,000,201	83,180	-	(917,021)	
Culture and recreation	3,003,193	-	-	(3,003,193)	
Unallocated interest on long term debt	<u>2,058,722</u>	<u>-</u>	<u>-</u>	<u>(2,058,722)</u>	
Total Governmental Activities	<u>76,634,415</u>	<u>7,298,357</u>	<u>2,335,920</u>	<u>(67,000,138)</u>	
<i>Business-Type Activities:</i>					
Country Club	<u>1,351,046</u>	<u>1,527,265</u>	<u>-</u>	<u>176,219</u>	
Total Primary Government	<u>\$ 77,985,461</u>	<u>\$ 8,825,622</u>	<u>\$ 2,335,920</u>	<u>\$ (66,823,919)</u>	
<b>Component Units:</b>					
Library	\$ 1,585,952	\$ 64,954	\$ 63,545	\$ (1,457,453)	
Municipal Lighting Plant	<u>20,272,806</u>	<u>21,461,267</u>	<u>-</u>	<u>1,188,461</u>	
	<u>\$ 21,858,758</u>	<u>\$ 21,526,221</u>	<u>\$ 63,545</u>	<u>\$ (268,992)</u>	
<b>Primary Government</b>					
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Changes in net assets:</b>		<u>\$ (67,000,138)</u>	<u>\$ 176,219</u>	<u>\$ (66,823,919)</u>	<u>\$ (268,992)</u>
Net (expenses) revenues					
<i>General revenues:</i>					
Real estate and personal property taxes,					
Motor vehicle and other excise taxes					
net of tax refunds payable		52,296,707	-	52,296,707	-
Grants and contributions not restricted to					
specific programs		12,111,270	-	12,111,270	-
Penalties and interest on taxes		347,513	-	347,513	-
Unrestricted investment income		982,239	(18,050)	964,189	834,532
Payments from Town of Hingham		-	-	-	1,253,977
Miscellaneous		1,656,083	-	1,656,083	174,698
Transfers		<u>290,970</u>	<u>(290,970)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers		<u>67,684,782</u>	<u>(309,020)</u>	<u>67,375,762</u>	<u>2,263,207</u>
<b>Change in net assets</b>		684,644	(132,801)	551,843	1,994,215
<b>Net Assets:</b>					
Beginning of year, as previously stated		<u>52,805,726</u>	<u>8,038,701</u>	<u>60,844,427</u>	<u>28,095,639</u>
Prior period restatement (note 15)		<u>17,841,692</u>	<u>-</u>	<u>17,841,692</u>	<u>-</u>
Beginning of year, as restated		<u>70,647,418</u>	<u>8,038,701</u>	<u>78,686,119</u>	<u>28,095,639</u>
End of year		<u>\$ 71,332,062</u>	<u>\$ 7,905,900</u>	<u>\$ 79,237,962</u>	<u>\$ 30,089,854</u>

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

# TOWN OF HINGHAM

## Governmental Funds Balance Sheet

June 30, 2006

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and short-term investments	\$ 7,597,951	\$ 10,593,793	\$ 18,191,744
Restricted cash and investments	-	79,862	79,862
Investments	4,499,561	74,821	4,574,382
Receivables, net of uncollectibles:			
Real estate and personal property taxes	1,317,001	-	1,317,001
Tax liens and foreclosures	588,441	-	588,441
Excise taxes	320,958	-	320,958
Departmental and other	193,394	589,809	783,203
Intergovernmental	22,727,339	-	22,727,339
User charges and liens	<u>2,840,692</u>	<u>313,728</u>	<u>3,154,420</u>
<b>Total Assets</b>	<b><u>\$ 40,085,337</u></b>	<b><u>\$ 11,652,013</u></b>	<b><u>\$ 51,737,350</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Warrants payable	\$ 1,105,591	\$ 504,522	\$ 1,610,113
Accrued payroll	1,350,580	-	1,350,580
BAN payable	20,438	3,337,000	3,357,438
Deferred revenues	27,623,951	469,548	28,093,499
Tax refunds payable	<u>401,647</u>	<u>-</u>	<u>401,647</u>
<b>Total Liabilities</b>	<b><u>30,502,207</u></b>	<b><u>4,311,070</u></b>	<b><u>34,813,277</u></b>
<b>Fund Balances:</b>			
Reserved for:			
Encumbrances and continuing appropriations	604,116	-	604,116
Unreserved:			
Designated for subsequent years' expenditures	1,078,400	-	1,078,400
Undesignated, reported in:			
General fund	7,900,614	-	7,900,614
Special revenue funds	-	6,236,294	6,236,294
Capital projects funds	-	199,093	199,093
Permanent funds	<u>-</u>	<u>905,556</u>	<u>905,556</u>
<b>Total Fund Balances</b>	<b><u>9,583,130</u></b>	<b><u>7,340,943</u></b>	<b><u>16,924,073</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 40,085,337</u></b>	<b><u>\$ 11,652,013</u></b>	<b><u>\$ 51,737,350</u></b>

*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, 2006

<b>Total Governmental Fund Balances</b>		\$ 16,924,073
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		71,668,629
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds		28,093,499
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(523,793)
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	(41,237,342)	
Unamortized bond premium	(613,378)	
Workers' compensation	(708,460)	
Landfill closure and postclosure costs	(1,404,249)	
Compensated absences	<u>(866,917)</u>	
Net effect of reporting long-term liabilities		<u>(44,830,346)</u>
<b>Net Assets of Governmental Activities</b>		<u>\$ 71,332,062</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, 2006

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Real estate and personal property taxes, motor vehicle and other excise taxes net of tax refunds	\$ 51,523,864	\$ -	\$ 51,523,864
Licenses and fees	2,306,958	-	2,306,958
Intergovernmental	13,337,331	2,841,301	16,178,632
Departmental and other	2,182,854	1,242,728	3,425,582
Investment income	933,102	49,137	982,239
Non-enterprise charges for services	<u>-</u>	<u>4,018,802</u>	<u>4,018,802</u>
<b>Total Revenues</b>	<u>70,284,109</u>	<u>8,151,968</u>	<u>78,436,077</u>
<b>Expenditures:</b>			
Current:			
General government	2,600,021	140,987	2,741,008
Public safety	9,400,346	695,057	10,095,403
Education	36,272,451	3,661,731	39,934,182
Public works	4,096,925	2,340,744	6,437,669
Human services	641,208	248,579	889,787
Culture and recreation	1,436,809	410,390	1,847,199
Pension benefits	2,587,077	-	2,587,077
Group health insurance	3,289,713	-	3,289,713
Miscellaneous	1,163,035	902,140	2,065,175
Intergovernmental	2,193,591	-	2,193,591
Debt service:			
Principal	2,910,503	89,500	3,000,003
Interest	<u>2,023,128</u>	<u>65,423</u>	<u>2,088,551</u>
<b>Total Expenditures</b>	<u>68,614,807</u>	<u>8,554,551</u>	<u>77,169,358</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,669,302</u>	<u>(402,583)</u>	<u>1,266,719</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from bonds and notes	-	479,200	479,200
Transfers in	613,891	1,766,132	2,380,023
Transfers out	<u>(1,709,514)</u>	<u>(379,539)</u>	<u>(2,089,053)</u>
<b>Total Other Financing Sources (Uses):</b>	<u>(1,095,623)</u>	<u>1,865,793</u>	<u>770,170</u>
<b>Net Change in Fund Balances</b>	573,679	1,463,210	2,036,889
Fund Balances, at Beginning of Year	<u>9,009,451</u>	<u>5,877,733</u>	<u>14,887,184</u>
<b>Fund Balances, at End of Year</b>	<u>\$ 9,583,130</u>	<u>\$ 7,340,943</u>	<u>\$ 16,924,073</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 2,036,889

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	\$ 1,160,971
Capital disposals	(153,487)
Depreciation expense	<u>(5,851,218)</u>

Net effect of reporting capital assets (4,843,734)

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

808,864

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.

Proceeds from bonds and notes	(479,200)
Amortization of bond premium	6,239
Debt service principal payments	<u>3,010,893</u>

Net effect of reporting long-term debt 2,537,932

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	29,829
Workers' compensation	64,606
Landfill closure and postclosure costs	5,185
Compensated absences	<u>45,073</u>

Net effect of recording long-term liabilities and amortizing deferred assets 144,693

Change in Net Assets of Governmental Activities \$ 684,644

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

# TOWN OF HINGHAM

## Proprietary Fund Statement of Net Assets

June 30, 2006

	<b><u>South Shore Country Club</u></b>
<b>Assets:</b>	
<b>Current:</b>	
Cash and equivalents	\$ 373,162
<b>Total Current Assets</b>	<u>373,162</u>
<b>Non-Current:</b>	
Land	7,008,200
Property, plant and equipment, net	<u>1,012,261</u>
<b>Total Non-current Assets</b>	<u>8,020,461</u>
<b>Total Assets</b>	<u>\$ 8,393,623</u>
<b>Liabilities:</b>	
<b>Current:</b>	
Warrants payable	\$ 87,723
Bonds payable	<u>200,000</u>
<b>Total Current Liabilities</b>	<u>287,723</u>
<b>Non-current:</b>	
Bonds payable	<u>200,000</u>
<b>Total Non-current Liabilities</b>	<u>200,000</u>
<b>Total Liabilities</b>	<u>487,723</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	7,620,461
Unrestricted	<u>285,439</u>
<b>Total Net Assets</b>	<u>\$ 7,905,900</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, 2006

	<u>South Shore Country Club</u>
<b>Operating Revenues:</b>	
Charges for services	\$ <u>1,527,265</u>
<b>Operating Expenses:</b>	
Depreciation	94,022
Salaries and wages	70,678
Administrative expenses	26,403
Facility expenses	213,107
Program expenses	8,591
Grounds and custodial expenses	<u>938,245</u>
<b>Total Operating Expenses</b>	<u>1,351,046</u>
<b>Operating Income</b>	<u>176,219</u>
<b>Non-Operating (Expense):</b>	
Interest expense	<u>(18,050)</u>
<b>Net Non-Operating (Expense)</b>	<u>(18,050)</u>
<b>Income Before Operating Transfers</b>	<u>158,169</u>
<b>Operating Transfers:</b>	
Transfers in	218,050
Transfers out	<u>(509,020)</u>
<b>Net Operating Transfers</b>	<u>(290,970)</u>
<b>Income/Excess of Revenue Over Expenses</b>	(132,801)
<b>Net Assets:</b>	
Beginning of Year	<u>8,038,701</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,905,900</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, 2006

	<u>South Shore Country Club</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,527,265
Cash payments to suppliers	(1,173,179)
Cash paid to employees for services	<u>(70,678)</u>
 <b>Net Cash Provided by Operating Activities</b>	 <u>283,408</u>
 <b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers from other funds	218,050
Transfers to other funds	<u>(509,020)</u>
 <b>Net Cash Applied to Non-Capital Financing Activities</b>	 <u>(290,970)</u>
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal paid on bonds	(200,000)
Interest paid on bonds	<u>(18,050)</u>
 <b>Net Cash Applied to Capital and Related Financing Activities</b>	 <u>(218,050)</u>

# TOWN OF HINGHAM

## Statement of Cash Flows Proprietary Funds - Continued

For the Year Ended June 30, 2006

	<u>South Shore Country Club</u>
Net Decrease in Cash and Equivalents	\$ (225,612)
Cash and Equivalents at Beginning of Year	<u>598,774</u>
Cash and Equivalents at End of Year	<u>\$ 373,162</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ <u>176,219</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	94,022
Increase (decrease) in liabilities	
Warrants payable	13,167
Total adjustments	<u>107,189</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 283,408</u>

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

# TOWN OF HINGHAM

## Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2006

	<b>Pension Trust Fund (as of December 31, 2005)</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash and short-term investments	\$ 384,456	\$ 210,697	\$ 488,560
Investments:			
Equity funds	31,155,022	2,984,382	-
Fixed income funds	14,539,824	-	-
Other	15,345,558	-	-
Receivables, net of allowance for uncollectibles:			
Employer	1,293,532	-	-
<b>Total Assets</b>	62,718,392	3,195,079	488,560
<b>Liabilities:</b>			
Warrants payable	-	-	3,910
Accrued liabilities	-	-	21,034
Other liabilities	7,193	-	463,616
<b>Total Liabilities</b>	7,193	-	488,560
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	\$ 62,711,199	\$ 3,195,079	\$ -

*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, 2006

	<u>Pension Trust Fund (as of December 31, 2005)</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Employer	\$ 2,848,387	\$ -
Plan members	1,561,924	-
Other contributions	<u>638,510</u>	<u>12,459</u>
<b>Total Contributions</b>	<u>5,048,821</u>	<u>12,459</u>
<b>Investment Income:</b>		
Net appreciation in fair value of investments	5,090,452	-
Interest and dividend income	<u>1,547,241</u>	<u>-</u>
<b>Net Investment Income</b>	<u>6,637,693</u>	<u>239,487</u>
<b>Total Additions</b>	<u>11,686,514</u>	<u>251,946</u>
<b>Deductions:</b>		
Benefit payments	4,554,572	-
Refunds of contributions	71,560	-
Administrative expense	93,304	-
Reimbursements to other systems	163,144	-
COLA's paid	160,387	-
Miscellaneous	<u>-</u>	<u>137,608</u>
<b>Total Deductions</b>	<u>5,042,967</u>	<u>137,608</u>
<b>Net Increase</b>	<u>6,643,547</u>	<u>114,338</u>
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>56,067,652</u>	<u>3,080,741</u>
<b>Net Assets, at End of Year</b>	<u>\$ 62,711,199</u>	<u>\$ 3,195,079</u>

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

# TOWN OF HINGHAM

## Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Assets:</b>				
Cash and equivalents	\$ <u>373,971</u>	\$ <u>1,060,275</u>	\$ <u>(945,686)</u>	\$ <u>488,560</u>
<b>Liabilities:</b>				
Warrants payable	\$ 485	\$ 3,910	\$ (485)	\$ 3,910
Accrued liabilities	22,967	12,660	(14,593)	21,034
Other liabilities	<u>350,519</u>	<u>1,043,705</u>	<u>(930,608)</u>	<u>463,616</u>
<b>Total Liabilites</b>	\$ <u>373,971</u>	\$ <u>1,060,275</u>	\$ <u>(945,686)</u>	\$ <u>488,560</u>

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

# TOWN OF HINGHAM

## Component Units Statement of Net Assets

June 30, 2006

	Hingham Public Library	Hingham Municipal Lighting Plant (as of December 31, 2005)	<u>Totals</u>
<b>Assets:</b>			
<b>Current:</b>			
Cash and equivalents	\$ 182,399	\$ 1,698,883	\$ 1,881,282
Investments	1,155,831	-	1,155,831
Receivable user charges and liens	-	3,147,300	3,147,300
Prepaid expenses and other assets	-	2,261,124	2,261,124
Deposits	-	<u>1,075,030</u>	<u>1,075,030</u>
<b>Total Current Assets</b>	<u>1,338,230</u>	<u>8,182,337</u>	<u>9,520,567</u>
<b>Non-Current:</b>			
Cash and equivalents	-	11,477,986	11,477,986
Investments	-	52,477	52,477
Other assets	-	10,738	10,738
Land	-	17,856	17,856
Property, plant and equipment, net	<u>290,912</u>	<u>16,808,708</u>	<u>17,099,620</u>
<b>Total Non-current Assets</b>	<u>290,912</u>	<u>28,367,765</u>	<u>28,658,677</u>
<b>Total Assets</b>	<u>\$ 1,629,142</u>	<u>\$ 36,550,102</u>	<u>\$ 38,179,244</u>
<b>Liabilities:</b>			
<b>Current:</b>			
Warrants payable	\$ -	\$ 1,421,208	\$ 1,421,208
Accrued expenses and other	-	3,242,628	3,242,628
Bonds payable	-	<u>345,000</u>	<u>345,000</u>
<b>Total Current Liabilities</b>	<u>-</u>	<u>5,008,836</u>	<u>5,008,836</u>
<b>Non-current:</b>			
Customer deposits	-	840,482	840,482
Rate stabilization reserve	-	1,940,072	1,940,072
Bonds payable	-	<u>300,000</u>	<u>300,000</u>
<b>Total Non-current Liabilities</b>	<u>-</u>	<u>3,080,554</u>	<u>3,080,554</u>
<b>Total Liabilities</b>	<u>-</u>	<u>8,089,390</u>	<u>8,089,390</u>
<b>Net Assets</b>			
Restricted for debt service	-	3,793,000	3,793,000
Restricted for other purpose	854,959	-	854,959
Investment in capital assets, net of related debt	290,912	16,181,564	16,472,476
Unrestricted	<u>483,271</u>	<u>8,486,148</u>	<u>8,969,419</u>
<b>Total Net Assets</b>	<u>\$ 1,629,142</u>	<u>\$ 28,460,712</u>	<u>\$ 30,089,854</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, 2006

	Hingham Public Library	Hingham Municipal Lighting Plant (as of December 31, 2005)	Totals
<b>Operating Revenues:</b>			
Charges for services	\$ 64,954	\$ 21,461,267	\$ 21,526,221
Grants and contributions	<u>63,545</u>	<u>-</u>	<u>63,545</u>
<b>Total Operating Revenues</b>	<u>128,499</u>	<u>21,461,267</u>	<u>21,589,766</u>
<b>Operating Expenses:</b>			
Depreciation	51,155	1,000,588	1,051,743
Salaries and wages	995,272	283,468	1,278,740
Administrative expenses	120,668	644,692	765,360
Facility expenses	156,624	176,195	332,819
Program expenses	216,412	17,242,358	17,458,770
Grounds and custodial expenses	<u>45,821</u>	<u>925,505</u>	<u>971,326</u>
<b>Total Operating Expenses</b>	<u>1,585,952</u>	<u>20,272,806</u>	<u>21,858,758</u>
<b>Operating Income</b>	<u>(1,457,453)</u>	<u>1,188,461</u>	<u>(268,992)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	24,822	468,581	493,403
Gain from security redemption	-	700,938	700,938
Annual pension expense	-	(274,826)	(274,826)
Management fees	-	(4,153)	(4,153)
Miscellaneous	174,698	-	174,698
Interest expense	<u>-</u>	<u>(80,830)</u>	<u>(80,830)</u>
<b>Net Non-Operating Revenues (Expenses)</b>	<u>199,520</u>	<u>809,710</u>	<u>1,009,230</u>
<b>Income (Loss) Before Payments and Miscellaneous</b>	<u>(1,257,933)</u>	<u>1,998,171</u>	<u>740,238</u>
<b>Payments from Town of Hingham</b>	<u>1,253,977</u>	<u>-</u>	<u>1,253,977</u>
<b>Income/Excess of Revenue Over Expenses</b>	(3,956)	1,998,171	1,994,215
<b>Net Assets:</b>			
Beginning of Year	<u>1,633,098</u>	<u>26,462,541</u>	<u>28,095,639</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,629,142</u>	<u>\$ 28,460,712</u>	<u>\$ 30,089,854</u>

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

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements

June 30, 2006

### 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, 2006 except for the Hingham Contributory Retirement System and the Hingham Municipal Lighting Plant, which are for the year ended December 31, 2005.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

A. Reporting Entity - Continued

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

<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, 2006

### Note 1 - Summary of Significant Accounting Policies - Continued

#### A. Reporting Entity - 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, 2006

### 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 unless services were provided and used.

#### 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. Non-major 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, 2006

### 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 (excluding agency funds) 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. Agency funds have no measurement focus.

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, 2006

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

The *Special Revenue 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, 2006

### 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 proprietary 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, 2006

### 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 2006 real estate and personal property taxes were levied in November 2005. 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, 2006

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, 2006

### 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, 2006

### 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 3.5% for 2006. 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 transfers in and transfers out.

#### Government-Wide Financial Statements:

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. Interfund services provided and used are not eliminated in the process of the consolidation within the government wide statement of activities.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

### 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, 2006

### 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 Non-major 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, 2006

### 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, 2006

### 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, 2006

### 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, 2006

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Q. Implementation of New GASB Pronouncement

The Town adopted GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement 46, *Net Assets Restricted by Enabling Legislation* for the year ending June 30, 2006, and GASB Statement 47, *Accounting for Termination of Benefits*.

#### New Governmental Accounting Pronouncement

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. As of the date of the opinion, the Town has not evaluated the financial impact of GASB Statements No. 45.

### 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.

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 OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

### Note 2 - Cash and Equivalents - Continued

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, 2006, \$19,307,143 of the Town's bank balances of \$31,045,302 was uninsured and uncollateralized.

### 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.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 3 - Investments - Continued

<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 Yankee Dollar, Foreign Banks	\$ 55,874	\$ 33,280	\$ 22,594	\$ -	\$ -
Commercial Paper	415,230	415,230	-	-	-
Federal Agencies	1,503,274	1,503,274	-	-	-
Medium Term Notes	1,629,188	1,563,130	47,188	4,803	14,067
Repurchase Agreements	872,293	872,293	-	-	-
	<u>59,880</u>	<u>59,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,535,739</u>	\$ <u>4,447,087</u>	\$ <u>69,782</u>	\$ <u>4,803</u>	\$ <u>14,067</u>

Other Investments

Equity mutual funds	\$ 34,139,404
Fixed income funds	14,578,467
Other	<u>15,345,558</u>
Total	\$ <u>64,063,429</u>

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.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 3 - **Investments - Continued**

*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. The towns investments in the MMDT are considered Unrated.

At June 30, 2006, 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	\$ 55,874	\$ -	\$ 55,874
Yankee Dollar, Foreign			
Banks	415,230	-	415,230
Commercial Paper	1,503,274	-	1,503,274
Federal Agencies	1,629,188	1,616,539	12,649
Medium Term Notes	872,293	-	872,293
Repurchase Agreements	<u>59,880</u>	<u>-</u>	<u>59,880</u>
Total	\$ <u>4,535,739</u>	\$ <u>1,616,539</u>	\$ <u>2,919,200</u>

Note 4 - **Receivables**

At June 30, 2006, receivables for the individual major governmental funds and non-major, 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	\$ 1,323,142	\$ (6,141)	\$ 1,317,001
Tax liens and foreclosures	588,441	-	588,441
Motor vehicle and other excise taxes	520,154	(199,196)	320,958
Departmental and other	2,384,035	(307,300)	2,076,735
Intergovernmental	22,727,339	-	22,727,339
User charges and liens	<u>3,154,420</u>	<u>-</u>	<u>3,154,420</u>
Totals	\$ <u>30,697,531</u>	\$ <u>(512,637)</u>	\$ <u>30,184,894</u>

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, 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	\$ 214,700	\$ -	\$ -	\$ 214,700
<u>Capital assets being depreciated:</u>				
Land improvements	408,698	-	(65,962)	342,736
Buildings	96,546,649	36,245	(232,830)	96,350,064
Machinery, equipment and other	10,275,189	716,137	(1,591,917)	9,399,409
Infrastructure	38,842,334	408,589	-	39,250,923
Total capital being depreciated:	\$146,072,870	\$ 1,160,971	\$ (1,890,709)	\$145,343,132

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	\$ (75,217)	\$ (11,424)	\$ 23,911	\$ (62,730)
Buildings	(46,568,215)	(4,049,101)	232,860	(50,384,456)
Machinery, equipment and other	(7,110,838)	(841,013)	1,480,451	(6,471,400)
Infrastructure	(16,020,937)	(949,680)	-	(16,970,617)
Total accumulated depreciation:	(69,775,207)	(5,851,218)	1,737,222	(73,889,203)
Total capital assets being depreciated, net:	76,297,663	(4,690,247)	(153,487)	71,453,929
Total governmental activities capital assets, net:	\$ 76,512,363	\$(4,690,247)	\$ (153,487)	\$ 71,668,629

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 5 - Capital Assets - Continued

Business-Type Activities:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ <u>7,008,200</u>	\$ _____ -	\$ _____ -	\$ <u>7,008,200</u>
<u>Capital assets being depreciated:</u>				
Building Improvements	<u>2,350,554</u>	_____ -	_____ -	<u>2,350,554</u>
Total Capital assets being Depreciated	<u>2,350,554</u>	_____ -	_____ -	<u>2,350,554</u>
<u>Less accumulated depreciation for:</u>				
Building Improvements	<u>(1,244,271)</u>	<u>(94,022)</u>	_____ -	<u>(1,338,293)</u>
Total accumulated depreciation	<u>(1,244,271)</u>	<u>(94,022)</u>	_____ -	<u>(1,338,293)</u>
Total capital assets being depreciated, net:	<u>1,106,283</u>	<u>(94,022)</u>	_____ -	<u>1,012,261</u>
Total business-type activities capital assets, net:	\$ <u>8,114,483</u>	\$ <u>(94,022)</u>	\$ _____ -	\$ <u>8,020,461</u>

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

Governmental Activities:

General government	\$ 769,532
Public safety	450,817
Education	1,875,078
Public works	1,491,700
Library	1,053,704
Culture and recreations	<u>210,387</u>

Total depreciation expense - governmental activities \$ 5,851,218

Business-Type Activities:

Country Club	\$ <u>94,022</u>
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# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

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	\$ -	\$ 1,491,464	\$ 218,050
Non-Major Funds	203,391	176,148	-
Country Club	410,500	98,520	-
	<u>\$ 613,891</u>	<u>\$ 1,766,132</u>	<u>\$ 218,050</u>
 <u>Transfers out:</u>			
General Fund	\$ -	\$ (203,391)	\$ (509,020)
Non-Major Funds	(1,709,514)	(176,148)	-
Country Club	-	-	-
	<u>\$ (1,709,514)</u>	<u>\$ (379,539)</u>	<u>\$ (509,020)</u>

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.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

### Note 7 - Retirement Plan - Continued

#### 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, 2005. 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
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.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	Open
Remaining amortization period	23
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

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 7 - **Retirement Plan - Continued**

*Method Used to Value Investments – Continued*

Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Membership of the Plan is as follows:

Retirees and beneficiaries currently receiving benefits	241
Terminated employees entitled to benefits but not yet receiving them	78
Fully vested, partially vested and non-vested active employees covered by the Plan	<u>511</u>
Total Members	<u>830</u>

*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>
2003	\$ 2,473,387	100%	\$ -
2004	2,570,666	100%	-
2005	2,848,387	100%	-

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 7 - Retirement Plan - Continued

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, 2006, current retirees, which totaled 424, meet these eligibility requirements, including eligible retired employees, their survivors and dependents.

As of June 30, 2006, life insurance of \$5,000 for 181 retirees is provided at a total cost of \$6,689 for the fiscal year.

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, 2006 and approximate cost for the year then ended:

<u>Participant Type</u>	<u>Number of Participants</u>	<u>Approximate Cost</u>
Active	520	\$ 2,517,762
Retired:		
Town	265	796,355
School	238	1,773,593

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

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, 2002 to June 2006:

<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>
2002-workmen's compensation	\$ -	\$ 155,396	\$ -	\$ -
2003-workmen's compensation	-	97,691	-	-
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
2006-workmen's compensation	773,066	81,577	(146,183)	708,460

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).

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 11- **Short-Term Financing- Continued**

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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2006, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2005	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2006
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	-
BAN	Highway	4.25	6/20/07	-	62,000	-	62,000
BAN	Sewer	4.25	6/20/07	-	1,575,000	-	1,575,000
BAN	Country Club	4.25	6/20/07	-	1,700,000	-	1,700,000
	Subtotal			3,471,700	3,337,000	3,471,700	3,337,000
BAN	Premium	3.00	6/21/06	9,902	-	9,902	-
BAN	Premium	4.25	6/20/07	-	20,438	-	20,438
Totals				\$ 3,481,602	\$ 3,357,438	\$ 3,481,602	\$ 3,357,438

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, 2006, 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 \$42,000,000 of loans were outstanding applicable such limit. Included in the loans outstanding is approximately \$645,000 faith and credit by the Town of Hingham.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 12 - General Long-Term Debt - Continued

	<u>Balance</u> June 30, 2005	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> June 30, 2006	<u>Amounts</u> Due within <u>One Year</u>
<u>Governmental Activities:</u>					
Sewer:					
\$177,092 issued July 14, 1993, non-interest bearing, maturing August 1, 2013	\$ 101,580	\$ -	\$ (9,667)	\$ 91,913	\$ 10,194
\$3,378,700 issued November 1, 1998, with interest at 4.5% maturing February 1, 2018	2,505,200	-	(155,400)	2,349,800	159,100
\$79,200 issued August 18, 2005, non-interest bearing, maturing August 15, 2010	-	79,200	-	79,200	15,840
\$97,838 issued October 25, 2001, non-interest bearing, maturing August 1, 2018	76,094	-	(5,436)	70,658	5,436
Multipurpose bond:					
\$5,095,000 issued February 15, 1998, with interest at 4.5% maturing June 30, 2018	2,915,000	-	(300,000)	2,615,000	285,000
\$42,155,000 issued April 1, 2002, with interest at 3.5%, maturing April 1, 2022	35,250,000	-	(2,300,000)	32,950,000	2,295,000
Bond premium	619,608	-	(6,239)	613,369	51,502
\$4,000,000 issued October 15, 1998, with interest at 4.12%, maturing October 15, 2018	2,800,000	-	(200,000)	2,600,000	200,000

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 12 - General Long-Term Debt - Continued

	Balance June 30, <u>2005</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>2006</u>	Amounts Due within <u>One Year</u>
\$400,000 issued February 23, 2006, with interest at 2%, maturing July 20, 2026	\$ -	\$ 400,000	\$ -	\$ 400,000	\$ -
\$201,950 issued May 22, 2004, non-interest bearing, maturing May 15, 2008	<u>121,170</u>	<u>-</u>	<u>(40,390)</u>	<u>80,780</u>	<u>40,390</u>
Other General Long-Term Debt Obligations:					
Accrued vacation pay	911,990	400,000	(445,073)	866,917	400,917
Workers' Compensation	773,066	81,577	(146,183)	708,460	200,000
Landfill closure and postclosure care costs	<u>1,409,434</u>	<u>-</u>	<u>(5,185)</u>	<u>1,404,249</u>	<u>229,249</u>
Total Other General Long-Term Debt	<u>3,094,490</u>	<u>481,577</u>	<u>(596,441)</u>	<u>2,979,626</u>	<u>830,166</u>
Total General Long-Term Debt	<u>\$47,483,142</u>	<u>\$ 960,777</u>	<u>\$ (3,613,573)</u>	<u>\$44,830,346</u>	<u>\$ 3,892,628</u>

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

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

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

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,062,462	\$ 1,983,185	\$ 5,045,647
2008	3,051,095	1,863,000	4,914,095
2009	2,975,755	1,719,403	4,695,158
2010	2,978,243	1,579,383	4,557,626
2011	2,984,587	1,437,269	4,421,856
2012-2016	14,077,315	6,805,887	20,883,202
2017-2021	12,438,159	1,973,246	14,411,405
2022-2026	258,921	15,637	274,558
2027-2031	<u>24,183</u>	<u>242</u>	<u>24,425</u>
Total	\$ <u>41,850,720</u>	\$ <u>17,377,252</u>	\$ <u>59,227,972</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and a non-interest bearing loan. During fiscal year 2006, the Town received a grant and a non-interest bearing loan in the amount of \$64,800 and \$79,200 respectively, from this program. At June 30, 2006, the outstanding principle amount of the loan totaled \$159,980.

Balance June 30, <u>2005</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>2006</u>	Amounts Due within <u>One Year</u>
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#### Business Type Activity

##### Enterprise Fund

##### General Obligation Bond:

\$1,845,000 issued October 15, 1998 with interest at 3.56%, maturing October 15, 2007	\$ 600,000	\$ -	\$ (200,000)	\$ 400,000	\$ 200,000
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Total Proprietary Fund	\$ 600,000	\$ -	\$ (200,000)	\$ 400,000	\$ 200,000
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# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

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

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

Year Ending June 30,	Proprietary Fund		Total
	Principal	Interest	
2007	\$ 200,000	\$ 10,900	\$ 210,900
2008	<u>200,000</u>	<u>3,650</u>	<u>203,650</u>
Total	\$ <u>400,000</u>	\$ <u>14,550</u>	\$ <u>414,550</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 \$1,404,249 reported as landfill closure and postclosure care liability at June 30, 2006 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 cost to perform all closure and postclosure care in 2006. The Town expects to close the landfill in fiscal year 2007. 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, 2006, investments of \$3,620,000 have been appropriated of which \$2,070,751 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.

# TOWN OF HINGHAM

## Notes to the Basic Financial Statements - Continued

June 30, 2006

Note 13 - Contingencies

At June 30, 2006, 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, 2006 the Town recognized infrastructure assets related to roadways and bridges as required by GASB pronouncement Statement #34 – Basic Financial Statements and Managements Discussion and Analysis-for State and Local Governments

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

Government - Wide Financial Statements:

	<u>Governmental Activities</u>
Net Assets at June 30, 2005, as previously reported	\$ 52,805,729
To recognize infrastructure assets related to roadways and bridges:	
Cost	53,407,805
Less accumulated depreciation	<u>(35,566,113)</u>
Net Assets at June 30, 2005, restated	\$ <u>70,647,421</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF HINGHAM

## Required Supplementary Information -

### Hingham Contributory Retirement System

For the Year Ended December 31, 2005

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

TOWN OF HINGHAM

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

For the Year Ended June 30, 2006

	General Fund			
	Budgeted Amounts		Actual	
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance Over/(Under)
<b>Revenues:</b>				
Real estate and personal property taxes,				
Motor vehicle and other excise taxes				
net of tax refunds	\$ 50,545,666	\$ 50,545,666	\$ 51,852,397	\$ 1,306,731
Licenses and permits	912,632	912,632	2,306,958	1,394,326
Penalties and interest	215,000	215,000	259,103	44,103
Investment income	450,000	450,000	933,102	483,102
Other income	362,250	362,250	987,174	624,924
Charges for service	698,362	698,362	936,577	238,215
Intergovernmental	5,439,767	5,439,767	7,799,420	2,359,653
<b>Total Revenues</b>	<b>58,623,677</b>	<b>58,623,677</b>	<b>65,074,731</b>	<b>6,451,054</b>
<b>Expenditures:</b>				
General government:				
Selectman	441,500	442,500	392,735	49,765
Town accountant	477,996	490,578	466,014	24,564
Assessors	304,484	304,484	289,186	15,298
Treasurer/collector	298,205	298,205	255,350	42,855
Legal services	140,108	165,108	160,565	4,543
Town meeting	33,605	33,605	23,582	10,023
Town clerk	144,845	144,845	144,503	342
Elections and registrars	17,080	17,080	16,119	961
Conservation	133,044	143,044	126,303	16,741
Planning board	113,538	113,538	108,876	4,662
Board of appeals	86,318	86,826	69,112	17,714
Bare cove park	16,918	16,918	16,849	69
Hersey house	4,522	7,948	7,641	307
Town office building	471,876	525,231	514,873	10,358
G A R hall	9,596	9,596	8,313	1,283
Public safety:				
Police	3,796,076	4,028,072	4,027,116	956
Fire	4,275,080	4,319,580	4,128,618	190,962
Dispatch services	430,843	430,843	405,849	24,994
Building department	212,363	212,363	203,086	9,277
Weights and measures	10,548	10,548	10,247	301
Emergency management	8,499	8,553	8,464	89
Animal control	58,278	58,278	52,055	6,223
Harbormaster	105,072	120,877	119,911	966
Utilities	447,300	447,300	445,000	2,300
Education	30,947,823	30,947,823	30,734,540	213,283
Public works:				
Engineering	21,696	60,296	51,913	8,383
Public works	2,435,031	2,585,174	2,629,650	(44,476)
Landfill/recycling	1,633,377	1,649,377	1,415,362	234,015
Human services:				
Health	258,896	258,896	253,682	5,214
Elder services	228,740	228,740	201,997	26,743
Veteran's services	180,159	181,007	176,029	4,978
Plymouth county rape center	2,500	2,500	2,500	-
South shore women's center	7,000	7,000	7,000	-
Culture and recreation:				
Library	1,231,589	1,256,389	1,255,027	1,362
Recreation	159,200	159,200	126,976	32,224
Trustees of bathing beach	19,170	19,170	16,282	2,888
Historical commission	30,600	31,061	29,388	1,673
Celebrations	9,000	9,136	9,136	-
Nondepartmental:				
Pension benefits	2,591,123	2,591,123	2,587,077	4,046
Group health insurance	2,933,451	2,933,451	3,289,713	(356,262)
Miscellaneous	939,941	979,543	1,163,035	(183,492)
Debt service	5,235,784	5,235,784	4,933,631	302,153
Intergovernmental:				
State and county assessments	2,211,130	2,211,130	2,193,591	17,539
<b>Total Expenditures</b>	<b>63,113,904</b>	<b>63,782,720</b>	<b>63,076,896</b>	<b>705,824</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,490,227)</b>	<b>(5,159,043)</b>	<b>1,997,835</b>	<b>7,156,878</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	613,891	613,891
Transfers out	-	-	(1,709,514)	(1,709,514)
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>(1,095,623)</b>	<b>(1,095,623)</b>
<b>Net Change in Fund Balances</b>	<b>(4,490,227)</b>	<b>(5,159,043)</b>	<b>902,212</b>	<b>6,061,255</b>
Fund Balances, at Beginning of Year	1,374,778	(4,371,448)	2,558,480	3,635,809
<b>Fund Balances, at End of Year</b>	<b>\$ (3,115,449)</b>	<b>\$ (9,530,491)</b>	<b>\$ 3,460,692</b>	<b>\$ 9,697,064</b>

See note to required supplementary information - Budgetary Reporting

# TOWN OF HINGHAM

## Notes to Required Supplementary Information

June 30, 2006

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 2006 approved budget authorized approximately \$63,113,904 also approved supplemental appropriations totaling approximately \$668,816.

# TOWN OF HINGHAM

## Notes to Required Supplementary Information - Continued

June 30, 2006

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, 2006, is presented below:

Net change in fund balance – budgetary basis	\$ 902,212
<u>Basis of accounting timing differences:</u>	
Net change in recording 60-day receipts accrual	(49,015)
Net change in recording ATB case payable	<u>(279,518)</u>
Net change in fund balance - GAAP basis	\$ <u>573,679</u>

The following funds had deficit fund balances on June 30, 2006:

Capital Projects:	
Fire Station Renovation	\$ (457)
South Shore Country Club Irrigation	(1,719,352)
School Building Study Construction	(50,389)
Weir River Phase II Construction	(1,847,136)
Route 3A Construction	<u>(63,164)</u>
Total:	\$ <u>(3,680,498)</u>

# **TOWN OF HINGHAM**

## **Description of Non-Major Governmental Funds**

**For the Year Ended June 30, 2006**

### **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, 2006

### 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.

#### **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, 2006**

### **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.

#### **Waste Water Management**

This fund is used to account for the planning process whereby current and future wastewater management needs are evaluated, alternatives are developed to meet those needs and a final plan is selected through comparison and evaluation of alternatives

### **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 - Non-major Governmental Funds

June 30, 2006

### Assets

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Non-major Governmental Funds</u>
Assets:				
Cash and equivalents	\$ 6,167,510	\$ 3,595,548	\$ 830,735	\$ 10,593,793
Restricted cash	79,862	-	-	79,862
Investment securities, at fair value	-	-	74,821	74,821
Other receivables	262,346	327,463	-	589,809
User charges and liens	313,728	-	-	313,728
<b>Total Assets</b>	<u>\$ 6,823,446</u>	<u>\$ 3,923,011</u>	<u>\$ 905,556</u>	<u>\$ 11,652,013</u>

### Liabilities and Fund Balances

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Expendable Trust Funds</u>	<u>Total Non-major Governmental Funds</u>
Liabilities:				
Warrants payable	\$ 117,604	\$ 386,918	-	\$ 504,522
BAN Payable	-	3,337,000	-	3,337,000
Deferred revenue	469,548	-	-	469,548
<b>Total Liabilities</b>	<u>587,152</u>	<u>3,723,918</u>	<u>-</u>	<u>4,311,070</u>
Fund Balances:				
Unreserved:				
Undesignated	6,236,294	199,093	905,556	7,340,943
<b>Total Fund Balances</b>	<u>6,236,294</u>	<u>199,093</u>	<u>905,556</u>	<u>7,340,943</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,823,446</u>	<u>\$ 3,923,011</u>	<u>\$ 905,556</u>	<u>\$ 11,652,013</u>

## TOWN OF HINGHAM

### Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds

For the Year Ended June 30, 2006

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Non-major Governmental Funds
<b>Revenues:</b>				
Intergovernmental	\$ 2,841,301	-	-	\$ 2,841,301
Departmental and other income	1,180,255	29,500	32,973	1,242,728
Investment income	18,232	-	30,905	49,137
Non-enterprise charges for services	4,018,802	-	-	4,018,802
<b>Total Revenues</b>	<b>8,058,590</b>	<b>29,500</b>	<b>63,878</b>	<b>8,151,968</b>
<b>Expenditures:</b>				
Current:				
General government	140,987	-	-	140,987
Public safety	695,057	-	-	695,057
Education	3,661,731	-	-	3,661,731
Public works	2,340,744	-	-	2,340,744
Human services	248,579	-	-	248,579
Culture and recreation	410,390	-	-	410,390
Debt Service - Principal	89,500	-	-	89,500
Debt Service - Interest	20,086	-	45,337	65,423
Capital Outlay	-	902,140	-	902,140
<b>Total Expenditures</b>	<b>7,607,074</b>	<b>902,140</b>	<b>45,337</b>	<b>8,554,551</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>451,516</b>	<b>(872,640)</b>	<b>18,541</b>	<b>(402,583)</b>
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	79,200	400,000	-	479,200
Transfers in	645,657	1,070,475	50,000	1,766,132
Transfers out	(201,148)	-	(178,391)	(379,539)
<b>Total Other Financing Sources (Uses)</b>	<b>523,709</b>	<b>1,470,475</b>	<b>(128,391)</b>	<b>1,865,793</b>
<b>Net Changes in Fund Balances</b>	<b>975,225</b>	<b>597,835</b>	<b>(109,850)</b>	<b>1,463,210</b>
Fund Balances, June 30, 2005	5,261,069	(398,742)	1,015,406	5,877,733
<b>Fund Balances, at End of Year</b>	<b>6,236,294</b>	<b>199,093</b>	<b>905,556</b>	<b>7,340,943</b>

# TOWN OF HINGHAM

## Combining Balance Sheet - Non-major Governmental Funds

### Special Revenue Funds June 30, 2006

#### 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	\$ 182,923	\$ 18,211	\$ 58,804	\$ 627,678	\$ 132,907	\$ 716,778	\$ 690,529	\$ 3,213,800	\$ 341,525	\$ 184,355	\$ 6,167,510	
Restricted cash and investments	-	-	-	-	-	-	-	-	79,862	-	79,862	
Other receivables	-	-	262,346	-	-	-	-	-	-	-	262,346	
User charges and fees	-	-	-	-	-	-	-	-	-	313,728	313,728	
<b>Total Assets</b>	<b>\$ 182,923</b>	<b>\$ 18,211</b>	<b>\$ 321,150</b>	<b>\$ 627,678</b>	<b>\$ 132,907</b>	<b>\$ 716,778</b>	<b>\$ 690,529</b>	<b>\$ 3,213,800</b>	<b>\$ 421,387</b>	<b>\$ 498,083</b>	<b>\$ 6,823,446</b>	

#### 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	\$ 184	\$ -	\$ 7,924	\$ -	\$ 25,230	\$ 27,451	\$ 18,408	\$ 6,828	\$ 6,221	\$ 313,728	\$ 117,604	
Deferred revenue	-	-	-	-	-	155,820	-	-	-	-	469,548	
<b>Total Liabilities</b>	<b>184</b>	<b>-</b>	<b>7,924</b>	<b>-</b>	<b>25,230</b>	<b>183,271</b>	<b>18,408</b>	<b>6,828</b>	<b>6,221</b>	<b>319,949</b>	<b>587,152</b>	
Fund Balances:												
Unreserved:												
Undesignated	182,739	18,211	313,226	627,678	107,677	533,507	672,121	3,206,972	396,029	178,134	6,236,294	
<b>Total Fund Balances</b>	<b>182,739</b>	<b>18,211</b>	<b>313,226</b>	<b>627,678</b>	<b>107,677</b>	<b>533,507</b>	<b>672,121</b>	<b>3,206,972</b>	<b>396,029</b>	<b>178,134</b>	<b>6,236,294</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 182,923</b>	<b>\$ 18,211</b>	<b>\$ 321,150</b>	<b>\$ 627,678</b>	<b>\$ 132,907</b>	<b>\$ 716,778</b>	<b>\$ 690,529</b>	<b>\$ 3,213,800</b>	<b>\$ 421,387</b>	<b>\$ 498,083</b>	<b>\$ 6,823,446</b>	

# TOWN OF HINGHAM

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Special Revenue Funds

For the Year Ended June 30, 2006

	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
<b>Revenues:</b>											
Intergovernmental	\$ -	\$ -	\$ 967,530	\$ 788,102	\$ 1,085,669	\$ -	\$ -	\$ 663,882	\$ -	\$ -	\$ 2,841,301
Departmental and other income	123,807	3,519	-	-	-	-	-	-	374,130	14,917	1,180,255
Investment income	-	-	-	-	-	-	-	-	18,232	-	18,232
Non-enterprise charges for services	-	-	-	-	-	672,435	1,693,845	-	-	1,652,522	4,018,802
<b>Total Revenues</b>	<b>123,807</b>	<b>3,519</b>	<b>967,530</b>	<b>788,102</b>	<b>1,085,669</b>	<b>672,435</b>	<b>1,693,845</b>	<b>663,882</b>	<b>392,362</b>	<b>1,667,439</b>	<b>8,058,590</b>
<b>Expenditures:</b>											
Current:											
General government	7,870	-	4,104	-	-	22,273	-	106,740	-	-	140,987
Public safety	24,637	-	394,900	-	-	240,342	-	35,178	-	-	695,057
Education	-	4,786	-	787,182	1,128,264	-	1,718,171	23,328	-	-	3,661,731
Public works	-	-	275,098	-	-	-	-	20,072	388,418	1,657,156	2,340,744
Human services	31,891	-	171,553	-	-	45,135	-	-	-	-	248,579
Culture and recreation	13,311	-	7,344	-	-	389,735	-	-	-	89,500	410,390
Debt Service - Principal	-	-	-	-	-	-	-	-	-	20,086	20,086
Debt Service - Interest	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>77,709</b>	<b>4,786</b>	<b>852,999</b>	<b>787,182</b>	<b>1,128,264</b>	<b>697,485</b>	<b>1,718,171</b>	<b>185,318</b>	<b>388,418</b>	<b>1,766,742</b>	<b>7,607,074</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>46,098</b>	<b>(1,267)</b>	<b>114,531</b>	<b>920</b>	<b>(42,595)</b>	<b>(25,050)</b>	<b>(24,326)</b>	<b>478,564</b>	<b>3,944</b>	<b>(99,303)</b>	<b>451,516</b>
Other Financing Sources (Uses):											
Bond proceeds	-	-	-	-	-	-	-	-	79,200	-	79,200
Transfers in	-	-	-	-	-	-	-	645,657	-	-	645,657
Transfers out	-	-	-	-	-	-	-	(105,000)	(91,500)	(4,648)	(201,148)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,657</b>	<b>(12,300)</b>	<b>(4,648)</b>	<b>523,709</b>
<b>Net Change in Fund Balances</b>	<b>46,098</b>	<b>(1,267)</b>	<b>114,531</b>	<b>920</b>	<b>(42,595)</b>	<b>(25,050)</b>	<b>(24,326)</b>	<b>1,019,221</b>	<b>(8,356)</b>	<b>(103,951)</b>	<b>975,225</b>
Fund Balance, June 30, 2005	136,641	19,478	198,695	626,758	150,272	558,557	696,447	2,187,751	404,385	282,085	5,261,069
<b>Fund Balance, at End of Year</b>	<b>\$ 182,739</b>	<b>\$ 18,211</b>	<b>\$ 313,226</b>	<b>\$ 627,678</b>	<b>\$ 107,677</b>	<b>\$ 533,507</b>	<b>\$ 672,121</b>	<b>\$ 3,206,972</b>	<b>\$ 396,029</b>	<b>\$ 178,134</b>	<b>\$ 6,236,294</b>

**TOWN OF HINGHAM**

Combining Balance Sheet - Non-major Governmental Funds

Capital Projects Funds  
June 30, 2006

Assets

		School Building Study Construction and Renovation	Harbor Dredging	Whitney Wharf Renovation	Jr. High Addition	South Shore Country Club Irrigation	Foundry Pond Dam	Route 3A Force Main	DPW Buildings Management	Waste Water Management	Weir River Phase II	Total
Assets:												
Cash and equivalents	\$ 582	\$ -	\$ -	\$ -	\$ -	\$ 3,856	\$ 23,268	\$ -	\$ 635,569	\$ -	\$ -	\$ 3,595,548
Other receivables	-	-	-	-	-	-	-	-	-	327,463	-	327,463
<b>Total Assets</b>	<b>\$ 1,549,249</b>	<b>\$ -</b>	<b>\$ 409,166</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,856</b>	<b>\$ 23,268</b>	<b>\$ -</b>	<b>\$ 635,569</b>	<b>\$ 327,463</b>	<b>\$ -</b>	<b>\$ 3,923,011</b>

Liabilities and Fund Balances

		School Building Study Construction and Renovation	Harbor Dredging	Whitney Wharf Renovation	Jr. High Addition	South Shore Country Club Irrigation	Foundry Pond Dam	Route 3A Force Main	DPW Buildings Management	Waste Water Management	Weir River Phase II	Total
Liabilities:												
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,208	\$ -	\$ 1,164	\$ -	\$ 39,564	\$ 272,136	\$ 386,918
BAN Payable	-	-	-	-	-	1,700,000	-	62,000	-	-	1,575,000	3,337,000
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,723,208</b>	<b>-</b>	<b>63,164</b>	<b>-</b>	<b>39,564</b>	<b>1,847,136</b>	<b>3,723,918</b>
Fund Balances:												
Unreserved:												
Undesignated	1,549,249	-	409,166	(457)	973,858	(1,719,352)	23,268	(63,164)	635,569	287,899	(1,847,136)	199,093
<b>Total Fund Balances</b>	<b>1,549,249</b>	<b>-</b>	<b>409,166</b>	<b>(457)</b>	<b>973,858</b>	<b>(1,719,352)</b>	<b>23,268</b>	<b>(63,164)</b>	<b>635,569</b>	<b>287,899</b>	<b>(1,847,136)</b>	<b>199,093</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,549,249</b>	<b>\$ -</b>	<b>\$ 409,166</b>	<b>\$ -</b>	<b>\$ 973,858</b>	<b>\$ 3,856</b>	<b>\$ 23,268</b>	<b>\$ -</b>	<b>\$ 635,569</b>	<b>\$ 327,463</b>	<b>\$ -</b>	<b>\$ 3,923,011</b>



# TOWN OF HINGHAM

## Combining Balance Sheet - Non-major Governmental Funds

June 30, 2006  
Permanent Funds

	Assets		Town Funds	Total
Preservation Projects	\$ 47,366	Conservation	\$ 635,281	\$ 830,735
Cash and equivalents	-	-	74,821	74,821
Investment securities at fair value	-	-	-	-
<b>Total Assets</b>	<b>\$ 47,366</b>	<b>\$ 148,088</b>	<b>\$ 710,102</b>	<b>\$ 905,556</b>

### Liabilities and Fund Balances

	Expendable Trust Funds		
	Preservation Projects	Conservation	Town Funds
	\$	\$	\$
Warrants payable	-	-	-
<b>Total Liabilities</b>	-	-	-
Fund Balances:			
Unreserved:			
Undesignated	47,366	148,088	710,102
<b>Total Fund Balances</b>	<b>47,366</b>	<b>148,088</b>	<b>710,102</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,366</b>	<b>\$ 148,088</b>	<b>\$ 710,102</b>
			<b>\$ 905,556</b>

# TOWN OF HINGHAM

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

For the Year Ended June 30, 2006

	Preservation Projects	Conservation	Town Funds	Total
<b>Revenues:</b>				
Departmental and other income	\$ 2,797	\$ -	\$ 30,176	\$ 32,973
Investment income	<u>1,619</u>	<u>2,945</u>	<u>26,341</u>	<u>30,905</u>
<b>Total Revenues</b>	<u>4,416</u>	<u>2,945</u>	<u>56,517</u>	<u>63,878</u>
<b>Expenditures:</b>				
Current:				
Miscellaneous	<u>109</u>	<u>10,303</u>	<u>34,925</u>	<u>45,337</u>
<b>Total Expenditures</b>	<u>109</u>	<u>10,303</u>	<u>34,925</u>	<u>45,337</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>4,307</u>	<u>(7,358)</u>	<u>21,592</u>	<u>18,541</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	50,000	-	50,000
Transfers out	-	-	<u>(178,391)</u>	<u>(178,391)</u>
<b>Total Net Other Financing Sources (Uses)</b>	<u>-</u>	<u>50,000</u>	<u>(178,391)</u>	<u>(128,391)</u>
<b>Net Change in Fund Balance</b>	<u>4,307</u>	<u>42,642</u>	<u>(156,799)</u>	<u>(109,850)</u>
Fund Balances, June 30, 2005	<u>43,059</u>	<u>105,446</u>	<u>866,901</u>	<u>1,015,406</u>
<b>Fund Balances, End of Year</b>	<u>\$ 47,366</u>	<u>\$ 148,088</u>	<u>\$ 710,102</u>	<u>\$ 905,556</u>

# TOWN OF HINGHAM

## Combining Schedule of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Conservatory Park:</b>				
<b>Assets:</b>				
Cash and equivalents	\$ 110,173	\$ -	\$ -	\$ 110,173
<b>Liabilities:</b>				
Other liabilities	\$ 110,173	\$ -	\$ -	\$ 110,173
<b>Other Town Funds:</b>				
<b>Assets:</b>				
Cash and equivalents	\$ 263,798	\$ 1,060,275	\$ (945,686)	\$ 378,387
<b>Liabilities:</b>				
Warrants payable	\$ 485	\$ 3,910	\$ (485)	\$ 3,910
Accrued liabilities	22,967	12,660	(14,593)	21,034
Other liabilities	240,346	1,043,705	(930,608)	353,443
<b>Total Liabilites</b>	<u>\$ 263,798</u>	<u>\$ 1,060,275</u>	<u>\$ (945,686)</u>	<u>\$ 378,387</u>
<b>Total Agency Funds:</b>				
<b>Assets:</b>				
Cash and equivalents	<u>\$ 373,971</u>	<u>\$ 1,060,275</u>	<u>\$ (945,686)</u>	<u>\$ 488,560</u>
<b>Liabilities:</b>				
Warrants payable	\$ 485	\$ 3,910	\$ (485)	\$ 3,910
Accrued liabilities	22,967	12,660	(14,593)	21,034
Other liabilities	240,346	1,043,705	(930,608)	463,616
<b>Total Liabilites</b>	<u>\$ 263,798</u>	<u>\$ 1,060,275</u>	<u>\$ (945,686)</u>	<u>\$ 488,560</u>

# TOWN OF HINGHAM

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

For the Year Ended June 30, 2006

	Special Revenue Funds			
	Budgeted Amounts		Actual	
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance Over/(Under)
<b>Revenues:</b>				
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	-	-	14,917	14,917
Charges for service	1,929,939	1,934,256	1,652,522	(281,734)
Intergovernmental	-	-	-	-
<b>Total Revenues</b>	<u>1,929,939</u>	<u>1,934,256</u>	<u>1,667,439</u>	<u>(266,817)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Education	-	-	-	-
Public works	-	-	-	-
Human services	-	-	-	-
Culture and recreation	-	-	-	-
Pension benefits	-	-	-	-
Group health insurance	-	-	-	-
Miscellaneous	-	-	-	-
Sewer	1,812,087	1,816,404	1,657,156	159,248
Debt service	117,852	117,852	109,586	8,266
Intergovernmental	-	-	-	-
State and county assessments	-	-	-	-
<b>Total Expenditures</b>	<u>1,929,939</u>	<u>1,934,256</u>	<u>1,766,742</u>	<u>167,514</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(99,303)</u>	<u>(99,303)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses):</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,303)</u>	<u>\$ (99,303)</u>

# TOWN OF HINGHAM

## Notes to Supplementary Information

June 30, 2006

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

A. *Budgetary Information*

The annual budget for the sewer fund for fiscal year 2006 was approved and authorized for \$1,929,939. During fiscal year 2006 the Town approved supplemental appropriations totaling \$4,317.



**TOWN OF HINGHAM**

**Other Supplementary Schedules**

**June 30, 2006**



**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, 2006, and have issued our report thereon dated September 25, 2006. 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 25, 2006.

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.

*O'Connor & Drew, P.C.*  
**Certified Public Accountants**

September 25, 2006



# **STATISTICAL SECTION**

**TOWN OF HINGHAM  
NET ASSETS BY COMPONENT  
LAST FOUR FISCAL YEARS**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$38,551,877	\$38,073,230	\$37,754,728	\$52,330,548
Restricted	10,805,608	9,182,662	616,664	1,104,659
Unrestricted	<u>4,116,795</u>	<u>5,986,192</u>	<u>14,434,337</u>	<u>17,896,855</u>
Total governmental activities net assets	<u>\$53,474,280</u>	<u>\$53,242,084</u>	<u>\$52,805,729</u>	<u>\$71,332,062</u>
Business-type Activities				
Invested in capital assets, net of related debt	\$7,264,723	\$20,526,999	\$7,514,483	\$7,620,461
Restricted	0	3,227,745	\$0	\$0
Unrestricted	<u>727,371</u>	<u>6,583,349</u>	<u>524,218</u>	<u>285,439</u>
Total business-type activities net assets	<u>\$7,992,094</u>	<u>\$30,338,093</u>	<u>\$8,038,701</u>	<u>\$7,905,900</u>
Primary government				
Invested in capital assets, net of related debt	\$45,816,600	\$58,600,229	\$45,269,211	\$59,951,009
Restricted	10,805,608	12,410,407	616,664	1,104,659
Unrestricted	<u>4,844,166</u>	<u>12,569,541</u>	<u>14,958,555</u>	<u>18,182,294</u>
Total primary government activities net assets	<u>\$61,466,374</u>	<u>\$83,580,177</u>	<u>\$60,844,430</u>	<u>\$79,237,962</u>

**TOWN OF HINGHAM  
CHANGES IN NET ASSETS  
LAST FOUR FISCAL YEARS**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 3,171,254	\$ 3,863,297	\$ 3,778,376	\$ 3,760,874
Public safety	8,253,539	10,009,778	10,663,719	12,304,222
Education	33,974,567	35,386,466	38,635,348	42,805,299
Public Works	6,202,446	6,439,533	7,470,192	8,412,191
Group Health Insurance	2,085,192	2,502,730	2,752,529	3,289,713
Human Services	816,385	883,123	1,063,810	1,000,201
Culture and recreation	494,975	2,028,025	2,108,078	3,003,193
Pension benefits	2,125,349	-	-	-
Miscellaneous	1,800,341	2,404,699	3,045,493	-
Unallocated interest on long term debt	2,361,071	2,345,358	2,173,466	2,058,722
State and county charges	1,521,000	1,656,636	1,926,044	-
Total Governmental activities expenses	<u>62,806,119</u>	<u>67,519,645</u>	<u>73,617,055</u>	<u>76,634,415</u>
Business-type activities:				
Country Club	1,309,526	1,331,818	1,268,252	1,351,046
Total business-type activities expenses	<u>1,309,526</u>	<u>1,331,818</u>	<u>1,268,252</u>	<u>1,351,046</u>
Total primary government expenses	<u>\$ 64,115,645</u>	<u>\$ 68,851,463</u>	<u>\$ 74,885,307</u>	<u>\$ 77,985,461</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,050,315	\$ 1,351,087	\$ 1,594,548	\$ 1,694,778
Public safety	-	1,682,616	2,277,532	2,129,662
Education	1,416,600	1,588,568	1,665,159	1,693,845
Public Works	1,672,788	1,697,531	1,474,903	1,696,892
Human Services	-	82,740	86,100	83,180
Operating grants and contributions	1,359,548	1,724,718	2,317,009	2,335,920
Capital grants and contributions	-	-	-	-
Total Governmental activities program revenues	<u>5,499,251</u>	<u>8,127,260</u>	<u>9,415,251</u>	<u>9,634,277</u>
Business-type activities:				
Charges for services:				
Country Club	1,559,811	1,555,091	1,520,687	1,527,265
Total business-type activities program revenues	<u>1,559,811</u>	<u>1,555,091</u>	<u>1,520,687</u>	<u>1,527,265</u>
Total primary government revenues	<u>\$ 7,059,062</u>	<u>\$ 9,682,351</u>	<u>\$ 10,935,938</u>	<u>\$ 11,161,542</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(57,306,868)	(59,392,385)	(64,201,804)	(67,000,138)
Business-type activities	250,285	223,273	252,435	176,219
Total primary government net expense	<u>\$ (57,056,583)</u>	<u>\$ (59,169,112)</u>	<u>\$ (63,949,369)</u>	<u>\$ (66,823,919)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes	\$ 42,813,268	\$ 44,463,797	\$ 47,500,326	\$ 52,296,707
Licenses and fees	783,112	-	-	-
Unrestricted grants and contributions	12,163,587	12,717,178	14,108,355	12,111,270
Penalties and interest on taxes	284,557	335,005	340,133	347,513
Investment earnings	382,018	249,899	570,971	982,239
Miscellaneous	891,707	1,047,100	1,060,264	1,656,083
Resources expenses for componet unit	(1,138,296)	-	-	-
Transfers	161,100	188,950	185,400	290,970
Total Governmental activities	<u>56,341,053</u>	<u>59,001,929</u>	<u>63,765,449</u>	<u>67,684,782</u>
Business-type activities:				
Country Club	-	-	-	-
Investment earnings	(17,097)	(60,441)	(24,272)	(18,050)
Transfers	(161,100)	(188,950)	(185,400)	(290,970)
Total business-type activities expenses	<u>(178,197)</u>	<u>(249,391)</u>	<u>(209,672)</u>	<u>(309,020)</u>
Total primary government	<u>\$ 56,162,856</u>	<u>\$ 58,752,538</u>	<u>\$ 63,555,777</u>	<u>\$ 67,375,762</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ (965,815)	\$ (390,456)	\$ (436,355)	\$ 684,644
Business-type activities	72,088	(26,118)	42,763	(132,801)
Total primary government	<u>\$ (893,727)</u>	<u>\$ (416,574)</u>	<u>\$ (393,592)</u>	<u>\$ 551,843</u>

**TOWN OF HINGHAM  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST FOUR FISCAL YEARS**

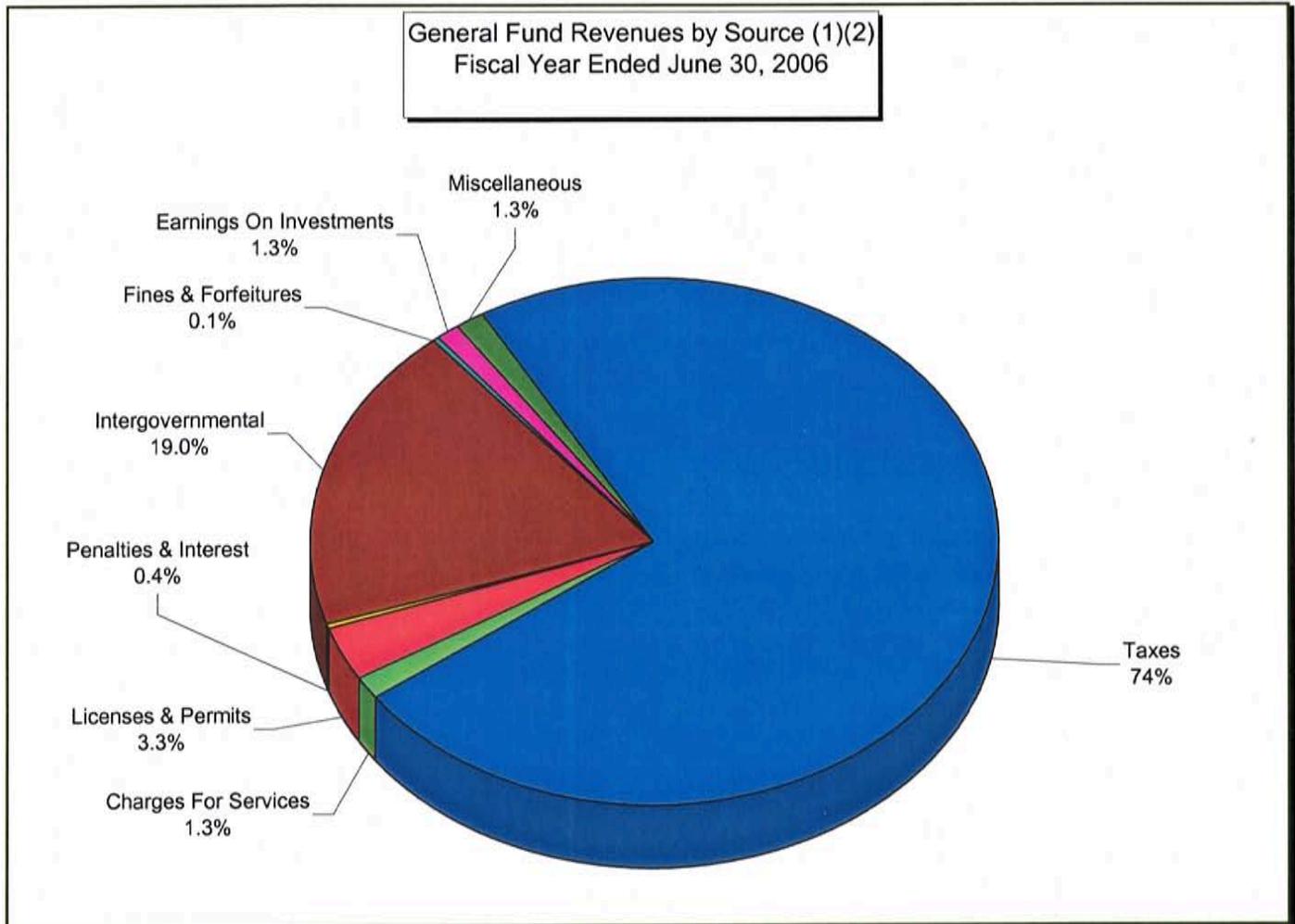
	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 5,330,736	\$ 3,251,371	\$ 4,346,561	\$ 1,682,516
Unreserved	<u>4,431,052</u>	<u>5,760,866</u>	<u>4,662,890</u>	<u>7,900,614</u>
Total general fund	<u>\$ 9,761,788</u>	<u>\$ 9,012,237</u>	<u>\$ 9,009,451</u>	<u>\$ 9,583,130</u>
All Other Governmental Funds				
Reserved				
Unreserved, Reported in				
Special revenue funds	2,744,433	3,766,046	5,261,069	6,236,294
Capital project funds	2,148,526	937,214	(398,742)	199,093
Permanent funds	<u>424,639</u>	<u>1,228,031</u>	<u>1,015,406</u>	<u>905,556</u>
Total all other governmental funds	<u>\$ 5,317,598</u>	<u>\$ 5,931,291</u>	<u>\$ 5,877,733</u>	<u>\$ 7,340,943</u>

**TOWN OF HINGHAM  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST FOUR FISCAL YEARS**

	FISCAL YEAR			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>REVENUES</b>				
Taxes	\$ 42,913,930	\$ 45,732,781	\$ 48,094,223	\$ 51,523,864
Licenses and fees	783,112	1,841,699	2,443,941	2,306,958
Intergovernmental	13,922,750	14,258,972	16,143,996	16,178,632
Charges for services	3,558,155	3,825,415	4,092,192	4,018,802
Investment income	382,018	249,899	570,971	982,239
Other revenues	<u>2,112,186</u>	<u>2,273,472</u>	<u>2,395,302</u>	<u>3,425,582</u>
Total Revenues	<u>63,672,151</u>	<u>68,182,238</u>	<u>73,740,625</u>	<u>78,436,077</u>
<b>EXPENDITURES</b>				
General government	2,835,805	3,216,032	3,118,360	2,741,008
Public safety	8,241,068	8,493,836	9,223,025	10,095,403
Education	32,487,154	34,055,595	37,097,463	39,934,182
Public works	6,470,061	5,862,837	6,544,382	6,437,669
Human services	815,610	808,487	986,998	889,787
Culture and recreation	410,732	1,666,566	1,727,611	1,847,199
Pension benefits	2,125,349	2,206,705	2,290,770	2,587,077
Group health insurance	2,085,192	2,502,730	2,752,529	3,289,713
Miscellaneous	1,848,032	2,677,031	3,122,050	2,065,175
Intergovernmental	1,521,000	1,656,636	1,926,044	2,193,591
Debt service				
Principal	2,971,730	2,983,590	2,985,566	3,000,003
Interest	<u>2,401,441</u>	<u>2,377,001</u>	<u>2,207,571</u>	<u>2,088,551</u>
Total expenditures	<u>64,213,174</u>	<u>68,507,046</u>	<u>73,982,369</u>	<u>77,169,358</u>
Excess of revenues over (under) expenditures: \$	\$ (541,023)	\$ (324,808)	\$ (241,744)	\$ 1,266,719
<b>Other Financing Sources (Uses)</b>				
Proceeds from borrowing	201,950			479,200
Transfers in	1,429,151	2,502,617	2,005,661	2,380,023
Transfers out	<u>(2,406,347)</u>	<u>(2,313,667)</u>	<u>(1,820,261)</u>	<u>(2,089,053)</u>
Total other financing sources (uses)	<u>(775,246)</u>	<u>188,950</u>	<u>185,400</u>	<u>770,170</u>
Net change in fund balances	<u>(1,316,269)</u>	<u>(135,858)</u>	<u>(56,344)</u>	<u>2,036,889</u>

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

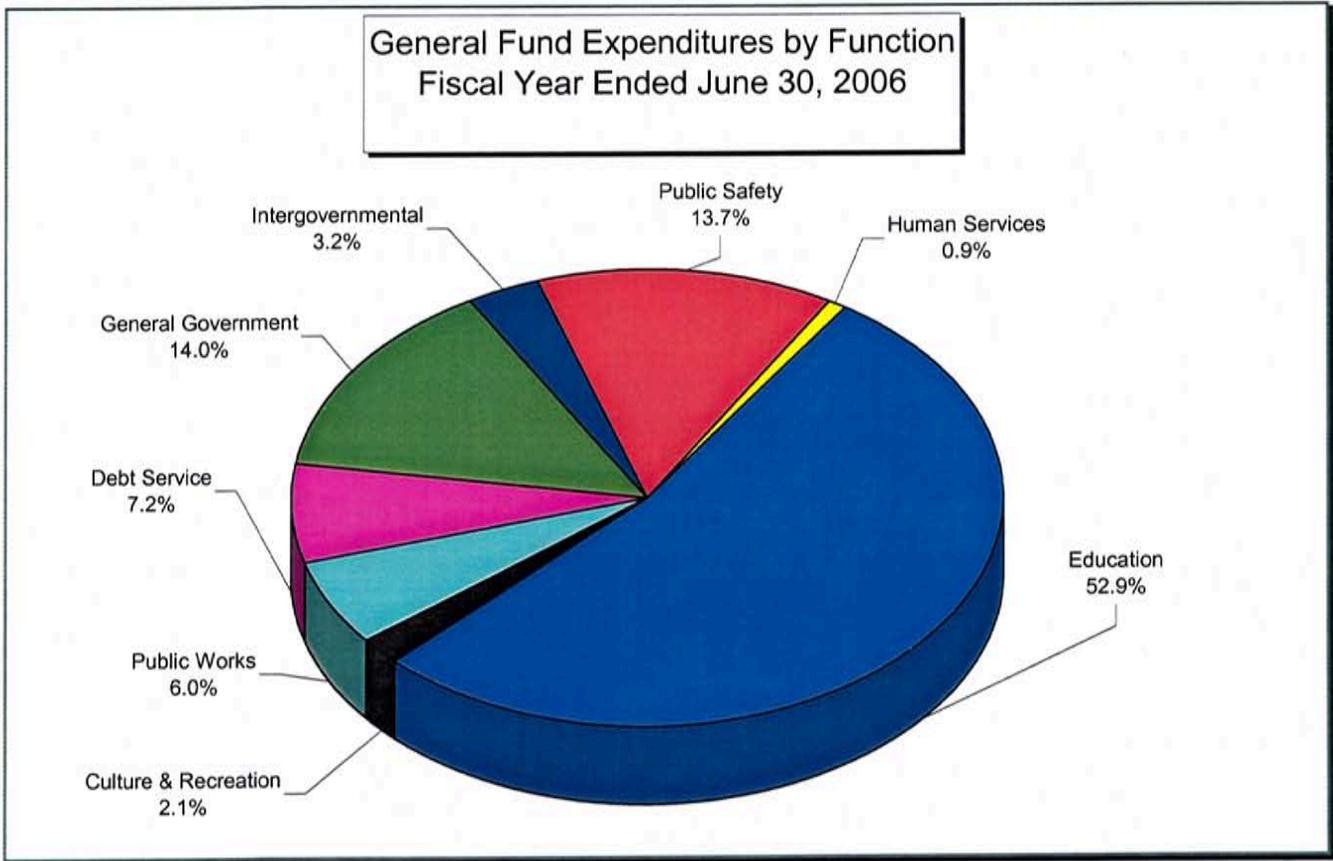
Fiscal Year Ended June 30	Taxes(3)	Charges For Services	Licenses & Permits	Inter-governmental	Penalties & Interest	Fines & Forfeitures	Earnings On Investments	Misc.	Total
1997	32,924	247	300	3,936	268	122	688	58	38,543
1998	34,239	336	312	4,283	268	121	628	47	40,233
1999	35,469	327	426	4,856	329	121	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
2006	51,524	937	2,307	13,337	258	88	933	900	70,284



- (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)**

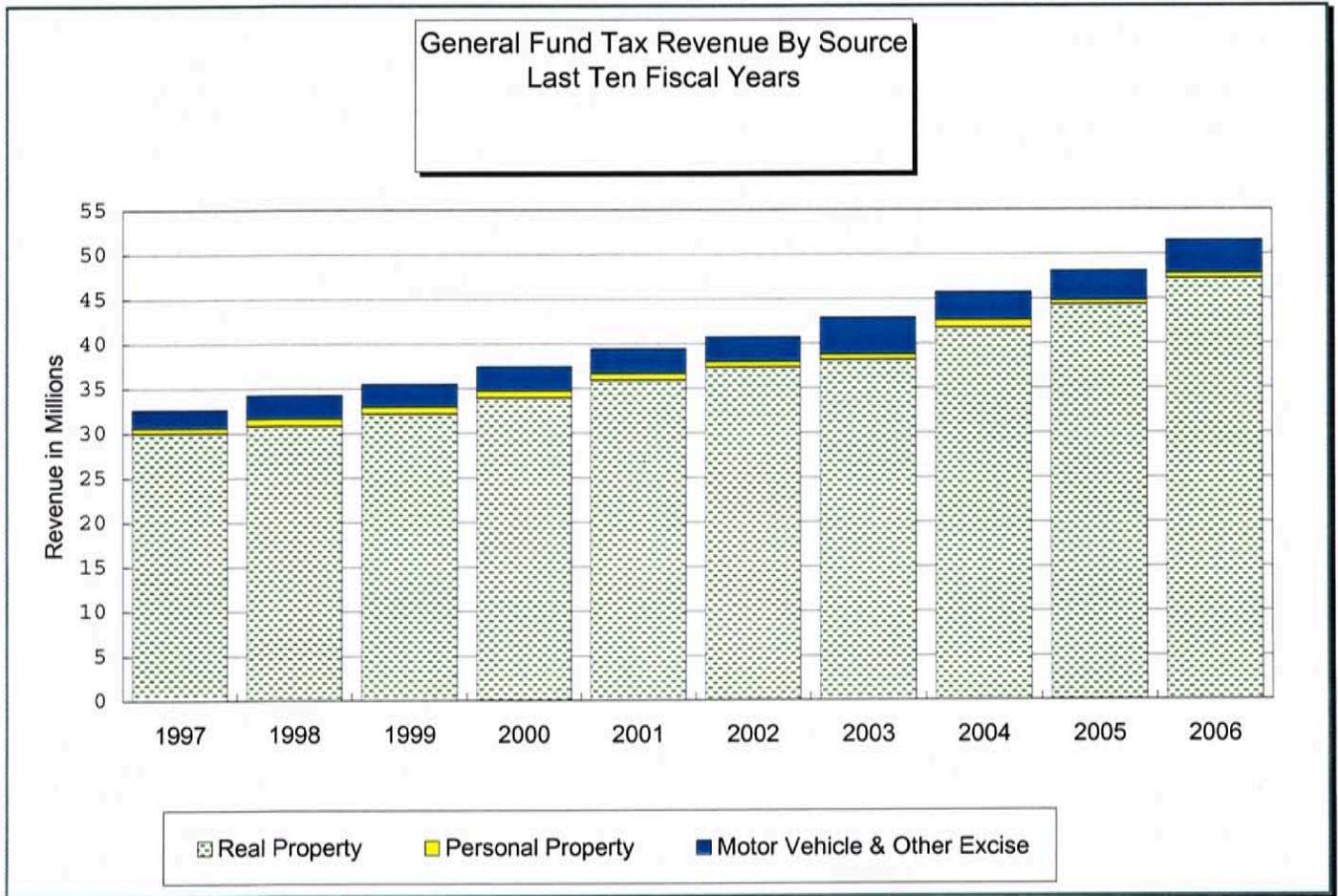
<u>Fiscal Year Ended June 30</u>	<u>General Government(2)</u>	<u>Public Safety</u>	<u>Educa-tion</u>	<u>Public Works</u>	<u>Human Ser-vices</u>	<u>Culture &amp; Recre-ation</u>	<u>Inter-governmental</u>	<u>Debt Ser-vice</u>	<u>Total</u>
1997	5,611	6,126	19,343	2,553	290	89	1,223	125	35,359
1998	5,855	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
2006	9,640	9,400	36,272	4,097	641	1,437	2,194	4,934	68,615



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

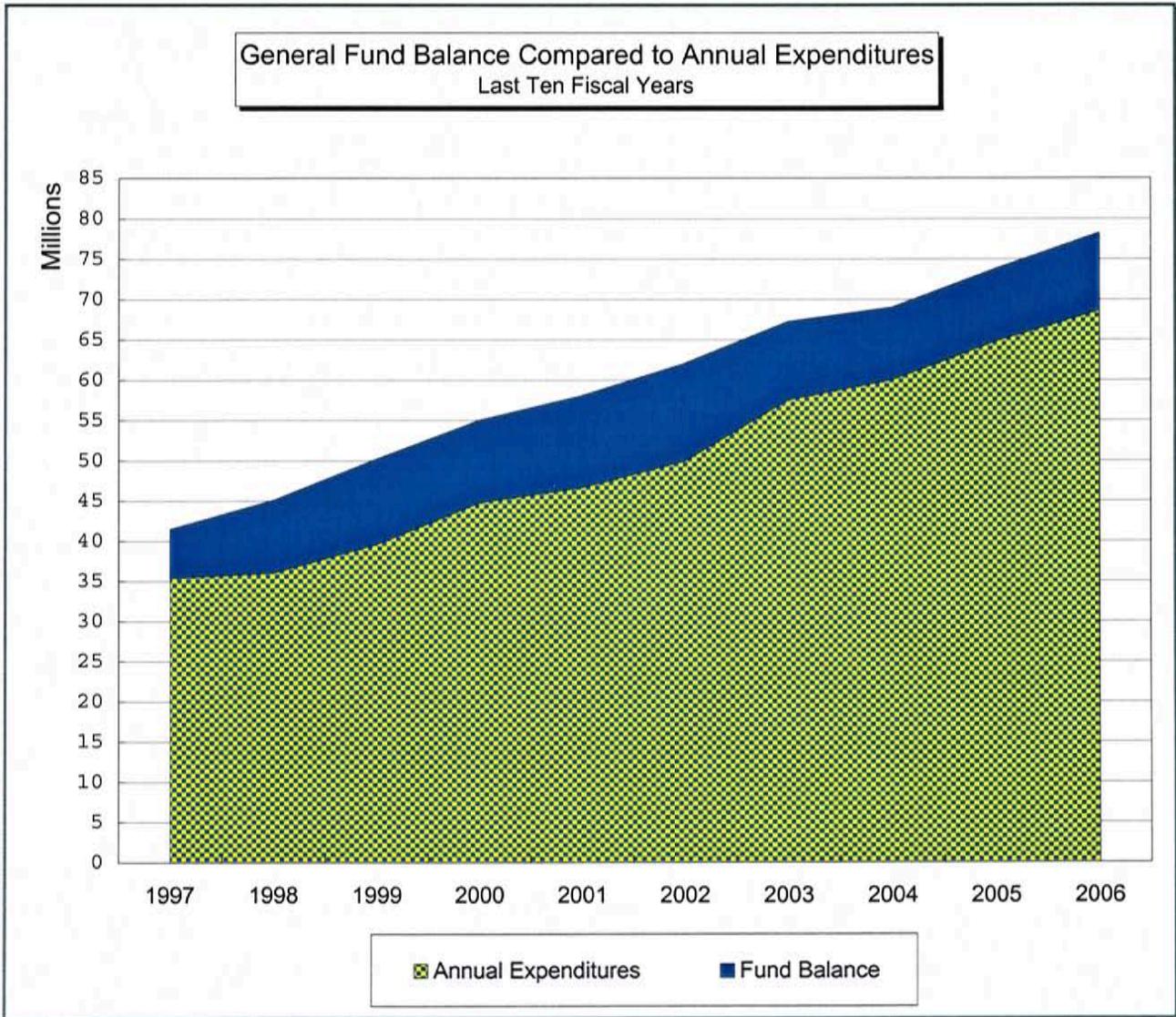
**TOWN OF HINGHAM  
GENERAL FUND TAX REVENUE BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Motor Vehicle &amp; Other Excise</u>	<u>Total</u>
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
2006	47,196,123	599,809	3,727,932	51,523,864



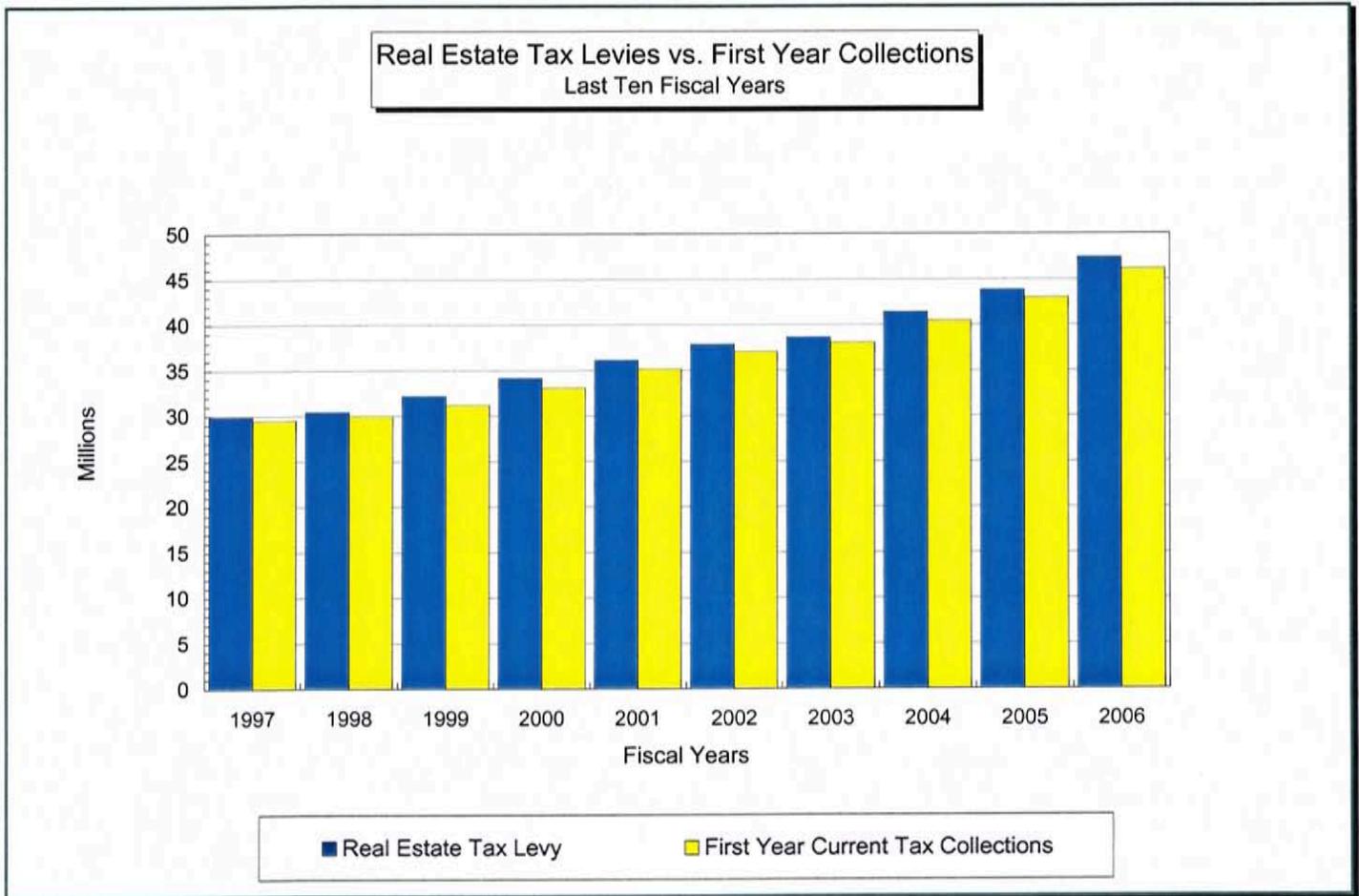
**TOWN OF HINGHAM  
GENERAL FUND BALANCE COMPARED TO ANNUAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Fund Balance</u>	<u>Annual Expenditures</u>	<u>Balance as % of Expenditures</u>
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%
2006	9,583,130	68,614,807	13.97%



**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>
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	38,052,681	98.5%	48,423
2004	41,411,391	40,475,483	97.7%	109,179
2005	43,844,609	42,972,135	98.0%	66,592
2006	47,394,032	46,131,746	97.3%	149,335

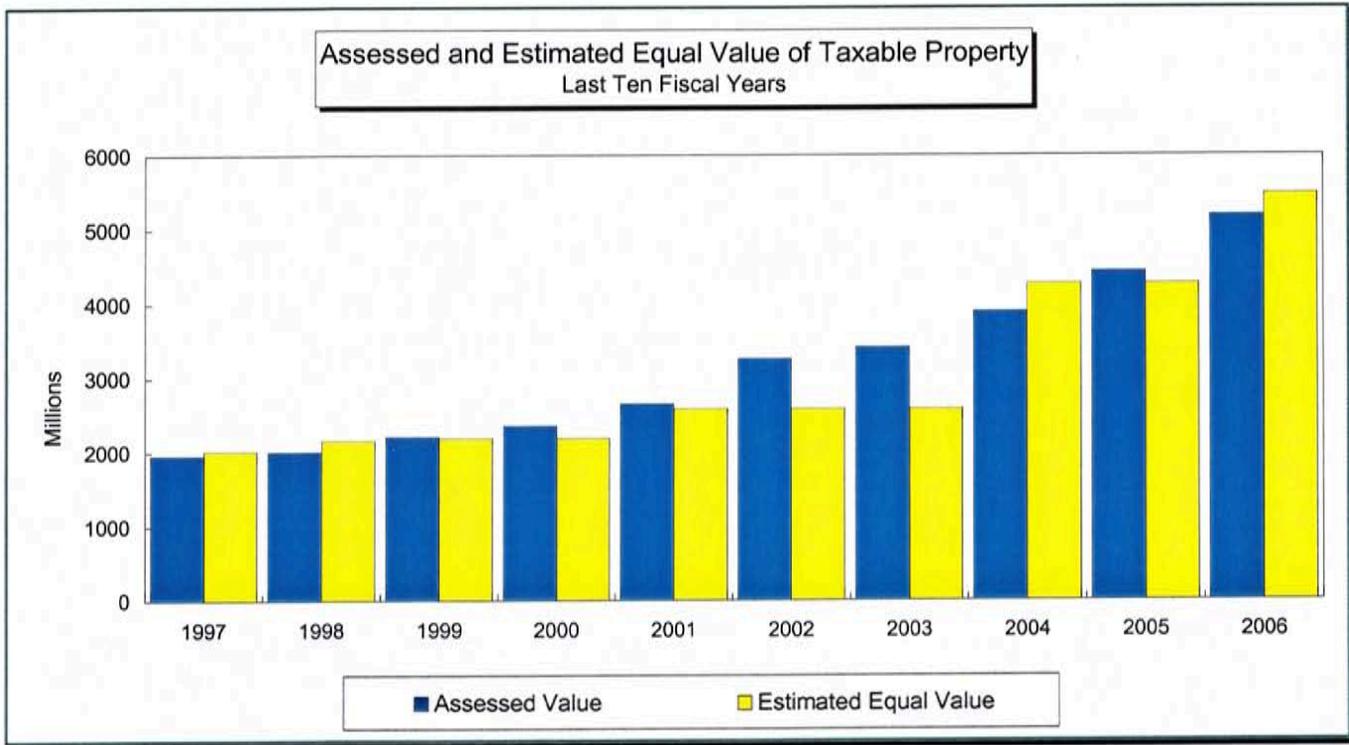


(1) Real Estate Tax Levy net of allowance for abatements and refunds.

(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**

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Assessed</u> <u>Value (1)</u>	<u>Estimated</u> <u>Equal Value (2)</u>	<u>As Of</u>	<u>Assessed Value</u> <u>to Estimated</u> <u>Equal Value</u>
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	4,436,551,270	4,273,602,000	01/01/2004	103.8%
2006	5,192,463,730	5,479,432,500	01/01/2006	94.8%

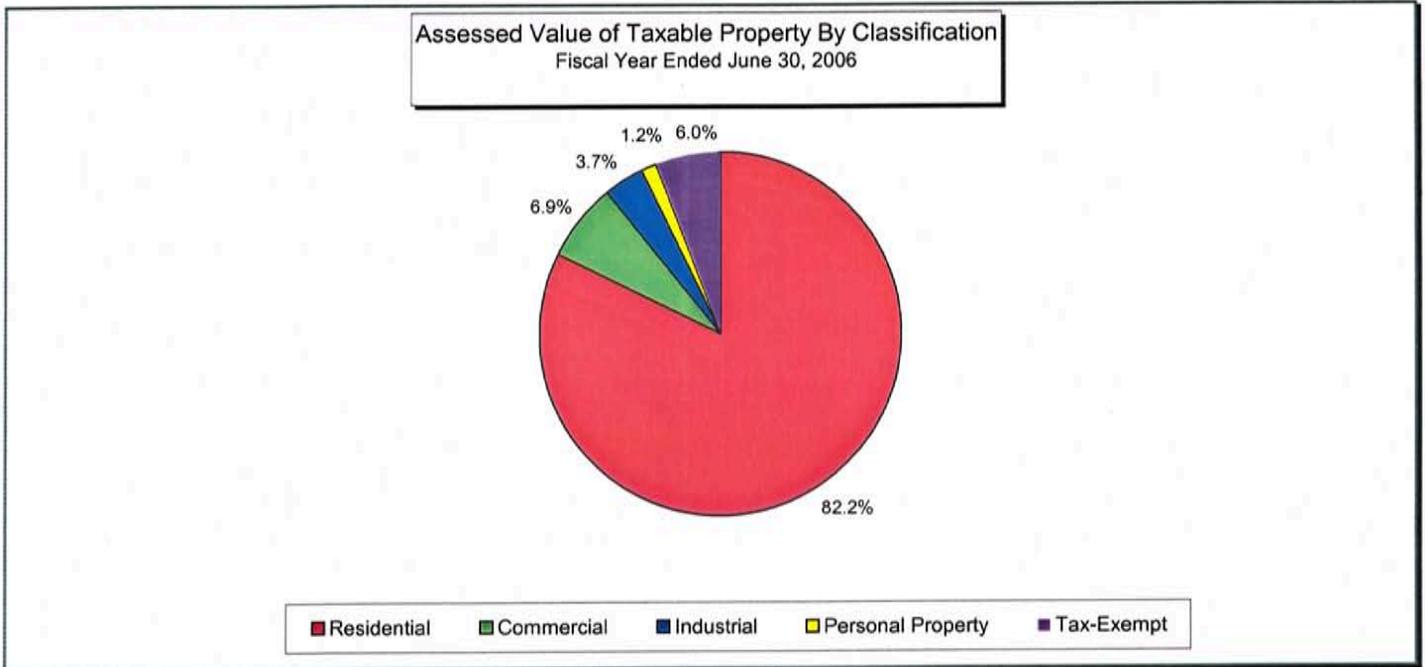


Source: Assessors Department, Town of Hingham

- (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**

<u>Fiscal Year Ended June 30 (2)</u>	<u>Residential Valuation</u>	<u>Commercial Valuation</u>	<u>Industrial Valuation</u>	<u>Personal Property Valuation</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Valuation</u>
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	310,077,300	1,704,390,576
1999	1,859,786,771	186,650,447	114,350,482	53,119,780	310,077,300	1,903,830,180
2000	2,009,206,664	184,860,278	113,285,982	53,272,120	310,932,500	2,049,692,544
2001	2,291,626,641	195,458,633	113,038,026	54,779,140	312,071,400	2,342,831,040
2002	2,844,936,015	221,833,805	143,584,280	53,467,250	313,242,000	2,950,579,350
2003	2,968,345,775	244,125,645	149,690,680	54,140,880	314,993,100	3,101,309,880
2004	3,445,300,065	229,436,735	153,148,500	69,735,540	315,970,600	3,581,650,240
2005	3,968,827,225	247,289,457	158,456,758	61,977,830	315,475,400	4,121,075,870
2006	4,537,505,927	383,712,499	205,880,174	65,365,130	328,824,300	4,863,639,430
10 yr avg	\$2,727,785,928	\$220,319,769	\$137,396,663	\$55,705,527	\$314,629,322	\$2,858,041,496

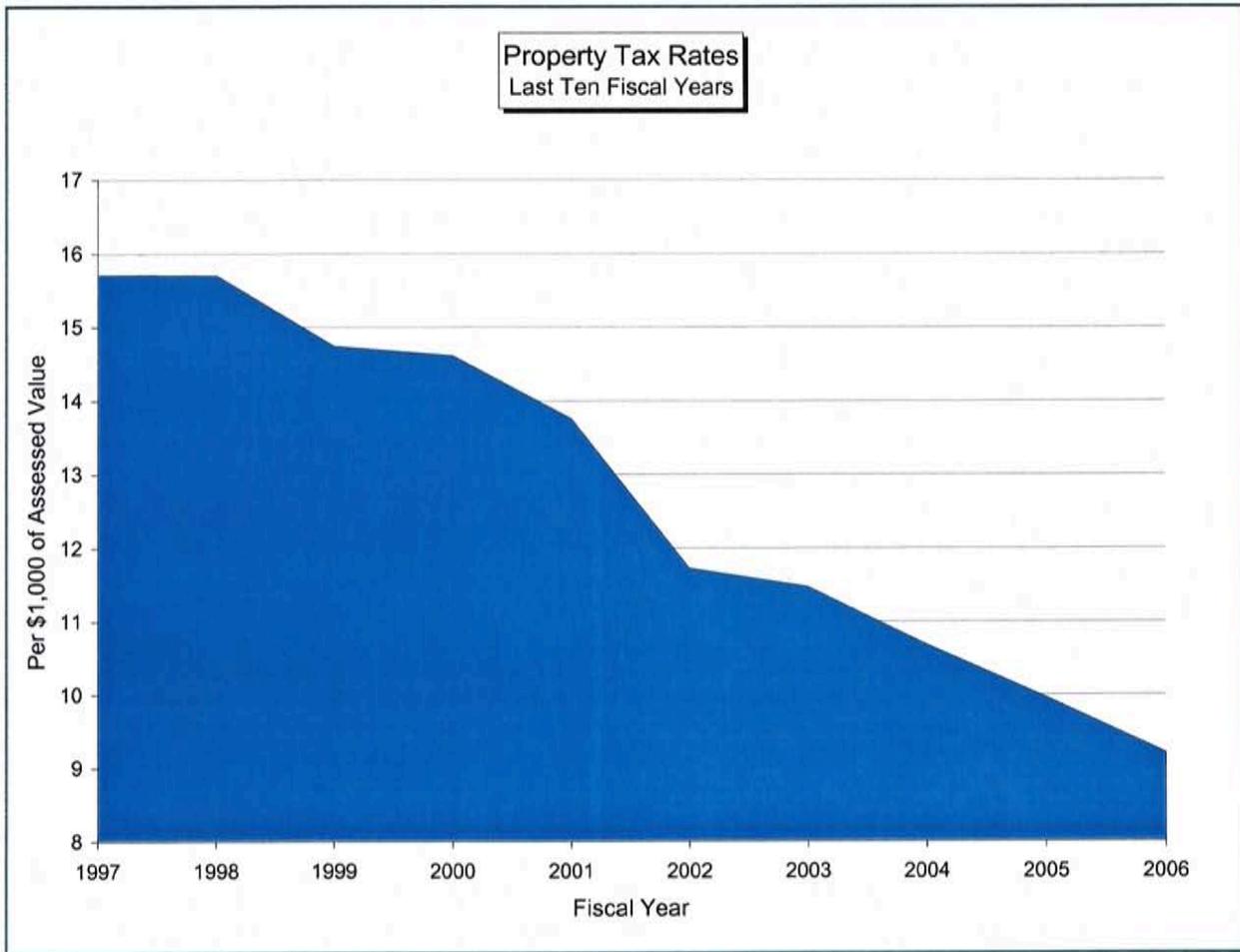


Source: Assessors Department, Town of Hingham

- (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, 2002 and 2005.

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

<u>Fiscal Year Ended June 30</u>	<u>Residential</u>	<u>Commercial (2)</u>	<u>Industrial (2)</u>	<u>Personal</u>
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
2006	9.20	9.20	9.20	9.20



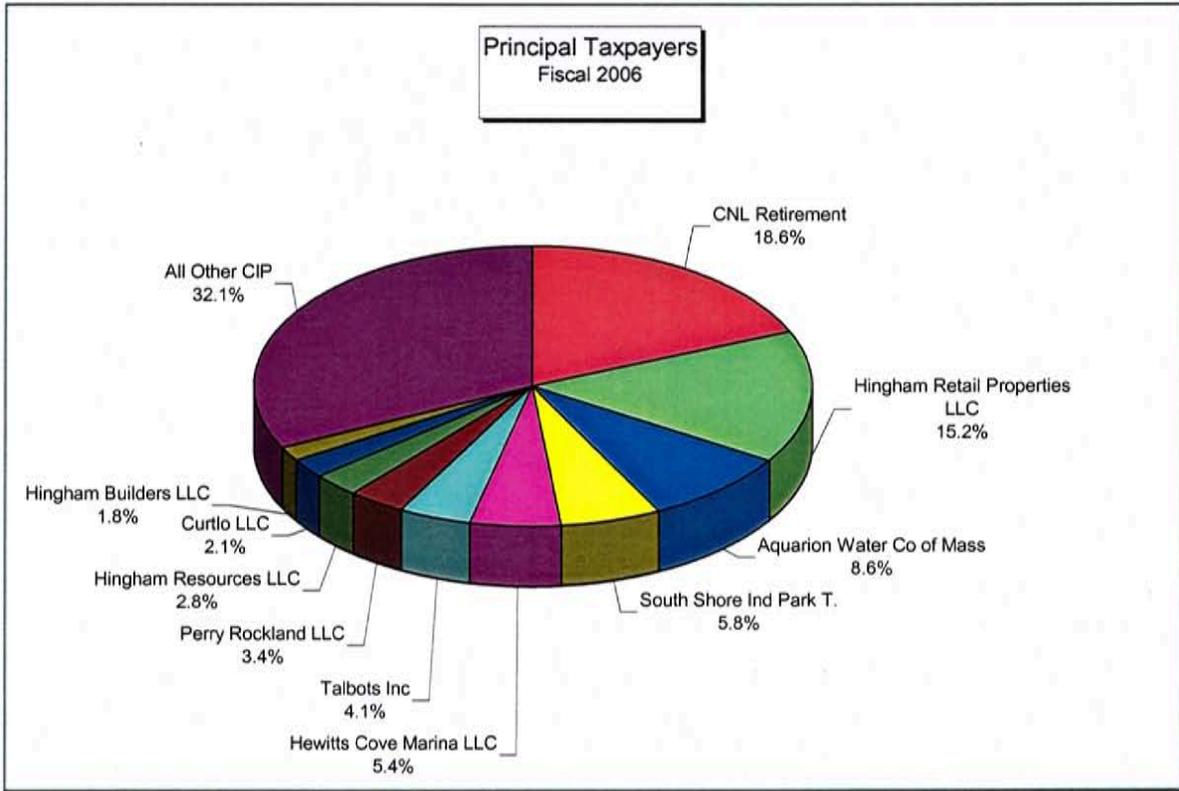
SOURCE: Assessor's Department, Town of Hingham

(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, 2006

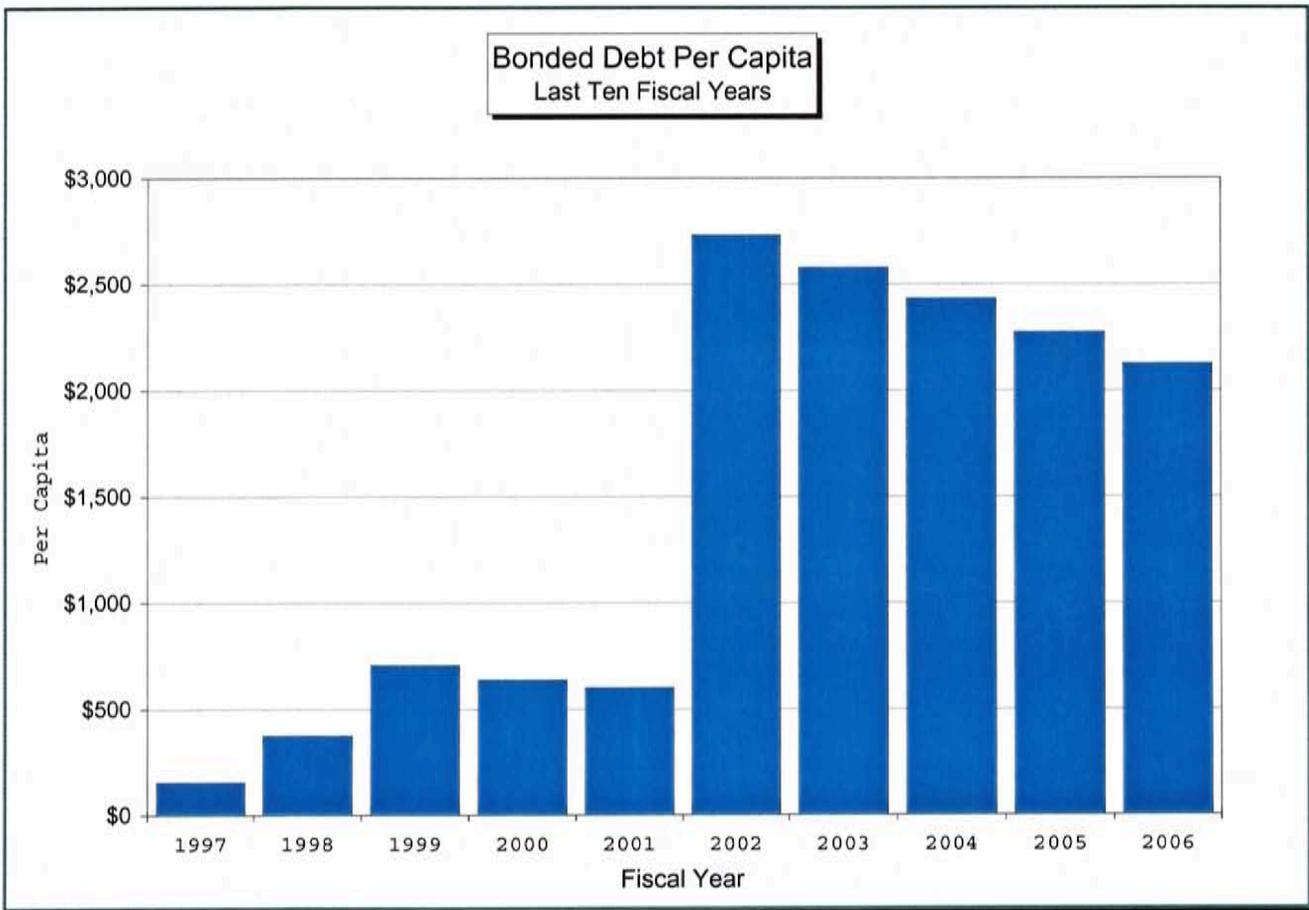
<u>Taxpayer</u>	<u>Rank</u>	<u>Type of Business</u>	<u>Valuation</u>	<u>% of CIP(2)</u>	<u>% of Total Tax Levy(3)</u>
CNL Retirement	1	Housing	\$121,999,700	18.6%	2.3%
Hingham Retail Properties LLC	2	Mall	\$99,725,400	15.2%	1.9%
Aquarion Water Co of Mass	3	Utilities	\$56,047,840	8.6%	1.1%
South Shore Ind Park T.	4	Land and Bldg	\$38,103,100	5.8%	0.7%
Hewitts Cove Marina LLC	5	Land	\$35,451,400	5.4%	0.7%
Talbots Inc	6	Office Manufacturing	\$26,611,300	4.1%	0.5%
Perry Rockland LLC	7	Office Building	\$22,390,100	3.4%	0.4%
Hingham Resources LLC	8	Golf	\$18,600,000	2.8%	0.4%
Curtlo LLC	9	Mall	\$13,813,700	2.1%	0.3%
Hingham Builders LLC	10	Res Condo's	\$12,082,800	1.8%	0.2%



- (1) SOURCE: Assessor's Department, Town of Hingham
- (2) Total Commercial, Industrial & Personal Property(CIP) valuation \$654,957,803
- (3) Total valuation of all property \$5,192,463,730

**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>Popu-lation</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>
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	4,436,551	47,483	1.07%	\$2,275
2006	21,095	5,192,464	44,830	0.86%	\$2,125



(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  
LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Equalized value established January 1 by Comm of Mass.	\$ 2,021,740	\$ 2,162,060	\$ 2,191,460	\$ 2,191,460	\$ 2,588,860	\$ 2,588,860	\$ 3,449,880	\$ 4,273,600	\$ 4,273,600	\$ 5,479,433
Debt limit	\$ 101,087	\$ 108,103	\$ 109,573	\$ 109,573	\$ 129,443	\$ 129,443	\$ 172,494	\$ 213,680	\$ 213,680	\$ 273,972
Total net debt applicable to limit	327	3,122	12,481	11,802	11,091	55,546	52,910	49,642	46,883	44,430
Legal debt margin	\$ 100,760	\$ 104,981	\$ 97,092	\$ 97,771	\$ 118,352	\$ 73,897	\$ 119,584	\$ 164,038	\$ 166,797	\$ 229,542
Total net debt applicable to the limit as a percentage of debt limit	0.32%	2.89%	11.39%	10.77%	8.57%	42.91%	30.67%	23.23%	21.94%	16.22%

(Dollars in thousands)

(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, 2006 the most recent valuation was as of Jan 1, 2006. 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, 2006**

<u>Fiscal Year Ended June 30</u>	<u>Outstanding Long Term Debt</u>	<u>Hingham's Estimated Share (1)</u>	<u>2006 Dollar Assessment (2)</u>
Plymouth County (3)	\$0	N/A	\$82,558
MWRA (4)	\$3,584,248,000	0.037%	\$1,263,977
MBTA (5)			\$379,546

(1) Estimated share based upon operating expenses.

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

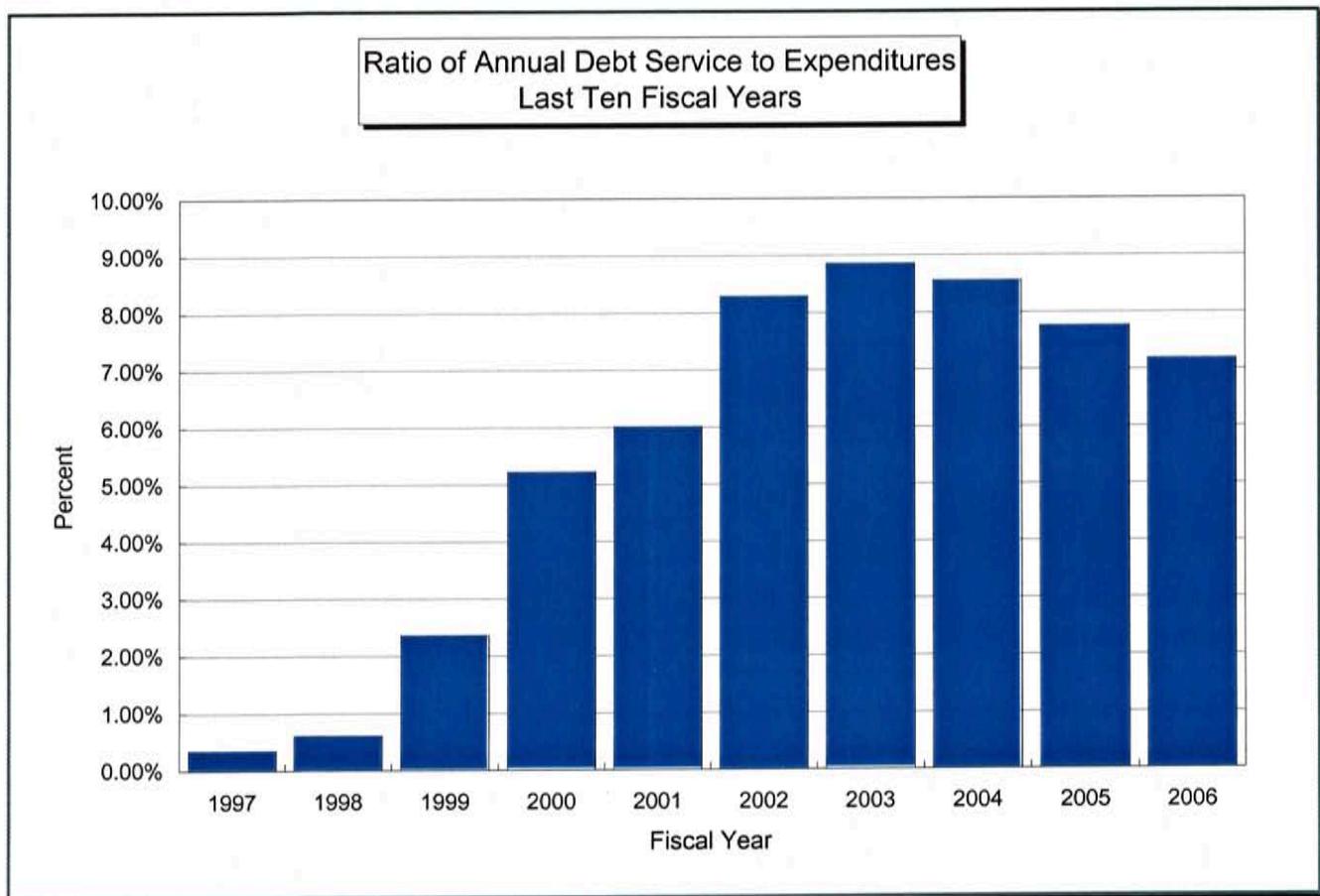
(3) Source: County Treasurer. County expenses, including debt service, are assessed upon the towns within the county in proportion to their taxable valuation.

(4) Source: Massachusetts Water Resources Authority (MWRA). Sewer debt only as of June 30, 2006. 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.

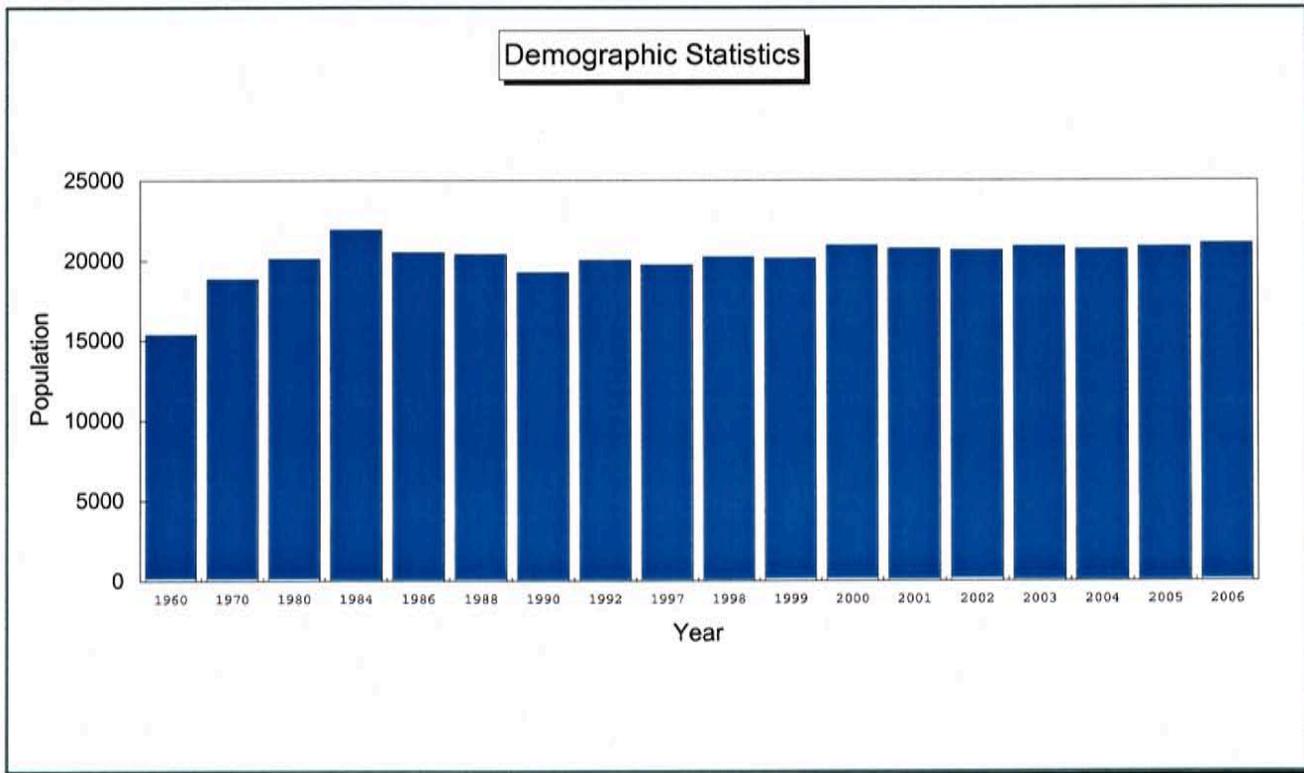
**TOWN OF HINGHAM**  
**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT**  
**TO TOTAL GENERAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u> <u>Year Ended</u> <u>Ended June 30</u>	<u>Annual Debt</u> <u>Service</u>	<u>Total General Fund</u> <u>Expenditures</u>	<u>Ratio of Annual</u> <u>Debt Service to</u> <u>Expenditures</u>
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%
2006	4,933,631	68,614,807	7.2%



## TOWN OF HINGHAM DEMOGRAPHIC STATISTICS

<u>Year</u>	<u>Town of Hingham Pop (1)</u>	<u>Plymouth County Pop (2)</u>	<u>Commonwealth of Mass Pop (2)</u>
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
2006	21,095	492,409	6,398,743

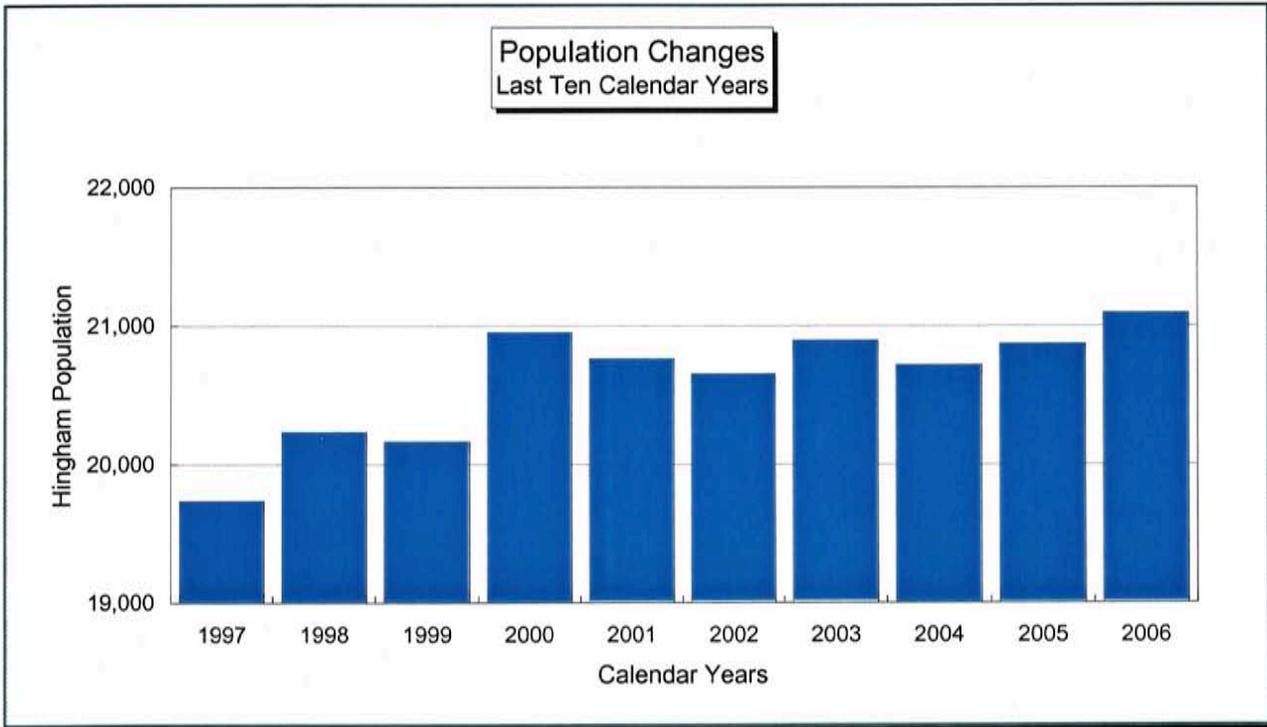


(1) Source:Hingham Town Clerk's Office.

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

**TOWN OF HINGHAM  
POPULATION CHANGES  
LAST TEN CALENDAR YEARS**

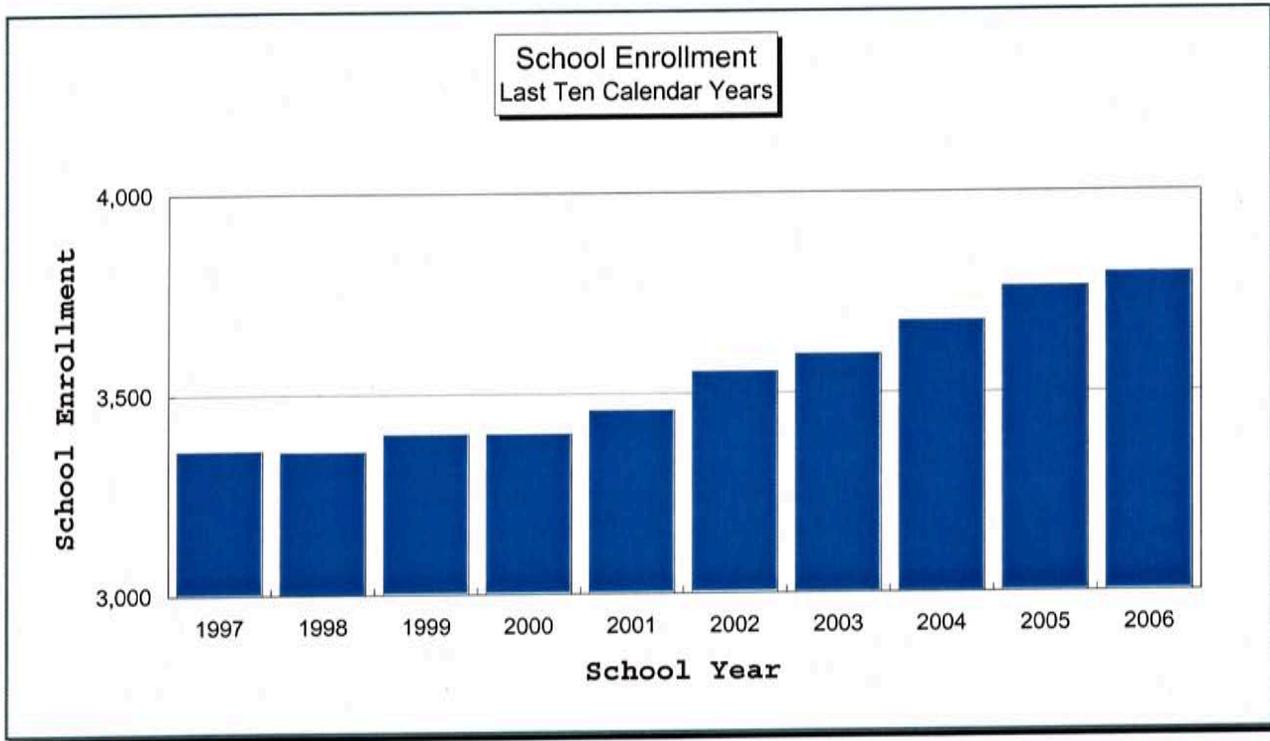
<u>Year</u>	<u>Population</u>	<u>Increase (Decrease)</u>
1997	19,738	19,738
1998	20,235	497
1999	20,165	-70
2000	20,954	789
2001	20,762	-192
2002	20,654	-108
2003	20,898	244
2004	20,720	-178
2005	20,872	152
2006	21,095	223



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

**TOWN OF HINGHAM  
SCHOOL ENROLLMENT STATISTICS  
LAST TEN YEARS**

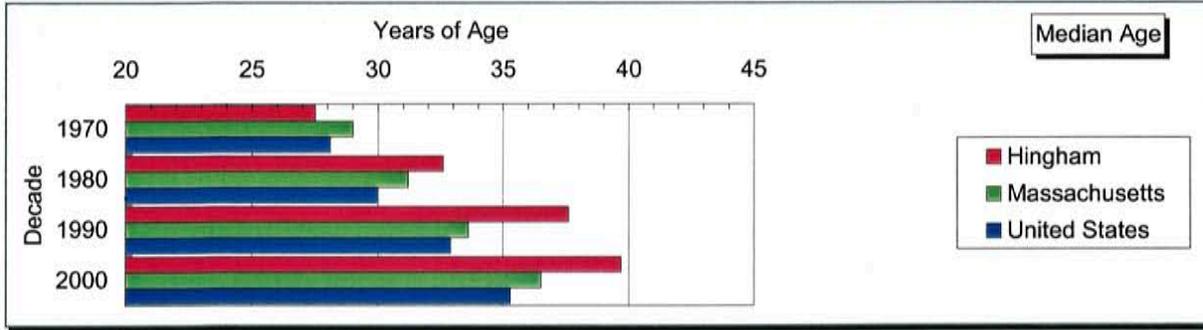
<u>School Year</u>	<u>School Enrollment</u>	<u>Increase (Decrease)</u>
1997	3,361	N/A
1998	3,357	-4
1999	3,400	43
2000	3,400	0
2001	3,457	57
2002	3,554	97
2003	3,596	42
2004	3,678	82
2005	3,763	85
2006	3,796	33



Source: Hingham's School Business Administration Office

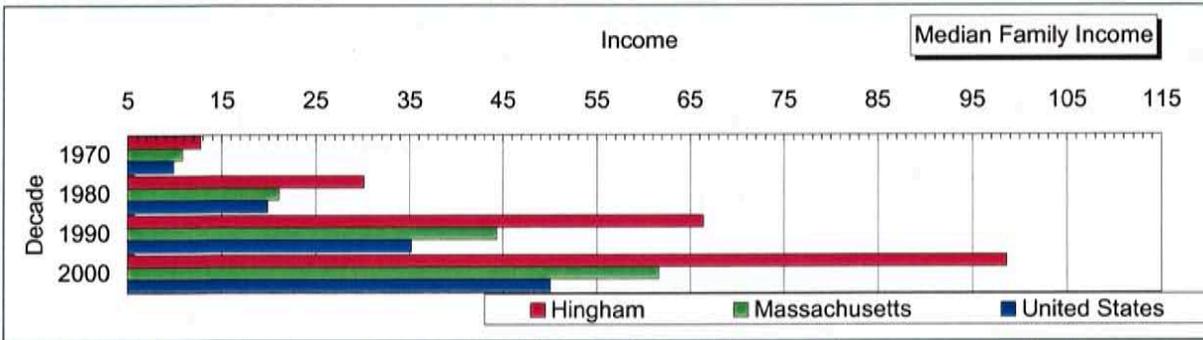
**TOWN OF HINGHAM  
 MEDIAN AGE, MEDIAN FAMILY INCOME  
 AND PER CAPITA INCOME**

	<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



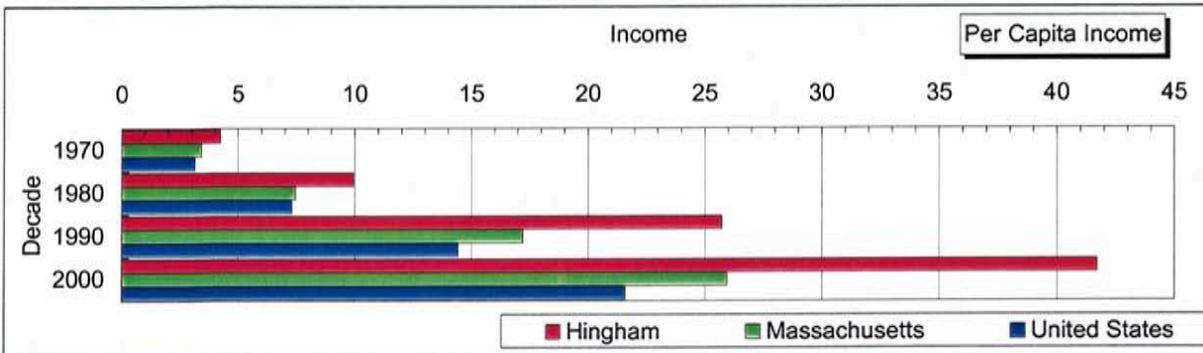
**Median Family Income**

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**

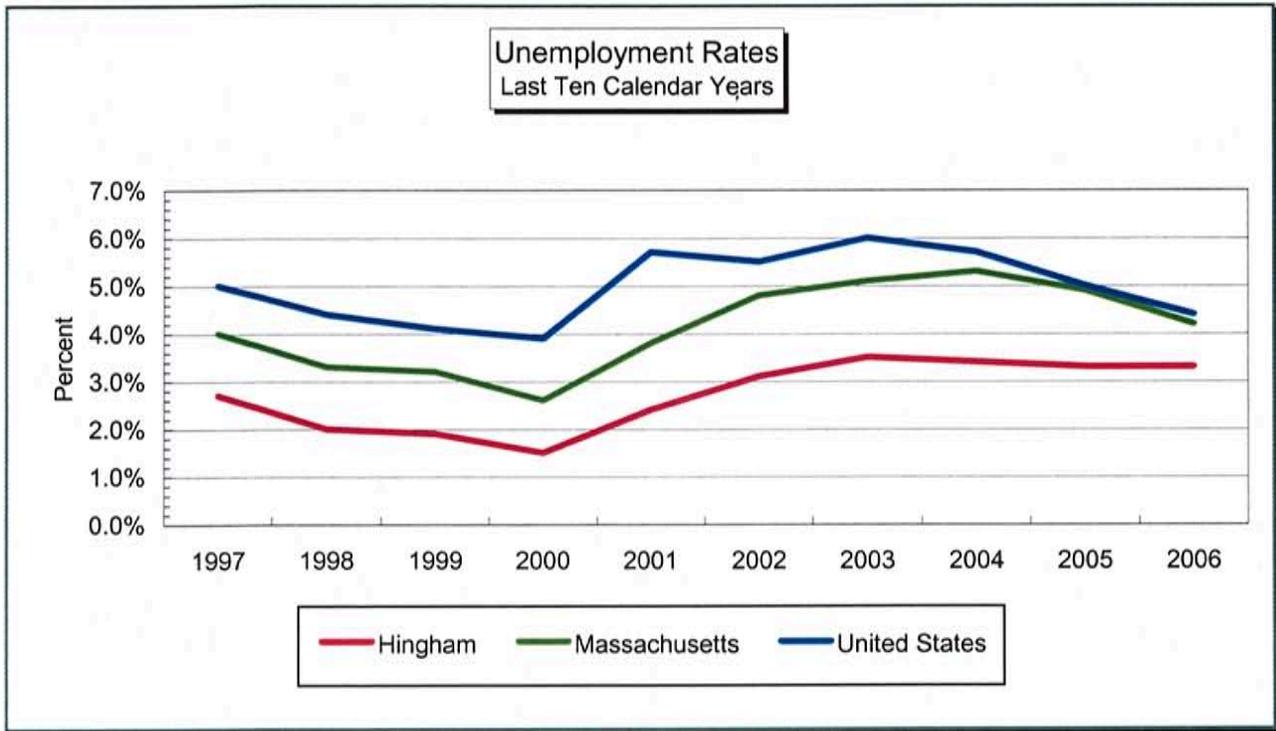
1970	\$4,251	\$3,425	\$3,139
1980	9,949	7,459	7,313
1990	25,726	17,224	14,420
2000	41,703	25,952	21,587



Source: Federal Bureau of the Census.

**TOWN OF HINGHAM  
UNEMPLOYMENT RATES  
LAST TEN CALENDAR YEARS**

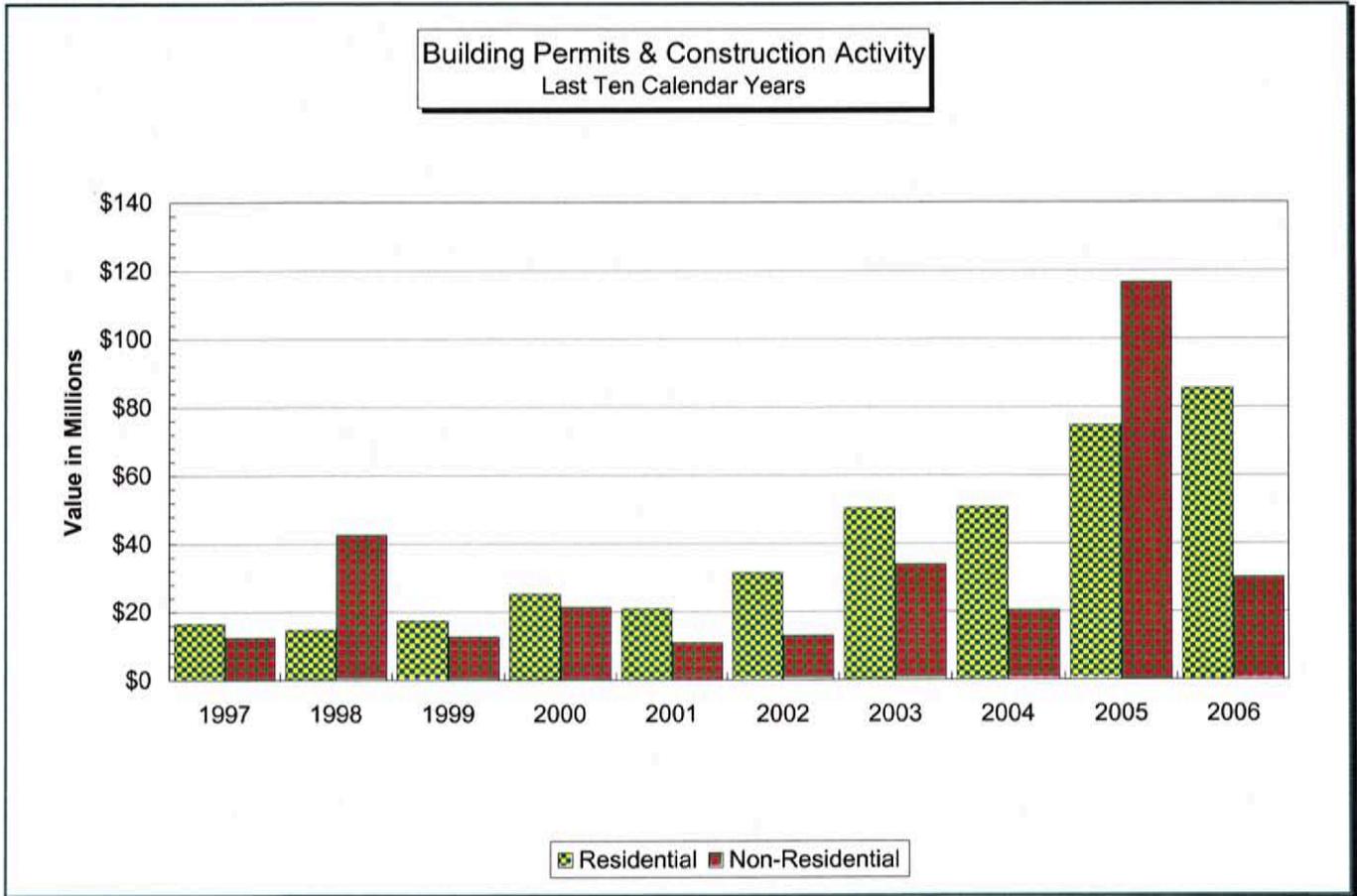
Year	Hingham (1)	Massachusetts (1)	United States (1)
1997	2.7%	4.0%	5.0%
1998	2.0%	3.3%	4.4%
1999	1.9%	3.2%	4.1%
2000	1.5%	2.6%	3.9%
2001	2.4%	3.8%	5.7%
2002	3.1%	4.8%	5.5%
2003	3.5%	5.1%	6.0%
2004	3.4%	5.3%	5.7%
2005	3.3%	4.9%	5.0%
2006	3.3%	4.2%	4.4%



(1) Source: Massachusetts Division of Employment and Training  
(As of October 2006)

**TOWN OF HINGHAM  
BUILDING PERMITS AND CONSTRUCTION ACTIVITY  
LAST TEN CALENDAR YEARS (1)(2)**

<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>	
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
2006	687	85,518,014	292	30,130,645	115,648,659



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

(2) 2005 includes Non-Residential Building Permits for BC/BS of over \$80 Million.

TOWN OF HINGHAM  
TEN LARGEST EMPLOYERS  
CALENDAR 2006

<u>Name</u>	<u>Nature of Business</u>	<u>Employment</u>
Talbots	Retail Clothing	1,200
Serono Laboratories	Bio-Technology	455
Linden Ponds	Health Care	310
Russ Electric	Manufacturing	250
Stop & Shop	Retail	200
Harbor House	Health Care	200
Black Rock Country Club	Golf	200
Whole Foods	Retail	180
Eat Well	Restaurant	175
Kohl's	Retail	130