

# ***Introductory Section***



**Town of Hingham, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2011**

# ***Introductory Section***

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# TOWN OF HINGHAM

## OFFICE OF SELECTMEN

John A. Riley, Chairman  
Laura M. Burns  
Bruce Rabuffo



Ted C. Alexiades  
Town Administrator

### Letter of Transmittal

December 6, 2011

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

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 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 (bonds payable and compensated absences for example) 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 are added to the statements, as are long-term liabilities such as outstanding debt. 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 total assets to arrive at net assets similar to a private company.

The Town's statement of revenues, expenditures and changes in fund balances has been completely reorganized to a new statement of activities. The expenses of the Town, organized by activity, are netted against fees, fines, grant revenues and assessments generated to fund each activity in an attempt to 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 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 Powers & Sullivan, LLC. Management 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 Public Library, the Lincoln Apartments, LLC, and the Hingham Contributory Retirement System are included in this report as component units, with the Hingham Public Library and the Lincoln Apartments, LLC being presented as discrete units, and the Hingham Contributory Retirement System 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 27% 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 and boat 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.

### **Factors Affecting Economic and Financial Condition**

Unemployment rates in Massachusetts, which had been rising slightly for several years prior to a short decline in 2007, continued to follow state and national trends higher during the past two years. 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 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. Over the past ten years the town's population has increased 7% while school enrollment has increased 17%.

State budget problems continued during fiscal year 2011, and consequently the state cut aid to cities and towns during the fiscal year. In addition to these state aid reductions, the state also cut its aid to schools. These school aid cuts were replaced with federal stimulus funds and reported separately outside of the general fund.

### **Long-term Financial Planning**

The Finance Director's role includes working closely with the Board of Selectmen, the Advisory Committee and Department Directors to develop short-term and long-term financial goals and to address the financial stability of the Town.

### **Major Initiatives**

Since the mid 1990's the Town has consistently made capital expenditures a high priority. Due to current economic conditions and budget restraints the amount of capital spending has been reduced from normal levels of \$2-\$3 million annually. The Town was able to appropriate capital spending in the \$2.0 million range for fiscal year 2012.

### **Financial Information**

**Financial Management.** The Advisory Committee, Board of Selectmen and School Committee have 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 a level of no less than 14% and no more than 18% of total annual appropriations. Each year that Available Reserves increase, any excess of the above level should be available for spending or tax reductions.

**Internal Controls.** Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Town Administrator and the fiscal team are responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Because the cost of internal controls should not outweigh their benefits, the Town of Hingham's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement.

The Town voted at the Annual Town Meeting held on April 27, 2010 to establish an Audit Committee. The Committee shall assist in the selection and monitoring of an independent auditing firm to conduct annual audits of the financial statements of the Town. The Committee has supervised and reviewed the conduct of this audit and the relationship of the outside auditors with the Town.

**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 Finance Director and the Selectmen hold 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 amounts. 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 Town Accountant is responsible for providing accurate and timely estimates of the Town's current and future financial position to the Town Administrator.

### **Risk Management**

The Town of Hingham is a member of the Mayflower Municipal Health Group, 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. Additional information on the Town of Hingham's risk management activity can be found in the notes to the financial statements.

## Other Information

**Certificate of Achievement for Excellence in Financial Reporting.** 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, 2010. This was the 15th consecutive year that the government has achieved this prestigious award. 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. 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.

**Independent Audit.** The financial statements for the fiscal year ended June 30, 2011 were audited by the public accounting firm of Powers & Sullivan, LLC. 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 Michael Nelligan and James Powers, partners at Powers & Sullivan, LLC whose attention to the fiscal year 2011 financial statements was invaluable.

We want to express our appreciation to the accounting personnel, Steve Becker, Nancy Skillings, Kate Richardsson, Lynn Phillips, Nancy Hutt, and Kaitlyn James for their invaluable assistance with the preparation of this CAFR; and to Betty Tower of the Selectmen's Office for her work on the cover design. We 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  
Town Administrator/Finance Director



Susan M. Nickerson  
Town Accountant

# 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, 2010

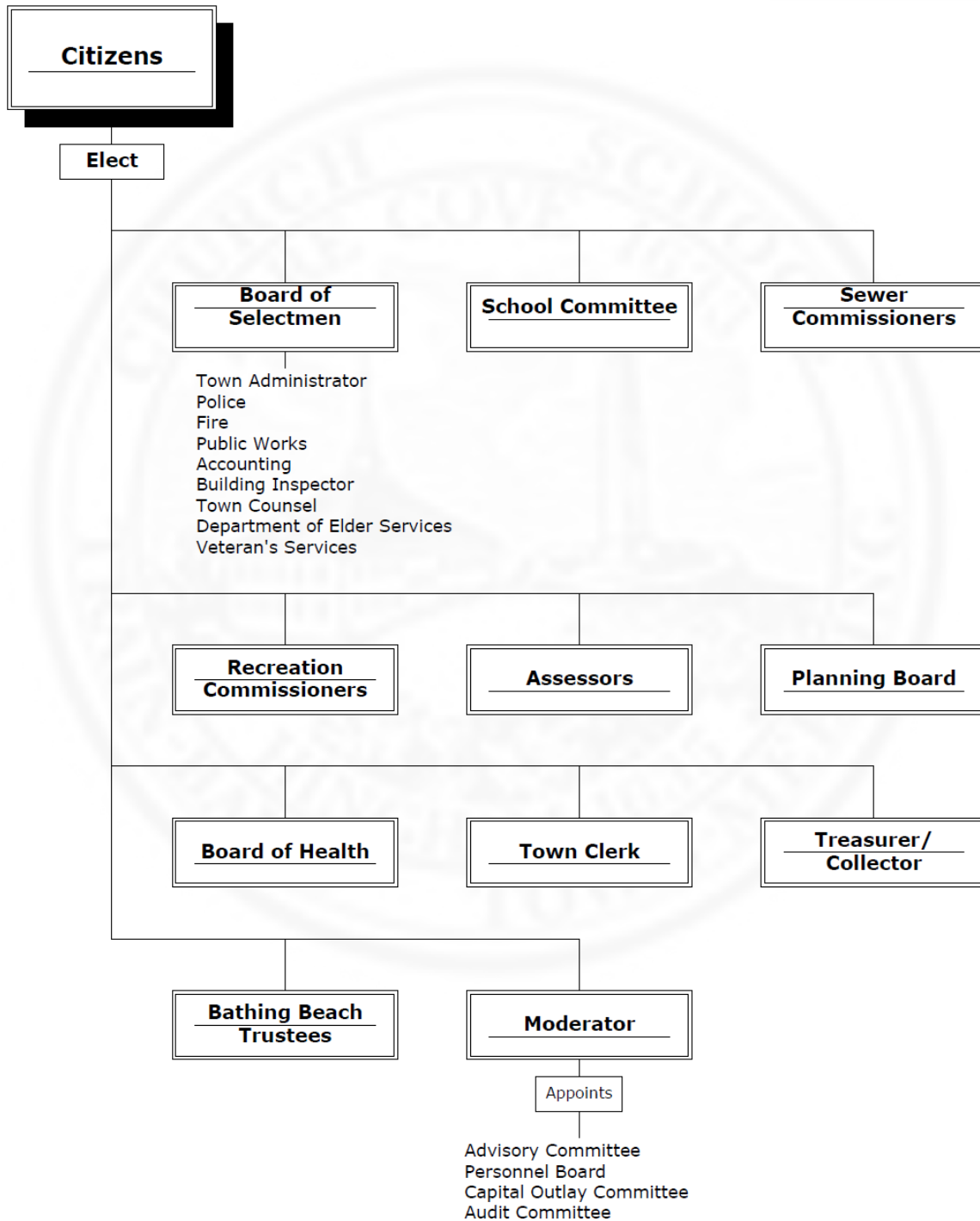
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# The Town of Hingham Organizational Chart



## Elected Officials

		<u>Term Expires</u>
MODERATOR	Thomas L. P. O'Donnell	2012
BOARD OF SELECTMEN	John A. Riley, Chairman Laura M. Burns Lawrence Bruce Rabuffo	2012 2013 2014
TOWN CLERK	Eileen A. McCracken	2012
TREASURER/COLLECTOR	Jean Montgomery	2013
BOARD OF ASSESSORS	Stuart "Greg" Hall, Chairman Mark F. Tyburski Michael P. Shaughnessy	2014 2013 2012
BOARD OF HEALTH	Stephan J. White, Chairman Kirk J. Shilts Peter B. Bickford	2014 2013 2012
SCHOOL COMMITTEE	Linda Krause Hill, Chairman Carol Falvey Edward J. Schreier Caryl Falvey Raymond C. Estes Andrew A. Shafter Barbara Cook	2012 2014 2014 2013 2013 2013 2012
PLANNING BOARD	Paul K. Healey, Chairman Judith Sneath Gary S. Tondorf-Dick William C. Ramsey Sarah H. Corey	2014 2012 2016 2015 2013
SEWER COMMISSIONERS	Michael A. Salerno, Chairman Edmund Demko Edward F. Monahan	2012 2013 2014

## Administrative Staff

Position	Official	Salary
Superintendent of Schools	Dr. Dorothy H. Galo	\$156,416
Chief of Police	Michael Peraino	147,535
Town Administrator/Finance Director	Ted C. Alexiades	146,247
Fire Chief	Mark Duff	130,689
Asst. Superintendent of Schools	Ellen Keane	128,138
Light Plant General Manager	Paul Heanue	119,656
Light Plant Business Manager	Joan Griffin	116,705
School Business Manager	John Ferris	109,977
Light Plant Engineer	Panos Tokadjian	109,506
DPW Superintendent	Randy Sylvester	101,429
Project Engineer	Roger Fernandes	101,288
Asst. Town Administrator	Betty Foley	93,709
Treasurer/Collector	Jean Montgomery	89,872
Library Director	Dennis Corcoran	88,877
Community Planning Director	Katharine Lacy	87,464
Town Clerk	Eileen McCracken	84,276
Executive Health Officer	Bruce Capman	84,167
Town Accountant	Susan M. Nickerson	80,265
Conservation Officer	Cliff Prentiss	72,067
Director of Elder Affairs	Barbara Farnsworth	71,869

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