

# ***Basic Financial Statements***

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## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hingham Public Library	Lincoln Apartments, LLC (December 31, 2010)
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 24,801,223	\$ 7,810,578	\$ 32,611,801	\$ 85,081	\$ 310,307
Restricted cash and short-term investments.....	-	-	-	-	25,187
Investments.....	79,185	-	79,185	1,367,371	-
Receivables, net of allowance for uncollectibles:					
Real estate, personal property and tax deferrals.....	3,041,655	-	3,041,655	-	-
Tax liens.....	680,410	-	680,410	-	-
Motor vehicle and other excise taxes.....	284,166	-	284,166	-	-
User charges.....	-	2,561,425	2,561,425	-	-
Sewer fees.....	530,055	-	530,055	-	-
Departmental and other.....	291,224	73,497	364,721	-	136,265
Special assessments.....	164,013	-	164,013	-	-
Intergovernmental.....	4,146,181	-	4,146,181	-	-
Tax foreclosures.....	122,712	-	122,712	-	-
Inventory.....	-	613,321	613,321	-	-
Purchased power advance deposits.....	-	865,547	865,547	-	-
Other assets.....	-	772,097	772,097	-	-
Assets held for resale.....	299,881	-	299,881	-	-
Internal balances.....	370,244	(370,244)	-	-	-
<b>Total Current Assets.....</b>	<b>34,810,949</b>	<b>12,326,221</b>	<b>47,137,170</b>	<b>1,452,452</b>	<b>471,759</b>
<b>NONCURRENT:</b>					
Receivables, net of allowance for uncollectibles:					
Special assessments.....	1,631,320	-	1,631,320	-	-
Intergovernmental.....	15,190,432	-	15,190,432	-	-
Investment in Hydro Quebec.....	-	187,618	187,618	-	-
Other postemployment benefits asset.....	-	1,322,487	1,322,487	-	-
Capital assets, non depreciable.....	11,003,642	7,314,844	18,318,486	-	75,274
Capital assets, net of accumulated depreciation.....	114,463,152	27,749,311	142,212,463	154,036	29,849
<b>Total Noncurrent Assets.....</b>	<b>142,288,546</b>	<b>36,574,260</b>	<b>178,862,806</b>	<b>154,036</b>	<b>105,123</b>
<b>TOTAL ASSETS.....</b>	<b>177,099,495</b>	<b>48,900,481</b>	<b>225,999,976</b>	<b>1,606,488</b>	<b>576,882</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	1,509,213	3,986,185	5,495,398	-	50,034
Accrued liabilities.....	2,358,367	2,689,523	5,047,890	-	51,667
Tax refunds payable.....	384,118	-	384,118	-	-
Accrued interest.....	446,089	14,175	460,264	-	-
Unearned revenues.....	362,569	-	362,569	-	600
Due to the Town of Hingham.....	-	-	-	-	170,594
Capital lease obligations.....	-	209,574	209,574	-	-
Compensated absences.....	702,848	16,272	719,120	-	-
Workers' compensation.....	371,663	-	371,663	-	-
Landfill closure.....	200,000	-	200,000	-	-
Bonds payable.....	5,631,493	130,000	5,761,493	-	-
<b>Total Current Liabilities.....</b>	<b>11,966,360</b>	<b>7,045,729</b>	<b>19,012,089</b>	<b>-</b>	<b>272,895</b>
<b>NONCURRENT:</b>					
Capital lease obligations.....	-	164,232	164,232	-	-
Compensated absences.....	333,903	-	333,903	-	-
Workers' compensation.....	357,087	-	357,087	-	-
Rate stabilization reserve.....	-	1,856,419	1,856,419	-	-
Customer deposits.....	-	1,175,646	1,175,646	-	-
Other postemployment benefits.....	8,092,922	-	8,092,922	-	-
Landfill closure.....	1,200,000	-	1,200,000	-	-
Bonds payable.....	61,539,628	1,085,000	62,624,628	-	-
<b>Total Noncurrent Liabilities.....</b>	<b>71,523,540</b>	<b>4,281,297</b>	<b>75,804,837</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES.....</b>	<b>83,489,900</b>	<b>11,327,026</b>	<b>94,816,926</b>	<b>-</b>	<b>272,895</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	76,535,196	33,475,349	110,010,545	154,036	105,123
Restricted for:					
Permanent funds:					
Expendable.....	64,533	-	64,533	-	-
Nonexpendable.....	35,000	-	35,000	-	-
Grants and gifts.....	1,061,756	-	1,061,756	-	-
Community preservation.....	2,158,000	-	2,158,000	-	-
Unrestricted.....	13,755,110	4,098,106	17,853,216	1,452,452	198,864
<b>TOTAL NET ASSETS.....</b>	<b>\$ 93,609,595</b>	<b>\$ 37,573,455</b>	<b>\$ 131,183,050</b>	<b>\$ 1,606,488</b>	<b>\$ 303,987</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,890,174	\$ 1,699,823	\$ 1,077,525	\$ -	\$ (2,112,826)
Public safety.....	15,056,274	2,125,909	257,297	2,537,876	(10,135,192)
Public education.....	59,143,074	2,313,647	16,900,724	-	(39,928,703)
Public works.....	11,560,586	2,693,651	1,744,537	226,124	(6,896,274)
Human services.....	1,068,951	187,121	40,897	-	(840,933)
Culture and recreation.....	3,228,299	708,975	55,000	-	(2,464,324)
Community preservation.....	81,220	-	206,536	-	125,316
Claims and judgments.....	547,000	-	-	-	(547,000)
Interest.....	2,352,715	-	652,234	-	(1,700,481)
<b>Total Governmental Activities.....</b>	<b>97,928,293</b>	<b>9,729,126</b>	<b>20,934,750</b>	<b>2,764,000</b>	<b>(64,500,417)</b>
<i>Business-Type Activities:</i>					
South Shore Country Club.....	1,629,085	1,663,537	-	-	34,452
Hingham Municipal Lighting Plant.....	28,800,853	29,662,512	-	-	861,659
<b>Total Business-Type Activities.....</b>	<b>30,429,938</b>	<b>31,326,049</b>	<b>-</b>	<b>-</b>	<b>896,111</b>
<b>Total Primary Government.....</b>	<b>\$ 128,358,231</b>	<b>\$ 41,055,175</b>	<b>\$ 20,934,750</b>	<b>\$ 2,764,000</b>	<b>\$ (63,604,306)</b>
<b>Component Units:</b>					
Hingham Public Library.....	\$ 1,580,345	\$ 84,266	\$ 122,348	\$ -	\$ (1,373,731)
Lincoln Apartments, LLC.....	1,122,460	264,869	776,399	-	(81,192)
<b>Total Component Units.....</b>	<b>\$ 2,702,805</b>	<b>\$ 349,135</b>	<b>\$ 898,747</b>	<b>\$ -</b>	<b>\$ (1,454,923)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hingham Public Library	Lincoln Apartments, LLC (December 31, 2010)
<b>Changes in net assets:</b>					
Net (expense) revenue from previous page.....	\$ (64,500,417)	\$ 896,111	\$ (63,604,306)	\$ (1,373,731)	\$ (81,192)
<i>General revenues:</i>					
Real estate and personal property taxes, net of tax refunds.....	62,136,813	-	62,136,813	-	-
Tax liens.....	172,882	-	172,882	-	-
Motor vehicle and other excise taxes.....	3,210,064	-	3,210,064	-	-
Local meals tax.....	430,064	-	430,064	-	-
Community preservation tax.....	385,555	-	385,555	-	-
Penalties and interest on taxes.....	335,810	-	335,810	-	-
Grants and contributions not restricted to specific programs.....	1,683,802	-	1,683,802	-	-
Unrestricted investment income.....	92,048	61,910	153,958	266,149	645
Gain on sale of capital assets.....	1,250,000	-	1,250,000	-	-
Payments from the Town of Hingham.....	-	-	-	1,336,885	-
<i>Transfers, net</i> .....	536,557	(536,557)	-	-	-
Total general revenues.....	70,233,595	(474,647)	69,758,948	1,603,034	645
Change in net assets.....	5,733,178	421,464	6,154,642	229,303	(80,547)
<i>Net Assets:</i>					
Beginning of year.....	87,876,417	37,151,991	125,028,408	1,377,185	384,534
End of year.....	\$ 93,609,595	\$ 37,573,455	\$ 131,183,050	\$ 1,606,488	\$ 303,987

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2011

<b>ASSETS</b>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 14,557,535	\$ 10,243,688	\$ 24,801,223
Investments.....	-	79,185	79,185
Receivables, net of uncollectibles:			
Real estate, personal property and tax deferrals .....	3,041,655	-	3,041,655
Tax liens.....	680,410	-	680,410
Excise taxes.....	284,166	-	284,166
Departmental and other.....	259,189	32,035	291,224
User charges.....	-	530,055	530,055
Special assessments.....	1,795,333	-	1,795,333
Intergovernmental.....	16,654,695	2,681,918	19,336,613
Tax foreclosures.....	122,712	-	122,712
Due from other funds.....	3,044,187	1,136	3,045,323
Assets held for resale.....	-	299,881	299,881
<b>TOTAL ASSETS.....</b>	<b>\$ 40,439,882</b>	<b>\$ 13,867,898</b>	<b>\$ 54,307,780</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 970,730	\$ 538,484	\$ 1,509,214
Accrued payroll.....	1,748,772	-	1,748,772
Tax refunds payable.....	384,118	-	384,118
Other liabilities.....	609,595	-	609,595
Deferred revenues and advance collections.....	22,505,707	1,132,293	23,638,000
Due to other funds.....	1,136	2,673,943	2,675,079
<b>TOTAL LIABILITIES.....</b>	<b>26,220,058</b>	<b>4,344,720</b>	<b>30,564,778</b>
<b>FUND BALANCES:</b>			
Nonspendable.....	-	35,000	35,000
Restricted.....	1,250,000	9,939,236	11,189,236
Committed.....	472,759	-	472,759
Assigned.....	736,580	-	736,580
Unassigned.....	11,760,485	(451,058)	11,309,427
<b>TOTAL FUND BALANCES.....</b>	<b>14,219,824</b>	<b>9,523,178</b>	<b>23,743,002</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 40,439,882</b>	<b>\$ 13,867,898</b>	<b>\$ 54,307,780</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2011

Total governmental fund balances.....		\$ 23,743,002
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		125,466,794
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		23,275,432
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(446,089)
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.....	(67,171,121)	
Compensated absences.....	(1,036,751)	
Workers' compensation.....	(728,750)	
Landfill closure.....	(1,400,000)	
Other postemployment benefits.....	<u>(8,092,922)</u>	
Net effect of reporting long-term liabilities.....		<u>(78,429,544)</u>
Net assets of governmental activities.....		<u>\$ 93,609,595</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ 59,972,516	\$ -	\$ 59,972,516
Tax liens.....	172,882	-	172,882
Motor vehicle and other excise taxes.....	3,159,591	-	3,159,591
Local meals tax.....	430,064	-	430,064
Penalties and interest.....	335,810	-	335,810
Charges for services.....	1,876,548	2,297,046	4,173,594
Intergovernmental.....	9,103,159	8,779,763	17,882,922
State grant for teachers pension.....	8,174,736	-	8,174,736
Departmental and other.....	1,710,459	3,684,623	5,395,082
Community preservation tax.....	-	752,086	752,086
Contributions.....	-	392,773	392,773
Investment income.....	84,661	7,387	92,048
<b>TOTAL REVENUES.....</b>	<b>85,020,426</b>	<b>15,913,678</b>	<b>100,934,104</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	3,322,303	276,462	3,598,765
Public safety.....	10,164,748	2,392,705	12,557,453
Public education.....	35,910,118	6,526,967	42,437,085
Public works.....	5,062,332	3,973,894	9,036,226
Human services.....	721,300	97,290	818,590
Culture and recreation.....	1,476,094	816,111	2,292,205
Community preservation.....	-	164,410	164,410
Teachers pension benefits - state funded.....	8,174,736	-	8,174,736
Town pension.....	2,967,933	-	2,967,933
Property and liability insurance.....	381,000	-	381,000
Employee benefits.....	8,070,819	-	8,070,819
Claims and judgments.....	547,000	-	547,000
State and county charges.....	756,829	-	756,829
Debt service:			
Principal.....	4,957,988	420,840	5,378,828
Interest.....	2,416,480	247,247	2,663,727
<b>TOTAL EXPENDITURES.....</b>	<b>84,929,680</b>	<b>14,915,926</b>	<b>99,845,606</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>90,746</b>	<b>997,752</b>	<b>1,088,498</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Premium from issuance of refunding bonds.....	1,582,913	-	1,582,913
Issuance of refunding bonds.....	19,080,000	-	19,080,000
Payments to refunding bonds escrow agent.....	(20,662,913)	-	(20,662,913)
Sale of capital assets.....	1,250,000	-	1,250,000
Transfers in.....	536,557	35,945	572,502
Transfers out.....	(35,945)	-	(35,945)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,750,612</b>	<b>35,945</b>	<b>1,786,557</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,841,358</b>	<b>1,033,697</b>	<b>2,875,055</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS REVISED.....</b>	<b>12,378,466</b>	<b>8,489,481</b>	<b>20,867,947</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 14,219,824</b>	<b>\$ 9,523,178</b>	<b>\$ 23,743,002</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....	\$	2,875,055
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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.....	2,692,070	
Depreciation expense.....	<u>(5,699,191)</u>	
Net effect of reporting capital assets.....		(3,007,121)

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.....

		527,667
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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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Issuance of refunding bonds.....	(19,080,000)	
Premium from issuance of bonds.....	(1,582,913)	
Amortization of bond premiums.....	127,056	
Redemption of refunded bonds.....	20,662,913	
Debt service principal payments.....	5,378,828	
Other changes in long term debt.....	<u>154,999</u>	
Net effect of reporting long-term debt.....		5,660,883

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.

Net change in compensated absences accrual.....	1,333	
Net change in other postemployment benefits accrual.....	(635,385)	
Net change in accrued interest on long-term debt.....	183,958	
Net change in workers' compensation accrual.....	<u>126,788</u>	
Net effect of recording long-term liabilities.....		<u>(323,306)</u>

Change in net assets of governmental activities.....	\$	<u>5,733,178</u>
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See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	South Shore Country Club	Hingham Municipal Lighting Plant (December 31, 2010)	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ -	\$ 7,810,578	\$ 7,810,578
Receivables, net of allowance for uncollectibles:			
User charges.....	-	2,561,425	2,561,425
Departmental and other.....	5,604	67,893	73,497
Inventory.....	-	613,321	613,321
Purchased power advance deposits.....	-	865,547	865,547
Other assets.....	-	772,097	772,097
<b>Total current assets.....</b>	<b>5,604</b>	<b>12,690,861</b>	<b>12,696,465</b>
<b>NONCURRENT:</b>			
Investment in Hydro Quebec.....	-	187,618	187,618
Other postemployment benefits asset.....	-	1,322,487	1,322,487
Capital assets, nondepreciable.....	7,008,200	306,644	7,314,844
Capital assets, net of accumulated depreciation.....	3,365,479	24,383,832	27,749,311
<b>Total noncurrent assets.....</b>	<b>10,373,679</b>	<b>26,200,581</b>	<b>36,574,260</b>
<b>TOTAL ASSETS.....</b>	<b>10,379,283</b>	<b>38,891,442</b>	<b>49,270,725</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	31,620	3,954,565	3,986,185
Due to other funds.....	370,244	-	370,244
Accrued liabilities.....	-	2,689,523	2,689,523
Accrued interest.....	14,175	-	14,175
Capital lease obligations.....	209,574	-	209,574
Compensated absences.....	16,272	-	16,272
Bonds payable.....	130,000	-	130,000
<b>Total current liabilities.....</b>	<b>771,885</b>	<b>6,644,088</b>	<b>7,415,973</b>
<b>NONCURRENT:</b>			
Capital lease obligations.....	164,232	-	164,232
Customer deposits.....	-	1,175,646	1,175,646
Rate stabilization reserve.....	-	1,856,419	1,856,419
Bonds and notes payable.....	1,085,000	-	1,085,000
<b>Total noncurrent liabilities.....</b>	<b>1,249,232</b>	<b>3,032,065</b>	<b>4,281,297</b>
<b>TOTAL LIABILITIES.....</b>	<b>2,021,117</b>	<b>9,676,153</b>	<b>11,697,270</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	8,784,873	24,690,476	33,475,349
Unrestricted.....	(426,707)	4,524,813	4,098,106
<b>TOTAL NET ASSETS.....</b>	<b>\$ 8,358,166</b>	<b>\$ 29,215,289</b>	<b>\$ 37,573,455</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	South Shore Country Club	Hingham Municipal Lighting Plant (December 31, 2010)	Total
<b>OPERATING REVENUES:</b>			
Charges for services .....	\$ 1,663,537	\$ 29,465,570	\$ 31,129,107
Other.....	-	196,942	196,942
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,663,537</b>	<b>29,662,512</b>	<b>31,326,049</b>
<b>OPERATING EXPENSES:</b>			
Program expenses.....	19,519	24,193,937	24,213,456
Administrative and general salaries and wages.....	619,486	282,434	901,920
Grounds and custodial expenses.....	537,434	916,930	1,454,364
Facility expenses.....	107,492	261,263	368,755
Other administrative expenses.....	-	1,329,233	1,329,233
Depreciation.....	295,512	1,810,465	2,105,977
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,579,443</b>	<b>28,794,262</b>	<b>30,373,705</b>
<b>OPERATING INCOME.....</b>	<b>84,094</b>	<b>868,250</b>	<b>952,344</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income.....	174	61,736	61,910
Interest expense.....	(49,642)	(6,591)	(56,233)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(49,468)</b>	<b>55,145</b>	<b>5,677</b>
<b>INCOME BEFORE TRANSFERS.....</b>	<b>34,626</b>	<b>923,395</b>	<b>958,021</b>
<b>TRANSFERS:</b>			
Transfers out.....	-	(536,557)	(536,557)
<b>CHANGE IN NET ASSETS.....</b>	<b>34,626</b>	<b>386,838</b>	<b>421,464</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>8,323,540</b>	<b>28,828,451</b>	<b>37,151,991</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 8,358,166</b>	<b>\$ 29,215,289</b>	<b>\$ 37,573,455</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	South Shore Country Club	Hingham Municipal Lighting Plant (December 31, 2010)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users.....	\$ 1,663,426	\$ 29,763,670	\$ 31,427,096
Payments to vendors.....	(657,501)	(24,742,386)	(25,399,887)
Payments to employees.....	(616,642)	(2,389,952)	(3,006,594)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>389,283</b>	<b>2,631,332</b>	<b>3,020,615</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers out.....	-	(536,557)	(536,557)
Advances from other funds.....	122,356	-	122,356
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>122,356</b>	<b>(536,557)</b>	<b>(414,201)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets.....	(143,958)	(945,245)	(1,089,203)
Principal payments on bonds and notes.....	(125,000)	-	(125,000)
Principal payments on capital lease obligations.....	(191,755)	-	(191,755)
Interest expense.....	(51,100)	(6,591)	(57,691)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(511,813)</b>	<b>(951,836)</b>	<b>(1,463,649)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposition of investments.....	-	4,915	4,915
Investment income.....	174	61,736	61,910
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>174</b>	<b>66,651</b>	<b>66,825</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>-</b>	<b>1,209,590</b>	<b>1,209,590</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b>-</b>	<b>6,600,988</b>	<b>6,600,988</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ 7,810,578</b>	<b>\$ 7,810,578</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>			
Operating income (loss).....	\$ 84,094	\$ 868,250	\$ 952,344
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	295,512	1,810,465	2,105,977
Changes in assets and liabilities:			
User charges.....	-	(60,629)	(60,629)
Department and other receivables.....	8,889	(42,308)	(33,419)
Inventory.....	-	(21,423)	(21,423)
Other assets.....	-	(75,604)	(75,604)
Purchased power advance deposits.....	-	38,166	38,166
Warrants payable.....	6,944	(198,395)	(191,451)
Accrued liabilities.....	-	89,656	89,656
Rate stabilization reserve.....	-	115,259	115,259
Customer deposits.....	(9,000)	88,836	79,836
Compensated absences.....	2,844	-	2,844
Other postemployment benefits.....	-	19,059	19,059
Total adjustments.....	305,189	1,763,082	2,068,271
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 389,283</b>	<b>\$ 2,631,332</b>	<b>\$ 3,020,615</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Acquisition of capital assets under capital leases.....	\$ 208,186	\$ -	\$ 208,186

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 307,497	\$ 2,857,753	\$ 28,115	\$ 197,433
Investments:				
Equity mutual funds.....	-	107,489	3,168,934	-
Debt securities.....	-	-	239,578	-
PRIT funds.....	72,914,327	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other receivables.....	41,487	-	-	-
<b>TOTAL ASSETS.....</b>	<b>73,263,311</b>	<b>2,965,242</b>	<b>3,436,627</b>	<b>197,433</b>
<b>LIABILITIES</b>				
Accrued liabilities.....	18,936	-	-	-
Liabilities due depositors.....	-	-	-	197,433
<b>TOTAL LIABILITIES.....</b>	<b>18,936</b>	<b>-</b>	<b>-</b>	<b>197,433</b>
<b>NET ASSETS</b>				
Held in trust for retirement, OPEB benefits, and other purposes.....	\$ 73,244,375	\$ 2,965,242	\$ 3,436,627	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 3,159,968	\$ 905,216	\$ -
Plan members.....	2,125,218	-	-
Private donations.....	-	-	10,549
<b>Total contributions.....</b>	<b>5,285,186</b>	<b>905,216</b>	<b>10,549</b>
Net investment income:			
Net change in fair value of investments.....	6,909,335	270,216	696,252
Interest.....	982,760	-	-
Dividends.....	948,943	-	-
<b>Total investment income.....</b>	<b>8,841,038</b>	<b>270,216</b>	<b>696,252</b>
Less: investment expense.....	(361,557)	-	-
<b>Net investment income.....</b>	<b>8,479,481</b>	<b>270,216</b>	<b>696,252</b>
Intergovernmental.....	131,877	-	-
Transfers from other systems.....	141,255	-	-
<b>TOTAL ADDITIONS.....</b>	<b>14,037,799</b>	<b>1,175,432</b>	<b>706,801</b>
<b>DEDUCTIONS:</b>			
Administration.....	122,180	-	-
Transfers to other systems.....	435,571	-	-
Retirement benefits and refunds.....	5,957,910	-	-
Educational scholarships.....	-	-	155,011
<b>TOTAL DEDUCTIONS.....</b>	<b>6,515,661</b>	<b>-</b>	<b>155,011</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>7,522,138</b>	<b>1,175,432</b>	<b>551,790</b>
NET ASSETS AT BEGINNING OF YEAR.....	65,722,237	1,789,810	2,884,837
NET ASSETS AT END OF YEAR.....	\$ 73,244,375	\$ 2,965,242	\$ 3,436,627

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town was incorporated in 1635 under the statutes of the Commonwealth of Massachusetts (the "Commonwealth"). The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. Three entities have been included as component units in the reporting entity, because of the significance of its operational and/or financial relationship.

*Blended Component Units* – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Hingham Contributory Retirement System (the System) was established to provide retirement benefits to Town employees. 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. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

*Discretely Presented Component Units* – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Hingham Public Library and the Lincoln Apartments, LLC as a Discretely Presented Component Units because of their fiscal dependency on the Town and because the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete.

Accordingly, the Component Unit column of the combined financial statements includes the financial data of the following entities:

- (2) 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 the 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.

- (3) The Lincoln Apartments, LLC is a Massachusetts limited liability company that operates affordable housing for Hingham residents at the Lincoln School Apartment building owned by the Town. The affordable housing program is subsidized by the U.S. Department of Housing and Urban Development (HUD). Under the terms of a 30 year lease agreement, Lincoln Apartments, LLC will pay the Town an annual base rent equal to the debt service on the bonds issued by the Town to finance the building plus "Cash Flow Rent" and "Additional Rent" as defined in the Agreement.

### **Availability of Financial Information for Component Units and Lighting Plant Enterprise Fund**

The Hingham Contributory Retirement System issues a publicly available statutory basis 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 Lincoln Apartments, LLC issues a publicly available financial report that includes financial statements and supplementary information. Copies of these financial statements may be obtained by writing to the Board of Managers, C/O the Hingham Affordable Housing Trust, 210 Central Street, Hingham, MA 02043.

The Hingham Municipal Lighting Plant issues a publicly available 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, 350 Lincoln Street, Suite 110, Hingham, MA 02043-1585.

*Joint Venture* – The Town has entered into a joint venture for the South Shore Regional Emergency Communications Center along with the Town's of Cohasset, Hull, and Norwell to pool resources and share costs, risks, and rewards of operating a regional 911 call center. The Town of Hingham applied for and was awarded a state grant in the amount of approximately \$5.3 million to fund the initial construction of the Center. At June 30, 2011 the Town has expended approximately \$2.1 million on the construction phase of the Center which will remain an asset of the Town of Hingham. An operating agreement exists between the participating Towns and the Center is expected to be operational as of January 1, 2012.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental 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.

#### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

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

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

#### 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 the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a 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:

- 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 identifiable 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

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

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report 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** 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.

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

The following major proprietary funds are reported:

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

The *Hingham Municipal Lighting Plant* is used to account for the operations of the municipal lighting plant's activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *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 *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund mainly consists of off-duty work details, performance bonds, and fees collected on behalf of other governments. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

#### D. Cash and Investments

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

The Town's 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. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

## E. Accounts Receivable

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

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

### **Real Estate, Personal Property Taxes and Tax Liens**

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

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

A statewide limitation statute known as "Proposition 2 ½" 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 2 ½ 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.

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

Although the Hingham Municipal Lighting Plant is exempt from property taxes, they pay amounts in lieu of taxes to the Town of Hingham.

### ***Motor Vehicle Excise***

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***User Charges***

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.

***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.

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

***Special Assessments***

Special Assessments consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town-run construction projects.

Since these receivables are secured via the lien process they are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Intergovernmental***

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

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

**F. Inventories*****Government-Wide and Fund Financial Statements***

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

Materials and supplies held by the Municipal Lighting Plant are generally recorded at the lower of cost or market, using the weighted average method.

**G. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, construction in process, land improvements, buildings, plant in service, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the 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. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

For the Town of Hingham capital assets are defined as all purchases and construction costs in excess of \$5,000 which are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than three years.

Capital assets (excluding land and construction-in-progress) are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	10 - 30
Buildings.....	35
Plant in service.....	30 - 40
Machinery and equipment.....	3-20
Infrastructure.....	50

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

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' 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 consistently used a rate of 3.0%, which approximates GAAP. The Hingham Municipal Lighting Plant charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant.

*Governmental Fund Financial Statements*

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

H. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

### I. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

### J. Deferred Revenue

Deferred revenue at the governmental 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 revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### K. Net Assets and Fund Equity

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

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted funds. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted funds.

"Grants and gifts" represents amounts held for school grants, and other grants and gift funds.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

L. Long-term debt*Government-Wide and Proprietary Fund Financial 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.

M. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

N. Investment Income

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

Investment income from proprietary funds is maintained in those funds.

O. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2011, within the Special Revenue and capital Project Funds. These deficits will be funded through grants and bond proceeds in future fiscal years.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. 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 financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – AFFORDABLE HOUSING TRUST**

The Affordable Housing Trust fund is a special revenue fund established to purchase the land and buildings in Town known as the Lincoln School Apartments. In January 2009 the Town entered into a lease agreement with Lincoln Apartments, LLC, a Massachusetts limited liability company that operates affordable housing for Hingham residents at the Lincoln School Apartments. The affordable housing program is subsidized by the U.S. Department of Housing and Urban Development (HUD). Under the terms of the 30 year lease agreement, Lincoln Apartments, LLC will pay the Town an annual base rent equal to the debt service on the bonds used by the Town to finance the Premises plus "Cash Flow Rent" and "Additional Rent" as defined in the Agreement.

**NOTE 3 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Town Treasurer is responsible for adhering to these statutes, and at June 30, 2011 the Town is in compliance with these requirements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

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

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 Town Treasurer. Investment in a single institution (other than MMDT) may not exceed 25% of the total cash balance at any time. The Town 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 Town 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 the institution's capital and surplus has been lost in a 12-month period, any accounts shall be closed forthwith.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 8.58 years.

**Custodial Credit Risk – Deposits**

In the case of deposits, this 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 deposit policy for custodial credit risk.

At fiscal year-end the carrying amount (book value) of the Town's deposits totaled \$24,169,581 and the bank balances totaled \$26,329,062. Of the bank balance, \$1,989,578 was covered by Federal Depository Insurance, \$771,703 was covered by the Depositors Insurance Fund, \$2,683,012 was collateralized, and \$20,884,769 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010 the carrying amount (book value) of the Retirement System's deposits totaled \$307,497 and the bank balance totaled \$477,253. The bank balance was fully covered by Federal Depository Insurance.

As of June 30, 2011 the Town had the following investments:

<u>Investment Type</u>	<u>Investment Maturities</u>			<u>Rating</u>
	<u>Fair Value</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>	
<u>Debt Securities</u>				
U.S. Government Treasuries.....	\$ 59,481	\$ -	\$ 59,481	<b>AAA</b>
Corporate Bonds.....	<u>721,909</u>	<u>721,909</u>	<u>-</u>	<b>A3 to Baa3</b>
Total Debt Securities.....	781,390	<u>\$ 721,909</u>	<u>\$ 59,481</u>	
<u>Other Investments</u>				
Equity Mutual Funds.....	2,813,796			<b>N/A</b>
Money Market Mutual Funds.....	2,152,811			<b>N/A</b>
MMDT.....	<u>9,372,710</u>			<b>Not rated</b>
Total Investments.....	<u>\$ 15,120,708</u>			

As of December 31, 2010 the Retirement System had investments in PRIT totaling \$72,914,327.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The Town investments of \$721,909 in corporate bonds are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

At December 31, 2010, the System's \$72,914,327 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. At June 30, 2011 the Town's \$721,909 investment in corporate bonds were proportionally rated between A3 and Baa3. The credit ratings for the money market mutual funds and for MMDT are not available.

Concentration of Credit Risk

The Town and the System do not have any investments in any one issuer that represents 5% or more of its total investments requiring disclosure in these financial statements.

**NOTE 4 – RECEIVABLES**

At June 30, 2011, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 3,048,950	\$ (7,295)	\$ 3,041,655
Tax liens.....	680,410	-	680,410
Motor vehicle and other excise taxes.....	411,256	(127,090)	284,166
User fees.....	530,055	-	530,055
Departmental and other.....	386,440	(95,216)	291,224
Special assessments.....	1,795,333	-	1,795,333
Intergovernmental.....	19,336,613	-	19,336,613
	<u>26,189,057</u>	<u>(229,601)</u>	<u>25,959,456</u>
Total.....	\$ <u>26,189,057</u>	\$ <u>(229,601)</u>	\$ <u>25,959,456</u>

At December 31, 2010 and June 30, 2011, respectively, receivables for the electric lighting and South Shore Country Club enterprise funds consisted of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
<i>Electric Light</i>			
User fees.....	\$ 2,611,425	\$ (50,000)	\$ 2,561,425
Departmental and other.....	67,893	-	67,893
<i>South Shore Country Club</i>			
Departmental and other.....	5,604	-	5,604
	<u>2,684,922</u>	<u>(50,000)</u>	<u>2,634,922</u>
Total.....	\$ <u>2,684,922</u>	\$ <u>(50,000)</u>	\$ <u>2,634,922</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 2,718,152	\$ -	\$ 2,718,152
Tax liens.....	680,410	-	680,410
Motor vehicle and other excise taxes.....	284,166	-	284,166
User charges.....	-	530,055	530,055
Departmental and other.....	259,189	602,238	861,427
Special assessments.....	1,795,333	-	1,795,333
Intergovernmental.....	16,645,745	-	16,645,745
Tax foreclosures.....	122,712	-	122,712
 Total.....	 <u>\$ 22,505,707</u>	 <u>\$ 1,132,293</u>	 <u>\$ 23,638,000</u>

Included in the deferred revenues above are \$92,247 and \$270,322 of advance collections for FY2012 real estate taxes and summer recreation fees, respectively.

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital asset activity for the fiscal year ended June 30, 2011, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,584,069	\$ -	\$ -	8,584,069
Construction in progress.....	1,002,001	2,064,194	(646,622)	2,419,573
Total capital assets not being depreciated....	9,586,070	2,064,194	(646,622)	11,003,642
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,276,236	163,332	-	2,439,568
Buildings.....	149,505,636	70,864	-	149,576,500
Machinery and equipment.....	11,717,869	886,113	(249,897)	12,354,085
Infrastructure.....	50,589,176	154,189	-	50,743,365
Total capital assets being depreciated.....	214,088,917	1,274,498	(249,897)	215,113,518
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(152,712)	(80,833)	-	(233,545)
Buildings.....	(60,728,292)	(3,880,617)	-	(64,608,909)
Machinery and equipment.....	(9,211,921)	(701,508)	249,897	(9,663,532)
Infrastructure.....	(25,108,147)	(1,036,233)	-	(26,144,380)
Total accumulated depreciation.....	(95,201,072)	(5,699,191)	249,897	(100,650,366)
Total capital assets being depreciated, net.....	118,887,845	(4,424,693)	-	114,463,152
Total governmental activities capital assets, net.....	\$ 128,473,915	\$ (2,360,499)	\$ (646,622)	\$ 125,466,794

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,026,056	\$ -	\$ -	\$ 7,026,056
Construction in progress.....	288,788	-	-	288,788
Total capital assets not being depreciated....	<u>7,314,844</u>	<u>-</u>	<u>-</u>	<u>7,314,844</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,986,710	42,478	-	2,029,188
Plant in service.....	45,201,116	945,245	(37,137)	46,109,224
Building improvements.....	2,702,212	57,120	-	2,759,332
Machinery and equipment.....	903,280	252,546	-	1,155,826
Total capital assets being depreciated.....	<u>50,793,318</u>	<u>1,297,389</u>	<u>(37,137)</u>	<u>52,053,570</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(230,714)	(67,705)	-	(298,419)
Plant in service.....	(19,952,064)	(1,810,465)	37,137	(21,725,392)
Building improvements.....	(1,729,631)	(101,693)	-	(1,831,324)
Machinery and equipment.....	(323,010)	(126,114)	-	(449,124)
Total accumulated depreciation.....	<u>(22,235,419)</u>	<u>(2,105,977)</u>	<u>37,137</u>	<u>(24,304,259)</u>
Total capital assets being depreciated, net.....	<u>28,557,899</u>	<u>(808,588)</u>	<u>-</u>	<u>27,749,311</u>
Total business-type activities capital assets, net.....	<u>\$ 35,872,743</u>	<u>\$ (808,588)</u>	<u>\$ -</u>	<u>\$ 35,064,155</u>

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

**Governmental Activities:**

General government.....	\$ 594,650
Public safety.....	654,630
Education.....	2,542,779
Public works.....	1,600,782
Human services.....	1,298
Culture and recreation.....	<u>305,052</u>

Total depreciation expense - governmental activities..... \$ 5,699,191

**Business-Type Activities:**

Country Club.....	\$ 295,512
Electric light.....	<u>1,810,465</u>

Total depreciation expense - business-type activities..... \$ 2,105,977

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Inter-fund receivables and payables between funds at June 30, 2011, as summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Reserved for Appropriation - Waterways	\$ 76
General Fund	Sewer Maintenance	1,060
General Fund	Town Grants	2,102,331
General Fund	School Federal Grants	125,428
General Fund	Sewer Capital Projects	8,383
General Fund	New Elementary School	200,894
General Fund	Plymouth River School	236,907
General Fund	South Shore Country Club	<u>370,244</u>
		<u>\$ 3,045,323 (1)</u>

(1) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 35,945	\$ 35,945 (1)
Lighting Plant Enterprise Fund.....	<u>536,557</u>	<u>-</u>	<u>536,557 (2)</u>
Total.....	<u>\$ 536,557</u>	<u>\$ 35,945</u>	<u>\$ 572,502</u>

(1) Represents budgeted transfers from the general fund to nonmajor special revenue funds for 50% of the boat excise tax generated.

(2) Represents transfers in from the Lighting Plant Enterprise Fund as a payment in lieu of taxes.

**NOTE 7 – LEASES**

Capital Leases

The Town has entered into lease agreements to finance the acquisition of equipment and golf carts for the South Shore Country Club, an enterprise fund of the Town. The two 5 year lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 975,556
Less: accumulated depreciation.....	<u>(346,679)</u>
Total.....	<u>\$ 628,877</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2011:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2012.....	\$ 216,434
2013.....	44,256
2014.....	44,256
2015.....	44,256
2016.....	<u>44,256</u>
Total minimum lease payments.....	393,457
Less: amounts representing interest.....	<u>(19,651)</u>
Present value of minimum lease payments.....	<u>\$ 373,806</u>

Operating Leases

The Town leases school buses under noncancelable operating leases that expire in fiscal year 2012. The cost of the leases for the fiscal year ended June 30, 2011, totaled approximately \$383,000, and is reported an educational expenditure of the general fund.

The future minimum lease payments are as follows at June 30, 2011:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2012.....	<u>\$ 394,507</u>

**NOTE 8 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

There was no short-term debt activity during fiscal year 2011.

**NOTE 9 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town’s outstanding general obligation and other indebtedness at June 30, 2011, and the debt service requirements are as follows:

**Governmental Activities**

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Municipal Purpose GOB of 1998 - Refunding Debt.....	2.0 - 3.0	\$ 3,465,000	\$ -	\$ 455,000	\$ 3,010,000
2002 Multi Purpose Bonds.....	3.5 - 5.375	23,790,000	-	21,520,000	2,270,000
Municipal Purpose GOB of 2002 - Refunding Debt.....	2.0 - 4.0	-	19,080,000	15,000	19,065,000
2007 Multi Purpose Bonds.....	4.0	4,445,000	-	240,000	4,205,000
MWPAT - 93 Bonds.....	0.0	47,611	-	12,678	34,933
MWPAT - 98 Bonds.....	0.0	1,686,900	-	177,400	1,509,500
MWPAT - 2001 Bonds.....	0.0	48,914	-	5,436	43,478
MWPAT - 2006 Bonds.....	2.0	350,305	-	17,475	332,830
MWRA Loan.....	0.0	15,840	-	15,840	-
School Engineering and Design.....	3.0 - 5.0	6,430,000	-	360,000	6,070,000
School Projects - Fosters/PRS.....	3.0 - 5.0	6,650,000	-	350,000	6,300,000
School Projects - Middle School Modulares.....	3.0 - 5.0	475,000	-	160,000	315,000
School Projects - East School.....	3.0 - 5.0	14,865,000	-	830,000	14,035,000
Land Acquisition - Hershey Street.....	3.0 - 5.0	1,370,000	-	80,000	1,290,000
Lincoln School Apartment Acquisition.....	3.0 - 5.0	6,345,000	-	355,000	5,990,000
Sewer Construction - Central Street.....	3.0 - 5.0	115,000	-	10,000	105,000
Sewer Construction - Thaxter Street.....	3.0 - 5.0	105,000	-	10,000	95,000
<b>Total general obligation indebtedness.....</b>		<b>70,204,570</b>	<b>19,080,000</b>	<b>24,613,829</b>	<b>64,670,741</b>
Affordable Housing indebtedness.....	4.75	-	299,881	-	299,881
<b>Total.....</b>		<b>70,204,570</b>	<b>19,379,881</b>	<b>24,613,829</b>	<b>64,970,622</b>
Unamortized Premium on Bonds.....		2,327,555	-	127,056	2,200,499
<b>Total Long-Term Debt.....</b>		<b>\$ 72,532,125</b>	<b>\$ 19,379,881</b>	<b>\$ 24,740,885</b>	<b>\$ 67,171,121</b>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....\$	5,492,096 \$	2,377,483 \$	7,869,579
2013.....	5,231,721	2,295,537	7,527,258
2014.....	5,088,224	2,065,192	7,153,416
2015.....	4,992,253	1,905,237	6,897,490
2016.....	4,963,984	1,729,420	6,693,404
2017.....	4,940,840	1,554,042	6,494,882
2018.....	4,902,723	1,374,657	6,277,380
2019.....	4,694,831	1,168,441	5,863,272
2020.....	4,265,033	988,766	5,253,799
2021.....	4,235,898	798,849	5,034,747
2022.....	2,266,793	639,630	2,906,423
2023.....	2,272,719	549,204	2,821,923
2024.....	2,278,677	458,545	2,737,222
2025.....	2,284,670	367,653	2,652,323
2026.....	2,285,698	276,626	2,562,324
2027.....	2,291,762	185,461	2,477,223
2028.....	1,978,313	100,203	2,078,516
2029.....	373,959	20,957	394,916
2030.....	14,637	5,879	20,516
2031.....	15,347	5,169	20,516
2032.....	16,092	4,424	20,516
2033.....	16,874	3,642	20,516
2034.....	17,693	2,823	20,516
2035.....	18,552	1,964	20,516
2036.....	19,452	1,064	20,516
2037.....	11,781	187	11,968
Total.....\$	<u>64,970,622 \$</u>	<u>18,881,055 \$</u>	<u>83,851,677</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$375,000 and interest costs for \$275,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$1,719,000. The principal subsidies are guaranteed and therefore a \$375,000 intergovernmental receivable and corresponding revenue have been reported in the Sewer fund. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2011 principal and interest subsidies totaled \$50,000 and \$52,000, respectively.

The Town is receiving school construction assistance through the Massachusetts School Building Authority (MSBA) on bonded projects completed in prior fiscal years. The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. During fiscal year 2011, approximately \$2 million of such assistance was received. Approximately \$17.8 million is expected to be received in future fiscal years. Of this amount, \$1.6 million represents reimbursement of long-term interest costs, and \$16.2 million represents reimbursement of approved construction costs. Accordingly, a \$16.2 million intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial

statements. The deferred revenue for the entire grant has been recognized as revenue in the conversion to the government-wide financial statements in prior fiscal years.

As authorized by the Commonwealth of Massachusetts, the Town advance refunded \$19,235,000 of general obligation bonds through the issuance of \$19,080,000 of general obligation refunding bonds on October 13, 2010. Proceeds (net of bond premiums, issuance costs and other closing costs) were used to purchase \$20,662,913 of U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities will be removed from the financial statements for the fiscal year ending June 30, 2011. Through this advance refunding, the Town has taken advantage of lower interest rates to realize a decrease in its aggregate debt service payments by approximately \$2,446,000 over the next 11 years. The Town also realized an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$2,204,000. A portion of this savings, approximately \$1.4 million, has been offset by a decrease in future reimbursements of interest costs from the MSBA.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2011, the Town had the following authorized and un-issued debt:

Purpose	Amount
Sewer Construction.....	\$ 40,000
Sewer MWRA I & I Removal.....	212,600
Sewer Route 3a.....	800,000
Sewer Weir River 2.....	451,887
Sewer Green Street Court.....	17,842
School Buildings.....	19,000
Lincoln School Apartments Acquisition.....	300,000
Sewer Contstruction / Thaxter to Kents Lane.....	35,000
School Buildings / Hingham Middle School.....	600,000
Land Purchase / Wastewater Treatment Facility.....	160,000
Wastewater Treatment Facility / Engineer & Permit.....	190,000
<b>Total.....</b>	<b>\$ 2,826,329</b>

**Business-Type Activities**

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
SSCC - Irrigation.....	4.0	\$ 1,340,000	\$ -	\$ 125,000	\$ 1,215,000

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

**ENTERPRISE FUNDS, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 130,000	\$ 46,000	\$ 176,000
2013.....	135,000	40,700	175,700
2014.....	145,000	35,100	180,100
2015.....	150,000	29,200	179,200
2016.....	155,000	23,100	178,100
2017.....	160,000	16,800	176,800
2018.....	165,000	10,300	175,300
2019.....	175,000	3,500	178,500
<b>Total.....</b>	<b>\$ 1,215,000</b>	<b>\$ 204,700</b>	<b>\$ 1,419,700</b>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2010</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Increases</u>	<u>Other Decreases</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>							
Bonds payable.....	\$ 70,204,570	\$ 19,379,881	\$ (24,613,829)	\$ -	\$ -	\$ 64,970,622	\$ 5,492,096
Unamortized bond premium.....	2,327,555	-	-	-	(127,056)	2,200,499	139,397
Workers' compensation.....	855,538	-	-	309,536	(436,324)	728,750	371,663
Compensated absences.....	1,038,084	-	-	666,444	(667,777)	1,036,751	702,848
Landfill closure.....	1,400,000	-	-	200,000	(200,000)	1,400,000	200,000
Other postemployment benefits....	7,457,537	-	-	4,808,971	(4,173,586)	8,092,922	-
Total governmental activity long-term liabilities.....	<u>\$ 83,283,284</u>	<u>\$ 19,379,881</u>	<u>\$ (24,613,829)</u>	<u>\$ 5,984,951</u>	<u>\$ (5,604,743)</u>	<u>\$ 78,429,544</u>	<u>\$ 6,906,004</u>
<b>Business-Type Activities:</b>							
Bonds payable.....	\$ 1,340,000	\$ -	\$ (125,000)	\$ -	\$ -	\$ 1,215,000	\$ 130,000
Compensated absences.....	13,428	-	-	16,272	(13,428)	16,272	16,272
Capital lease obligations.....	357,375	-	-	208,186	(191,755)	373,806	209,574
Rate stabilization reserve.....	1,741,160	-	-	115,259	-	1,856,419	-
Customer deposits.....	1,095,810	-	-	79,836	-	1,175,646	-
Total business-type activity long-term liabilities.....	<u>\$ 4,547,773</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 419,553</u>	<u>\$ (205,183)</u>	<u>\$ 4,637,143</u>	<u>\$ 355,846</u>

Governmental activities long-term liabilities are generally liquidated by the general fund. Business-type activities long-term liabilities are normally paid from the funds reporting the liability, namely the South Shore Country Club or the Hingham Municipal Lighting Plant.

**NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2011 reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

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

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

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization fund has been reported in the general fund, and accordingly, the general fund and stabilization fund beginning balances have been revised from \$11,781,094 to \$12,378,466 and from \$597,372 to \$0, respectively. At year end the balance of the General Stabilization Fund is \$487,000 and is reported as unassigned fund balance within the General Fund.

As of June 30, 2011, the governmental fund balances consisted of the following:

	Governmental Funds		
	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances			
Nonspendable:			
Permanent fund principal.....\$	-	\$ 35,000	\$ 35,000
Restricted for:			
Town gift funds.....	-	998,319	998,319
School gift funds.....	-	105,184	105,184
School state grant funds.....	-	371,102	371,102
Affordable housing trust.....	-	125,780	125,780
School revolving funds.....	-	926,915	926,915
Town revolving funds.....	-	522,544	522,544
Town trust funds.....	-	142,096	142,096
Town other funds.....	-	355,269	355,269
Community preservation.....	-	2,158,000	2,158,000
Preservation projects.....	-	1,426,312	1,426,312
Conservation.....	-	51,352	51,352
Sewer inflow/infiltration.....	-	537,885	537,885
Sewer maintenance.....	-	7,880	7,880
Landfill.....	-	1,520,344	1,520,344
Harbor dredging.....	-	466,511	466,511
Central fire station.....	-	89,756	89,756
DPW building.....	-	33,961	33,961
Foster school.....	-	33,187	33,187
Other capital project funds.....	-	2,306	2,306
Conservation permanent fund.....	-	63,903	63,903
Town permanent funds.....	-	630	630
Proceeds from the sale of the Hersey House.....	1,250,000	-	1,250,000
Committed to:			
Harbor maintenance.....	472,759	-	472,759
Assigned to:			
General government.....	249,153	-	249,153
Public safety.....	199,208	-	199,208
Education.....	145,540	-	145,540
Public works.....	121,362	-	121,362
Human services.....	270	-	270
Culture and recreation.....	1,700	-	1,700
Property and liability insurance.....	990	-	990
Employee benefits.....	18,357	-	18,357
Unassigned.....	11,760,485	(451,058)	11,309,427
Total Fund Balances.....\$	<u>14,219,824</u>	<u>\$ 9,523,178</u>	<u>\$ 23,743,002</u>

**NOTE 11 – LANDFILL CLOSURE AND POST CLOSURE CARE**

State and federal laws and regulations require the Town to construct a final capping system on the Hingham Municipal Landfill site as it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town completed the closure of various portions of the landfill in 1996 and is currently implementing a closure and post closure care plan for the remainder of the site. The Town expects the closure of the remaining site to occur during calendar year 2012. To date, the Town has expended \$2.4 million and has reflected \$1.4 million as the estimate of the remaining liability at June 30, 2011. This amount is based upon estimates of what it would cost the Town to perform all closure and post closure care as of June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**NOTE 12 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in premium-based health care plans for its active employees and retirees. The Town is self-insured for workers’ compensation and unemployment benefits, and also self-insures property coverage over a group of vacant buildings given to them by the federal government. The Town maintains liability coverage on these respective buildings. The Town records an estimated liability for workers’ compensation claims based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. At June 30, 2011, the estimated liability for workers’ compensation claims totaled approximately \$728,750.

Changes in the Workers’ Compensation claims liability amount for the fiscal years ended June 30 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2010.....	\$ 233,705	\$ 740,953	\$ (119,120)	855,538
Fiscal Year 2011.....	855,538	309,536	(436,324)	728,750

Any liability for unemployment claims at June 30, 2011 is considered to be immaterial for these financial statements.

**NOTE 13 – CONTRIBUTORY RETIREMENT SYSTEM**

*Plan Description* - The Town contributes to the System, a cost sharing multiple-employer defined benefit pension plan administered by the Hingham Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$8,174,736 million for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Hingham Contributory Retirement Board and are borne by the System. The System issues a publicly available audited financial report that may be obtained by contacting the System located at 210 Central Street, Hingham, Massachusetts 02043.

At December 31, 2010, the System's membership consists of the following:

Active members.....	560
Inactive members.....	91
Retirees and beneficiaries currently receiving benefits.....	<u>272</u>
Total.....	<u><u>923</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 99% of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

*Annual Pension Cost* - The Town's contributions to the System for the last three fiscal years ended June 30, 2011, 2010, and 2009 were \$3,140,071, \$2,993,522, and \$2,809,745, respectively, which equaled its required contribution for each fiscal year. At June 30, 2011, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 5.0% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at January 1, 2010 was 20 years.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 72,255,686	\$ 104,411,776	\$ 32,156,090	69.2%	\$ 22,266,750	144.4%
1/1/09	62,299,932	99,303,172	37,003,240	62.7%	21,715,745	170.4%
1/1/08	75,680,784	94,518,253	18,837,469	80.1%	19,856,230	94.9%
1/1/07	64,778,166	88,204,142	23,425,976	73.4%	19,177,310	122.2%
1/1/06	58,096,713	85,429,148	27,332,435	68.0%	18,005,014	151.8%
1/1/04	53,284,103	75,260,838	21,976,735	70.8%	16,669,815	131.8%

**NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2009 and calendar year 2008 were the initial years that the Town and the Hingham Municipal Lighting Plant (HMLP) implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the Town and the HMLP have established the net Other Postemployment Benefit (OPEB) obligation at zero at the beginning of the transition years and have applied the measurement and recognition requirements of GASB 45 on a prospective basis.

The Town implemented the provisions of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during fiscal year 2008 and established its “Other Postemployment Benefit Trust Fund”. The Town voted to begin pre-funding its OPEB liabilities through the use of this irrevocable trust.

*Plan Description* – The Town maintains a single employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”), which the HMLP participates in. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The plan provides the benefits by participating in the Mayflower Municipal Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan, as well as an out-of-area indemnity plan administered by North American Administrators. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The plan also pays approximately 50% of the retiree life insurance premiums. The Other Postemployment Benefit Plan does not issue a publicly available financial report.

The Town adopted MGL, Chapter 32B, Section 18 in April 2006, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the actuarial determination of OPEB liabilities by the Town's actuary.

At the respective fiscal year ends, the Plan’s memberships consisted of the following:

	Governmental Activities	Business-Type Activities
Current retirees, beneficiaries, and dependants.....	646	29
Current active members.....	775	29
Total.....	1,421	58

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 10% and 50% of the cost of benefits provided depending on the plan they choose. The Town and the HMLP are required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town and the HMLP contributed \$3,268,370 and \$104,945, respectively, during fiscal year 2011 towards these benefits in addition to the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2011, the Town pre-funded future OPEB liabilities in the amount of \$905,216.

*Annual OPEB Cost and Net OPEB Obligation* – The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s and the HMLP’s annual OPEB costs for the periods, the amount actually contributed to the plan, and changes in the net OPEB obligations are summarized in the following table:

	Governmental Activities	Business-Type Activities (1)
Annual required contribution..... \$	4,635,730	\$ 124,004
Interest on net OPEB obligation.....	596,603	-
Adjustments to annual required contribution.....	(423,362)	-
Annual OPEB cost/expense.....	4,808,971	124,004
Contributions made.....	(4,173,586)	(104,945)
Increase in net OPEB obligation.....	635,385	19,059
Net OPEB obligation - beginning of year.....	7,457,537	(1,341,546)
Net OPEB obligation/(asset) - end of year..... \$	<u>8,092,922</u>	<u>\$ (1,322,487)</u>

(1) The Business-Type Activities consist of the Hingham Municipal Lighting Plant as of December 31, 2010.

The annual OPEB costs, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligations for the last three periods are as follows:

Governmental Activities

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2011	\$ 4,808,971	86.8%	\$ 8,092,922
6/30/2010	7,623,057	49.4%	7,457,537
6/30/2009	7,381,254	51.3%	3,597,162

Business-Type Activities

12/31/2010	\$ 124,004	84.6%	\$ (1,322,487)
12/31/2009	112,794	1373.7%	(1,341,546)
12/31/2008	169,588	43.9%	95,094

*Funded Status and Funding Progress* – The funded status of the Plan as of the most recent actuarial valuation dates is as follows:

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<u>Governmental Activities</u>						
6/30/2011	\$ 1,483,233	\$ 62,670,517	\$ 61,187,284	2.37%	\$ 41,124,073	148.79%
1/1/2009	246,535	114,530,349	114,283,814	0.22%	40,145,677	284.67%
<u>Business-Type Activities</u>						
1/1/2009	\$ 1,470,420	\$ 2,116,139	\$ 645,719	69.49%	\$ 2,271,331	28.43%
7/1/2006	-	1,953,952	1,953,952	0.00%	2,567,786	76.09%

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

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

Based on the Town’s plan to pre-fund its’ OPEB liabilities, the investment rate of return used in the June 30, 2011 actuarial valuation was changed from the previous 3.5% pay-as-you-go scenario to the 8% pre-funded scenario.

The following additional information is provided for the latest actuarial valuations:

Governmental Activities

Valuation date.....	June 30, 2011
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.0%, level % of payroll
Remaining amortization period.....	29 years as of July 1, 2011, closed
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	8.0% pre-funded scenario
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	8.0% decreasing by 0.5% for 7 years to an ultimate level of 5.0% per year

Business-Type Activities

Valuation date.....	January 1, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5%, level % of payroll
Remaining amortization period.....	27 years as of January 1, 2011, closed
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	8.0% pre-funded scenario
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	8.5% decreasing by 0.5% for 7 years to an ultimate level of 5.0% per year

**NOTE 15 – COMMITMENTS**

The Town has been authorized to borrow approximately \$2.8 million to cover the costs of various school and sewer related projects. As of June 30, 2011 these authorizations have yet to be issued. The Town expects these projects will begin during fiscal year 2012.

The Hingham Municipal Lighting Plant has various power purchase commitments as more fully described in Note 16.

**NOTE 16 – POWER PURCHASE COMMITMENTS**

Hingham Municipal Lighting Plant has entered into various power contracts through Energy New England (ENE), as their acting agent. These power contracts began in 2008 and go through to the year 2015.

Hingham Municipal Lighting Plant has entered into a contract with Braintree Electric Lighting Department as a 10% entitlement owner to the Watson Power Plant. This purchase power contract is effective from 2009 thru 2029.

The Lighting Plant has entered into a three year contract with Miller Hydro for renewable energy. The contract is for three years, beginning March 2010, with an energy price of \$57 per MWH.

The Lighting Plant has entered into a fifteen year contract with Spruce Mountain Wind Farm for renewable energy, with an energy price of \$.099 per Kwh, and with a commitment to purchase 1.5MW.

The Lighting Plant has entered into a three year contract with Granby Landfill, with an energy price of \$.065 per Kwh.

The Lighting Plant has entered into a life of unit contract with Taunton Municipal Light Department and Braintree Electric Light Department. Ownership for these contracts represents 2.7275% and 2.2989%, respectively.

Through its membership in the Massachusetts Municipal Wholesale Electric Company (MMWEC), the Lighting Plant is contingently liable on various projects in which they participated as described below.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of the Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook)(formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy

Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the Lighting Plant.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

After the July 1, 2010 principal payment total capital expenditures for MMWEC’s Projects amounted to \$1,574,094,000 of which \$62,002,000 represents the amount associated with the Lighting Plant’s share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. MMWEC’s debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$502,245,000, of which \$18,301,000 is associated with the Lighting Plant’s share of the Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. After the July 1, 2010 principal payment MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$532,190,000, of which \$19,535,000 is anticipated to be billed to the Lighting Plant in the future.

In addition, under the PSAs, the Lighting Plant is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Lighting Plant’s total O&M costs including debt service under the PSAs were \$3,527,000 and \$7,664,000 for the years ended June 30, 2010 and 2009, respectively.

HMLP’s annual energy costs related to its long-term power purchase commitments as of 2010 are approximately as follows:

For Years Ended December 31,

2011.....	\$	2,929,000
2012.....		2,926,000
2013.....		2,918,000
2014.....		2,776,000
2015.....		2,601,000
2016 -2019.....		<u>5,385,000</u>
Total.....	\$	<u>19,535,000</u>

**NOTE 17 – CONTINGENCIES**

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- GASB Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

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