

**TOWN OF HUNTINGTON, MASSACHUSETTS**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2010**

<p style="text-align: center;"><b>TOWN OF HUNTINGTON, MASSACHUSETTS</b>  <b>TABLE OF CONTENTS</b></p>
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## Independent Auditor's Report

To the Honorable Selectboard  
Town of Huntington, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Huntington, Massachusetts, as of and for the year ended June 30, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Huntington, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Huntington, Massachusetts, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America .

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Huntington, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scanlon & Associates, LLC*  
Scanlon & Associates, LLC  
April 29, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Huntington, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$4,062,436 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$2,042,295 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$214,001 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$1,806,140 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$1,674,107 this year. This compares to the prior year ending fund balance of \$1,974,526 showing a decrease of \$300,419 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$326,347 or 8.14% of total General Fund expenditures including transfers and 8.60% of total General Fund revenues including transfers.
- Total liabilities of the Town were \$198,727.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Huntington's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business. The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are

reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, water and sewer, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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



## Financial Highlights

	<b>Governmental Activities</b>
<b>Assets:</b>	
Current assets	\$ 2,135,991
Capital assets	2,125,172
<b>Total assets</b>	<b>4,261,163</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt)	97,334
Noncurrent liabilities (excluding debt)	18,516
Current debt	22,877
Noncurrent debt	60,000
<b>Total liabilities</b>	<b>198,727</b>
<b>Net Assets:</b>	
Capital assets net of related debt	2,042,295
Restricted	214,001
Unrestricted	1,806,140
<b>Total net assets</b>	<b>\$ 4,062,436</b>
<b>Program Revenues:</b>	
Charges for services	500,134
Operating grants and contributions	252,315
Capital grants and contributions	126,653
<b>General Revenues:</b>	
Property taxes	2,786,397
Motor vehicle excise and other taxes	225,832
Penalties and interest on taxes	26,430
Nonrestricted grants	344,579
Unrestricted investment income	17,068
<b>Total revenues</b>	<b>4,279,408</b>
<b>Expenses:</b>	
General government	257,003
Public safety	315,240
Public works	456,829
Water and sewer	307,734
Education	2,678,652
Health and human services	69,038
Culture and recreation	92,613
Employee benefits and insurance	150,573
State assessments	10,163
Interest	3,717
<b>Total expenses</b>	<b>4,341,562</b>
<b>Change in net assets</b>	<b>(62,154)</b>
<b>Net assets - beginning of year</b>	<b>4,124,590</b>
<b>Net assets - end of year</b>	<b>\$ 4,062,436</b>

## ***Government-wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$4,062,436 at the close of FY 2010.

Net assets of \$2,042,295 (50%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$214,001 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,806,140 (45%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets decreased by \$62,154 during the fiscal year, which reflects the general fund's results of operation. Expenses exceeded program revenues and general revenues by that amount.

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,674,107. Of this year-end total, \$326,347 is the undesignated general fund balance, indicating availability for continuing Town service requirements and \$107,813 are funds designated for fiscal year 2011. Reserved and designated fund balances include \$11,496 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$1,225,139 in special revenue funds; and \$3,312 in permanent funds.

The total ending fund balances of the governmental funds shows a decrease of \$300,419 in comparison with the prior year. The decrease was due to expenditures exceeding revenues

## ***Major Governmental Fund***

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$326,347, while total fund balance reached \$380,365. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 8.14% of total general fund expenditures and transfers and total fund balance represents 9.49% of that same amount. Unreserved/undesignated fund balance represents 8.60% of total general fund revenues and transfers and total fund balance represents 10.02% of that same amount.

The fund balance of the general fund decreased by \$213,940. Of this amount \$176,323 was attributed to expenditures over revenues, \$155,000 in transfers to the stabilization fund, \$18,410 in transfers from the stabilization fund, \$13,750 in transfers from the water fund and \$85,223 in transfers from the nonmajor governmental funds.

The *Stabilization Fund* has accumulated a fund balance of \$876,498 that represents 21.87% of total general fund expenditures including transfers and 23.10% of total general fund revenues and transfers.

The fund balance of the stabilization fund increased by \$96,508. This increase was attributed to interest income of \$9,918 and net transfers from the general fund of \$86,590.

Please refer to Note 3F for additional information.

The *Water Fund* has accumulated a fund balance of \$156,867 that represents 3.91% of total general fund expenditures including transfers and 4.13% of total general fund revenues and transfers.

The fund balance of the water fund increased by \$8,992. This increase was attributed user charges of \$116,197, interest on user charges of \$1,448, operating expenses of \$94,903 and transfers to the general fund of \$13,750.

The *Sewer Fund* has accumulated a fund balance of \$114,011 that represents 2.84% of total general fund expenditures including transfers and 3.00% of total general fund revenues and transfers.

The fund balance of the sewer fund decreased by \$14,135. This decrease was attributed to user charges of \$163,244, interest on user charges of \$1,676 and operating expenses of \$179,055.

## ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2010 was \$3,956,462.

There was an increase of \$59,128 between the original budget and the final amended budget. The increase is attributed from the Town appropriating \$9,000 for the roof repair at North Hall, \$9,410 for the highway superintendent's salary, \$26,925 for the library operating budget, \$4,700 for revaluation expenses, \$17,000 for legal expenses, \$2,000

for street lights, \$12,000 for veteran relief benefits, \$6,200 for vocational transportation, \$6,000 for highway road maintenance, \$25,500 for highway sand and salt and reductions of \$16,178 in the regional school budget and \$43,429 in vocational transportation. Of the \$102,966 in under budget expenditures \$7,705 has been carried over to fiscal year 2011.

There are negative variances in property taxes, intergovernmental receipts, excise and other taxes, licenses, permits and fees and interest on investments of \$35,502, \$508, \$22,851, \$4,409 and \$7,850, respectively. The negative variance in property taxes is the result of a lag in collections. The negative variance in intergovernmental receipts is the result of a reduction in exemptions for the veterans, blind, surviving spouse and elderly. The negative variance in excise and other taxes is the result of a decline in vehicle sales and an increase in vehicle age. The negative variance in interest on investments was attributed to a drop in interest rates.

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

**Capital Assets.** The Town's investment in capital assets as of June 30, 2010 amounts to \$2,125,172.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure.

The capital events during the current fiscal year in the governmental type funds included the following:

- Stanton Hall restorations for \$198,825.
- North Hall roof for \$7,200.
- Road culverts and reconstructions for \$87,745.
- Department of public works vehicle and equipment for \$51,335.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2010, totaled \$82,877 of which \$12,877 is for the highway truck and \$70,000 for water meters.

Please refer to notes 3C and 3E for further discussion of the major capital and debt activity.

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

This financial report is designed to provide a general overview of the Town of Huntington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, Huntington, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HUNTINGTON, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
CURRENT:	
Cash and Cash Equivalents	\$ 1,230,124
Investments	500,627
Receivables, net of allowance for uncollectibles:	
Property Taxes	163,112
User Charges	46,822
Tax Liens	28,672
Excise Taxes	32,459
Due from Other Governments	134,175
Total current assets	<u>2,135,991</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	111,417
Depreciable	2,013,755
Total noncurrent assets	<u>2,125,172</u>
<b>Total Assets</b>	<u><u>4,261,163</u></u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants Payable	79,929
Accrued Payroll	10,270
Employee Withholdings	722
Accrued Interest	1,784
Compensated Absences	4,629
Bonds and Notes Payable	22,877
Total current liabilities	<u>120,211</u>
NONCURRENT:	
Compensated Absences	18,516
Bonds and Notes Payable	60,000
Total noncurrent liabilities	<u>78,516</u>
<b>Total Liabilities</b>	<u><u>198,727</u></u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	2,042,295
Restricted for:	
Federal & State Grants	193,914
Permanent Funds	3,312
Other Purposes	16,775
Unrestricted	1,806,140
<b>Total Net Assets</b>	<u><u>\$ 4,062,436</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Net (Expenses) Revenues and Changes in Net Assets	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	\$	257,003	\$ 39,268	\$ 7,695	\$ (210,040)
Governmental Activities:					
General Government		315,240	94,550	7,012	(213,678)
Public Safety		456,829	50,891	-	(279,285)
Public Works		307,734	271,191	-	(36,543)
Water and Sewer		2,678,652	-	214,502	(2,464,150)
Education		69,038	41,127	10,487	(17,424)
Health and Human Services		92,613	-	12,619	(79,994)
Culture and Recreation		150,573	3,107	-	(147,466)
Employee Benefits and Insurance		10,163	-	-	(10,163)
State Assessments		3,717	-	-	(3,717)
Interest					
Total Governmental Activities		4,341,562	500,134	252,315	(3,462,460)
Total Primary Government	\$	4,341,562	\$ 500,134	\$ 252,315	(3,462,460)
General Revenues:					
Property taxes					2,786,397
Motor vehicle excise taxes					225,832
Penalties & Interest on taxes					26,430
Grants & Contributions not restricted to specific programs					344,579
Unrestricted investment income					17,068
Total General Revenues					3,400,306
Change in Net Assets					(62,154)
Net Assets:					
Beginning of year					4,124,590
End of year	\$				4,062,436

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Stabilization Fund	Water Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 242,697	\$ 540,026	\$ 156,867	\$ 115,560	\$ 174,974	\$ 1,230,124
Investments	149,978	336,472	-	-	14,177	500,627
Receivables, net of allowance for uncollectibles:						
Property Taxes	163,112	-	-	-	-	163,112
User Charges	-	-	20,728	26,094	-	46,822
Tax Liens	28,672	-	-	-	-	28,672
Excise Taxes	32,459	-	-	-	-	32,459
Due from Other Governments	9,277	-	-	-	124,898	134,175
<b>Total Assets</b>	<b>\$ 626,195</b>	<b>\$ 876,498</b>	<b>\$ 177,595</b>	<b>\$ 141,654</b>	<b>\$ 314,049</b>	<b>\$ 2,135,991</b>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities:</b>						
Warrants Payable	\$ 37,185	\$ -	\$ -	\$ 918	\$ 41,826	\$ 79,929
Accrued Payroll	8,680	-	-	631	959	10,270
Employee Withholdings	722	-	-	-	-	722
Deferred Revenue:						
Property Taxes	138,112	-	-	-	-	138,112
Other	61,131	-	20,728	26,094	124,898	232,851
<b>Total Liabilities</b>	<b>245,830</b>	<b>-</b>	<b>20,728</b>	<b>27,643</b>	<b>167,683</b>	<b>461,884</b>

**Fund Balance:**

Reserved For:						
Encumbrances and continuing appropriations	7,705	-	3,265	526	-	11,496
Unreserved:						
Designated for Subsequent Years' Expenditures	46,313	4,500	-	30,000	27,000	107,813
Undesignated, reported in:						
General Fund	326,347	-	-	-	-	326,347
Special Revenue	-	871,998	153,602	83,485	116,054	1,225,139
Permanent Funds	-	-	-	-	3,312	3,312
<b>Total Fund Balance</b>	<b>380,365</b>	<b>876,498</b>	<b>156,867</b>	<b>114,011</b>	<b>146,366</b>	<b>1,674,107</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 626,195</b>	<b>\$ 876,498</b>	<b>\$ 177,595</b>	<b>\$ 141,654</b>	<b>\$ 314,049</b>	<b>\$ 2,135,991</b>

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Stabilization Fund	Water Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 2,758,790	\$ -	\$ -	\$ -	\$ -	2,758,790
Intergovernmental	564,687	-	-	-	143,857	708,544
Excise and Other Taxes	218,149	-	-	-	-	218,149
Charges for Services	-	-	116,197	163,244	125,512	404,953
Licenses, Permits, Fees	105,091	-	-	-	-	105,091
Interest on Taxes	23,306	-	1,448	1,676	-	26,430
Interest on Investments	7,150	9,918	-	-	853	17,921
Other	-	-	-	-	5,113	5,113
<b>Total Revenues</b>	<b>3,677,173</b>	<b>9,918</b>	<b>117,645</b>	<b>164,920</b>	<b>275,335</b>	<b>4,244,991</b>

<b>Expenditures:</b>						
Current:						
General Government	288,657	-	-	-	157,425	446,082
Public Safety	195,922	-	-	-	83,000	278,922
Public Works	387,193	-	-	-	119,340	506,533
Water and Sewer	-	-	94,903	179,055	-	273,958
Education	2,678,652	-	-	-	-	2,678,652
Health and Human Services	34,361	-	-	-	34,677	69,038
Culture and Recreation	68,410	-	-	-	23,514	91,924
Employee Benefits and Insurance	150,573	-	-	-	-	150,573
State Assessments	10,163	-	-	-	-	10,163
Debt Service:						
Principal	35,000	-	-	-	-	35,000
Interest	4,565	-	-	-	-	4,565
<b>Total Expenditures</b>	<b>3,853,496</b>	<b>-</b>	<b>94,903</b>	<b>179,055</b>	<b>417,956</b>	<b>4,545,410</b>

<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(176,323)</b>	<b>9,918</b>	<b>22,742</b>	<b>(14,135)</b>	<b>(142,621)</b>	<b>(300,419)</b>
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<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	117,383	155,000	-	-	50,000	322,383
Operating Transfers Out	(155,000)	(68,410)	(13,750)	-	(85,223)	(322,383)
<b>Total Other Financing Sources (Uses)</b>	<b>(37,617)</b>	<b>86,590</b>	<b>(13,750)</b>	<b>-</b>	<b>(35,223)</b>	<b>-</b>

<b>Net Change in Fund Balances</b>	<b>(213,940)</b>	<b>96,508</b>	<b>8,992</b>	<b>(14,135)</b>	<b>(177,844)</b>	<b>(300,419)</b>
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<b>Fund Balances, Beginning of Year</b>	<b>594,305</b>	<b>779,990</b>	<b>147,875</b>	<b>128,146</b>	<b>324,210</b>	<b>1,974,526</b>
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<b>Fund Balances, End of Year</b>	<b>\$ 380,365</b>	<b>\$ 876,498</b>	<b>\$ 156,867</b>	<b>\$ 114,011</b>	<b>\$ 146,366</b>	<b>\$ 1,674,107</b>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2010**

<b>Total Governmental Fund Balances</b>		\$ 1,674,107
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,125,172
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		370,963
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (82,877)	
Compensated Absences	<u>(23,145)</u>	(106,022)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds interest is not reported until due.		<u>(1,784)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 4,062,436</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2010**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (300,419)**

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 345,105	
Depreciation	<u>(181,399)</u>	163,706

Revenue 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.

34,417

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:

Repayment of Debt Principal		35,000
-----------------------------	--	--------

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:

Compensated absences	4,294	
Accrued Interest	<u>848</u>	<u>5,142</u>

**Change in Net Assets of Governmental Activities** **\$ (62,154)**

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
<b>Revenues:</b>					
Property Taxes	\$ 2,843,299	\$ 2,783,692	\$ 2,748,190	\$ -	\$ (35,502)
Intergovernmental	565,195	565,195	564,687	-	(508)
Excise and Other Taxes	241,000	241,000	218,149	-	(22,851)
Licenses, Permits, Fees	109,500	109,500	105,091	-	(4,409)
Interest on Taxes	22,000	22,000	23,306	-	1,306
Interest on Investments	15,000	15,000	7,150	-	(7,850)
<b>Total Revenues</b>	<b>3,795,994</b>	<b>3,736,387</b>	<b>3,666,573</b>	<b>-</b>	<b>(69,814)</b>
<b>Expenditures:</b>					
Current:					
General Government	275,062	314,226	288,657	7,090	18,479
Public Safety	206,041	206,059	195,922	-	10,137
Public Works	367,045	402,288	387,193	615	14,480
Education	2,746,261	2,682,898	2,678,652	-	4,246
Health and Human Services	20,292	35,087	34,361	-	726
Culture and Recreation	41,695	74,685	68,410	-	6,275
Employee Benefits and Insurance	151,063	151,344	150,573	-	771
State Assessments	10,723	10,723	10,163	-	560
Debt Service:					
Principal	70,000	70,000	35,000	-	35,000
Interest	9,152	9,152	4,565	-	4,587
<b>Total Expenditures</b>	<b>3,897,334</b>	<b>3,956,462</b>	<b>3,853,496</b>	<b>7,705</b>	<b>95,261</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(101,340)</b>	<b>(220,075)</b>	<b>(186,923)</b>	<b>(7,705)</b>	<b>25,447</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	(104,273)	(79,863)	(37,617)	-	42,246
<b>Total Other Financing Sources (Uses)</b>	<b>(104,273)</b>	<b>(79,863)</b>	<b>(37,617)</b>	<b>-</b>	<b>42,246</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(205,613)</b>	<b>(299,938)</b>	<b>(224,540)</b>	<b>(7,705)</b>	<b>67,693</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>579,905</b>	<b>579,905</b>	<b>579,905</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 374,292</b>	<b>\$ 279,967</b>	<b>\$ 355,365</b>	<b>\$ (7,705)</b>	<b>\$ 67,693</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2010**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 3,666,573	\$ 3,853,496
Net Increase in Revenue from Recording 60-Day Receipts	<u>10,600</u>	
<b>Reported on a GAAP Basis</b>	<u>\$ 3,677,173</u>	<u>\$ 3,853,496</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2010**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,998	\$ 6,042
Investments	413,418	-
<b>Total Assets</b>	<b>417,416</b>	<b>6,042</b>
<b>LIABILITIES</b>		
Due to Others	-	6,042
<b>Total Liabilities</b>	<b>-</b>	<b>6,042</b>
<b>NET ASSETS:</b>		
Held in Trust for Other Purposes	<b>\$ 417,416</b>	<b>\$ -</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Contributions:	
Donations	\$ 11,393
Total Contributions	<u>11,393</u>
Investment Income:	
Interest & Dividends	771
Net Increase (Decrease) in Fair Value of Investments	<u>20,294</u>
Total Investment Earnings	<u>21,065</u>
<b>Total Additions</b>	<u>32,458</u>
<b>Deductions:</b>	
General Government	<u>124,867</u>
<b>Total Deductions</b>	<u>124,867</u>
<b>Change in Net Assets</b>	<u>(92,409)</u>
<b>Net Assets at Beginning of Year</b>	<u>509,825</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 417,416</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Huntington, Massachusetts (the Town) was incorporated in 1855 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. In fiscal year 2010, it was determined that no entities met the required GASB-39 criteria for component units.

The Town is responsible for electing the committee members of the Gateway Regional School District. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing members of the committee. Audited financial statements are available from the respective organization. A description of the related organizations is as follows:

**Gateway Regional School District** - A regional school district made up of seven communities to serve and provide a learning environment. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects three district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

The accompanying basic financial statements of the Town of Huntington, 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 Town accounting policies are described herein.

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

The government-wide financial statements (e.g., 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.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods,



**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

***Major Fund Criteria***

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

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

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The *water fund* is a special revenue fund used to account for the accumulation of resources to provide water services to the Town's citizens.

The *sewer fund* is a special revenue fund used to account for the accumulation of resources to provide sewer services to the Town's citizens.

Additionally, the Town reports the following fund types:

*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 government programs.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

The non-major governmental fund consists of other special revenue and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

**E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

**F. Receivables**

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

***Property Taxes and Tax Liens***

Property taxes are based on assessments as of January 1, 2009 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2010 on June 25, 2009, that were due on August 3, 2009 and November 2, 2009 and actual bills on January 11, 2010 that were due on February 11, 2010 and May 3, 2010.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2010 is \$2,800,266 consisting of a base of \$2,565,959 and a debt exclusion of \$234,307. The total amount raised by taxation was \$2,798,205.

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

***Excise Taxes***

Excise taxes consist of motor vehicle excise.

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

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

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

***User Charges***

User charges and fees consist of water and sewer services and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the levy.

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

**G. Capital Assets**

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental 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.

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

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

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

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.

**H. Interfund Transfers**

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**I. Deferred Revenue**

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

**J. Net Assets and Fund Equity**

Net assets are reported as restricted when amounts 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:

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

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

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

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

<b>General Fund:</b>	
Undesignated Fund Balance:	
(Free Cash)	\$ 46,313
<b>Major Funds:</b>	
Stabilization Fund	4,500
Sewer Fund	30,000
<b>Nonmajor Governmental Fund:</b>	
Capital Improvement Fund	27,000
	<u>\$ 107,813</u>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**K. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide statement of net assets. The face amount of governmental funds long-term debt is reported as other financing sources.

**L. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their current rates of pay.

**M. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The Town does not pay the cost of health insurance as the retirees pay 100 percent. There are two retirees in the plan at June 30, 2010. The Town had an actuarial valuation completed and the results indicated that the amount on the financial statements was immaterial.

**N. Use of Estimates**

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**D. Budgetary Information**

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Estimates are submitted by departments.

Budgets are given to the finance committee for review.

Finance committee meets with various departments to discuss the budget.

Finance committee approves the budget and presents the budget at the annual Town meeting.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2010, the Town incurred a final budget deficit of \$299,938 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash votes	\$ 290,151
Prior year's encumbrances	9,787
	<u>\$ 299,938</u>

### **3. DETAILED NOTES**

#### **A. Deposit, Investments and Investments in Custody of Trustees**

##### **Deposits and Investment Policies**

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits, including demand deposits, money market and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Generally, the treasurer of the Town is authorized to invest in the following investments: national banks, savings banks or banking companies,



**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations, or units in the Commonwealth Treasurer's Investment Pool. The pool is administered by the Massachusetts Municipal Depository Trust, 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 Town policy is to follow the state statutes.

**Custodial Credit Risks - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2010 were \$1,227,303. Of these, \$96,502 were exposed to custodial credit risk as uninsured and uncollateralized.

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$914,045 none are at risk.

As of June 30, 2010, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)
		Less Than 1
Debt Securities:		
Bond mutual funds	\$ 103,464	<u>\$ 103,464</u>
Other Investments:		
Equity mutual funds	229,306	
Cash in investment account	5,032	
MMDT	<u>576,243</u>	
	<u>\$ 914,045</u>	

**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's exposure to credit risk as of June 30, 2010 is as follows:

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<i>Bond Mutual Funds</i>	
Not rated	\$ 103,464

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. There are no investments that are more than 5 percent of the Town's investments.

**B. Receivables**

At June 30, 2010, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 163,362	\$ (250)	\$ 163,112
User charges	48,822	(2,000)	46,822
Tax liens	28,672	-	28,672
Excise taxes	37,459	(5,000)	32,459
Due from other governments	134,175	-	134,175
	<u>\$ 412,490</u>	<u>\$ (7,250)</u>	<u>\$ 405,240</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.

The balance of the general fund deferred revenues account is equal to all of June 30, 2010 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$138,112.

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

The various components of the other deferred revenue reported in the governmental funds were as follows:

<b>General Fund:</b>		
Tax liens	\$ 28,672	
Excise taxes	<u>32,459</u>	\$ 61,131
<b>Major Funds:</b>		
<b>Water Fund:</b>		
User charges		20,728
<b>Sewer Fund:</b>		
User Charges		26,094
<b>Nonmajor Governmental Funds:</b>		
Due from other governments		<u>124,898</u>
		<u><u>\$ 232,851</u></u>

The composition of amounts due from other governments as of June 30, 2010 for the governmental funds is as follows:

<b>General Fund:</b>		
<b>Commonwealth of Massachusetts:</b>		
Department of Revenue -		
Veterans, blind and surviving spouse	\$ 2,725	
Department of Veterans' Affairs -		
Veterans' benefits	1,990	
OBRA reimbursements	<u>4,562</u>	\$ 9,277
<b>Nonmajor Governmental Funds:</b>		
<b>Commonwealth of Massachusetts:</b>		
Massachusetts Highway Department -		
Chapter 90 funded projects		<u>124,898</u>
		<u><u>\$ 134,175</u></u>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**C. Capital Assets**

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 111,417	\$ -	\$ -	\$ 111,417
Total capital assets not being depreciated	111,417	-	-	111,417
Capital assets being depreciated:				
Buildings and Renovations	632,110	206,025	-	838,135
Machinery, equipment and other	1,383,781	51,335	-	1,435,116
Infrastructure	3,452,991	87,745	-	3,540,736
Total capital assets being depreciated	5,468,882	345,105	-	5,813,987
Less accumulated depreciation for:				
Buildings and Renovations	362,406	33,226	-	395,632
Machinery, equipment and other	1,070,679	84,294	-	1,154,973
Infrastructure	2,185,747	63,880	-	2,249,627
Total accumulated depreciation	3,618,832	181,400	-	3,800,232
Total capital assets being depreciated, net	1,850,050	163,705	-	2,013,755
Total governmental activities capital assets, net	\$ 1,961,467	\$ 163,705	\$ -	\$ 2,125,172

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

**Governmental Activities:**

General government	\$ 18,438
Public safety	36,318
Public works	92,178
Culture and recreation	689
Sewer	18,456
Water	15,321
Total depreciation expense - governmental activities	<u>\$ 181,400</u>

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Stabilization fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 155,000	\$ -	\$ 155,000
Stabilization fund	18,410	-	50,000	68,410
Water fund	13,750	-	-	13,750
Nonmajor governmental funds	85,223	-	-	85,223
Total transfers out	<u>\$ 117,383</u>	<u>\$ 155,000</u>	<u>\$ 50,000</u>	<u>\$ 322,383</u>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**E. Long Term Debt**

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2010
<b>Inside Debt:</b>					
Highway truck	1.35%	05/21/10	05/20/11	\$ 87,877	\$ 12,877
<b>Outside Debt:</b>					
Water meters	5.00%	09/26/06	09/29/16	\$ 100,000	70,000
Total governmental type debt					<u>\$ 82,877</u>

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2010, are as follows:

Governmental	Principal	Interest	Total
2011	\$ 22,877	\$ 3,424	\$ 26,301
2012	10,000	2,750	12,750
2013	10,000	2,250	12,250
2014	10,000	1,750	11,750
2015	10,000	1,250	11,250
2016-2017	20,000	1,000	21,000
	<u>\$ 82,877</u>	<u>\$ 12,424</u>	<u>\$ 95,301</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
Serial bonds	\$ 117,877	\$ -	\$ 35,000	\$ 82,877	\$ 22,877
<b>Compensated absences</b>	27,440	-	4,295	23,145	4,629
Governmental activity					
Long-term liabilities	<u>\$ 145,317</u>	<u>\$ -</u>	<u>\$ 39,295</u>	<u>\$ 106,022</u>	<u>\$ 27,506</u>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
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**June 30, 2010**

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2010 totaled \$12,877.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2010

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 218,199,600
Debt Limit: 5 % of Equalized value		<u>\$ 10,909,980</u>
Total Debt Outstanding	\$ 82,877	
Less: Debt Outside Debt Limit	<u>(70,000)</u>	<u>12,877</u>
Inside Debt Excess Borrowing Capacity at June 30, 2010		<u><u>\$ 10,897,103</u></u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued, excluding refunding notes, as of June 30, 2010 and are not reflected in the Town's financial statements are as follows:

<b>Date of Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
05/03/04	Purchase a new fire department pumper	\$ 5,367
09/28/05	Purchase and installation of water meters	50,000
05/01/06	Dump truck with a wing	<u>27,123</u>
		<u><u>\$ 82,490</u></u>

**Overlapping Debt**

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<b>Long Term Debt</b>	<b>Town's Estimated Share</b>	<b>Town's Estimated Indirect Debt</b>
Gateway Regional School District: Building project	<u>\$ 7,872,000</u>	24.623%	<u>\$ 1,938,323</u>

**F. Special Trust Funds**

**Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2010, \$876,498 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

**4. OTHER INFORMATION**

**A. Risk Management**

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Town Meeting – Fiscal Year 2011**

The Town of Huntington operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2010 do not reflect the fiscal year 2011 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on June 7, 2010 and Special Town Meeting on September 15, 2010 authorized a fiscal year 2011 operating and capital budget as follows:

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

From the tax levy	\$ 4,051,049
From Other Available Funds:	
(Designated for Subsequent Years' Expenditures)	
<b>General Fund:</b>	
Undesignated Fund Balance:	
(Free Cash)	46,313
<b>Major Fund:</b>	
Stabilization fund	4,500
Sewer fund	30,000
<b>Nonmajor Governmental Fund:</b>	
Capital improvement fund	27,000
	<u>\$ 4,158,862</u>

### **C. Contingent Liabilities**

#### **Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

### **D. Pension Plan**

#### **Plan Description**

The Town, as a member of the Hampshire County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampshire County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System.

The Town has approximately 28 employees in the retirement system.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases 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 Hampshire County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 99 Industrial Drive, Northampton, Massachusetts.



**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**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. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2010, 2009 and 2008 is shown below, which equaled its required contribution for each fiscal year.

<b>Fiscal Year Ended June 30</b>	<b>Town's Contribution</b>
2010	\$ 75,897
2009	75,442
2008	71,293

The last actuarial valuation was prepared by the Segal Company as of January 1, 2007.

The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually, (b) projected salary, including longevity, increases of 4.75% to 5.25% per year per member, (c) cost of living increase of 3% of the first \$12,000 of retirement income.

The unfunded actuarial liability for the entire system is \$94,388,066. The Town's portion of such liability is approximately .62% or \$585,206.

**Reporting Policies**

The funds of the Hampshire County Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
Arts Lottery Council Grants	\$ 3,180	\$ 4,011	\$ 3,704	\$ -	\$ 3,487
Conservation Grants	2	6,000	-	(6,000)	2
Council on Aging Grants	1,120	3,500	4,151	-	469
Emergency Management Grants	46,437	7,012	5,151	(39,576)	8,722
Health Grants	2,000	1,300	2,000	-	1,300
Highway Grants	63	119,276	119,339	-	-
Library Grants	60,685	3,496	14,697	-	49,484
Public Safety Grants	6,812	-	6,171	-	641
Well Head Protection Grants	768	-	-	-	768
<b>Other:</b>					
Administrative Assistant Fees	-	510	510	-	-
Agriculture Committee Revolving	20	-	-	-	20
Capital Improvement Fund	109,840	-	63,368	-	46,472
Community Development Loans Income Reuse	29,256	6	79,262	50,000	-
Conservation Wetlands Fees	3,946	1,367	275	-	5,038
Council on Aging Transportation	31,630	33,794	25,777	(39,647)	-
Deputy Collector Fees	4	6,899	6,903	-	-
Insurance Reimbursement	-	5,114	5,114	-	-
Murrayfield Old Tank	4,144	-	-	-	4,144
Police Extra Duty	(269)	71,946	71,677	-	-
Recreation Fund	108	-	-	-	108
Recycling Grant	866	-	-	-	866
Sara Gillette Services Council on Aging	728	2,731	2,750	-	709
Town Clerk Fees	338	2,080	2,307	-	111
Town Collector Fees	6,374	6,065	4,800	-	7,639
Zoning Board of Appeals Escrow Funds	1,251	120	-	-	1,371
Conservation Fund	900	13	-	-	913
Post-War Rehabilitation Fund	10,743	47	-	-	10,790
<b>Total Special Revenue Funds</b>	<b>320,946</b>	<b>275,287</b>	<b>417,956</b>	<b>(35,223)</b>	<b>143,054</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	3,264	48	-	-	3,312
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 324,210</b>	<b>\$ 275,335</b>	<b>\$ 417,956</b>	<b>\$ (35,223)</b>	<b>\$ 146,366</b>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES**  
**JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
<b>Real Estate Taxes:</b>						
Levy of 2010	\$ -	\$ 2,735,948	\$ 23,469	\$ 2,583,130	\$ 129,349	\$ 129,349
Levy of 2009	104,193	-	4,741	66,282	33,170	33,170
Levy of 2008	31,353	-	4,408	26,945	-	-
Levy of 2007	49	-	-	49	-	-
	135,595	2,735,948	32,618	2,676,406	162,519	162,519
<b>Personal Property Taxes:</b>						
Levy of 2010	-	62,263	64	61,776	423	423
Levy of 2009	936	-	37	700	199	199
Levy of 2008	643	-	37	490	116	116
Levy of 2007	136	-	-	31	105	105
	1,715	62,263	138	62,997	843	843
<b>Total Real Estate and Personal Property Taxes</b>	<b>\$ 137,310</b>	<b>\$ 2,798,211</b>	<b>\$ 32,756</b>	<b>\$ 2,739,403</b>	<b>\$ 163,362</b>	<b>\$ 163,362</b>

**TOWN OF HUNTINGTON, MASSACHUSETTS**  
**SCHEDULE OF MOTOR VEHICLE EXCISE TAXES**  
**JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2010	\$ -	\$ 198,044	\$ 17,140	\$ 159,884	\$ 21,020	\$ 21,020
Levy of 2009	14,296	29,033	3,654	35,085	4,590	4,590
Levy of 2008	4,974	15	168	2,109	2,712	2,712
Levy of 2007	3,160	-	-	457	2,703	2,703
Levy of 2006	1,450	-	-	327	1,123	1,123
Prior Years	5,895	-	-	584	5,311	5,311
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 29,775</b>	<b>\$ 227,092</b>	<b>\$ 20,962</b>	<b>\$ 198,446</b>	<b>\$ 37,459</b>	<b>\$ 37,459</b>

TOWN OF HUNTINGTON, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2009 TO JUNE 30, 2010

	Uncollected Accounts July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2010	Uncollected Accounts Per Detail June 30, 2010
<b>Tax Liens</b>	\$ 16,516	\$ 20,943	\$ -	\$ 8,787	\$ 28,672	\$ 28,672