

TOWN OF SCITUATE, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2007

TOWN OF SCITUATE, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Scituate, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the year ended June 30, 2007 which collectively comprise the Town of Scituate, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Scituate, Massachusetts. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 – 10 and the required supplementary information on pages 41 - 42 as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2008, on our consideration of the Town of Scituate, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 22, 2008

Management's Discussion and Analysis

As the management of the Town of Scituate, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found on pages 11 – 42.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$98.2 million (*total net assets*). Of this amount, approximately \$19.2 million (*total unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased less than 1% over the previous year as results on a government-wide basis approximated expectations.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$13.1 million. This represents a decrease of approximately \$3.4 million over the previous year. This was mainly a result of an increase in capital spending funded with bond anticipation notes that are not considered revenues on a fund wide basis. Of the ending fund balance approximately \$3.1 million is *available for spending* at the government's discretion either as *unreserved fund balance* or *stabilization*. The remainder is earmarked for specific expenditures.
- The accounting treatment for certain items vary greatly between the Statement of Net Assets and the Governmental Fund Balance Sheet, thus the significant differences in equity and fund balance amounts between the two statements noted above. A reconciliation has been provided on page 15 of the accompanying basic financial statements to assist the reader to understand these differences.
- At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$1.2 million, or approximately 2.3% percent of total general fund expenditures.
- The Town's total long-term debt decreased by approximately \$3.1 million due to regular scheduled pay downs of debt during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements (pages 11-12), 2) fund financial statements (pages 13-21), and 3) notes to the financial statements (pages 22-40). This report also contains other supplementary information (pages 41-42) 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 the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town 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 of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, debt service, fringe benefits and culture and recreation. The business-type activities of the Town include water, sewer, golf, waterways and transfer station enterprise funds. The government-wide financial statements can be found on pages 11-12 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 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 financial statements focus on *near-term inflows and outflows 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 financing 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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided on pages 15-16 to facilitate this comparison between *governmental funds* and *governmental activities*.

Overview of the Financial Statements (continued)

Fund Financial Statements (continued)

Governmental Funds (continued) The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Stabilization fund, Massachusetts Bay Transportation Authority and Community Preservation Fund. Data from the other three governmental funds are combined into a single, aggregated presentation as Non-major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found on page 41 of this report.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

Proprietary Funds. The Town maintains five types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer enterprises.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, golf, waterways and transfer station enterprises. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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 statement 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.

The basic fiduciary fund financial statements can be found of pages 20-21 of this report.

Notes to the 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. The notes to the financial statements can be found of pages 22-40 of this report.

Government-Wide Financial Analysis

<u>Net Assets</u>						
	<u>Governmental activities</u>		<u>Business activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and other assets	\$ 24,815,421	\$ 26,264,894	\$ 14,310,031	\$ 16,930,511	\$ 39,125,452	\$ 43,195,405
Capital assets, net	63,894,625	60,903,398	54,467,180	53,550,170	118,361,805	114,453,568
Total assets	88,710,046	87,168,292	68,777,211	70,480,681	157,487,257	157,648,973
<u>Liabilities</u>						
Long term liabilities	12,150,715	12,998,822	31,860,290	33,942,024	44,011,005	46,940,846
Other liabilities	10,847,357	8,918,453	4,401,594	4,089,495	15,248,951	13,007,948
Total liabilities	22,998,072	21,917,275	36,261,884	38,031,519	59,259,956	59,948,794
<u>Net Assets</u>						
Invested in capital assets, net of related debt	49,183,701	48,248,391	29,353,547	29,855,119	78,537,248	78,103,510
Restricted	496,936	428,511			496,936	428,511
Unrestricted	16,031,337	16,574,115	3,161,780	2,594,043	19,193,117	19,168,158
Net Assets	<u>\$ 65,711,974</u>	<u>\$ 65,251,017</u>	<u>\$ 32,515,327</u>	<u>\$ 32,449,162</u>	<u>\$ 98,227,301</u>	<u>\$ 97,700,179</u>

Government-Wide Financial Analysis

Changes in Net Assets

Assets	Governmental activities		Business activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 4,113,896	\$ 4,119,834			\$ 4,113,896	\$ 4,119,834
Operating grants and contributions	12,620,858	11,017,046			12,620,858	11,017,046
Capital grants and contributions	1,172,340	2,554,858	\$ 481,262	\$ 532,087	1,653,602	3,086,945
General revenues:						
Property taxes	35,745,001	33,871,997			35,745,001	33,871,997
Intergovernmental	2,512,898	2,268,155			2,512,898	2,268,155
Other	3,580,651	3,559,482	166,286	4,854,757	3,746,937	8,414,239
Water			2,384,411	2,318,403	2,384,411	2,318,403
Sewer			1,294,322	1,881,442	1,294,322	1,881,442
Golf			1,251,353	1,088,562	1,251,353	1,088,562
Transfer Station			930,776	873,627	930,776	873,627
Waterways			877,634	875,340	877,634	875,340
Total revenues	59,745,644	57,391,372	7,386,044	12,424,218	67,131,688	69,815,590
Expenses						
General government	1,406,392	2,229,601			1,406,392	2,229,601
Public safety	7,560,671	7,197,557			7,560,671	7,197,557
Education	28,924,141	29,132,313			28,924,141	29,132,313
Public works	5,011,328	2,322,955			5,011,328	2,322,955
Health and human services	550,253	576,284			550,253	576,284
Culture and recreation	1,421,847	2,146,084			1,421,847	2,146,084
Pension and other fringe benefits	11,284,278	9,834,205			11,284,278	9,834,205
State and county	452,904	412,750			452,904	412,750
Debt service	675,215	453,555	1,405,666		2,080,881	453,555
Community preservation	1,209,176	195,371			1,209,176	195,371
Water			1,976,123	2,079,348	1,976,123	2,079,348
Sewer			1,806,479	2,594,068	1,806,479	2,594,068
Golf			1,059,427	1,165,880	1,059,427	1,165,880
Transfer Station			1,133,588	1,042,306	1,133,588	1,042,306
Waterways			727,078	919,703	727,078	919,703
Total expenses	58,496,205	54,500,675	8,108,361	7,801,305	66,604,566	62,301,980
Increase (deficiency) in net assets before transfers	1,249,439	2,890,697	(722,317)	4,622,913	527,122	7,513,610
Transfers	(788,482)	(581,637)	788,482	581,637	-	-
Increase in net assets	460,957	2,309,060	66,165	5,204,550	527,122	7,513,610
Net assets, beginning of year	65,251,017	62,941,957	32,449,162	27,244,612	97,700,179	90,186,569
Net assets, end of year	\$ 65,711,974	\$ 65,251,017	\$ 32,515,327	\$ 32,449,162	\$ 98,227,301	\$ 97,700,179

Government-Wide Financial Analysis (continued)

Statement of Net Assets (see page 5) As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$98.2 million at the close of the most recent fiscal year.

By far the largest portion (approximately 80.0%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of 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 Town's net assets (less than 1.0%) represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets*, (approximately 19.5%), 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 and business-type activities.

Statement of Activities (see page 6) The government's total net assets increased by approximately \$0.5 million. Governmental activities increased net assets by approximately \$0.4 million and Business type activities increased net assets by approximately \$0.1 million. Results of operations approximated expectations.

Major revenue sources of the Governmental activities consist of Property taxes which represented approximately 59.8% of total governmental revenues and intergovernmental revenues which represented approximately 27.3% of total governmental revenues. Business type activities consist of revenues from the operations of Water approximately 32.3%, Sewer approximately 17.5%, Golf approximately 16.9%, Transfer Station approximately 12.6% and the Waterways funds approximately 11.9%. Intergovernmental revenues of the Business type activities represented approximately 6.5% of total Business type revenues.

Major expense categories of the Governmental activities consist of Education which represented approximately 49.5% of total expenses, Pension and other fringe benefits which represented approximately 19.3% of total expenses, and Public Safety which represented approximately 12.9% of total expenses. Business type activities consist of expenses from the operations of Water approximately 24.4%, Sewer approximately 22.3%, Golf approximately 13.1%, Transfer Station approximately 14.0%, Waterways funds approximately 9.0% and Debt service approximately 17.3%.

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$13.1 million. This represents a decrease of approximately \$3.4 million over the previous year. This was mainly a result of an increase in capital spending funded with bond anticipation notes that are not considered revenues on a fund wide basis. Of the ending fund balance approximately \$3.1 million is *available for spending* at the government's discretion either as *unreserved fund balance* or *stabilization*. The remainder is earmarked for specific expenditures.

General fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$1.2 million, while total fund balance reached approximately \$3.5 million. 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. Unreserved fund balance represents approximately 2.3 % of total general fund expenditures, while total fund balance represents approximately 6.8 % of that same amount.

Stabilization fund has a total fund balance of approximately \$2.0 million. These are unencumbered accumulated financial resources that are subject to appropriation as directed by the Town's legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

Mitigation fund has a total fund balance of approximately \$4.8 million. The fund is used to account for funds received from the Massachusetts Bay Transportation Authority (MBTA) in relation to a mitigation agreement between the Town and the MBTA, in which the MBTA has been allowed to operate a railway transportation service through the Town.

Community Preservation Fund has a total fund balance of approximately \$3.9 million. The fund is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net assets of the water fund amounted to approximately \$11.3 million; net assets of the sewer fund amounted to approximately \$18.8 million, net assets of the golf fund amounted to approximately \$80,000, net deficit of the Transfer Station amounted to approximately \$0.4 million and net assets of the Waterways fund amounted to approximately \$2.8 million. Proprietary fund total net assets increased by approximately \$0.1 million as results approximated expectations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant. The schedule of budgetary information is provided on page 41.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to approximately \$118.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment. The Town’s Governmental Capital assets increased by approximately \$5.7 million due to purchases and construction and decreased by approximately \$2.7 million due to depreciation for a net increase of approximately \$3.0 million. The Town’s Business Capital assets increased by approximately \$2.8 million due to purchases and construction and decreased by approximately \$1.9 million due to depreciation for a net increase of approximately \$0.9 million.

Capital Assets (000’s)

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Land	\$ 16,943	\$ 3,675	\$ 20,618
Buildings and improvements	39,728	12,320	52,048
Infrastructure	15,272	56,445	71,717
Construction in process	3,256	2,146	5,402
Vehicles and equipment	9,586	2,361	11,947
	<u>84,785</u>	<u>76,947</u>	<u>161,732</u>
Less: Accumulated depreciation	<u>(20,890)</u>	<u>(22,480)</u>	<u>(43,370)</u>
Total capital assets	<u>\$ 63,895</u>	<u>\$ 54,467</u>	<u>\$ 118,362</u>

Additional information on the Town capital assets can be found in note III. B on pages 30-31 of this report.

Long-term Debt. At the end of the current fiscal year, the Town had total debt outstanding of approximately \$44.0 million. The entire amount comprises debt backed by the full faith and credit of the government. Of this amount approximately \$11.8 million represents general obligation bonds of governmental activities and approximately \$32.2 million represents general obligation bonds of business-type activities. The Town’s total long-term debt decreased by approximately \$3.1 million due to regular scheduled pay downs of debt.

The Town will receive reimbursements for principal pay down of these notes in the amount of approximately \$2.7 million and future interest also in the amount of approximately \$3.3 million as of the year ended June 30, 2007 from the Massachusetts Water Pollution Abatement Trust (MWPAT).

The Town also has outstanding approximately \$7.8 million of bond anticipation notes payable.

The Town maintains an “Aaa” rating as set by Moody’s for general obligation debt.

State statutes limit the amount of general obligation debt a Town may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$210.8 million, which is significantly in excess of the Town’s outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in note III.E and F on pages 29-32 of this report.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates for the Town as listed by *Massachusetts Executive Office of Labor and Workforce Development Division of Unemployment Assistance*) have been more favorable than both State and National averages. The latest unemployment rate figures available are for the month of November 2007 and are 3.7% for the Town as compared to 4.3% for the State and 4.7% Nationally.
- The Town's real estate tax base is made up predominantly of residential taxes, which represent 96.0 % of the Town's real estate tax base. The Town does not rely heavily on its commercial or industrial real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- Inflationary trends in the Town's housing market are higher than national indices. Inflationary trends for retail durable and consumable products in the region are consistent with state and national indices.

All of the above items were considered when the Town developed its budget for fiscal year 2008.

On March 3, 2007, Town Meeting approved the Town's fiscal year 2008 budget. All of the above items were considered when the Town developed this budget. General Fund appropriations approved were approximately \$52.4 million, and Enterprise fund appropriations approved were approximately \$8.8 million. For the General fund, property taxes of approximately \$38.9 million (net of overlay) make up approximately 73.7% of the appropriation funding sources (this includes a proposition 2 ½ general override for approximately \$2.8 million as well as a debt exclusion override for \$0.8 million to fund school computers and books), State aid of approximately \$7.2 million make up approximately 13.7% of the appropriation funding sources, local receipts of approximately \$5.2 million make up approximately 9.9% of the appropriation funding sources and the remainder, approximately 2.7% is made up of free cash, transfers from special revenue funds, and reimbursements from Enterprise funds for indirect costs. Funding for Enterprise funds is made up primarily from user charges and a subsidy from the General fund.

On December 19, 2007 the Town's tax rate was certified by the Department of Revenue.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, 600 Chief Justice Cushing Way Scituate, Massachusetts 02066.

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	\$ 19,159,905	\$ 4,810,179	\$ 23,970,084
Investments	1,895,667		1,895,667
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	697,018		697,018
Motor vehicle and boat excise	241,812		241,812
User fees	278,051	214,452	492,503
Departmental and other	176,365		176,365
Intergovernmental	874,654	4,902,697	5,777,351
Inventory of supplies		70,736	70,736
Total Current Assets	23,323,472	9,998,064	33,321,536
NONCURRENT:			
Restricted:			
Cash	496,936		496,936
Receivables, net of allowance for uncollectibles:			
Property taxes deferred	237,118		237,118
Unapportioned assessments		4,311,967	4,311,967
Tax liens	757,895		757,895
Land	16,942,532	3,675,000	20,617,532
Depreciable capital assets	43,696,316	48,647,261	92,343,577
Construction in process	3,255,777	2,144,919	5,400,696
TOTAL ASSETS	88,710,046	68,777,211	157,487,257
LIABILITIES			
CURRENT:			
Warrants and accounts payable	1,334,304	243,275	1,577,579
Accrued interest	146,421	344,114	490,535
Accrued payroll	973,128		973,128
Retainage	110,835		110,835
Unearned revenue		372,952	372,952
Planning Board deposits	974,986		974,986
Bond anticipation notes payable	6,292,000	1,195,000	7,487,000
Compensated absences	136,569	13,298	149,867
Municipal landfill		75,000	75,000
Capital lease obligations		148,639	148,639
Current portion of debt	879,114	2,009,316	2,888,430
Total Current Liabilities	10,847,357	4,401,594	15,248,951
NONCURRENT:			
Bond and note indebtedness	10,921,597	30,165,604	41,087,201
Municipal landfill		1,575,000	1,575,000
Compensated absences	1,229,118	119,686	1,348,804
TOTAL LIABILITIES	22,998,072	36,261,884	59,259,956
NET ASSETS			
Invested in capital assets, net of related debt	49,183,701	29,353,547	78,537,248
Restricted for			
Perpetual funds			
Expendable	496,936		496,936
Unrestricted net assets	16,031,337	3,161,780	19,193,117
NET ASSETS	\$ 65,711,974	\$ 32,515,327	\$ 98,227,301

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities:						
General government	\$ 1,406,392	\$ 859,337	\$ 3,667	\$ (543,388)	\$	\$ (543,388)
Public safety	7,560,671	726,155	188,563	(6,645,953)		(6,645,953)
Education	28,924,141	1,947,503	6,332,460	(20,644,178)		(20,644,178)
Public works	5,011,328	54,642	\$ 1,172,340	(3,784,346)		(3,784,346)
Health and human services	550,253	92,120	59,623	(398,510)		(398,510)
Culture and recreation	1,421,847	434,139	442,488	(545,220)		(545,220)
Pension and fringe benefits	11,284,278		4,808,088	(6,476,190)		(6,476,190)
State and County charges	452,904			(452,904)		(452,904)
Debt service	675,215			(675,215)		(675,215)
Community preservation	1,209,176		785,969	(423,207)		(423,207)
Total Governmental Activities	58,496,205	4,113,896	12,620,858	(40,589,111)		(40,589,111)
Business-Type Activities:						
Water	1,976,123	2,384,411		\$ 408,288	\$	408,288
Sewer	1,806,479	1,294,322	481,262	(30,895)		(30,895)
Transfer Station	1,133,588	930,776		(202,812)		(202,812)
Golf	1,059,427	1,251,353		191,926		191,926
Waterways	727,078	877,634		150,556		150,556
Debt service	1,405,666			(1,405,666)		(1,405,666)
Total Primary Government	66,604,566	10,852,392	12,620,858	(40,589,111)	(888,603)	(41,477,714)
General Revenues:						
Real and personal property taxes			\$	\$ 35,745,001		35,745,001
Motor vehicle and other excise				2,293,988		2,293,988
Intergovernmental				2,512,898		2,512,898
Investment income				1,070,123	68,602	1,138,725
Other				231,409	97,684	329,093
Loss on disposal of assets				(14,869)		(14,869)
Transfers (net)				(788,482)	788,482	
Total general revenues and transfers				41,050,068	954,768	42,004,836
Change in Net Assets				460,957	66,165	527,122
Net Assets:						
Beginning of year				65,251,017	32,449,162	97,700,179
End of year				\$ 65,711,974	\$ 32,515,327	\$ 98,227,301

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	General	Stabilization	Mitigation	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 3,732,006	\$ 1,955,276	\$ 4,780,559	\$ 3,865,629	\$ 4,826,435	\$ 19,159,905
Investments - restricted	1,895,667					1,895,667
Receivables, net of allowance for uncollectibles						
Real estate and personal property taxes	674,247					674,247
Property tax deferrals	259,889					259,889
Other	1,394,286				59,837	1,454,123
Due from Commonwealth - Grants					874,654	874,654
Due from other funds	4,446					4,446
Cash - restricted					496,936	496,936
Total Assets	\$ 7,960,541	\$ 1,955,276	\$ 4,780,559	\$ 3,865,629	\$ 6,257,862	\$ 24,819,867
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants and accounts payable	\$ 508,751				\$ 825,553	\$ 1,334,304
Accrued payroll and withholdings	973,128					973,128
Planning deposits	974,986					974,986
Deferred revenues	2,000,012				59,837	2,059,849
Other	29,577				81,258	110,835
Due to other funds					4,446	4,446
Bond anticipation notes payable					6,292,000	6,292,000
Total Liabilities	4,486,454				7,263,094	11,749,548
FUND BALANCES (Deficiency):						
Reserved for:						
Encumbrances	1,556,762					1,556,762
Expenditures	730,146					730,146
Stabilization		\$ 1,955,276				1,955,276
MBTA			\$ 4,780,559			4,780,559
Community preservation				\$ 3,865,629		3,865,629
Unreserved:						
Undesignated, reported in:						
General fund	1,187,179					1,187,179
Special revenue funds					1,408,045	1,408,045
Capital projects funds					(2,910,213)	(2,910,213)
Permanent funds					496,936	496,936
Total Fund Balances (deficit)	3,474,087	1,955,276	4,780,559	3,865,629	(1,005,232)	13,070,319
Total Liabilities and Fund Balances (deficit)	\$ 7,960,541	\$ 1,955,276	\$ 4,780,559	\$ 3,865,629	\$ 6,257,862	\$ 24,819,867

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Deficit)
Year Ended June 30, 2007

	General	Stabilization	Mitigation	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes, net	\$ 34,753,273			\$ 840,630	\$	\$ 35,593,903
Motor vehicle and other excises	2,336,044					2,336,044
Penalties and interest on taxes	231,409					231,409
Intergovernmental	11,513,287			785,869	3,835,615	16,134,771
Licenses and permits	580,033					580,033
Departmental and other	1,290,744				2,149,535	3,440,279
Fines and forfeitures	73,586					73,586
Contributions and donations					171,325	171,325
Investment income	602,728	\$ 106,890	\$ 211,306	117,729	31,470	1,070,123
Miscellaneous					20,429	20,429
Total Revenues	<u>51,381,104</u>	<u>106,890</u>	<u>211,306</u>	<u>1,744,228</u>	<u>6,208,374</u>	<u>59,651,902</u>
OTHER FINANCING SOURCES						
Transfers in	510,993				1,233,594	1,744,587
Total Other Financing Sources	<u>510,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,233,594</u>	<u>1,744,587</u>
Total Revenues and Other Financing Sources	<u>51,892,097</u>	<u>106,890</u>	<u>211,306</u>	<u>1,744,228</u>	<u>7,441,968</u>	<u>61,396,489</u>
EXPENDITURES						
General government	1,905,915		44,771		108,348	2,059,034
Public safety	7,236,775				211,307	7,448,082
Education	24,806,299				4,827,436	29,633,735
Public works	2,556,666				3,071,472	5,628,138
Culture and recreation	1,343,887				1,767,860	3,111,747
State and county tax assessments	452,904					452,904
Other governmental						-
Pensions and other fringes	11,249,825					11,249,825
Community preservation				1,209,176		1,209,176
Debt service	1,511,477					1,511,477
Total Expenditures	<u>51,063,748</u>	<u>-</u>	<u>44,771</u>	<u>1,209,176</u>	<u>9,986,423</u>	<u>62,304,118</u>
OTHER FINANCING USES						
Transfers out	1,129,332	222,407	1,113,094		68,236	2,533,069
Total Expenditures and Other Financing Uses	<u>52,193,080</u>	<u>222,407</u>	<u>1,157,865</u>	<u>1,209,176</u>	<u>10,054,659</u>	<u>64,837,187</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(300,983)</u>	<u>(115,517)</u>	<u>(946,559)</u>	<u>535,052</u>	<u>(2,612,691)</u>	<u>(3,440,698)</u>
FUND BALANCES, July 1, 2006	<u>3,775,070</u>	<u>2,070,793</u>	<u>5,727,118</u>	<u>3,330,577</u>	<u>1,607,459</u>	<u>16,511,017</u>
FUND BALANCES (Deficit), June 30, 2007	<u>\$ 3,474,087</u>	<u>\$ 1,955,276</u>	<u>\$ 4,780,559</u>	<u>\$ 3,865,629</u>	<u>\$ (1,005,232)</u>	<u>\$ 13,070,319</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

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

June 30, 2007

Total Governmental Fund Balances	\$ 13,070,319
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	63,894,625
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	2,059,849
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(146,421)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(11,800,711)
Compensated absences	(1,365,687)
	<hr/>
Net Assets of Governmental Activities	<u><u>\$ 65,711,974</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

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

Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (3,440,698)**

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 outlays amounted to \$5,693,872 and depreciation expense totaled \$2,687,767. 3,006,105

The Town disposed capital assets whose net impact on this reconciliation is \$14,869 as a result of using different accounting methods. (14,869)

The issuance of long-term debt 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 has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Debt repayments were \$854,287. 854,287

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 differ between the two statements. The amount presented represents the difference in deferred revenue. 108,618

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This represents the difference between the accruals between this year and the prior year. (18,025)

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 (34,461)

Change in Net Assets of Governmental Activities **\$ 460,957**

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2007

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
ASSETS						
Cash and short-term investments	\$ 1,240,011	\$ 2,095,558	\$ 286,818	\$ 299,082	\$ 888,710	\$ 4,810,179
Receivables (net of allowance)						
User fees	116,311	98,141				214,452
Intergovernmental - MWPAT subsidy		184,799				184,799
Intergovernmental - MWPAT drawdown		2,227,697				2,227,697
Inventory				70,736		70,736
Total Current Assets	<u>1,356,322</u>	<u>4,606,195</u>	<u>286,818</u>	<u>369,818</u>	<u>888,710</u>	<u>7,507,863</u>
NONCURRENT ASSETS						
Intergovernmental - MWPAT subsidy		2,490,201				2,490,201
Unapportioned assessments		4,311,967				4,311,967
Fixed assets (net)	<u>11,557,680</u>	<u>32,016,249</u>	<u>1,710,181</u>	<u>3,228,392</u>	<u>5,954,678</u>	<u>54,467,180</u>
Total Assets	<u>12,914,002</u>	<u>43,424,612</u>	<u>1,996,999</u>	<u>3,598,210</u>	<u>6,843,388</u>	<u>68,777,211</u>
LIABILITIES						
Warrants and accounts payable	65,768	67,571	77,066	21,877	13,310	245,592
Accrued interest	18,148	135,572	8,685	33,487	48,845	244,737
Retainage		97,059				97,059
Bond indebtedness	127,000	1,335,316	42,000	285,000	220,000	2,009,316
Notes payable	50,000	1,145,000				1,195,000
Unearned revenues				104,422	268,530	372,952
Capital leases				148,639		148,639
Landfill liability			75,000			75,000
Compensated absences	<u>4,678</u>	<u>3,961</u>	<u>2,824</u>		<u>1,836</u>	<u>13,299</u>
Total Current Liabilities	<u>265,594</u>	<u>2,784,479</u>	<u>205,575</u>	<u>593,425</u>	<u>552,521</u>	<u>4,401,594</u>
NONCURRENT:						
Bonds and notes payable	1,285,000	21,822,604	618,000	2,925,000	3,515,000	30,165,604
Landfill liability			1,575,000			1,575,000
Compensated absences	<u>42,098</u>	<u>35,646</u>	<u>25,416</u>		<u>16,526</u>	<u>119,686</u>
Total Noncurrent Liabilities	<u>1,327,098</u>	<u>21,858,250</u>	<u>2,218,416</u>	<u>2,925,000</u>	<u>3,531,526</u>	<u>31,860,290</u>
TOTAL LIABILITIES	<u>1,592,692</u>	<u>24,642,729</u>	<u>2,423,991</u>	<u>3,518,425</u>	<u>4,084,047</u>	<u>36,261,884</u>
NET ASSETS (Deficiency)						
Retained earnings (deficiency)	465,272	(1,375,917)	(1,477,173)	61,393	2,354,195	27,770
Retained earnings - restricted	710,358	2,084,807			338,844	3,134,009
Investment in capital assets, net of debt	<u>10,145,680</u>	<u>18,072,993</u>	<u>1,050,181</u>	<u>18,392</u>	<u>66,302</u>	<u>29,353,548</u>
Total Net Assets (deficiency)	<u>\$ 11,321,310</u>	<u>\$ 18,781,883</u>	<u>\$ (426,992)</u>	<u>\$ 79,785</u>	<u>\$ 2,759,341</u>	<u>\$ 32,515,327</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Deficit)
Year Ended June 30, 2007

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
OPERATING REVENUES						
Charges for services	\$ 2,384,411	\$ 1,294,332	\$ 930,776	\$ 1,251,353	\$ 877,634	\$ 6,738,506
Intergovernmental		481,262				481,262
Other				27,200	70,484	97,684
Total Operating Revenues	<u>2,384,411</u>	<u>1,775,594</u>	<u>930,776</u>	<u>1,278,553</u>	<u>948,118</u>	<u>7,317,452</u>
OPERATING EXPENSES						
Operating costs	1,551,193	1,062,370	1,050,534	766,962	412,613	4,843,672
Depreciation	<u>424,930</u>	<u>744,119</u>	<u>83,054</u>	<u>292,465</u>	<u>314,465</u>	<u>1,859,033</u>
Total Operating Expenses	<u>1,976,123</u>	<u>1,806,489</u>	<u>1,133,588</u>	<u>1,059,427</u>	<u>727,078</u>	<u>6,702,705</u>
OPERATING INCOME	<u>408,288</u>	<u>(30,895)</u>	<u>(202,812)</u>	<u>219,126</u>	<u>221,040</u>	<u>614,747</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	25,135	11,039	6,802	354	25,272	68,602
Interest expense	(66,284)	(1,053,857)	(27,455)	(104,207)	(153,863)	(1,405,666)
Transfers in (out)		598,034	89,181	169,168	(67,901)	788,482
Total Nonoperating Revenues (Expenses), net	<u>(41,149)</u>	<u>(444,784)</u>	<u>68,528</u>	<u>65,315</u>	<u>(196,492)</u>	<u>(548,582)</u>
CHANGE IN NET ASSETS (Deficit)	<u>367,139</u>	<u>(475,679)</u>	<u>(134,284)</u>	<u>284,441</u>	<u>24,548</u>	<u>66,165</u>
NET ASSETS (Deficit) AT BEGINNING OF YEAR	10,954,171	19,257,562	(292,708)	(204,656)	2,734,793	32,449,162
NET ASSETS (Deficit) AT END OF YEAR	<u>\$ 11,321,310</u>	<u>\$ 18,781,883</u>	<u>\$ (426,992)</u>	<u>\$ 79,785</u>	<u>\$ 2,759,341</u>	<u>\$ 32,515,327</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from users	\$ 2,378,683	\$ 1,275,011	\$ 930,776	\$ 1,245,320	\$ 1,146,164	\$ 6,975,954
Other receipts				27,200	70,484	97,684
Purchase of inventory				(1,513)		(1,513)
Government grants		1,673,295				1,673,295
Payments to vendors and employees	(1,716,251)	(1,081,703)	(1,114,800)	(775,998)	(443,244)	(5,131,996)
Net Cash Provided by (Used for) Operating Activities	<u>662,432</u>	<u>1,866,603</u>	<u>(184,024)</u>	<u>495,009</u>	<u>773,404</u>	<u>3,613,424</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers (net)	-	598,034	89,181	169,168	(67,901)	788,482
Net Cash Used for Noncapital Related Financing Activities	<u>-</u>	<u>598,034</u>	<u>89,181</u>	<u>169,168</u>	<u>(67,901)</u>	<u>788,482</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds and notes	50,000	345,000				395,000
Acquisition and construction of capital assets	(18,203)	(1,905,086)		(61,695)	(655,309)	(2,640,293)
Assessments received		342,495				342,495
Principal payments on bonds	(503,000)	(1,229,322)		(275,000)	(220,000)	(2,227,322)
Principal payments on capital leases				(25,985)		(25,985)
Principal payment on notes			(42,000)			(42,000)
Interest expense	(70,734)	(1,023,452)	(28,153)	(105,122)	(157,527)	(1,384,988)
	<u>(541,937)</u>	<u>(3,470,365)</u>	<u>(70,153)</u>	<u>(467,802)</u>	<u>(1,032,836)</u>	<u>(5,583,093)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	25,135	11,039	6,802	354	25,272	68,602
Net Cash Provided by Investing Activities	<u>25,135</u>	<u>11,039</u>	<u>6,802</u>	<u>354</u>	<u>25,272</u>	<u>68,602</u>
NET CHANGE IN CASH AND EQUIVALENTS	<u>145,630</u>	<u>(994,689)</u>	<u>(158,194)</u>	<u>196,729</u>	<u>(302,061)</u>	<u>(1,112,585)</u>
CASH AND EQUIVALENTS:						
July 1, 2006	1,094,381	3,090,247	445,012	102,353	1,190,771	5,922,764
June 30, 2007	<u>\$ 1,240,011</u>	<u>\$ 2,095,558</u>	<u>\$ 286,818</u>	<u>\$ 299,082</u>	<u>\$ 888,710</u>	<u>\$ 4,810,179</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 408,288	\$ (30,895)	\$ (202,812)	\$ 219,126	\$ 221,040	\$ 614,747
Depreciation	424,930	744,119	83,054	292,465	314,465	1,859,033
Loss on disposal of assets				(6,033)		(6,033)
Changes in assets and liabilities:						
Receivables	5,728	1,172,722				1,178,450
Accounts payable	(161,598)	(19,343)	(64,266)	(9,036)	(30,631)	(284,874)
Other	(14,916)	-		(1,513)	268,530	252,101
Net Cash Provided From Operating Activities	<u>\$ 662,432</u>	<u>\$ 1,866,603</u>	<u>\$ (184,024)</u>	<u>\$ 495,009</u>	<u>\$ 773,404</u>	<u>\$ 3,613,424</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Borrowing under capital leases	-	-	-	142,376	-	-
Contributions of capital assets from General Fund	-	-	-	-	-	-
Purchase of equipment on account	-	-	-	(142,376)	-	-
Increase in fair value of investments	-	-	-	-	-	-
Capital asset trade-ins	-	-	-	-	-	-

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	<u>Private Purpose Trust Funds</u>
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ <u>394,307</u>
Investments (at fair value):	-
Total Assets	<u>394,307</u>
LIABILITIES	
CURRENT:	
Accounts payable and accrued expenses	
Due to other government	<u> </u>
Total Liabilities	<u>-</u>
NET ASSETS	
Held in trust for other purposes	<u>394,307</u>
Net Assets	<u>\$ <u>394,307</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2007

	Private Purpose Trust Funds
ADDITIONS:	
Donations	\$ 1,000
Investment Income	<u>16,809</u>
Total Additions	<u>17,809</u>
EXPENDITURES:	
Scholarships and assistance	<u>18,000</u>
Total Deductions	<u>18,000</u>
CHANGE IN NET ASSETS	(191)
NET ASSETS AT BEGINNING OF YEAR	<u>394,498</u>
NET ASSETS AT END OF YEAR	<u>\$ <u>394,307</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. **Reporting Entity** - The Town of Scituate is located in Plymouth County, and was incorporated as a town in 1636. An elected five-member Board of Selectmen governs the Town, and a Town Administrator performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities. Water and sewer services, funded almost entirely with user charges are provided via connections installed and maintained by the Town directly.

B. **Individual Component Unit Disclosures** - Component units, while separate entities, are in substance part of the governmental operations of the Town due to the significance of its operations and financial relationship with the Town. Pursuant to this criteria, the following entities have been excluded from the financial statements:

- Scituate Housing Authority
- Plymouth County Retirement Association

C. **Government-Wide and Fund Financial Statements** - The government-wide financial statements (i.e., the 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or 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, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. Summary of Significant Accounting Policies (continued)

- D. **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 proprietary funds 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 enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to debt service, compensated absences, claims and judgments, and risk financing, are recorded only when payment is due. Interest associated with the current fiscal period is considered being susceptible to accrual has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major Governmental Funds:

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.

Stabilization Fund – is used to account for certain unencumbered accumulated financial resources that are subject to appropriation as directed by the Town’s Legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

Mitigation Fund – is used to account for funds received from the Massachusetts Bay Transportation Authority (MBTA) in relation to a mitigation agreement between the Town and the MBTA, in which the MBTA has been allowed to operate a railway transportation service through the Town.

Community Preservation Fund - is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes.

The government reports the following major proprietary funds:

Enterprise Funds – uses the “economic resources” measurement focus to account for the following specific operations in a manner similar to private business enterprises:

Water – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise Funds (continued)

Golf Course – accounts for the operations of the Town’s golf course facility, which is maintained through the collection of user fees.

Waterways – accounts for user fees and costs associated with the protection, tracking, oversight, and usage of waterways surrounding or within the Town’s borders. Fees are primarily derived from public marina slips and moorings maintained by the Town.

Transfer Station – accounts for user fees and costs associated with the Town’s pay-as-you throw facility for household refuse.

Additionally, the government reports the following fund types:

Private-Purpose Trust Fund – is used to account for resources legally held in trust for use in funding scholarships and energy support for qualified citizens. There is a requirement that a portion of these resources be preserved as capital.

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 with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected to follow private-sector guidance. As a general rule the *effect* of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer’s Investment Pool. Investments for the Town are reported at fair value. The State Treasurer’s Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. Summary of Significant Accounting Policies (continued)

E. **Assets, Liabilities, and Net Assets or Equity**

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Receivables – All property tax, trade, and intergovernmental receivables are shown net of an allowance for doubtful collections. Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Capital Assets – Capital assets include property, plant, and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

Structures and improvements	40 years
Equipment, furniture, fixtures and vehicles	5 years

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

Compensated Absences – It is the Town’s policy to allow employees to accumulate all earned but unused vacation time and to allow sick pay benefits in accordance with union contracts and personnel bylaws which limit the amount of payback upon an employee’s termination. The estimated obligation as of June 30, 2007 is recorded as a liability in the Statement of Net Assets. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds. Bond anticipation notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts as other financing uses. Issuance costs are exclusively reported as debt service expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town does participate in a premium based self-insurance group or premium based coverage through conventional carriers to insure for health benefits, and general and personal liability. The Town is self-insured for Workman’s compensation and unemployment claims. Uninsured losses are recorded as expenditures when incurred.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as a significant aspect of budgetary control in the Governmental Fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Fund Equity – In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

II. Stewardship, Compliance and Accountability

- A. Budgetary Information** – An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in March. Expenditures may not legally exceed appropriations at the department level. Department heads may not transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head must also approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These adjustments did not impact the overall budget significantly.
- B. Excess of Expenditures Over Appropriations** – During the fiscal year ended, the Town's line item expenditures did not exceed any line item appropriations.
- C. Deficit Fund Equity** – The Town incurred legal deficits in its Capital Projects Fund in the amount of \$2,857,340. The deficits relate to general construction costs that the Town incurred that have to date been financed with bond anticipation notes. The Town anticipates permanently financing these bond anticipation notes at a future date.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds

- A. **Deposits and Investments** – Cash and equivalents include cash on hand and certificates of deposit with maturities of three months or less. Investments include Certificates of Deposit with maturities of three to fourteen months.

The Town maintains a separate cash account for all funds. In addition, certificates of deposit are held separately by the Permanent Funds.

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The Town does not maintain any investments subject to these classifications. In addition, GAAP requires disclosures relative to certain risks associated with deposits and investments.

Interest rate risk. Although the Town does not maintain a formal investment policy, the Town manages its exposure to declines in fair market value by limiting the average maturity of its deposits to less than fifteen months.

Credit risk. The Town follows State Statutes. These Statutes require the Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a U.S. obligation. During the fiscal year, the Town limited its investments to certificates of deposit, money market accounts, bank deposits and the State Treasurer's investment pool.

Concentration of credit risk The Town does not maintain balances in any single investment that would represent more than 5% of the Town's total investments.

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. As of June 30, 2007, the carrying amount of the Town's deposits was \$2,999,652 and the bank balance was \$3,197,602. Of the Town's bank balance, \$470,849 was covered by either federal depository insurance or by the depositors' insurance fund. The remainder was uninsured and uncollateralized.

Custodial credit risk – investments. The Town does not maintain any investments subject to this credit risk.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. **Detailed Notes to All Funds (continued)**

A. **Deposits and Investments (continued)**

At June 30, 2007, the Town's investments consist of the following investments whose cost approximates fair value:

Investments:	Fair Value	To maturity < 1 year
Certificates of deposit - long term	\$ 1,895,667	\$ 1,895,667
	1,895,667	\$ 1,895,667
 Other investments:		
State Treasurer's Investment Pool	594,161	
Certificates of deposit - short-term	2,444,696	
Money markets	18,822,818	
Total investments	\$ 23,757,342	
 Deposits	\$ 2,999,652	

Following is a reconciliation of investments and cash and equivalents as summarized above to the balance as recorded in the combined balance sheet:

	Investments	Cash and Equivalents
As presented above	\$ 23,757,342	\$ 2,999,652

Reclass: Short-term investments reported in the combined balance sheet as cash and short-term investments; As follows:

Money Market investments	(18,822,818)	18,822,818
Certificates of Deposit (Short-Term)	(2,444,696)	2,444,696
State Treasurer's Investment Pool	(594,161)	594,161
Totals	\$ 1,895,667	\$ 24,861,327

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 16,347,532	\$ 595,000		\$ 16,942,532
Construction in progress	1,422,201	2,523,630	\$ (690,053)	3,255,778
Total capital assets not being depreciated	17,769,733	3,118,630	(690,053)	20,198,310
Capital assets being depreciated:				
Land improvements	2,397,309	44,800		2,442,109
Improvements other than buildings	2,450,342			2,450,342
Buildings	33,613,879	1,221,941		34,835,820
Infrastructure	13,923,767	1,348,710		15,272,477
Vehicles and equipment	9,210,265	649,844	(274,481)	9,585,628
Total capital assets being depreciated	61,595,562	3,265,295	(274,481)	64,586,376
Less accumulated depreciation for:				
Land improvements	(1,535,562)	(158,310)		(1,693,872)
Improvements other than buildings	(471,478)	(154,852)		(626,330)
Buildings and improvements	(4,785,691)	(921,175)		(5,706,866)
Infrastructure	(5,180,271)	(713,775)		(5,894,046)
Vehicles and equipment	(6,488,894)	(739,654)	259,601	(6,968,947)
Total accumulated depreciation	(18,461,896)	(2,687,766)	259,601	(20,890,061)
Total capital assets being depreciated, net	43,133,666	577,529	(14,880)	43,696,315
Governmental activities capital assets, net	\$ 60,903,399	\$ 3,696,159	\$ (704,933)	\$ 63,894,625

Depreciation expense was charged to functions/programs as follows:

General government	\$ 6,983
Public safety	283,784
Education	1,326,256
Public works	881,680
Health and human services	8,725
Culture and recreation	180,338
	<u>\$ 2,687,766</u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

B. Capital Assets (continued)

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<i>Business Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,675,000			\$ 3,675,000
Construction in progress	<u>3,458,704</u>	\$ <u>471,067</u>	\$ <u>(1,783,923)</u>	<u>2,145,848</u>
Total capital assets not being depreciated	<u>7,133,704</u>	<u>471,067</u>	<u>(1,783,923)</u>	<u>5,820,848</u>
Capital assets being depreciated:				
Buildings	3,667,818	3,689,009		7,356,827
Improvements other than buildings	4,963,557			4,963,557
Infrastructure	56,445,545			56,445,545
Vehicles and equipment	<u>2,040,403</u>	<u>406,436</u>	<u>(86,134)</u>	<u>2,360,705</u>
Total capital assets being depreciated	<u>67,117,323</u>	<u>4,095,445</u>	<u>(86,134)</u>	<u>71,126,634</u>
Less accumulated depreciation for:				
Buildings	(665,249)	(92,839)		(758,088)
Improvements other than buildings	(2,249,192)	(290,293)		(2,539,485)
Infrastructure	(16,325,106)	(1,336,626)		(17,661,732)
Vehicles and equipment	<u>(1,461,314)</u>	<u>(139,278)</u>	<u>79,595</u>	<u>(1,520,997)</u>
Total accumulated depreciation	<u>(20,700,861)</u>	<u>(1,859,036)</u>	<u>79,595</u>	<u>(22,480,302)</u>
Total capital assets being depreciated, net	<u>46,416,462</u>	<u>2,236,409</u>	<u>(6,539)</u>	<u>48,646,332</u>
Business activities capital assets, net	<u>\$ 53,550,166</u>	<u>\$ 2,707,476</u>	<u>\$ (1,790,462)</u>	<u>\$ 54,467,180</u>
Depreciation expense was charged to functions/programs as follows:				
Water	\$ 424,930			
Sewer	744,119			
Transfer Station	83,054			
Golf	292,465			
Waterways	<u>314,468</u>			
	<u>\$ 1,859,036</u>			

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

C. **Receivables**

Presentation Breakdown – Receivables as of year-end for the government’s individual major, proprietary and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Stabilization</u>	<u>Non major</u>	<u>Total Governmental</u>	<u>Proprietary</u>	<u>Total all funds</u>
Property taxes	\$ 1,004,301			\$ 1,004,301		\$ 1,004,301
Tax liens / foreclosures	757,895			757,895		757,895
Excise	533,765			533,765		533,765
User fees					\$ 214,452	214,452
Departmental	596,942			596,942		596,942
Intergovernmental			\$ 874,654	874,654	4,902,697	5,777,351
Other	<u>53,530</u>		<u>59,837</u>	<u>113,367</u>	<u>4,311,967</u>	<u>4,425,334</u>
Gross receivables	2,946,433		934,491	3,880,924	9,429,116	13,310,040
Allowance for Uncollectible accounts	<u>(618,011)</u>			<u>(618,011)</u>		<u>(618,011)</u>
Net receivables	<u>\$ 2,328,422</u>	<u>\$ -</u>	<u>\$ 934,491</u>	<u>\$ 3,262,913</u>	<u>\$ 9,429,116</u>	<u>\$ 12,692,029</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. Governmental Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in Governmental Funds amounted to \$2,059,849.

MWPAT Loan Subsidies – The Town has entered into a number of loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,675,000 and interest costs of \$3,340,689 until maturity of these agreements. In addition, in accordance with these agreements, the Town has available to draw down, as of June 30, 2007, \$2,227,697. GAAP requires the recognition of gross debt relative to these agreements, therefore the principal amount of \$2,675,000 and draw down amount of \$3,283,219 have been reflected as receivables in the Sewer Enterprise fund.

Betterments – The Town reflects receivables of \$4,311,967 in its Enterprise Fund that represents amounts anticipated to be billed in the future for sewer betterments that the Town has funded through bond issuances.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

D. **Inter fund Receivables, Payables and Transfers** – Interfund transfers during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 510,993	\$ 1,129,332
Non major Governmental	1,233,594	68,236
Stabilization		222,407
MBTA		1,113,094
Business-Type	<u>788,482</u>	
Totals	<u>\$ 2,533,069</u>	<u>\$ 2,533,069</u>

E. **Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of a revenue or tax anticipation notes (RAN or TAN).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of a bond anticipation note (BAN), state aid anticipation note (SAAN) or grant anticipation note (GAN). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds or grant reimbursement. Temporary notes outstanding at June 30, 2007, recorded in the Governmental and Proprietary Funds are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirement</u>	<u>June 30, 2007</u>
BAN	2.90% - 3.00%	Matured	\$5,338,000		(\$5,338,000)	\$ -
BAN	2.85%	6/19/08		\$7,655,530		7,655,530
BAN	4.10%	9/20/07		100,000		100,000
			<u>\$5,338,000</u>	<u>\$7,755,530</u>	<u>(\$5,338,000)</u>	<u>\$ 7,755,530</u>

Proceeds from these temporary notes are obligated for use on projects relating to general construction and roadways.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs. During the year ended June 30, 2007, the following reflects the activity in the long-term liability accounts:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<i>Governmental Activities:</i>				
Compensated absences	\$ 1,331,234	\$ 34,453		\$ 1,365,687
Bond indebtedness	12,654,998		\$ (854,287)	11,800,711
	<u>\$ 13,986,232</u>	<u>\$ 34,453</u>	<u>\$ (854,287)</u>	<u>\$ 13,166,398</u>
<i>Business-type Activities:</i>				
Compensated absences	\$ 130,116	\$ 2,867		\$ 132,983
Municipal landfill	1,725,000		\$ (75,000)	1,650,000
Bond indebtedness	34,444,242		(2,269,322)	32,174,920
	<u>\$ 36,299,358</u>	<u>\$ 2,867</u>	<u>\$ (2,344,322)</u>	<u>\$ 33,957,903</u>

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess 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 margin as of June 30, 2007:

Equalized Valuation –		
Real Estate and Personal Property		<u>\$4,216,790,550</u>
Debt Limit – 5% of Equalized Valuation		210,839,528
Total Debt (including authorized and unissued)	\$ 49,097,711	
Less: Debt exempt from Limit	(5,282,000)	<u>(43,815,711)</u>
Legal Debt Margin		<u>\$ 167,023,817</u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

Bond Debt Issued - The following is a summary of outstanding long-term debt obligations of Governmental Activities as of June 30, 2007:

Description of Issue	Issue Date	Maturity Date	Interest Rate	Original Amounts	Amounts Outstanding
<i>Governmental Activities:</i>					
<u>Inside the debt limit:</u>					
Seawall	03/01/04	03/01/09	4.0 - 4.95%	\$ 395,000	\$ 155,000
Seawall	03/01/05	03/01/14	4.0 - 5.05%	775,000	601,000
School Vehicles	03/01/05	03/01/14	3.9 - 5.75%	225,000	175,000
School Remodeling	03/01/05	03/01/25	3.9 - 5.75%	1,279,000	1,145,000
School Construction	09/15/05	09/15/24	3.9 - 5.75%	10,000,000	9,470,000
MWPAT (CW-02-29):Stormwater	11/03/05	08/01/08	2.0 - 5.00%	295,184	23,676
MWPAT (CW-02-29A):Stormwater	11/03/05	07/15/08	2.0 - 5.00%	148,751	148,751
MWPAT (97-1031):Title V	10/25/00	08/01/18	4.25 - 5.7%	123,433	82,284
Total Governmental Activities				\$ 13,241,368	\$ 11,800,711

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

Bond Debt Issued - The following is a summary of outstanding long-term debt obligations of Business-Type activities as of June 30, 2007:

Description of Issue	Issue Date	Maturity Date	Interest Rate	Original Amounts	Amounts Outstanding
<i>Business-Type</i>					
<u>Inside the debt limit:</u>					
Sewer Lines and Pump Station	03/01/05	03/01/25	3.00 - 5.00%	\$ 1,980,000	\$ 1,780,000
Sewer	03/01/05	03/01/25	3.00 - 5.00%	741,000	666,000
Wastewater System	03/01/05	03/01/25	3.00 - 5.00%	325,000	291,000
Waterways Land Acquisition	03/01/05	03/01/24	3.00 - 5.00%	4,175,000	3,735,000
Sewer Extension (CW-02-22)	11/03/05	08/01/23	2.5 - 5.25%	1,288,256	1,288,256
Sewer Extension (CW-02-22A)	11/03/05	07/15/23	2.5 - 5.25%	4,869,467	4,688,722
Sewer Extension (CW-04-38)	11/16/05	07/15/23	2%	6,463,798	4,557,209
Sewer Plant Upgrade (96-27)	12/09/98	08/01/18	2.5 - 5.25%	699,600	453,600
Sewer Plant Upgrade (97-48)	12/09/98	08/01/18	2.5 - 5.25%	11,418,180	7,401,080
Sewer Plant Upgrade (97-48B)	10/21/02	08/01/20	2.5 - 5.25%	1,958,085	1,600,066
Sewer I&I (97-58)	10/25/00	08/01/18	2.5 - 5.25%	95,160	67,167
Sewer I&I (98-124)	09/28/01	08/01/19	2.5 - 5.25%	475,611	364,820
Total inside the debt limit				<u>34,489,158</u>	<u>26,892,920</u>
<u>Outside the debt limit</u>					
Golf Course	05/15/03	09/01/16	2.00 - 4.00%	3,755,000	3,210,000
Water	03/01/05	03/01/25	3.00 - 5.00%	408,000	369,000
Well Water Mains	03/01/05	03/01/25	3.00 - 5.00%	465,000	418,000
Well Repairs	03/01/05	03/01/15	3.00 - 5.00%	447,000	353,000
Water Well Planning	03/01/05	03/01/15	3.00 - 5.00%	340,000	272,000
Transfer Station	03/01/05	03/01/25	3.00 - 5.00%	130,000	115,000
Landfill Capping	03/01/05	03/01/25	3.00 - 5.00%	616,000	545,000
Total outside the debt limit				<u>\$ 6,161,000</u>	<u>5,282,000</u>
Total Business-type Activities					<u><u>\$ 32,174,920</u></u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

Future Debt Payoff - Payments on general long-term debt obligation bonds due in future years consist of the following:

Year Ending June 30	Governmental Activities				Business-type Activities							
	Principal	Interest	Subsidy	Net Amount	Total	Balance	Principal Subsidy	Net Amount	Balance	Interest Subsidy	Net Amount	Total
	2008	\$ 879,114	\$ 457,924	\$ (3,621)	\$ 454,303	\$ 1,333,417	\$ 2,009,316	\$ (184,799)	\$ 1,824,517	\$ 1,219,920	\$ (408,570)	\$ 811,350
2009	876,029	425,148	(3,295)	421,853	1,297,882	2,036,738	(203,210)	1,833,528	1,140,360	(369,871)	770,489	2,604,017
2010	713,858	397,826	(2,970)	394,856	1,108,714	2,070,058	(222,542)	1,847,516	1,051,911	(321,551)	730,360	2,577,876
2011	713,858	370,963	(2,618)	368,345	1,082,203	2,113,308	(219,466)	1,893,842	993,475	(313,136)	680,339	2,574,181
2012	708,858	344,192	(2,267)	341,925	1,050,763	2,154,391	(242,768)	1,911,623	878,538	(251,105)	627,433	2,539,056
2013 - 2017	3,200,282	1,296,852	(13,713)	1,283,139	4,483,421	10,976,744	(953,939)	10,022,805	3,597,488	(1,283,932)	2,313,556	12,336,361
2018 - 2022	2,953,712	653,205	(886)	652,319	3,606,231	7,695,406	(604,770)	7,090,636	1,170,262	(346,067)	824,195	7,914,831
2023 - 2027	1,755,000	109,770		109,770	1,864,770	3,118,959	(43,506)	3,075,453	151,349	(17,287)	134,062	3,209,515
Total	\$ 11,800,711	\$ 4,055,880	\$ (29,170)	\$ 4,026,710	\$ 15,827,421	\$ 32,174,920	\$ (2,675,000)	\$ 29,499,920	\$ 10,203,303	\$ (3,311,519)	\$ 6,891,784	\$ 36,391,704

Capital lease obligations (Governmental Activities)

Year Ending June 30	Minimum Lease Obligation	
	Principal	Interest
2008	\$ 36,058	\$ 7,281
2009	29,434	5,611
2010	31,142	3,903
2011	32,273	2,097
2012	19,732	468
Total	\$ 148,639	\$ 19,360

Authorized and Unissued Debt - At June 30, 2007, the Town had authorized and unissued debt as follows:

Project	Amount
Schools	\$ 500
Fire station	2,825,000
Infiltration inflow	17,366
Harbor dredging	195,000
Sewer and water infrastructure	2,083,214
Total authorized and unissued	\$ 5,122,080

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

III. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

MWPAT Loan Subsidies – As previously discussed under III. C., the Town has entered into a number of loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,675,000 and interest costs of \$3,340,689 until maturity of these agreements. Thus total net loan repayments including interest are scheduled to be \$36,391,704. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements under business type activities. In addition, a receivable has also been reflected for the principal amount of the subsidy under business type activities as well as a receivable for those funds not yet drawn upon but still included as debt.

Overlapping Debt – The Town's is responsible for a proportionate share of debt of other governmental units which provide services within the Town's boundaries. The following table lists those entities along with the amount assessed to the Town during 2007:

<u>Related Entity</u>	<u>Annually Assessed</u>
Massachusetts Bay Transportation Authority	\$ 111,573
Plymouth County	67,020
South Shore Regional Vocational Technical School District	<u>435,899</u>
	<u>\$ 614,492</u>

IV. Other Information

A. Retirement System

System Description – The Town contributes to the Plymouth County Retirement Association (PCRA), an agency multiple-employer defined benefit pension plan for the Town and other governmental agencies within Plymouth County. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. PCRA issues a publicly available financial report which is available at the Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the PCRA. The members of the PCRA do not participate in the Social Security System. Benefits paid under the PCRA, referred to as "retirement allowances," include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion, funded by the Town.

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$4,808,088 for the year ended June 30, 2007 and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

IV. Other Information (continued)

A. Retirement System (continued)

Contribution Requirements and Contributions Made – The PCRA's funding policies have been established by Chapter 32 of the Massachusetts General Laws. The annuity portion of the retirement allowance is funded by employees who contribute a percentage of their regular compensation. Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. Additionally, employees hired after January 1979 contribute an additional 2% on earnings in excess of \$30,000.

The Pension Reform Act of 1987 was enacted by the State Legislature in January 1988. The Act amends Chapter 32 of the General Laws and requires amortization of the unfunded pension liability over a forty-year period. The law also permits each retirement board to waive the \$30,000 pay cap for employees hired after 1978 and, accordingly, the Board of Directors of the PCRA voted to waive the pay cap effective January 1, 1990. Beginning July 1, 1994, the employer contribution is determined using various funding schedules derived under Section 22D. These include at a minimum, the employer normal cost plus the amortization of the original unfunded actuarial liability.

In accordance with Massachusetts General Laws, employer contributions to the PCRA have historically been determined on a pay-as-you-go basis. GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method.

The employer contribution to the PCRA for the year ended June 30, 2007 was approximately 14.6% of the covered payroll. Contributions to the PCRA for the years ended June 30, 2007, 2006, and 2005 were \$2,153,248, \$1,929,160, and \$1,698,327 respectively. This equaled 100 percent of the required contribution each year.

- B. Risk Financing** – The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town participates in a health insurance risk pool trust administered by Plymouth County, a municipal corporation that obtains health insurance for member governments at costs eligible to larger groups. Plymouth County offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by Plymouth County. The Town is obligated to pay Plymouth County its required premiums and, in the event Plymouth County is terminated, its pro-rata share of a deficit, should one exist. The Town is self-insured for Workman's compensation and unemployment benefits.
- C. Post Employment Benefits** – In addition to providing pension benefits, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. These benefits are provided through various health maintenance organizations. Benefits paid by the Town are on a pay-as-you-go basis. There is no actuarial valuation available as of June 30, 2007, which would permit an estimation of the unfunded past service cost liability, future costs of current participants in the system and annual amounts needed to fund such costs. The cost to fund these benefits for the years ended June 30, 2007, 2006, and 2005 were approximately \$1,000,000.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

IV. Other Information (continued)

- D. **Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2007, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2007.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial. In addition, the Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

V. Implementation of New GASB Pronouncements

The following GASB pronouncements will be implemented in future years as their dates become effective:

Effective date; June 30, 2008.

- a. GASB Statement No. 43, Financial Reporting for Post employment Benefit Plans Other Than Pension Plans.

Effective date; June 30, 2009.

- b. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions

The implementation of these statements is expected to have a significant impact on the financial statements.

TOWN OF SCITUATE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Adjusted Actual	Variances favorable (unfavorable)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes, net	\$ 34,805,161	\$ 34,805,161	\$ 34,984,682	\$ -	\$ 34,984,682	\$ 179,521
Intergovernmental	6,702,465	6,702,465	6,705,199	-	6,705,199	2,734
Motor vehicle and other excises	2,463,913	2,463,913	2,336,044	-	2,336,044	(127,869)
Licenses and permits	707,741	707,741	580,033	-	580,033	-
Departmental and other revenue	1,419,397	1,419,397	1,290,744	-	1,290,744	(128,653)
Fines and forfeitures	79,617	79,617	73,586	-	73,586	(6,031)
Investment income	354,970	354,970	602,728	-	602,728	247,758
Total Revenues	46,533,264	46,533,264	46,573,016	-	46,573,016	167,460
EXPENDITURES						
General government	2,158,230	2,158,230	1,905,915	160,931	2,066,846	91,384
Public safety	7,432,098	7,432,098	7,236,775	188,655	7,425,430	6,668
Education	25,666,504	25,666,504	24,806,299	624,359	25,430,658	235,846
Public works	3,171,845	3,171,845	2,556,666	556,390	3,113,056	58,789
Culture and recreation	1,392,580	1,392,580	1,343,887	26,426	1,370,313	22,267
State and county tax assessments	480,385	480,385	452,904	-	452,904	27,481
Pensions and fringe benefits	6,512,562	6,512,562	6,441,737	-	6,441,737	70,825
Debt service	1,527,009	1,527,009	1,511,477	-	1,511,477	15,532
Total Expenditures	48,341,213	48,341,213	46,255,660	1,556,761	47,812,421	528,792
OTHER FINANCING SOURCES (USES)						
Transfers in	486,571	486,571	510,993	-	510,993	24,422
Transfers out	(1,129,331)	(1,129,332)	(1,129,332)	-	(1,129,332)	-
Total Other Financing Sources (Uses)	(642,760)	(642,761)	(618,339)	-	(618,339)	24,422
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(2,450,709)	(2,450,710)	(300,983)	\$ (1,556,761)	\$ (1,857,744)	\$ 720,674
BUDGETARY FUND BALANCES, July 1, 2006	3,775,070	3,775,070	3,775,070			
BUDGETARY FUND BALANCES, June 30, 2007	\$ 1,324,361	\$ 1,324,360	\$ 3,474,087			

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

I. Budgetary Basis of Accounting

An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in March. Expenditures may not legally exceed appropriations at the department level. Department heads may not transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head must also approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These adjustments did not impact the overall budget significantly.

The Town's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. Primary differences include the recognition grossing up of revenues and expenditures to reflect On Behalf Teacher's Retirement paid by the Commonwealth. A reconciliation is provided below.

Revenues on a GAAP basis	\$ 51,381,104
On Behalf Teacher's receipts	(4,808,088)
Revenues on a Budgetary basis	\$ 46,573,016
Expenditures on a GAAP basis	\$ 51,063,748
On Behalf Teacher's expenditures	(4,808,088)
Expenditures on a Budgetary basis	\$ 46,255,660