# OFFICIAL STATEMENT DATED JUNE 10, 2008

**Rating: See "Ratings" herein.**
**Moody's Investors Service, Inc.: Aa3**

## New Issue

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

# TOWN OF SCITUATE, MASSACHUSETTS

# $6,753,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2008 BONDS

**DATED**
June 15, 2008

**DUE**
June 15,
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of $5,000, with the exception of one $3,000 denomination in 2009, or any integral multiple thereof. (See "Book-Entry-Transfer System" herein.)

Principal of the Bonds will be payable June 15 of the years in which the Bonds mature. Interest on the Bonds will be payable June 15 and December 15, commencing December 15, 2008. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Scituate, Massachusetts and the principal of and interest on the Bonds are payable from ad valorem taxes that may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the $800,000 portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the $5,953,000 portion of the Bonds that the Town has not voted to exempt from that limit.

## MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

| Due June 15 | Principal Amount | Interest Rate | Yield | Cusip 809095 | Due June 15 | Principal Amount | Interest Rate | Yield | Cusip 809095 |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | $ 918,000 | 3.00 % | 2.00 % | SS2 | 2015 | $ 320,000 | 3.50 % | 3.27 % | SY9 |
| 2010 | 885,000 | 3.00 | 2.25 | ST0 | 2016 | 320,000 | 3.50 | 3.42 | SZ6 |
| 2011 | 860,000 | 3.00 | 2.62 | SU7 | 2017 | 285,000 | 3.75 | 3.57 | TA0 |
| 2012 | 405,000 | 5.00 | 2.86 | SV5 | 2018 | 270,000 | 4.00 | 3.70 | TB8 |
| 2013 | 395,000 | 3.25 | 3.00 | SW3 | 2019 | 235,000 | 4.00 | 3.80 | TC6 |
| 2014 | 395,000 | 3.50 | 3.13 | SX1 | 2020 | 235,000 | 4.00 | 3.90 | TD4 |

**$1,230,000 4.10% Term Bond Maturing June 15, 2026 @ 4.10%, CUSIP 809095 TK8**

(plus accrued interest to be added if any)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts, has acted as Financial Advisor to the Town of Scituate, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 19, 2008, against payment to the Town in Federal Reserve funds.

# EASTERN BANK

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

| | |
|---|---|
| Date of Sale: | Tuesday, June 10, 2008, 11:00 a.m. (E.T). |
| Location of Sale: | First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. |
| Issuer: | Town of Scituate, Massachusetts. |
| Issue: | $6,753,000 General Obligation Municipal Purpose Loan of 2008 Bonds, see "THE BONDS - Book-Entry Transfer System" herein. |
| Preliminary Official Statement Dated: | May 28, 2008. |
| Dated Date of the Bonds: | June 15, 2008. |
| Principal Due: | Serially June 15, 2009 through June 15, 2026 as detailed herein. |
| Purpose and Authority: | Bond proceeds will finance various municipal projects as authorized by Town Meeting under provisions of Chapter 44, Sections 7 and 8 of the Massachusetts General Laws as detailed herein. |
| Redemption: | The Bonds are subject to redemption prior to their stated maturity dates as described herein. |
| Security for the Bonds: | The Bonds will be valid general obligations of the Town of Scituate and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the $800,000 portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the $5,953,000 portion of the Bonds that the Town has not voted to exempt from that limit. |
| Credit Rating: | Moody's Investors Service Inc. has assigned a rating of Aa3 on the Bonds. |
| Bond Insurance: | The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility. |
| Basis of Award: | Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST $60,000, BUT NOT MORE THAN $135,000.** |
| Tax Exemption: | Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel". |
| Continuing Disclosure: | Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate". |
| Bank Qualification: | The Bonds **WILL BE** designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. |
| Paying Agent: | U.S. Bank National Association, Boston, Massachusetts |
| Legal Opinion: | Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. |
| Financial Advisor: | First Southwest Company, Boston, Massachusetts. |
| Delivery and Payment: | It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about June 19, 2008, against payment in Federal Funds. |
| Issuer Official: | Questions concerning the Official Statement should be addressed to: Jane Lepardo, Treasurer, Town of Scituate, Massachusetts telephone (781) 545-8720 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409. |

## NOTICE OF SALE

## TOWN OF SCITUATE, MASSACHUSETTS

## $6,753,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2008 BONDS

The Town of Scituate, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Tuesday, June 10, 2008, for the purchase of the following described General Obligation Municipal Purpose Loan of 2008 Bonds of the Town (the "Bonds"):

$6,753,000 General Obligation Municipal Purpose Loan of 2008 Bonds payable June 15 of the years and in the amounts as follows:

| Due June 15 | Principal Amount | Due June 15 | Principal Amount |
|---|---|---|---|
| 2009 | $ 918,000 | 2018 | $ 270,000 |
| 2010 | 885,000 | 2019 | 235,000 * |
| 2011 | 860,000 | 2020 | 235,000 * |
| 2012 | 405,000 | 2021 | 235,000 * |
| 2013 | 395,000 | 2022 | 235,000 * |
| 2014 | 395,000 | 2023 | 230,000 * |
| 2015 | 320,000 | 2024 | 210,000 * |
| 2016 | 320,000 | 2025 | 160,000 * |
| 2017 | 285,000 | 2026 | 160,000 * |

* Callable maturities. May be combined into one or two Term Bonds, as provided herein.

The Bonds will be dated June 15, 2008. Principal of the Bonds will be payable on June 15 of the years in which the Bonds mature. Interest will be payable on June 15 and December 15, commencing December 15, 2008.

The Bonds will be issued by means of a book-entry system with no physical distribution of certificates made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with the exception of one $3,000 denomination in 2009, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, Boston, Massachusetts and their legality will be approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before June 15, 2018 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after June 15, 2019 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after June 15, 2018, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed,** plus accrued interest to the date set for redemption.

For Bonds maturing on and after June 15, 2019, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature a par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on June 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par and accrued interest to date of delivery, **plus a premium of at least $60,000 but not more than $135,000, will be considered.** The bid should reflect the premium required plus accrued interest.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of June 15, 2008, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

**Bids must be submitted either:**

(a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Jane Lepardo, Treasurer, Town of Scituate, Massachusetts c/o First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.

(b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Scituate has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for a rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 28, 2008, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code.

Additional information concerning the Town of Scituate and the Bonds is contained in the Preliminary Official Statement dated May 28, 2008, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 45 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of June 10, 2008 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about June 19, 2008 for settlement in Federal Reserve Funds.

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TOWN OF SCITUATE, MASSACHUSETTS
/s/ Ms. Jane Lepardo, Treasurer

May 28, 2008

## OFFICIAL STATEMENT

## TOWN OF SCITUATE, MASSACHUSETTS

## $6,753,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2008 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Scituate, Massachusetts (the "Town") in connection with the sale of $6,753,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2008 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

## THE BONDS

### Description of the Bonds

The Bonds will be dated June 15, 2008 and will bear interest payable semiannually on June 15 and December 15 commencing December 15, 2008. The Bonds shall mature on June 15 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000, with the exception of one $3,000 denomination in 2009, or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

### Redemption Provisions

#### Optional Redemption

Bonds maturing on or prior to June 15, 2018 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after June 15, 2019 shall be subject to redemption prior to maturity, at the option of the Town, on or after June 15, 2018, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed** plus accrued interest to the redemption date.

#### Mandatory Redemption

The Bonds maturing June 15, 2026, respectively (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts set forth below "the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

**$1,230,000 Term Bonds Maturing June 15, 2026**

| Year | Principal Amount |
|---|---|
| 2021 | $ 235,000 |
| 2022 | 235,000 |
| 2023 | 230,000 |
| 2024 | 210,000 |
| 2025 | 160,000 |
| 2026 * | 160,000 |

*Final maturity.

**Notice of Redemption**

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their stated maturities, specifying the Bonds (or the portions thereof) to be redeemed, shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

**Record Date**

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

**Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security held by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities held by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities held by DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securites hld by it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities held by DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities held by DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

**Authorization of the Bonds and Use of Proceeds**

| This Issue | Original Authorization | Purpose | BAN's Outstanding | Statutory Reference (Chapter 44 of the Massachusetts General Laws), as amended | Date of Authorization | Article Number |
|---|---|---|---|---|---|---|
| $ 112,000 | $ 332,000 | Dredging | $ 137,000 (1) | Ch. 44, 7(25) | 3/3/2003 | 3 |
| 312,000 | 312,000 | Seawalls | 312,000 | Ch. 44, 7(7) | 3/13/2004 | 4 |
| 1,441,500 | 1,441,500 | School Remodeling | 1,441,000 | Ch. 44, 7(3A) | 3/5/2005 | 4 |
| 600,000 | 600,000 | Roadway | 600,000 | Ch. 44, 7(5) | 3/5/2005 | 4 |
| 400,000 | 400,000 | Sewer | 400,000 | Ch. 44, 7(1) | 3/5/2005 | 4 |
| 357,000 | 357,000 | Fire Vehicles | 357,000 | Ch. 44, 7(9) | 3/5/2005 | 4 |
| 160,000 | 160,000 | DPW Vehicles | 160,000 | Ch. 44, 7(9) | 3/5/2005 | 4 |
| 127,000 | 127,000 | School Vehicles | 127,000 | Ch. 44, 7(9) | 3/5/2005 | 4 |
| 31,500 | 415,738 | Marine Park | 31,530 (2) | Ch. 44, 7(25) | 10/17/2005 | 14 |
| 91,000 | 91,000 | School Vehicles | 91,000 | Ch. 44, 7(9) | 3/4/2006 | 4 |
| 400,000 | 400,000 | Sewer | 400,000 | Ch. 44, 7(1) | 3/4/2006 | 4 |
| 1,450,000 | 1,450,000 | School Remodeling | 1,450,000 | Ch. 44, 7(3A) | 3/4/2006 | 4 |
| 50,000 | 150,000 | Dam Repairs | 50,000 | Ch. 44, 8(7C) | 3/3/2007 | 4 |
| 800,000 | 800,000 | School Equipment & Computer | 800,000 (3) | Ch. 44, 7(9),7(28), 7(29) | 3/3/2007 | 26 |
| 421,000 | 1,630,000 | Marine Park Facility | 100,000 | Ch. 44, 7(25) | 3/3/2007 | 4 |
| $ 6,753,000 | $ 8,666,238 | | $ 6,456,530 | | | |

(1) This issue, along with $25,000 of revenue funds, will retire a like amount of bond anticipation notes maturing on June 19, 2008.
(2) This issue, along with $30 of revenue funds, will retire a like amount of bond anticipation notes maturing on June 19, 2008.
(3) Exempt from the limitations of Proposition 2 1/2.

**Principal Payments by Purpose**

| Fiscal Year | General | School | Sewer | Marine Park | Total |
|---|---|---|---|---|---|
| 2009 | $ 341,000 | $ 484,500 | $ 50,000 | $ 42,500 | $ 918,000 |
| 2010 | 325,000 | 470,000 | 50,000 | 40,000 | 885,000 |
| 2011 | 320,000 | 450,000 | 50,000 | 40,000 | 860,000 |
| 2012 | 120,000 | 195,000 | 50,000 | 40,000 | 405,000 |
| 2013 | 115,000 | 195,000 | 50,000 | 35,000 | 395,000 |
| 2014 | 115,000 | 195,000 | 50,000 | 35,000 | 395,000 |
| 2015 | 85,000 | 160,000 | 50,000 | 25,000 | 320,000 |
| 2016 | 85,000 | 160,000 | 50,000 | 25,000 | 320,000 |
| 2017 | 50,000 | 160,000 | 50,000 | 25,000 | 285,000 |
| 2018 | 35,000 | 160,000 | 50,000 | 25,000 | 270,000 |
| 2019 | - | 160,000 | 50,000 | 25,000 | 235,000 |
| 2020 | - | 160,000 | 50,000 | 25,000 | 235,000 |
| 2021 | - | 160,000 | 50,000 | 25,000 | 235,000 |
| 2022 | - | 160,000 | 50,000 | 25,000 | 235,000 |
| 2023 | - | 160,000 | 50,000 | 20,000 | 230,000 |
| 2024 | - | 160,000 | 50,000 | - | 210,000 |
| 2025 | - | 160,000 | - | - | 160,000 |
| 2026 | - | 160,000 | - | - | 160,000 |
| Total | $ 1,591,000 | $ 3,909,500 | $ 800,000 | $ 452,500 | $ 6,753,000 |

**Tax Exemption**

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the

basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Except as described in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

In the opinion of Bond Counsel, the Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.

**Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Serial Bonds and Notes" under "INDEBTEDNESS - Types of Obligations") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision

is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" below.) Subject to the approval of the State Director of Accounts for judgments above $10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

*State Distributions*. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See *"Serial Bonds and Notes"* under "TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

Use of State Distributions to Pay Debt Service. If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it shall notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraphs). See "State Distributions" above. If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws.

**Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

**Ratings**

Moody's Investors Service, Inc. has assigned a rating of Aa3 on the Bonds. Such rating, if obtained, will be printed on the cover of the Final Official Statement. Any such rating will reflect only the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds. If the Bonds are insured, at the option and expense of the successful bidder, the insured rating or ratings will be printed on the cover and described in an additional appendix of the Final Official Statement.

**Financial Advisory Services of First Southwest Company**

First Southwest Company, Boston, Massachusetts, serves as financial advisor to the Town of Scituate, Massachusetts. The Town has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

**Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.**

# THE TOWN OF SCITUATE

## General

The Town of Scituate (the "Town"), which was incorporated in 1636, is in Plymouth County. It is approximately 25 miles southeast of Boston and 18 miles east of Brockton. The Town is bordered by the Atlantic Ocean on the east and north, Marshfield on the south, Norwell on the southwest, Hingham on the west, and Cohasset on the northwest. It is approximately 17 square miles in area and, according to the 2002 Town census, has a population of 19,998 persons. Scituate is a residential community with a substantial summer population. It has 57 miles of tidal shoreline that includes excellent beaches and saltwater recreation areas for boating, fishing and other marine sports. It is one of two communities in the United States that harvests Irish moss (a marine algae) used in brewing, dyeing and making blanc mange. Its harbor is home to approximately 1,300 boats in season and is one of the most sheltered/protected harbors on the East Coast.

## Local Government

Local legislative decisions are made by a town meeting open to all residents. Subject to legislative decisions made by town meeting, the affairs of the Town are generally administered by a board of five Selectmen and a Town Administrator.

Local taxes are assessed by a three-member board of assessors elected for staggered three-year terms. Local school affairs are administered by a school committee of five persons also elected for staggered three year terms.

## Principal Executive Officers

Following are the principal executive officers of the Town:

| Office | Name | Term and Manner of Selection | Expiration of Term |
|---|---|---|---|
| Selectmen | John F. Danehey | Elected - 3-year term | 2010 |
| | Richard Murray | Elected – 3-year term | 2009 |
| | Joseph P. Norton | Elected - 3-year term | 2010 |
| | Shawn Harris | Elected – 3-year term | 2011 |
| | Tony Vegnori | Elected - 3-year term | 2011 |
| Town Administrator | Richard H. Agnew | Appointed | Indefinite |
| Treasurer/Collector | Jane C. Lepardo | Appointed | Indefinite |
| Accountant | Mary Gallagher | Appointed | Indefinite |
| Town Clerk | Bernice R. Brown | Elected - 3 year term | 2009 |
| Town Counsel | Murphy, Hesse, Toomey & Lehane | Indefinite | Indefinite |

## Municipal Services

***Public Services*** - The Town's Public Works Department is divided into five divisions: (1) Highway/Landfill; (2) Engineering; (3) Parks and Public Grounds; (4) Water; and (5) Sewer. Landfill, and Water and Sewer divisions operate as enterprise funds.

***Water*** - The Department of Public Works Water Division is responsible for the construction, operation and maintenance of Scituate's municipal water system. The Water Division supervisor is responsible for the daily operations of the Water Division, which provides for the water service needs of 100% of the population. Scituate's water supply is obtained from six gravel packed wells along with a reservoir.

***Sewer Facilities*** - The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with three pump stations. Sewer service is available to 33 percent of all residential properties in Scituate, including the business district at Scituate Harbor which is also connected to the system. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, semi-annually, a minimum and an excess meter reading. In response to a consent decree, construction has been completed to upgrade and expand the Town's existing wastewater treatment plant at a cost of approximately $15,117,000. These improvements will allow 2,000 to 3,000 additional homeowners to hook up into the new facility, which will effectively sewer 60-75% of the entire Town. To complete new tie ins, funds in the amount of $13,544,000 were appropriated at the March 4, 2002 Annual Town Meeting for the design and the construction of the Sanitary Sewer System in the Greenbush Reservoir area of Town and first, second and third Cliff areas of the Town. The Greenbush Reservoir Phase I Project is currently under construction for a total bid price of $7,658,500. The Town has accepted beneficial occupancy of the entire system thus allowing abutters to hook up their homes/businesses. Minor work remains: Tying in the filter backwash at the water treatment plant and landscaping of roadway/shoulders and pump stations.

The first, second and third Cliffs Phase II Projects are estimated to cost $5,734,000 and were completed September 2007.

All borrowings are expected to be repaid through betterment assessments to abutters (residential, businesses and commercial properties) to projects.

***Safety Services*** - The Scituate Police Department consists of a chief, two detectives, five uniformed sergeants, one safety/community services officer, one lieutenant, 20 patrolmen and five dispatchers. Equipment consists of eight patrol cars, two unmarked cars, and one highway safety/education vehicle.

The Town of Scituate has three fire stations. At the present time, the department has a chief, deputy chief, four captains, four lieutenants and 40 full-time fire fighters. They handle their own dispatching and have five full-time dispatchers. The Safety Services Department is also responsible for the Town's advanced life support ambulance service and emergency medical and rescue operation.

***Library Services*** - The municipal library was completed and occupied in 1978 and the construction cost was fully funded by the federal government. The library offers a variety of services and programs to Scituate residents in all age groups. Traditional library services are enhanced by modern technologies and innovative information systems. The library is centrally located and serves as a convenient meeting place for community groups. The Board of Library Trustees is responsible for establishing policies governing the operation of the library.

***Recreation*** - The Town operates a marina comprised of 200 slips with permanent and transient docking facilities for commercial and pleasure boats. The marina is accounted for as an enterprise fund and is completely self-supporting, including debt service. The Town also operates an 18-hole municipal golf course. The course, which opened in June 1997, is also self-supporting, including debt service, and is an enterprise fund as well.

***Public Schools*** – Currently, the public school system of the Town consists of four elementary schools (K-6) with an enrollment of 1,800 students; one intermediate school (7-8) with an enrollment of 480 students; and one senior high school with an enrollment of 864 students. The Town also has a Pre-K program which is housed at the high school with an enrollment of 74 students.

The school system has 268 teachers, 13 administrators, 6 nurses and 199 support personnel. The student/teacher ratio is approximately 14 to 1 at the elementary, 13 to 1 at the intermediate levels, and approximately 17 to 1 at the high school level.

**Education**

The Town provides a comprehensive school system which offers education from grades Pre-K-12, as well as special needs programs. In addition, the Town has an Adult Evening School Center equipped with the latest facilities for computer-based studies located in the Senior High School. Vocational education is provided by the South Shore Regional Vocational-Technical School District, of which the Town is a member.

The following table sets forth the trend in the Town's public school enrollments:

| | Average Annual Enrollments (1) | | | | |
|---|---|---|---|---|---|
| | 2003/04 | 2004/2005 | 2005/06 | 2006/07 | 2007/08 |
| Pre-K | 63 | 72 | 114 | 74 | 74 |
| Grades K/6 | 1,743 | 1,786 | 1,778 | 1,800 | 1,984 |
| Grades 7/8 | 531 | 501 | 498 | 480 | 493 |
| Grades 9/12 | 791 | 857 | 859 | 864 | 882 |
| Ungraded | 4 | 7 | 7 | 7 | 7 |
| Total | 3,132 | 3,223 | 3,256 | 3,218 | 3,440 |

(1) As of October 1 each school year.

| | Projected Annual Enrollments | | | |
|---|---|---|---|---|
| | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| Pre-K | 96 | 74 | 74 | 85 |
| Grades K/6 | 1,955 | 1,898 | 1,932 | 2,000 |
| Grades 7/8 | 547 | 504 | 535 | 500 |
| Grades 9/12 | 1,005 | 943 | 954 | 900 |
| Ungraded | - | - | - | 10 |
| Total | 3,603 | 3,419 | 3,495 | 3,495 |

Source: Superintendent of Schools.

**Population Trends**

| 2000 | 1990 | 1980 | 1970 |
|---|---|---|---|
| 19,360 | 18,002 | 17,316 | 16,744 |

Source: Town of Scituate Registrar of Voters.

**Age, Income and Wealth Levels**

| | Scituate | Massachusetts | United States |
|---|---|---|---|
| Median Age: | | | |
| 2000 | 40.7 | 36.5 | 35.3 |
| 1990 | 36.9 | 33.6 | 32.9 |
| Median Family Income: | | | |
| 2000 | $ 86,058 | $ 61,664 | $ 50,046 |
| 1990 | 59,168 | 44,367 | 35,225 |
| Per Capita Income: | | | |
| 2000 | $ 33,940 | $ 25,952 | $ 21,587 |
| 1990 | 11,203 | 17,224 | 14,420 |

Source: U.S. Bureau of the Census.

**Major Employers**

The Town is primarily a residential community and, excluding the Town itself, there are only two significant employers: Life Care Center, a nursing home employing 135 persons, and Scituate Marketplace, a supermarket employing 120 persons. No other employers have more than 100 employees, although several restaurants, another nursing home and a concrete pipe manufacturer employ between 50 and 99 people. In addition, a private business/residential development worth over $15,000,000 was recently completed in the Harbor area adding 37 condominiums, a number of which are occupied, and retail space. A new plan has been filed for another condominium complex in the Mill Wharf section of the Harbor.

**Building Permits**

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the last five calendar years:

| Calendar Year | New Construction Residential/Non-Residential No. | $ | Additions/Alterations No. | $ | Total No. | $ |
|---|---|---|---|---|---|---|
| 2007 | 104 | $22,667,992 | 618 | $19,385,386 | 722 | $42,053,378 |
| 2006 | 87 | 14,589,076 | 633 | 17,309,763 | 720 | 31,898,839 |
| 2005 | 90 | 25,944,767 | 735 | 18,979,869 | 825 | 44,924,636 |
| 2004 | 68 | 13,218,755 | 534 | 19,225,639 | 622 | 32,444,394 |
| 2003 | 66 | 19,358,914 | 634 | 18,980,587 | 700 | 38,339,510 |

Source: Town of Scituate Building Inspector.

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

### Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the current and last four fiscal years:

| | Fiscal 2008 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 | Fiscal 2004 |
|---|---|---|---|---|---|
| Gross Amount to be Raised: | | | | | |
| Appropriations | $ 61,556,233 | $ 56,543,827 | $ 52,652,348 | $ 50,321,731 | $ 49,138,397 |
| Other Local Expenditures | 295,287 | 328,989 | 901,240 | 501,041 | 806,690 |
| State & County Charges | 487,978 | 480,385 | 414,760 | 522,540 | 514,906 |
| Overlay Reserve | 250,000 | 250,000 | 239,440 | 250,000 | 250,000 |
| Total Gross Amount to be Raised | 62,589,498 | 57,603,201 | 54,207,788 | 51,595,312 | 50,709,993 |
| Offsets: | | | | | |
| Estimated Receipts - State | 7,331,771 | 6,733,748 | 6,390,982 | 5,715,481 | 5,599,945 |
| Estimated Receipts - Local | 14,747,229 | 14,366,970 | 13,638,945 | 12,468,217 | 12,050,615 |
| Appropriated: | | | | | |
| Free Cash | 215,000 | 529,639 | 187,000 | 827,961 | 256,573 |
| Other Available Funds | 672,228 | 431,314 | 461,954 | 323,000 | 1,370,138 |
| Free Cash & Other Revenue Used to Reduce the Tax Rate | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Total Offsets | 23,466,228 | 22,561,671 | 21,178,881 | 19,834,659 | 19,777,271 |
| Net Amount to be Raised (Tax Levy) | $ 39,123,270 | $ 35,041,529 | $ 33,028,907 | $ 31,760,653 | $ 30,932,722 |
| Property Valuation | $ 4,243,304,810 | $ 4,216,790,550 | $ 4,047,660,220 | $ 3,350,279,840 | $ 3,093,272,200 |
| Tax Rate per $1,000 (1) | $ 9.22 | $ 8.31 | $ 8.16 | $ 9.48 | $ 10.00 |

Source: Board of Assessors.
(1) The Town taxes all property at a single rate (residential, commercial, industrial, personal).
Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

## Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. Under legislation recently enacted, for fiscal years 2008 and thereafter, the share of the annual levy to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. The Town taxes all classes of property at the same rate.

A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value, but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of fair cash value of the taxable property in each municipality. This is known as the "equalized value."

Valuation of real and personal property in the Town of Scituate is established by the Board of Assessors. The Town generally takes real property into tax title for nonpayment of taxes within two years.

The following table sets forth the trend in the Town's assessed and equalized valuations:

| Fiscal Year | Assessed Valuations (1) | | | Equalized Valuation (2) | Assessed Valuation as a Percent of Equalized |
|---|---|---|---|---|---|
| | Real Property | Personal Property | Total | | |
| 2008 | $ 4,209,528,500 | $ 33,776,310 | $ 4,243,304,810 | $ 4,327,989,400 | 98.0 % |
| 2007 | 4,186,292,230 | 30,498,320 | 4,216,790,550 | 4,327,989,400 | 97.4 |
| 2006 | 4,017,308,050 | 30,352,170 | 4,047,660,220 | 3,388,379,600 | 119.5 |
| 2005 | 3,324,597,810 | 25,682,030 | 3,350,279,840 | 3,388,379,600 | 98.9 |
| 2004 | 3,065,153,300 | 28,118,900 | 3,093,272,200 | 2,565,782,500 | 120.6 |

(1) Source: Board of Assessors.
(2) Source: Massachusetts Department of Revenue - Equalized valuations are established as of January 1 of even-numbered years for the next two years.

## Classification of Property

| Type | Fiscal 2008 | | Fiscal 2007 | | Fiscal 2006 | |
|---|---|---|---|---|---|---|
| | Assessed Valuation | % of Total | Assessed Valuation | % of Total | Assessed Valuation | % of Total |
| Residential | $ 4,072,204,708 | 96.0 % | $ 4,049,283,488 | 96.0 % | $ 3,877,915,021 | 95.8 % |
| Commercial | 131,446,292 | 3.1 | 130,959,842 | 3.1 | 133,491,729 | 3.3 |
| Industrial | 5,877,500 | 0.1 | 6,048,900 | 0.1 | 5,901,300 | 0.1 |
| Personal | 33,776,310 | 0.8 | 30,498,320 | 0.7 | 30,352,170 | 0.7 |
| Total | $ 4,243,304,810 | 100.0 % | $ 4,216,790,550 | 100.0 % | $ 4,047,660,220 | 100.0 % |

Source: Massachusetts Department of Revenue.

## Ten Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based upon assessed valuations for fiscal 2008, all of whom are current in their tax payments:

| Name | Type of Business | Total Assessed Valuation for Fiscal 2008 | Fiscal 2008 Tax Levy | % of Total Net Levy |
|---|---|---|---|---|
| Harborside Village Inc. | Mobile Homes | $ 10,038,800 | $ 92,558 | 0.24 |
| Abbott P M/ Chamberlain Mgn. Co. | Manufacturer | 8,904,700 | 82,101 | 0.21 |
| Massachusetts Electric Co | Utility | 8,095,000 | 74,636 | 0.19 |
| Bay State Gas | Utility | 7,577,700 | 69,866 | 0.18 |
| First Parish Road Co Inc. | Real Estate | 5,601,400 | 51,645 | 0.13 |
| Kent Village Assocations | Sub. Housing | 5,293,400 | 48,805 | 0.12 |
| HCRI Massachusetts Property Inc., Trust | Nursing Home | 4,753,900 | 43,831 | 0.11 |
| Suburban Realty Trust | Real Estate | 4,470,500 | 41,218 | 0.11 |
| Rolling Lakes II LLC | Real Estate | 3,624,600 | 33,419 | 0.09 |
| Hatherly Country Club | Country Club | 3,483,730 | 32,120 | 0.08 |
| Total | | $ 61,843,730 | $ 570,199 | 1.46 % |

## Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the amount of overlay reserve for the last five fiscal years and abatements or exemptions granted during the fiscal year against each levy:

| Fiscal Year | Gross Tax Levy | Overlay Allowance Dollar Amount | Overlay Allowance Percent of Levy | Exemptions/ Abatements Granted thru Fiscal Year | Overlay Excess (Deficit) |
|---|---|---|---|---|---|
| 2007 | $35,041,529 | $250,000 | 0.6% | $166,938 | $83,062 |
| 2006 | 33,028,907 | 239,440 | 0.7 | 115,643 | 123,757 |
| 2005 | 31,760,653 | 250,000 | 0.8 | 188,791 | 61,209 |
| 2004 | 30,932,722 | 250,000 | 0.8 | 166,522 | 83,478 |
| 2003 | 28,739,176 | 282,421 | 1.0 | 246,252 | 36,169 |

Source: Board of Assessors.

## Tax Collections

The Town of Scituate has accepted a statute providing for quarterly tax payments. Under the statute, preliminary tax payments are due on August 1 and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. The following table sets forth the trend in the Town's tax collections:

| Fiscal Year | Gross Tax Levy | Overlay Reserve for Abatements | Net Tax Levy (1) | % of Net Collected at June 30 (2,3) |
|---|---|---|---|---|
| 2008 | $39,123,270 | $250,000 | $38,873,270 | 95.4% (4) |
| 2007 | 35,041,529 | 250,000 | 34,791,529 | 97.3 |
| 2006 | 33,028,907 | 239,440 | 32,789,467 | 98.6 |
| 2005 | 31,760,653 | 250,000 | 31,510,653 | 99.7 |
| 2004 | 30,932,722 | 250,000 | 30,682,722 | 99.9 |

Source: Board of Assessors as to rates and levies; Town Accountant as to collections.
(1) Net after deduction of overlay for abatements.
(2) I.e., at the end of the fiscal year for which levied.
(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.
(4) Collections as of May 15, 2008.

## Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

**Taxes Outstanding**

The following table presents the trend in aggregate taxes outstanding, tax titles and tax possessions:

| As of 6/30 | Aggregate Overdue Property Taxes at FY-End (1) | Tax Titles | Tax Possessions |
|---|---|---|---|
| 2007 | $744,412 | $602,776 | $192,068 |
| 2006 | 644,704 | 423,919 | 190,043 |
| 2005 | 900,557 | 297,465 | 156,436 |
| 2004 | 1,093,882 | 327,300 | 143,303 |
| 2003 | 1,104,354 | 276,764 | 125,666 |

Source: Town Accountant.
(1) For five prior fiscal years. Excludes abated taxes and tax deferrals. Includes taxes in litigation, if any.

**Taxation to Meet Deficits**

As noted elsewhere (see *"Abatements and Overlay"* above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

**Tax Limitations**

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2½", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

**Unused Levy Capacity (1)**

The following table sets forth the Town's tax levy limits and unused levy capacity for the current and last five fiscal years:

| | For Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Primary Levy Ceiling (2) | $ 106,082,620 | $ 105,419,764 | $ 101,191,506 | $ 83,756,996 | $ 77,331,805 |
| Prior Fiscal Year Levy Limit | $ 33,546,920 | $ 32,290,090 | $ 31,023,665 | $ 29,795,947 | $ 27,593,806 |
| 2.5% Levy Growth | 838,673 | 807,252 | 775,592 | 744,899 | 689,845 |
| Current Fiscal Year New Growth (3) | 455,725 | 449,578 | 490,833 | 482,819 | 523,296 |
| Current Fiscal Year Override | 2,741,729 | - | - | - | 989,000 |
| Growth Levy Limit | 37,583,047 | 33,546,920 | 32,290,090 | 31,023,665 | 29,795,947 |
| Current Fiscal Year Debt Exclusion | 1,569,639 | 1,496,874 | 770,571 | 747,712 | 1,139,682 |
| Tax Levy Limit | 39,152,686 | 35,043,794 | 33,060,661 | 31,771,377 | 30,935,629 |
| Tax Levy | 39,123,270 | 35,041,529 | 33,028,907 | 31,760,653 | 30,932,722 |
| Unused Levy Capacity (4) | 29,416 | 2,265 | 31,754 | 10,724 | 2,907 |
| Unused Primary Levy Capacity (5) | $ 68,499,573 | $ 71,872,844 | $ 68,901,416 | $ 52,733,331 | $ 47,535,858 |

(1) Source: Massachusetts Department of Revenue.
(2) 2.5% of assessed valuation.
(3) Allowed increase for new valuations - certified by the Department of Revenue.
(4) Tax Levy Limit less Tax Levy.
(5) Primary Levy Ceiling less Growth Levy Limit.

### Pledged Taxes

Taxes on the increased value at certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below).

### Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

### Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for $100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAX"). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provision of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accepts its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city of town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town adopted the Community Preservation Act in March of 2002. In the fiscal years 2003, 2004, 2005, 2006 and 2007 the Town received CPA revenues of $605,563, $632,644, $686,222, $785,869, and $958,374, respectively. To date, the Town has also received $3,670,037 in state matching funds.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in March. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee (or the Board of Selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings, but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation, any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlay, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget, but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

### Operating Budget Trends

The following table sets forth the trend in the Town's operating budgets:

| | Appropriated Fiscal 2009 | Appropriated Fiscal 2008 | Appropriated Fiscal 2007 | Appropriated Fiscal 2006 | Appropriated Fiscal 2005 |
|---|---|---|---|---|---|
| General Government | $ 2,219,965 | $ 2,115,706 | $ 2,043,179 | $ 1,872,552 | $ 2,148,756 |
| Public Safety | 7,504,996 | 7,434,903 | 6,794,938 | 6,616,820 | 6,257,853 |
| Public Works | 2,969,143 | 2,833,385 | 2,691,823 | 2,484,697 | 2,511,230 |
| Human Services | 433,330 | 433,848 | 394,814 | 380,465 | 404,019 |
| Education | 28,565,477 | 27,556,187 | 25,013,851 | 23,668,263 | 22,932,803 |
| Recreation | 1,173,513 | 1,159,227 | 885,972 | 882,488 | 838,563 |
| Debt Service | 2,307,447 | 1,534,883 | 1,457,210 | 994,210 | 635,340 |
| Pensions and Benefits | 7,774,878 | 7,331,722 | 6,578,592 | 5,873,049 | 4,998,988 |
| Total | $ 52,948,749 | $ 50,399,861 | $ 45,860,379 | $ 42,772,544 | $ 40,727,552 |

Source: Town Accountant.

### Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since its passage, the Town has complied with the Act and appropriations for education have equaled or exceeded the minimum required level.

**Revenues**

***Property Taxes:*** Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION - Tax Limitations," above.

**State Distributions**

In addition to grants for specified capital purposes (some of which are payable over the life of bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery.

The Town's state aid entitlement is based upon a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature, and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimates.

Following are state aid payments received by the Town for the last five fiscal years and an estimate for fiscal 2008:

| Fiscal Year | Aid to Education | Other | Total State Aid | |
|---|---|---|---|---|
| 2008 | $4,529,951 | $2,845,216 | $7,375,167 | (estimated) |
| 2007 | 3,965,346 | 2,739,853 | 6,705,199 | |
| 2006 | 3,580,818 | 2,450,837 | 6,031,655 | |
| 2005 | 3,128,441 | 2,363,072 | 5,491,513 | |
| 2004 | 3,059,303 | 2,270,647 | 5,389,950 | |
| 2003 | 3,968,237 | 2,610,732 | 6,578,969 | |

Source: Town Accountant.

***State School Building Assistance Program:*** Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most

cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

The Authority began accepting grant applications for new projects after July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

***The Motor Vehicle Excise Tax:*** An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of $25 per $1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. The following table presents a five-year history of motor vehicle excise tax collections of the Town:

| Fiscal Year | Receipts (1) |
|---|---|
| 2007 | $2,412,904 |
| 2006 | 2,626,191 |
| 2005 | 2,333,205 |
| 2004 | 2,320,508 |
| 2003 | 1,955,868 |

(1) Net after refunds. Includes receipts from prior years' levies.

***Water Rates and Services:*** The Water Division of the Department of Public Works is responsible for the operation and maintenance of the water treatment plant, six water wells, two booster stations, two water storage tanks, three corrosion control stations, three surface water supplies, 300 acres of watershed, 105 miles of water distribution system, 275 fire hydrants, and 7,500 water meters.

The Water Division employs a staff of twelve appropriately licensed professional individuals who are responsible for the maintenance and operation of nearly 50 million dollars of assets with an annual operating budget of less than two million dollars. A population of more than 18,000 - which increases by more than 5% during the summer - consumes an average of 1.9 million gallons of water each day.

On July 1, 1999, the Town placed water services, which are provided to nearly 100 percent of the Town, on an enterprise basis. Charges for water usage are billed quarterly. For residential water consumption, the rates are $.55 per 100 cubic feet up to the first 1200 cubic feet. The next 1,800 cubic feet are billed at a rate of $2.40 per 100 cubic feet. All usage in excess of 3000 cubic feet is billed at a rate of $3.90 per cubic 100 feet. Water usage rates for all non-residential customers is $2.55 per 100 cubic feet.

***Sewer Rates and Services:*** The Sewer Division of the Department of Public Works is responsible for the operations and maintenance of the Scituate Wastewater Treatment Plant (WWTP) and 24 miles of sewers, which make up the Scituate Sewer Collection System. The WWTP was operational in November 1967 and was designated to treat an average daily flow of 1.0 million gallons per day (mgd). The WWTP was designated as a secondary treatment plant utilizing the extended aeration mode of the activated sludge (microorganisms) process.

The purpose of the WWTP is to remove and treat settleable and floating solids, to reduce suspended solids and dissolve organic material, and to disinfect the final effluent (treated water leaving the WWTP) to reduce the possibility of water-borne diseases.

A septage receiving station, aerobic sludge digesters and a sludge dewatering building were added during an upgrade in 1984. The additions allowed further treatment of the sludge (settled solids), which was dewatered by a belt filter press and disposed at the Town's sanitary landfill.

A second upgrade was completed in 2000 increasing the design of the WWTP from 1.0 mgd to 1.6 mgd along with upgrading the secondary treatment to an advanced treatment capable of nitrogen removal (nitrification/denitrification). The use of ultraviolet light (UV) has replaced chlorination (residual chlorine can be toxic to aquatic life) as the means of disinfecting the final effluent.

Since the closure of the landfill the sludge generated (over 1,100 wet tons/yr.) by the belt filter presses in the dewatering building has been hauled off site by a contractor for beneficial reuse.

The sewer rate is $4.17 per 100 cubic feet for all consumption with a minimum allowance for 1,250 cubic feet at a rate of $52.13.

***Transfer Station:*** The Transfer Station Division of the Department of Public Works is responsible for the operation and maintenance of the Transfer Station and Recycling Center. The Transfer Station is operated as a Pay-As-You-Throw facility and will accept only household refuse contained in Pay-As-You-Throw trash bags. These trash bags can be purchased at the Transfer Station or at local retailers at a cost of $10.00 for a package of ten 30 gallon bags or $5.00 for a package of ten 15 gallon bags.

**Annual Audits**

The Town of Scituate is audited annually by Roselli, Clark and Associates, Certified Public Accountant, of Woburn, Massachusetts. A copy of the fiscal 2007 audit is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

**Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ending June 30, 2007, June 30, 2006 and June 30, 2005 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2003 through 2007. Said statements were extracted from the Town's audited financials.

**TOWN OF SCITUATE, MASSACHUSETTS**
**BALANCE SHEET - GOVERNMENTAL FUNDS**
**June 30, 2007 (1)**

| | General Fund | 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** | | | | | | |
| 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 revenue | 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** | | | | | | |
| 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 project funds | - | - | - | - | (2,910,213) | (2,910,213) |
| Permanent funds | - | - | - | - | 496,936 | 496,936 |
| Total fund balances | 3,474,087 | 1,955,276 | 4,780,559 | 3,865,629 | (1,005,232) | 13,070,319 |
| Total liabilities and fund balances | $7,960,541 | $1,955,276 | $4,780,559 | $3,865,629 | $6,257,862 | $24,819,867 |

(1) Extracted from the Audited Financial Statements of the Town.

**TOWN OF SCITUATE, MASSACHUSETTS**
**BALANCE SHEET - GOVERNMENTAL FUNDS**
**June 30, 2006 (1)**

| | General Fund | Stabilization | Mitigation | Community Preservation | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and short-term investments | $ 6,557,998 | $ 2,070,793 | $ 5,727,119 | $ 3,330,577 | $ 4,313,246 | $ 21,999,733 |
| Investments- restricted: | | | | | 1,505,979 | 1,505,979 |
| Receivables, net of allowance for uncollectibles | - | - | - | - | - | - |
| Real estate and personal property taxes | 610,534 | - | - | - | - | 610,534 |
| Property tax deferrals | 237,118 | - | - | - | - | 237,118 |
| Other | 1,273,014 | - | - | - | 56,743 | 1,329,757 |
| Due to other funds | - | - | - | - | 580,782 | 580,782 |
| Other assets | 1,000 | - | - | - | - | 1,000 |
| Due from other funds | - | - | - | - | 37,769 | 37,769 |
| Total assets | $ 8,679,664 | $ 2,070,793 | $ 5,727,119 | $ 3,330,577 | $ 6,494,519 | $ 26,302,672 |
| **LIABILITIES** | | | | | | |
| Warrants and accounts payable | $ 1,703,043 | $ - | $ - | $ - | $ 270,421 | $ 1,973,464 |
| Planning deposits | 1,025,809 | - | - | - | - | 1,025,809 |
| Retainage payable | - | - | - | - | 16,548 | 16,548 |
| Unearned revenues | 227,555 | - | - | - | - | 227,555 |
| Deferred revenue | 1,889,138 | - | - | - | 62,092 | 1,951,230 |
| Other | 21,280 | - | - | - | - | 21,280 |
| Due to other funds | 37,769 | - | - | - | - | 37,769 |
| Bond anticipation notes payable | - | - | - | - | 4,538,000 | 4,538,000 |
| Total liabilities | 4,904,594 | - | - | - | 4,887,061 | 9,791,655 |
| **FUND BALANCES** | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 1,414,450 | - | - | - | - | 1,414,450 |
| Expenditures | 653,000 | - | - | - | - | 653,000 |
| Stabilization | - | 2,070,793 | - | - | - | 2,070,793 |
| MBTA | - | - | 5,727,119 | - | - | 5,727,119 |
| Community preservation | - | - | - | 3,330,577 | - | 3,330,577 |
| Unreserved: | | | | | | |
| Undesignated: reported in: | | | | | | |
| General fund | 1,707,620 | - | - | - | - | 1,707,620 |
| Special revenue funds | - | - | - | - | 1,178,947 | 1,178,947 |
| Capital project funds | - | - | - | - | (809,858) | (809,858) |
| Permanent funds | - | - | - | - | 1,238,369 | 1,238,369 |
| Total fund balances | 3,775,070 | 2,070,793 | 5,727,119 | 3,330,577 | 1,607,458 | 16,511,017 |
| Total liabilities and fund balances | $8,679,664 | $2,070,793 | $5,727,119 | $3,330,577 | $6,494,519 | $26,302,672 |

(1) Extracted from the Audited Financial Statements of the Town.

**TOWN OF SCITUATE, MASSACHUSETTS**
**BALANCE SHEET - GOVERNMENTAL FUNDS**
**June 30, 2005 (1)**

| | General Fund | Stabilization | Mitigation | Community Preservation | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and short-term investments | $ 5,648,292 | $ 2,065,446 | $ 6,041,517 | $ 1,951,614 | $ 2,495,181 | $ 18,202,050 |
| Investments: | | | | | | - |
| Receivables, net of allowance for uncollectibles | - | - | - | - | - | - |
| Real estate and personal property taxes | 1,147,306 | - | - | - | - | 1,147,306 |
| Other | 1,124,533 | - | - | - | 83,664 | 1,208,197 |
| Due from Commonwealths - Grants | - | - | - | - | 298,461 | 298,461 |
| Due from Commonwealths - MSBA | 5,002,252 | - | - | - | - | 5,002,252 |
| Cash - restricted | - | - | - | - | 277,724 | 277,724 |
| Investments - restricted | - | - | - | - | 1,858,397 | 1,858,397 |
| Total assets | $ 12,922,383 | $ 2,065,446 | $ 6,041,517 | $ 1,951,614 | $ 5,013,427 | $ 27,994,387 |
| **LIABILITIES** | | | | | | |
| Warrants and accounts payable | $ 974,408 | $ - | $ - | $ - | $ 396,034 | $ 1,370,442 |
| Accrued interest | 166,910 | - | - | - | - | 166,910 |
| Planning deposits | 735,086 | - | - | - | - | 735,086 |
| Retainage payable | 17,690 | - | - | - | 78,279 | 95,969 |
| Unearned revenues | 284,280 | - | - | - | - | 284,280 |
| Deferred revenue | 6,922,396 | - | - | - | 74,952 | 6,997,348 |
| Bond anticipation notes payable | - | - | - | - | 7,016,319 | 7,016,319 |
| Total liabilities | 9,100,770 | - | - | - | 7,565,584 | 16,666,354 |
| **FUND BALANCES** | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 1,526,510 | - | - | - | - | 1,526,510 |
| Expenditures | 948,510 | - | - | - | - | 948,510 |
| Stabilization | - | 2,065,446 | - | - | - | 2,065,446 |
| MBTA | - | - | 6,041,517 | - | - | 6,041,517 |
| Community preservation | - | - | - | 1,951,614 | - | 1,951,614 |
| Unreserved: | | | | | | |
| Undesignated: reported in: | | | | | | |
| General fund | 1,346,593 | - | - | - | - | 1,346,593 |
| Special revenue funds | - | - | - | - | 1,741,734 | 1,741,734 |
| Capital project funds | - | - | - | - | (5,708,685) | (5,708,685) |
| Permanent funds | - | - | - | - | 1,414,794 | 1,414,794 |
| Total fund balances | 3,821,613 | 2,065,446 | 6,041,517 | 1,951,614 | (2,552,157) | 11,328,033 |
| Total liabilities and fund equity | $12,922,383 | $2,065,446 | $6,041,517 | $1,951,614 | $5,013,427 | $27,994,387 |

(1) Extracted from the Audited Financial Statements of the Town.

## TOWN OF SCITUATE
## COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GENERAL FUND (1)

| | Fiscal Year Ended June 30, 2007 | | | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| REVENUES: | | | | | |
| Real and Personal Property Taxes | $ 34,753,273 | $ 32,887,718 | $ 31,527,660 | $ 31,080,758 | $ 28,807,724 |
| Motor Vehicle & Boat Excise | 2,336,044 | 2,626,191 | 2,408,466 | 2,363,723 | 2,218,705 |
| Intergovernmental | 11,513,287 | 15,037,020 | 9,353,998 | 8,807,627 | 9,471,025 |
| Penalties & Interest | 231,409 | 291,766 | 294,012 | 275,222 | 310,711 |
| Charges for Services | - | - | - | - | 536,092 |
| User Charges | - | - | - | - | - |
| Fees | - | - | - | 159,483 | 147,103 |
| Licenses & Permits | 580,033 | 707,771 | - | 577,568 | 425,707 |
| Fines & Forfeitures | 73,586 | 79,617 | 96,465 | 71,552 | 73,110 |
| Investment Income | 602,728 | 354,970 | 251,652 | 107,371 | 181,692 |
| Departmental & Other | 1,290,744 | 1,302,022 | 1,833,296 | 789,070 | 482,115 |
| Total Revenues | 51,381,104 | 53,287,075 | 45,765,549 | 44,232,374 | 42,653,984 |
| EXPENDITURES: | | | | | |
| General Government | 1,905,915 | 2,140,605 | 1,934,414 | 1,712,813 | 1,731,851 |
| Public Safety | 7,236,775 | 6,878,140 | 6,852,035 | 6,061,068 | 6,186,429 |
| Education | 24,806,299 | 24,083,584 | 22,831,044 | 22,544,190 | 20,398,104 |
| Public Works | 2,556,666 | 2,688,564 | 2,989,456 | 2,590,611 | 2,913,806 |
| Human Services | - | - | - | 498,532 | 382,190 |
| Culture & Recreation | 1,343,887 | 1,310,143 | 1,232,224 | 908,705 | 897,072 |
| Pension & Fringe Benefits | 11,249,825 | 9,920,989 | 8,914,083 | 8,194,790 | 7,141,330 |
| State & County Assessments | 452,904 | 412,750 | 511,860 | 497,781 | 548,296 |
| Debt Service | 1,511,477 | 733,710 | 941,755 | 790,174 | 929,202 |
| Total Expenditures | 51,063,748 | 48,168,485 | 46,206,871 | 43,798,664 | 41,128,280 |
| Excess (Deficiency) of Revenues Over Expenditures | 317,356 | 5,118,590 | (441,322) | 433,710 | 1,525,704 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Premium on Sale of bonds | - | - | - | 219,520 | 257,332 |
| Operating Transfers In | 510,993 | 573,586 | 510,022 | 373,402 | - |
| Operating Transfers Out | (1,129,332) | (5,738,719) | (779,550) | (1,410,850) | (1,802,775) |
| Total Other Financing Sources (Uses) | (618,339) | (5,165,133) | (269,528) | (817,928) | (1,545,443) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (300,983) | (46,543) | (710,850) | (384,218) | (19,739) |
| Prior Year Adjustment - Golf Course | - | - | - | - | - |
| Fund Equity, Beginning of Year | 3,775,070 | 3,821,613 | 4,532,463 | 4,916,681 | 4,936,420 |
| FUND EQUITY, END OF YEAR | $ 3,474,087 | $ 3,775,070 | $ 3,821,613 | $ 4,532,463 | $ 4,916,681 |

(1) Extracted from Town's audited financial statements.

### Undesignated General Fund Balances and Free Cash

Under Massachusetts law an amount know as "free cash" is certified as of the beginning of each fiscal year by the state Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

The following table presents the history of the Town's undesignated general fund balances and free cash:

| Year | Undesignated General Fund Balance As of June 30 (1) | Certified Free Cash for Fiscal Year Beginning July 1 |
|---|---|---|
| 2008 | $1,257,000 (est.) | N/A |
| 2007 | 1,187,179 | $302,274 |
| 2006 | 1,707,620 | 725,852 |
| 2005 | 1,346,593 | 1,346,559 |
| 2004 | 1,542,908 | 725,976 |
| 2003 | 2,177,777 | 1,399,184 |

(1) Source: Audited Financial Statements, except for June 30, 2008 which is an estimate.

### Stabilization Fund

The Town maintains a stabilization fund, which is accounted for in the Trust Funds. The Stabilization Fund plus interest income may be appropriated by the Town Meeting for any municipal purpose. The following table sets forth the trend in the Town's Stabilization Fund for the five previous fiscal years:

| Year | Stabilization Fund as of June 30, |
|---|---|
| 2008 | $ 2,204,413 (est.) |
| 2007 | 1,955,276 |
| 2006 | 2,070,793 |
| 2005 | 2,065,446 |
| 2004 | 2,048,877 |

### MBTA Mitigation Fund

On March 26, 2002, the Town entered into a mitigation settlement agreement with the Massachusetts Bay Transportation Authority (MBTA) concerning the construction of commuter rail service on the existing right-of-way, known as the "Greenbush Corridor" through the towns of Braintree, Weymouth, Hingham, Cohasset and Scituate, all in Massachusetts. The project begins at the connection with the existing MBTA Old Colony Main Line in East Braintree, and extends 18 miles easterly along the former New York, New Haven & Hartford Railroad Greenbush Branch to the terminus in the Greenbush section of Scituate. As part of the settlement, the MBTA has provided the Town of Scituate with $7,200,000 which is held by the Town Treasurer and is to be spent at the direction of the Board of Selectmen, subject to MBTA approval, for designated purposes, including land acquisition ($3,000,000), streetscape improvements ($2,500,000), historic resources ($1,000,000), recreation ($490,000), ombudsman ($150,000) and shore walk protection ($60,000).

### Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage in creased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or towns' development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations under "PROPERTY TAXATION" above). The Town has not established any such development districts.

### Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole Trustee, and the funds is managed under contract by Fidelity Management Company, of Boston.. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board, consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts. Based on the Town's equalized valuation of $4,327,989,400, its normal debt limit is $216,399,470 and the double debt limit is $432,798,940.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

**General Obligations.** Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

***Serial Bonds and Notes.*** These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of the Municipal Finance Oversight Board consisting of the attorney general, the state treasurer, the state auditor and the director of accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 years and not more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

***Bond Anticipation Notes.*** These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds has been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

***Revenue Anticipation Notes.*** These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

***Grant Anticipation Notes.*** These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

**Revenue Bonds.** Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**Revenue Anticipation Note Borrowing**

The Town has not borrowed for operating purposes during the last five fiscal years.

**Direct Debt Summary**
**Projected as of June 30, 2008 (1)**

| | | |
|---|---|---|
| Long-Term Indebtedness (2) | | |
| General Obligation Bonds: | | |
| Water (3) | $ 1,285,000 | |
| School (4) | 10,020,000 | |
| General (5) | 4,282,000 | |
| Land Acquisition | 3,515,000 | |
| Sewers & Drains (6) | 21,055,507 | |
| Total | | $ 40,157,507 |
| This Issue | | $ 6,753,000 |
| Short-term Debt | | |
| Bond Anticipation Notes Outstanding (7) | $ 7,755,530 | |
| To Be Retired with Bond Proceeds | (6,431,500) | |
| To Be Retired with Revenue Funds | (25,030) | |
| New Money Tax Exempt Bond Anticipation Notes | 1,031,000 | |
| New Money Taxable Bond Anticipation Notes | 329,000 | |
| Total Outstanding After This Issue (8) | | 2,659,000 |
| Total Direct Debt | | $ 49,569,507 |

(1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.
(2) Based on the Town's January 1, 2006 equalized valuation of $4,327,989,400, the Town's normal General Debt Limit is $216,399,470 and the Double General Debt Limit will be $432,798,940. (See "Debt Limits," above).
(3) Outside the Town's debt limit.
(4) $8,940,000 is exempt from the provisions of Proposition 2 ½.
(5) Comprised of landfill, seawall, vehicles, transfer station, and golf course; $3,543,000 is outside the debt limit.
(6) $1,921,956 is exempt from the provisions of Proposition 2 ½. $75,426 is outside the debt limit.
(7) $100,000 (Taxable) and $7,655,530 (Tax-Exempt) payable June 19, 2008.
(8) Bond Anticipation Notes to be issue simultaneously as this issue, payable June 19, 2009.

**Key Debt Ratios**

| | As of June 30 | | | | |
|---|---|---|---|---|---|
| | 2008 (4) | 2007 | 2006 | 2005 | 2004 |
| Long Term Debt Outstanding (1) | $46,910,507 | $43,975,631 | $45,662,233 | $34,648,694 | $24,622,114 |
| Debt per Capita | $2,423.06 | $2,426.91 | $2,519.99 | $1,912.18 | $1,353.24 |
| Percent of Assessed Valuation (2) | 1.11% | 1.04% | 1.13% | 1.03% | 0.80% |
| Percent of Equalized Valuation (3) | 1.08% | 1.02% | 1.35% | 1.02% | 0.96% |
| Debt per Capita as a Percent of per Capita Income | 7.14% | 7.15% | 7.42% | 5.63% | 3.99% |

(1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.
(2) Source: Massachusetts Department of Revenue - Assessed valuation as of the prior January 1.
(3) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).
(4) Projected.

**Outstanding Bonded Debt (1)(2)**
**Principal Payment by Purpose**
**Projected as of June, 30, 2008, excluding the Bonds**

| Fiscal Year | Water (3) | School (4) | General (5) | Land Acquisition | Sewers & Drains (6) | Total |
|---|---|---|---|---|---|---|
| 2009 | $ 127,000 | $ 595,000 | $ 514,000 | $ 220,000 | $ 1,413,425 | $ 2,869,425 |
| 2010 | 127,000 | 595,000 | 444,000 | 220,000 | 1,353,699 | 2,739,699 |
| 2011 | 128,000 | 595,000 | 449,000 | 220,000 | 1,390,056 | 2,782,056 |
| 2012 | 128,000 | 590,000 | 459,000 | 220,000 | 1,420,228 | 2,817,228 |
| 2013 | 128,000 | 590,000 | 469,000 | 220,000 | 1,131,768 | 2,538,768 |
| 2014 | 126,000 | 590,000 | 471,000 | 220,000 | 1,481,841 | 2,888,841 |
| 2015 | 101,000 | 590,000 | 381,000 | 220,000 | 1,523,779 | 2,815,779 |
| 2016 | 46,000 | 590,000 | 396,000 | 220,000 | 1,565,261 | 2,817,261 |
| 2017 | 41,000 | 590,000 | 411,000 | 220,000 | 1,609,946 | 2,871,946 |
| 2018 | 41,000 | 590,000 | 36,000 | 220,000 | 1,655,311 | 2,542,311 |
| 2019 | 41,000 | 590,000 | 36,000 | 220,000 | 1,694,404 | 2,581,404 |
| 2020 | 41,000 | 590,000 | 36,000 | 220,000 | 917,098 | 1,804,098 |
| 2021 | 41,000 | 585,000 | 36,000 | 220,000 | 903,469 | 1,785,469 |
| 2022 | 41,000 | 585,000 | 36,000 | 220,000 | 783,695 | 1,665,695 |
| 2023 | 41,000 | 585,000 | 36,000 | 220,000 | 801,707 | 1,683,707 |
| 2024 | 46,000 | 585,000 | 36,000 | 215,000 | 805,858 | 1,687,858 |
| 2025 | 41,000 | 585,000 | 36,000 | - | 371,177 | 1,033,177 |
| 2026 | - | - | - | - | 232,787 | 232,787 |
| | $ 1,285,000 | $ 10,020,000 | $ 4,282,000 | $ 3,515,000 | $ 21,055,507 | $ 40,157,507 |

(1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.
(2) Based on the Town's January 1, 2006 equalized valuation of $4,327,989,400, the Town's normal General Debt Limit is $216,399,470 and the Double General Debt Limit will be $432,798,940. (See "Debt Limits," above).
(3) Outside the Town's debt limit.
(4) $8,940,000 is exempt from the provisions of Proposition 2 ½.
(5) Comprised of landfill, seawall, vehicles, transfer station, and golf course; $3,543,000 is outside the debt limit.
(6) $1,921,956 is exempt from the provisions of Proposition 2 ½. $75,426 is outside the debt limit.

**Annual Debt Service projected as of June 30, 2008 (1)**

| Fiscal | Outstanding (2) | | This Issue | | MWPAT | Net |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Subsidy | Debt Service |
| 2009 | $ 2,869,425 | $ 1,547,348 | $ 918,000 | $ 239,920 | $ (576,378) | $ 4,998,316 |
| 2010 | 2,739,699 | 1,432,451 | 885,000 | 212,380 | (547,063) | 4,722,467 |
| 2011 | 2,782,056 | 1,348,052 | 860,000 | 185,830 | (535,220) | 4,640,717 |
| 2012 | 2,817,228 | 1,207,246 | 405,000 | 160,030 | (496,139) | 4,093,365 |
| 2013 | 2,538,768 | 1,466,718 | 395,000 | 139,780 | (500,350) | 4,039,916 |
| 2014 | 2,888,841 | 1,023,884 | 395,000 | 126,943 | (468,964) | 3,965,704 |
| 2015 | 2,815,779 | 906,940 | 320,000 | 113,118 | (451,744) | 3,704,092 |
| 2016 | 2,817,261 | 777,862 | 320,000 | 101,918 | (427,013) | 3,590,027 |
| 2017 | 2,871,946 | 655,858 | 285,000 | 90,718 | (403,504) | 3,500,018 |
| 2018 | 2,542,311 | 525,380 | 270,000 | 80,030 | (371,170) | 3,046,551 |
| 2019 | 2,581,404 | 433,284 | 235,000 | 69,230 | (343,375) | 2,975,542 |
| 2020 | 1,804,098 | 344,814 | 235,000 | 59,830 | (108,323) | 2,335,418 |
| 2021 | 1,785,469 | 274,507 | 235,000 | 50,430 | (88,231) | 2,257,174 |
| 2022 | 1,665,695 | 208,115 | 235,000 | 40,795 | (40,429) | 2,109,176 |
| 2023 | 1,683,707 | 142,884 | 230,000 | 31,160 | (35,680) | 2,052,070 |
| 2024 | 1,687,858 | 76,992 | 210,000 | 21,730 | (25,112) | 1,971,468 |
| 2025 | 1,033,177 | 29,338 | 160,000 | 13,120 | - | 1,235,635 |
| 2026 | 232,787 | 2,328 | 160,000 | 6,560 | - | 401,674 |
| Total | $ 40,157,507 | $ 12,404,000 | $ 6,753,000 | $ 1,743,520 | $ (5,418,696) | $ 55,639,331 |

(1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling $10,861,956 and interest totaling $3,775,794 are exempt from the provisions of Proposition 2 1/2.

## Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately $9,752,788 of authorized unissued long-term debt, as follows:

| Purpose | Amount |
|---|---|
| Waste Water Treatment Plant Upgrade | $ 100 |
| Infiltration/Inflow Repair | 17,366 |
| Sewer | 2,825,000 |
| Stormwater Management | 10,000 |
| Sewer | 1,816,341 |
| Dredging | 195,000 |
| School Remodeling | 773 |
| Seawall | 312,000 |
| Marine Bonds | 384,208 |
| DPW Vehicles | 157,000 |
| Seawall | 400,000 |
| Sewer Bonds | 357,000 |
| School Vehicles | 105,000 |
| Seawalls | 544,000 |
| Police Computer System | 125,000 |
| Library Renovations | 100,000 |
| Dam Repairs | 100,000 |
| Marine Park Recreational Facility | 1,209,000 |
| Water Main | 640,000 |
| Water Main | 350,000 |
| Water Equipment | 105,000 |
| Total | $ 9,752,788 |

## Overlapping Debt

The following are the principal entities whose indebtedness is chargeable to the Town of Scituate or payable from taxation of property within the Town:

| | Outstanding Bonded Debt as of 6/30/07 | Scituate's Estimated Share % | Fiscal 2008 Dollar Assessment (1) |
|---|---|---|---|
| Plymouth County (2) | $4,675,000 | 6.76% | $68,557 |
| Massachusetts Bay Transportation Authority (3) | $5,079,400,000 | N/A | $115,096 |
| South Shore Regional Vocational-Technical School District (4) | $1,535,000 | 5.52% | $604,692 |

(1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.

(2) Source: Treasurer, Plymouth County. County expenses are assessed upon the cities and towns within the County in proportion to their valuations of taxable property as last equalized by the State Commissioner of Revenue. Assessment shown is based on the most recent equalized valuation.

(3) Source: Massachusetts Bay Transportation Authority (the "MBTA"). The MBTA was created in 1964 to finance and operate mass transportation facilities within the Greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount which does not exceed the aggregate principal amount of $3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA is also authorized to issue bonds for the purpose of refunding bonds. Under the MBTA's enabling act, debt service as well as other operating expenses of the MBTA are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the Authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(4) Source: Treasurer, South Shore Regional Vocational-Technical School District. Assessment is for fiscal year 2008. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.

**Contracts**

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town is currently a participant of the following contracts:

The Town has entered in contract with International Golf Maintenance of Champions Gate, Florida 33896, to maintain its golf course, for the following sums: August 1, 2004-December 31, 2004, $171,138; January 1, 2005 to December 31, 2005, $427,425; January 1, 2006 to December 31, 2006, $435,973, and utilized the options for year's 2007, 2008 for the following sums: January 1, 2007 to December 31, 2007, $435,973 and January 1, 2008 to December 31, 2008 $444,693. Performance reviews will take place each November 1 to determine satisfaction and subsequent release of annual retainage. The Town also contracts annually with SEMASS Partnership solid waste disposal at $86.22 per ton in fiscal 2007. The annual cost incurred in fiscal 2006 was $307,000, $314,000 was fiscal 2007 and is estimated to be $306,259 in fiscal 2008.

## RETIREMENT SYSTEM

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under recent legislation, cities and towns that accepted its provisions and that obtained certain state approvals therefor were allowed, within limits, to reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations are required to revise their retirement system funding schedule for eliminating their unfunded pension liability and were allowed to extend such schedule by one year, provided that in no event were allowed to such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

**Plymouth County Retirement System**

The Town participates in the contributory retirement system of Plymouth County that is partially funded by employee contributions. The Town meets its share of cost primarily on a pay-as-you-go basis by contributing annually the amount determined by the State Division of Insurance. This contribution is a legal obligation of the Town and is required to be included in its annual tax levy. The Town also maintains a noncontributory retirement plan for certain eligible veterans who were employed in public service before July 1, 1939.

As of January 1, 2007, the total unfunded pension benefit obligation of the Plymouth County System was $381,211,329, as follows:

| | |
|---|---|
| Total pension benefit obligation | $987,840,418 |
| Assets at market value | 606,629,089 |
| Unfunded pension benefit obligation | $381,211,329 |
| The Town's estimated share at its participation rate of 6.60% | $24,511,383 |

Effective July 1, 1991, the System elected to fully fund the accrued actuarial liability under Chapter 32, Section 22 of the Massachusetts General Laws. Under provisions of this law, participating employers are assessed their share of the retirement cost based on the entry age normal actuarial cost method.

The System assesses participating employers for their share of pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employee Retirement Administration Commission (PERAC) and is based in part on the previous year's benefit payout.

The annual contributions of the Town to the Retirement System budgeted for fiscal year 2008 and for the last five fiscal years are as follows:

| Fiscal Year | Contributory |
|---|---|
| 2008 | $2,464,168 |
| 2007 | 2,153,248 |
| 2006 | 1,939,160 |
| 2005 | 1,698,327 |
| 2004 | 1,640,908 |
| 2003 | 1,513,837 |

The foregoing data do not include the retirement system costs or liabilities of any larger entity of which the Town is constituent part and for which it is assessed a share of expenses.

**Other Post-Employment Benefits**

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

| Fiscal Year | Benefit Costs |
|---|---|
| 2007 | $ 3,716,529 |
| 2006 | 1,017,000 |
| 2005 | 931,000 |
| 2004 | 796,000 |
| 2003 | 685,037 |

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the costs of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has not yet performed an actuarial valuation of its non-pension, post-employment benefit liability, but it expects to do so in time to satisfy the new GASB reporting requirements. The Town has hired USI Consulting Group to perform an actuarial valuation of its post-employment benefit liability and expects such valuation to be conducted in fiscal year 2008.

## COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 620 full and part-time employees, including those in the School Department. Approximately 97 percent belong to unions or other collective bargaining groups as shown below:

| Employee by Category | Represented by | Number of Employees | Contract Expires |
|---|---|---|---|
| General Government | | | |
| Police | International Brotherhood of Police Officers | 30 | 6/30/2008 |
| Firemen | Scituate Fire Fighters Union | 55 | 6/30/2008 |
| Clerical Workers | 925, AFL-CIO-CLC | 19 | 6/30/2008 |
| Library | 925, AFL-CIO-CLC | 9 | 6/30/2008 |
| Public Works | AFL-CIO (1) | 33 | 6/30/2008 |
| Administrators and Managers | SEIU (2) | 20 | 6/30/2008 |
| Total General Government Professionals | | 166 | |
| School | | | |
| Teachers | Scituate Teachers Assoc./Mass. Teachers Assoc. | 256 | 8/31/2008 |
| Custodians | AFSCME (3) | 26 | 6/30/2008 |
| Secretaries | SEIU/Local 925 (2) | 21 | 8/31/2008 |
| Bus Workers | SEIU/Local 254 (2) | 17 | 6/30/2008 |
| Aides and Tutors | AFSCME (3) | 96 | 8/31/2008 |
| Cafeteria Workers | SEIU/Local 925 (2) | 18 | 8/31/2008 |
| Total School | | 434 | |
| Total | | 600 | |

(1) American Federation of Labor-Congress of Industrial Organizations.
(2) Service Employees International Union.
(3) American Federation of State, County and Municipal Employees.

## LITIGATION

In the opinion of town counsel, no litigation is pending which is likely to result either individually or in the aggregate, in a final judgment against the Town which materially will affect its financial position.

TOWN OF SCITUATE, MASSACHUSETTS
/s/ Jane C. Lepardo
Town Treasurer

June 10, 2008

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**APPENDIX A**

# 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

500 West Cummings Park • Suite 3500 • Woburn, Massachusetts 01801

Telephone: 781-933-0073 • Facsimile: 781-933-4643 • Website: www.roselliclark.com

## 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**

**Net Assets**

| | Governmental activities | | Business activities | | Total | |
|---|---|---|---|---|---|---|
| **Assets** | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| 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 |
| **Liabilities** | | | | | | |
| 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 |
| **Net Assets** | | | | | | |
| 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 | $ 65,711,974 | $ 65,251,017 | $ 32,515,327 | $ 32,449,162 | $ 98,227,301 | $ 97,700,179 |

## Government-Wide Financial Analysis

**Changes in Net Assets**

| | Governmental activities | | Business activities | | Total | |
|---|---|---|---|---|---|---|
| **Assets** | 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)**

| | Governmental | Business Type | Total |
|---|---|---|---|
| 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 |
| | 84,785 | 76,947 | 161,732 |
| Less: Accumulated depreciation | ( 20,890) | ( 22,480) | ( 43,370) |
| Total capital assets | $ 63,895 | $ 54,467 | $ 118,362 |

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 |
| Unapportionend 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 | | |
|---|---|---|---|---|---|---|---|
| | Expenses | 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 | 1,172,340 | (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 | $ 1,653,602 | $ (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 | 51,381,104 | 106,890 | 211,306 | 1,744,228 | 6,208,374 | 59,651,902 |
| **OTHER FINANCING SOURCES** | | | | | | |
| Transfers in | 510,993 | | | | 1,233,594 | 1,744,587 |
| Total Other Financing Sources | 510,993 | - | - | - | 1,233,594 | 1,744,587 |
| Total Revenues and Other Financing Sources | 51,892,097 | 106,890 | 211,306 | 1,744,228 | 7,441,968 | 61,396,489 |
| **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 | 51,063,748 | - | 44,771 | 1,209,176 | 9,986,423 | 62,304,118 |
| **OTHER FINANCING USES** | | | | | | |
| Transfers out | 1,129,332 | 222,407 | 1,113,094 | | 68,236 | 2,533,069 |
| Total Expenditures and Other Financing Uses | 52,193,080 | 222,407 | 1,157,865 | 1,209,176 | 10,054,659 | 64,837,187 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | (300,983) | (115,517) | (946,559) | 535,052 | (2,612,691) | (3,440,698) |
| FUND BALANCES, July 1, 2006 | 3,775,070 | 2,070,793 | 5,727,118 | 3,330,577 | 1,607,459 | 16,511,017 |
| **FUND BALANCES (Deficit), June 30, 2007** | **$ 3,474,087** | **$ 1,955,276** | **$ 4,780,559** | **$ 3,865,629** | **$ (1,005,232)** | **$ 13,070,319** |

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) |
| **Net Assets of Governmental Activities** | **$ 65,711,974** |

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*** | 1,356,322 | 4,606,195 | 286,818 | 369,818 | 888,710 | 7,507,863 |
| **NONCURRENT ASSETS** | | | | | | |
| Intergovernmental - MWPAT subsidy | | 2,490,201 | | | | 2,490,201 |
| Unapportioned assessments | | 4,311,967 | | | | 4,311,967 |
| Fixed assets (net) | 11,557,680 | 32,016,249 | 1,710,181 | 3,228,392 | 5,954,678 | 54,467,180 |
| **Total Assets** | 12,914,002 | 43,424,612 | 1,996,999 | 3,598,210 | 6,843,388 | 68,777,211 |
| **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 | 4,678 | 3,961 | 2,824 | | 1,836 | 13,299 |
| **Total Current Liabilities** | 265,594 | 2,784,479 | 205,575 | 593,425 | 552,521 | 4,401,594 |
| **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 | 42,098 | 35,646 | 25,416 | | 16,526 | 119,686 |
| **Total Noncurrent Liabilities** | 1,327,098 | 21,858,250 | 2,218,416 | 2,925,000 | 3,531,526 | 31,860,290 |
| **TOTAL LIABILITIES** | 1,592,692 | 24,642,729 | 2,423,991 | 3,518,425 | 4,084,047 | 36,261,884 |
| **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 | 10,145,680 | 18,072,993 | 1,050,181 | 18,392 | 66,302 | 29,353,548 |
| ***Total Net Assets (deficiency)*** | **$ 11,321,310** | **$ 18,781,883** | **$ (426,992)** | **$ 79,785** | **$ 2,759,341** | **$ 32,515,327** |

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 | 2,384,411 | 1,775,594 | 930,776 | 1,278,553 | 948,118 | 7,317,452 |
| **OPERATING EXPENSES** | | | | | | |
| Operating costs | 1,551,193 | 1,062,370 | 1,050,534 | 766,962 | 412,613 | 4,843,672 |
| Depreciation | 424,930 | 744,119 | 83,054 | 292,465 | 314,465 | 1,859,033 |
| Total Operating Expenses | 1,976,123 | 1,806,489 | 1,133,588 | 1,059,427 | 727,078 | 6,702,705 |
| **OPERATING INCOME** | 408,288 | (30,895) | (202,812) | 219,126 | 221,040 | 614,747 |
| **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 | (41,149) | (444,784) | 68,528 | 65,315 | (196,492) | (548,582) |
| **CHANGE IN NET ASSETS (Deficit)** | 367,139 | (475,679) | (134,284) | 284,441 | 24,548 | 66,165 |
| **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** | $ 11,321,310 | $ 18,781,883 | $ (426,992) | $ 79,785 | $ 2,759,341 | $ 32,515,327 |

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** | 662,432 | 1,866,603 | (184,024) | 495,009 | 773,404 | 3,613,424 |
| **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** | | 598,034 | 89,181 | 169,168 | (67,901) | 788,482 |
| **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) |
| | (541,937) | (3,470,365) | (70,153) | (467,802) | (1,032,836) | (5,583,093) |
| **CASH FLOWS FROM INVESTING ACTIVITIES.** | | | | | | |
| Investment income | 25,135 | 11,039 | 6,802 | 354 | 25,272 | 68,602 |
| **Net Cash Provided by Investing Activities** | 25,135 | 11,039 | 6,802 | 354 | 25,272 | 68,602 |
| **NET CHANGE IN CASH AND EQUIVALENTS** | 145,630 | (994,689) | (158,194) | 196,729 | (302,061) | (1,112,585) |
| ***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** | **$ 1,240,011** | **$ 2,095,558** | **$ 286,818** | **$ 299,082** | **$ 888,710** | **$ 4,810,179** |
| **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*** | $ 662,432 | $ 1,866,603 | $ (184,024) | $ 495,009 | $ 773,404 | $ 3,613,424 |
| **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

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

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 | | 16,809 |
| **Total Additions** | | 17,809 |
| **EXPENDITURES:** | | |
| Scholarships and assistance | | 18,000 |
| **Total Deductions** | | 18,000 |
| **CHANGE IN NET ASSETS** | | (191) |
| **NET ASSETS AT BEGINNING OF YEAR** | | 394,498 |
| **NET ASSETS AT END OF YEAR** | $ | **394,307** |

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

## 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.

## 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.

## 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.

## 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 |

## 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.

## 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.

## 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.

## 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 |

## 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 |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| 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 |
| | $ 2,687,766 |

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

### B. Capital Assets (continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| *Business Activities:* | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 3,675,000 | | | $ 3,675,000 |
| Construction in progress | 3,458,704 | $ 471,067 | $ (1,783,923) | 2,145,848 |
| Total capital assets not being depreciated | 7,133,704 | 471,067 | (1,783,923) | 5,820,848 |
| 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 | 2,040,403 | 406,436 | (86,134) | 2,360,705 |
| Total capital assets being depreciated | 67,117,323 | 4,095,445 | (86,134) | 71,126,634 |
| 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 | (1,461,314) | (139,278) | 79,595 | (1,520,997) |
| Total accumulated depreciation | (20,700,861) | (1,859,036) | 79,595 | (22,480,302) |
| Total capital assets being depreciated, net | 46,416,462 | 2,236,409 | (6,539) | 48,646,332 |
| Business activities capital assets, net | $ 53,550,166 | $ 2,707,476 | $ (1,790,462) | $ 54,467,180 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Water | $ 424,930 |
| Sewer | 744,119 |
| Transfer Station | 83,054 |
| Golf | 292,465 |
| Waterways | 314,468 |
| | $ 1,859,036 |

## 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:

| | General | Stabilization | Non major | *Total* Governmental | Proprietary | Total all funds |
|---|---|---|---|---|---|---|
| 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 | 53,530 | | 59,837 | 113,367 | 4,311,967 | 4,425,334 |
| Gross receivables | 2,946,433 | | 934,491 | 3,880,924 | 9,429,116 | 13,310,040 |
| Allowance for Uncollectible accounts | ( 618,011) | | | ( 618,011) | | ( 618,011) |
| Net receivables | $ 2,328,422 | $ - | $ 934,491 | $ 3,262,913 | $ 9,429,116 | $ 12,692,029 |

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.

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

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

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

### 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:

| Type | Interest Rate | Maturity Date | July 1, 2006 | Additions | Retirement | June 30, 2007 |
|---|---|---|---|---|---|---|
| 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 |
| | | | $5,338,000 | $7,755,530 | ($5,338,000) | $ 7,755,530 |

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

## 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:

| | Balance July 1, 2006 | Additions | Reductions | Balance June 30, 2007 |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| Compensated absences | $ 1,331,234 | $ 34,453 | | $ 1,365,687 |
| Bond indebtedness | 12,654,998 | | $ ( 854,287) | 11,800,711 |
| Total Governmental | $ 13,986,232 | $ 34,453 | $ ( 854,287) | $ 13,166,398 |
| *Business-type Activities:* | | | | |
| 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 |
| Total Business-type | $ 36,299,358 | $ 2,867 | $ ( 2,344,322) | $ 33,957,903 |

*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 | | $4,216,790,550 |
| 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) | ( 43,815,711) |
| Legal Debt Margin | | $ 167,023,817 |

## 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 |
|---|---|---|---|---|---|
| *Governmental Activities:* | | | | | |
| Inside the debt limit: | | | | | |
| 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 |

## 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 |
|---|---|---|---|---|---|
| *Business-Type* | | | | | |
| Inside the debt limit: | | | | | |
| 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 Extenstion (CW-02-22) | 11/03/05 | 08/01/23 | 2.5 - 5.25% | 1,288,256 | 1,288,256 |
| Sewer Extenstion (CW-02-22A) | 11/03/05 | 07/15/23 | 2.5 - 5.25% | 4,869,467 | 4,688,722 |
| Sewer Extenstion (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 | | | | 34,489,158 | 26,892,920 |
| Outside the debt limit | | | | | |
| 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 | | | | $ 6,161,000 | 5,282,000 |
| **Total Business-type Activities** | | | | | $ 32,174,920 |

## 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 | | | |
| | Principal | Interest | Subsidy | Net Amount | Total | Balance | Subsidy | Net Amount | Balance | 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 | $ 2,635,867 |
| 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 | 1,050,783 | 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 | (686) | 652,519 | 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 | Principal | Interest | Minimum Lease Obligation |
|---|---|---|---|
| 2008 | $ 36,058 | $ 7,281 | $ 43,339 |
| 2009 | 29,434 | 5,611 | 35,045 |
| 2010 | 31,142 | 3,903 | 35,045 |
| 2011 | 32,273 | 2,097 | 34,370 |
| 2012 | 19,732 | 468 | 20,200 |
| Total | $ 148,639 | $ 19,360 | $ 167,999 |

*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 | 2,084,214 |
| Total authorized and unissued | $ 5,122,080 |

## 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:

| Related Entity | Annually Assessed |
|---|---|
| Massachusetts Bay Transportation Authority | $ 111,573 |
| Plymouth County | 67,020 |
| South Shore Regional Vocational Technical School District | 435,899 |
| | $ 614,492 |

## 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.

## 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.

## 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 | | | Variances |
|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Budgetary Amounts | Encumbrances | Adjusted Actual | favorable (unfavorable) |
| **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 | | | |

## 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** |

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Jane Lepardo, Treasurer
Town of Scituate
Scituate, Massachusetts

$6,753,000
Town of Scituate, Massachusetts
General Obligation Municipal Purpose Loan of 2008 Bonds
Dated June 15, 2008

We have acted as bond counsel to the Town of Scituate, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town

has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

**APPENDIX C**

## PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Scituate, Massachusetts (the "Town") in connection with the issuance of its $6,753,000 General Obligation Municipal Purpose Loan of 2008 Bonds dated June 15, 2008 (the "Bonds"). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agents are listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted when available separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Town shall send a notice to each National Repository and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Town's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated June ___, 2008 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The Town shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds.

11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, [4, 5,] and 10 above are not applicable to the Bonds.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Town shall promptly file a notice of such occurrence with each National Repository and the State Depository, if any.

SECTION 6. Alternative Methods for Reporting. The Town may satisfy its obligations to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of

the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 9. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action for specific performance of the Town's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 2008

TOWN OF SCITUATE,
MASSACHUSETTS

By_____
Treasurer

_____

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Selectmen

[EXHIBIT A: List of National Repositories and Transmission Agents]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]