

**OFFICIAL STATEMENT DATED MARCH 9, 2011**

**Rating: See "Rating" herein.  
Standard & Poor's Rating Group: AA**

**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  
\$9,756,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

**DATED**  
As of Delivery Date

**DUE**  
March 15  
(as shown below)

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 or any integral multiple thereof, with the exception of one \$1,000 denomination maturing in 2012. (See "Book-Entry-Transfer System" herein.)

Principal of the Bonds will be paid on March 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 15 and September 15 commencing September 15, 2011, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, 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 detailed 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 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 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 portion of the Bonds that the Town has not voted to exempt from that limit.

**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS**

Due March 15	Principal Amount	Interest Rate	Yield	Cusip 809095	Due March 15	Principal Amount	Interest Rate	Yield	Cusip 809095
2012	\$ 911,000	3.00 %	0.60 %	TR3	2019	\$ 510,000	4.00 %	2.70 %	TY8
2013	830,000	3.00	0.90	TS1	2020	445,000	5.00	2.93	TZ5
2014	770,000	3.00	1.20	TT9	2021	420,000	5.00	3.15	UA8
2015	750,000	4.00	1.65	TU6	2022	385,000	3.125	3.25	UB6
2016	705,000	4.00	1.90	TV4	2023	385,000	3.25	3.35	UC4
2017	690,000	4.00	2.15	TW2	2024	355,000	3.375	3.50	UD2
2018	580,000	4.00	2.45	TX0	2025	350,000	3.50	3.60	UE0

**\$580,000 Coupon Rate 3.75% Term Bond Maturing March 15, 2027 Yield @ 3.85% Cusip # 809095 UG5**

**\$1,090,000 Coupon Rate 4.00% Term Bond Maturing March 15, 2031 Yield @ 4.07% Cusip # 809095 UL4**

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, 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 The Depository Trust Company, or its custodial agent, on or about March 17, 2011, against payment in federal funds.



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The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice. Neither the delivery of this Preliminary 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 Preliminary 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: Wednesday, March 9, 2011 at 11:00 am Eastern Time.

Location of Sale: First Southwest Company, 54 Canal Street, 3<sup>rd</sup> Floor, Boston, Massachusetts.

Issuer: Town of Scituate, Massachusetts.

Issue: \$9,756,000 General Obligation Municipal Purpose Loan of 2011 Bonds - Book-Entry - See "Book-Entry-Transfer System" herein.

Official Statement Dated: March 9, 2011.

Dated Date of Bonds: As of Delivery Date.

Principal Due: Serially on March 15, 2012 through March 15, 2025; Term Bond maturing March 15, 2027 and March 15, 2031, as detailed herein.

Purpose and Authority: Bond proceeds will finance various municipal projects as authorized by the Town 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 detailed herein.

Security: The Bonds will be valid general obligations of the Town of Scituate, Massachusetts, 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 that 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 that portion of the Bonds that the Town has not voted to exempt from that limit.

Credit Rating: Standard & Poor's Ratings Group has assigned a rating of AA to 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 \$90,000.**

Tax Exemption: Refer to "Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel."

Continuing Disclosure: Refer to "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.

Bond Counsel: 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 its custodial agent, on or about March 17, 2011, against payment in Federal Reserve Funds.

Additional Information: Questions concerning the Official Statement should be addressed to: Ms. Jane C. 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  
\$9,756,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

The Town of Scituate, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, March 9, 2011, for the purchase of the following described General Obligation Municipal Purpose Loan of 2011 Bonds of the Town (the "Bonds"):

\$9,756,000 General Obligation Municipal Purpose Loan of 2011 Bonds payable March 15 of the years and in the amounts as follows:

Due March 15	Principal Amount	Due March 15	Principal Amount
2012	\$ 911,000	2022	\$ 385,000 *
2013	830,000	2023	385,000 *
2014	770,000	2024	355,000 *
2015	750,000	2025	350,000 *
2016	705,000	2026	290,000 *
2017	690,000	2027	290,000 *
2018	580,000	2028	280,000 *
2019	510,000	2029	270,000 *
2020	445,000	2030	270,000 *
2021	420,000	2031	270,000 *

\*Callable maturities.

The Bonds will be dated as of delivery date. Principal of the Bonds will be payable on March 15 of the years in which the Bonds mature. Interest will be payable on March 15 and September 15 commencing September 15, 2011.

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity 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 \$1,000 denomination maturing in 2012, 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 and their legality will be approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Bonds maturing on or prior to March 15, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after March 15, 2022 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2021, 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.

For Bonds maturing on March 15, 2022 and thereafter, 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 the maturities of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Bidders may specify no more than two maturities of Term Bonds.

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.

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 \$90,000 will be considered.**

As between proposals which comply with this Notice, 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 the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. 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 C. 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.
- (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 February 22, 2011, (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 significant 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 February 22, 2011 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, 60 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 March 9, 2011 (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 March 17, 2011 for settlement in Federal Funds.

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

March 9, 2011

## OFFICIAL STATEMENT

### TOWN OF SCITUATE, MASSACHUSETTS

#### **\$9,756,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 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 \$9,756,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2011 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 their date of delivery and will bear interest payable semiannually on March 15 and September 15 of each year until maturity, commencing September 15, 2011, at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated February 22, 2011. The Bonds shall mature on March 15 of the years and in the principal amounts as set forth on the cover page hereof.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity 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 \$1,000 denomination maturing in 2012, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. Principal of and interest 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 by participants of DTC will be the responsibility of such participants and other nominees of the 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.

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, 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 disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

The Bonds are subject to redemption as described below.

##### **Redemption Provisions**

###### **Optional Redemption**

The Bonds maturing in the years 2012 through 2021 will not be subject to redemption prior to maturity. The Bonds maturing on and after March 15, 2022 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2021, either in whole or in part on any interest payment date, 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.

###### **Mandatory Redemption**

The Bonds maturing March 15, 2027 and March 1, 2031, 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.

### **\$580,000 Term Bonds Maturing March 15, 2027**

<u>Year</u>	<u>Principal Amount</u>
2026	\$290,000
2027 *	290,000

### **\$1,090,000 Term Bonds Maturing March 15, 2031**

<u>Year</u>	<u>Principal Amount</u>
2028	\$ 280,000
2029	270,000
2030	270,000
2031 *	270,000

\*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 maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail 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 on the Bonds is the last business day of the month preceding the interest payment date. With respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date to the Bondowner. 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 in fully-registered form 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 subsidiaries. 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](http://www.dtcc.com) and [www.dtc.org](http://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 deposited 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 the securities deposited 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 the securities deposited with 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 securities deposited with DTC; 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 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 deposited with 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 the securities deposited with 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

The following sets forth the principal amounts, purposes, statutory authorization for the current offering of Bonds:

This Issue	Purpose	Total Amount Authorized	Amount of BAN's Outstanding	Statutory Reference (Chapter 44 of the Massachusetts General Laws), as amended	Date of Authorization	Article Number
\$ 234,000	Seawalls	\$ 312,000	\$ 273,000 (1)	7(7)	3/3/2003	4
117,750	DPW Vehicles	157,000	137,375 (2)	7(9)	3/4/2006	4, item 6
300,000	Seawalls	400,000	350,000 (3)	7(7)	3/4/2006	4, item 4
73,000	School Vehicle	105,000	83,875 (4)	7(9)	3/3/2007	4, item 3
469,750	Seawalls	544,000	537,750 (5)	7(7)	3/3/2007	4 item 5
85,416	Police Computer System	125,000	125,000 (6)	7(28) & 7(29)	3/3/2007	4, item 8
93,888	Library Renovations	100,000	99,444 (7)	7(3A)	3/3/2007	4, item 10
210,000	Dept. Equipment - Street Sweeper	210,000	210,000	7(9)	4/13/2009	4M
70,000	Dept. Equipment - Bucket Truck	130,000	70,000	7(9)	4/13/2009	4N
120,000	Repairs to Foreshore Structures	120,000	120,000	7(7)	4/13/2009	4O
45,000	Feasibility Study (Library)	45,000	45,000	7(21)	4/12/2010	4A
90,000	Liquid Salt Pre-Treatment System	90,000	90,000	7(9)	4/12/2010	4B
50,000	Sander Body & Plow Package	50,000	-	7(9)	4/12/2010	4C
75,000	School Bus	75,000	75,000	7(9)	4/12/2010	4D
40,000	Fire Command Vehicle	40,000	40,000	7(9)	4/12/2010	4I
6,666	Stormwater Mgmt.	310,000	10,000 (8)	7(22)	3/4/2002	4I
1,165,000	Wampanoag School Repairs (EXEMPT)	2,330,000 (9)	-	7(3A)	5/17/10 & 6/19/10	2
811,071	Sewer Extension	13,544,000	820,000 (10)	7(1)	3/4/2002	4K
300,000	Sewer Extension	6,400,000	300,000	8(15)	4/13/2009	4C
114,000	Infiltration & Inflow System	400,000	114,000	7(1)	4/12/2010	4E
84,970	Additional Sewer Extension (Rosa's Lane)	175,000	-	7(1)	11/2/2009	4
640,000	Water Main	640,000	640,000	8	3/29/2008	4C
350,000	Water Main	350,000	350,000	8	3/29/2008	4D
92,000	Water Department Equipment	105,000	92,000	8(7C)	3/29/2008	4F
570,000	Clean Department Line County Way Watermain	570,000	285,000	8	4/13/2009	4G
750,000	Replace Stockbridge Road Watermain	750,000	450,000	8	4/13/2009	4K
170,000	Water Mains - Tilden	170,000	170,000	8	4/13/2009	4I
150,000	Dump Truck	150,000	-	7(9)	4/12/2010	4F
1,300,000	Water Mains	1,300,000	236,700	8	4/12/2010	4H
25,000	Fire Hydrant Replacement	25,000	-	8(7C)	4/12/2010	4G
100,000	Dam Repairs	150,000	-	8(7C)	3/3/2007	4, item 12
150,000	Transfer Station (Loader)	175,000	150,000	7(9)	4/13/2009	4E
903,489	Marine Park Recreational Facility	1,630,000	929,000 (11)	7(25)	3/3/2007	4, item 17
<u>\$ 9,756,000</u>			<u>\$ 6,803,144</u>			

- (1) This issue, with \$39,000 of revenue funds, will be used to retire a like amount of bond anticipation notes maturing March 18, 2011.
- (2) This issue, with \$19,625 of revenue funds, will be used to retire a like amount of bond anticipation notes maturing March 18, 2011.
- (3) This issue, with \$50,000 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (4) This issue, with \$10,875 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (5) This issue, with \$68,000 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (6) This issue, with \$39,584 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (7) This issue, with \$5,556 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (8) This issue, with \$3,334 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (9) The Town voted to exempt this authorization from the limitations of Proposition 2 ½ on June 19, 2010.
- (10) This issue, with \$8,929 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.
- (11) This issue, with \$25,511 of revenue funds, will be used to retire a like amount of Bond Anticipation Notes maturing March 18, 2011.

## Principal Payments by Purpose

Fiscal Year	General	Sewer	Water	Transfer Station Equipment	Waterways	Total
2012	\$ 470,470	\$ 85,041	\$ 262,000	\$ 20,000	\$ 73,489	\$ 911,000
2013	410,000	75,000	255,000	20,000	70,000	830,000
2014	360,000	70,000	250,000	20,000	70,000	770,000
2015	350,000	70,000	245,000	15,000	70,000	750,000
2016	305,000	70,000	245,000	15,000	70,000	705,000
2017	295,000	70,000	240,000	15,000	70,000	690,000
2018	185,000	70,000	240,000	15,000	70,000	580,000
2019	120,000	70,000	235,000	15,000	70,000	510,000
2020	80,000	65,000	220,000	15,000	65,000	445,000
2021	70,000	65,000	220,000	-	65,000	420,000
2022	65,000	65,000	190,000	-	65,000	385,000
2023	65,000	65,000	190,000	-	65,000	385,000
2024	65,000	65,000	185,000	-	40,000	355,000
2025	60,000	65,000	185,000	-	40,000	350,000
2026	60,000	60,000	170,000	-	-	290,000
2027	60,000	60,000	170,000	-	-	290,000
2028	60,000	55,000	165,000	-	-	280,000
2029	55,000	55,000	160,000	-	-	270,000
2030	55,000	55,000	160,000	-	-	270,000
2031	55,000	55,000	160,000	-	-	270,000
Total	<u>\$ 3,245,470</u>	<u>\$ 1,310,041</u>	<u>\$ 4,147,000</u>	<u>\$ 150,000</u>	<u>\$ 903,489</u>	<u>\$ 9,756,000</u>

## 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. 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 or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds 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. 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.

## **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 "TYPES OF OBLIGATIONS – Serial Notes" under "INDEBTEDNESS" below) and setoffs of state distributions as described below (see "State Distributions" 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 payments 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" under "INDEBTEDNESS" 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. 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 fee, 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, 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. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. 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 "TYPES OF OBLIGATIONS - Serial Bonds and Notes" under "INDEBTEDNESS" 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.

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 is required to 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 paragraph). 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. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Rating**

Standard & Poor's Rating Group has assigned a rating of AA to the Bonds. The rating reflects only the rating agency's view and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

### **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Bonds will be rendered by Edwards Angell Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of original delivery of the Bonds and will speak only as of such date. The proposed form of the legal opinion is set forth in Appendix B hereto.

Except as to matters expressly set forth in their opinion, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as their opinion.

### **Financial Advisory Services of First Southwest Company**

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Scituate. The Town has consented to participation by First Southwest Company or any of its affiliates 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 Issuer will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Issuer 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. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. 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 Issuer has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

## THE TOWN OF SCITUATE

### General

The Town of Scituate (the "Town"), which was incorporated in 1636, is located 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. The Town has a year round population of 18,301, and 30,000 in summer months. Scituate is a residential community with a substantial summer population. It has 57 miles of tidal shoreline that includes six beaches and saltwater recreation areas for boating, fishing and other marine sports. 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 five member Board of 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:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Expiration of Term</u>
Selectmen	John F. Danehey	Elected - 3-year term	2013
	Richard Murray	Elected - 3-year term	2012
	Joseph P. Norton	Elected - 3-year term	2013
	Shawn Harris	Elected - 3-year term	2011
	Tony Vegnani	Elected - 3-year term	2011
Town Administrator	Patricia Vinchesi	Appointed	Indefinite
Treasurer/Collector	Jane C. Lepardo	Appointed	2012
Accountant	Mary Gallagher	Appointed	2013
Town Clerk	Bernice R. Brown	Elected - 3 year term	2012
Town Counsel	Murphy, Hesse, Toomey & Lehane	Indefinite	Indefinite

### Municipal Services

**Public Services** - The Town's Public Works Department is divided into five divisions: (1) Highways and Grounds; (2) Engineering; (3) Transfer Station; (4) Water; and (5) Sewer. Transfer Station 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 nearly 100% of the population. Scituate's water supply is obtained from six gravel packed wells along with a reservoir. The Water Department is self supporting including debt service.

**Sewer Facilities**- The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with eight pump stations. Sewer service is available to 33 percent of all residential properties in Scituate and to the business districts of Scituate Harbor & Greenbush. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, quarterly, a minimum and an excess meter reading. In response to a consent decree, construction was completed on an upgrade and expansion to the Town's wastewater treatment facility at a cost of approximately \$15,117,000. This improvement has the potential to allow 2,000 to 3,000 additional homeowners to hook up into the new facility, which will effectively sewer 70% of the entire Town. To complete new tie ins, funds in the amount of \$2,000,000 and \$13,544,000 were appropriated at a March, 2000 and March, 2002 Annual Town Meeting respectively for the design and construction of the Sanitary Sewer System to the Greenbush/Reservoir and First, Second and Third Cliff areas of the Town. As of May 2009, these projects were completed at a total cost of \$14,444,853. At the March, 2009 Annual Town Meeting \$6,400,000 was appropriated to extend the sewer system into the Musquashicut Pond Area of North Scituate. The borrowing under taken by the Town to fund these projects are to be re-paid through betterment assessments to the abutters (residential, businesses and commercial properties) benefiting from the extension of the sanitary service system to their area. In the past two years, the Town has implemented an aggressive infrastructure upgrade, and expansion program for water, and sewer funded by users. The Sewer operation is self supporting including debt service.

**Safety Services** - The Scituate Police Department carries out investigative, enforcement, support and educational functions in order to promote the safety and general welfare of the citizens of the Town. The Department consists of a chief, three Lieutenants, four Sergeants, one Detective, 1 K9 Officer, one Community Service Officer, one DARE Officer, one Traffic Enforcement Officer, seventeen Patrol Officer, and five Dispatchers. Equipment consists of nine patrol cars, two unmarked cars, and one Animal Control 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 44 full-time fire fighters. They handle their own dispatching and have four full-time dispatchers and one part-time dispatcher. 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 two public marinas comprised of 236 slips with permanent and transient docking facilities for commercial and pleasure boats. Fifteen additional slips will be added in the spring of 2011. The Recreation Department oversees, and maintains 17 athletic fields, and offers several programs for reasonable fees. 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. The Recreation Department offers several programs for reasonable fees.

**Public Schools** – Currently, the public school system of the Town consists of four elementary schools (K-6) with an enrollment of 1,885 students; one intermediate school (7-8) with an enrollment of 476 students; and one senior high school with an enrollment of 839 students. The Town also has a Pre-K program which is housed at the high school with an enrollment of 68 students.

The school system has 249 teachers, 13 administrators, 7 nurses and 130 support personnel. The approximate student/teacher ratio is 14 to 1 at the elementary, 12 to 1 at the intermediate levels, and 14 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)				
	2006/07	2007/08	2008/09	2009/10	2010/11
Pre-K	74	74	72	68	78
Grades K/6	1,800	1,984	1,877	1,885	1,859
Grades 7/8	480	493	462	476	515
Grades 9/12	864	882	823	839	830
Ungraded	7	7	13	9	4
Total	3,218	3,440	3,247	3,277	3,286

(1) As of October 1 each school year.

	Projected Annual Enrollments	
	2011/12	2012/13
Pre-K	80	80
Grades K/6	1,875	1,840
Grades 7/8	530	535
Grades 9/12	860	860
Ungraded	4	5
Total	3,349	3,320

Source: Superintendent of Schools.

## Population Trends

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
18,266	19,317	18,002	17,316	16,744

Source: Town Clerk.

## Age, Income and Wealth Levels

	<u>Scituate</u>	<u>Massachusetts</u>	<u>United States</u>
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.

## Largest 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 185 persons, and Scituate Marketplace, a supermarket employing 100 persons. No other employers have more than 100 employees, although several restaurants, numerous banks, 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, all of which are occupied, plus retail space.

## 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:

<u>Fiscal Year</u>	<u>New Construction</u>		<u>Additions/Alterations</u>		<u>Total</u>	
	<u>Residential/Non-Residential</u>					
	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>
2010	29	\$9,460,130	478	\$4,042,831	507	\$13,502,961
2009	60	10,689,900	493	10,478,800	553	21,168,700
2008	16	5,598,500	614	15,685,996	630	21,284,496
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

Source: Building Commissioner.

The Town has a number of permitted development projects currently underway. The major developments include:

- Riverway/60 Driftway – 26 townhouse condominiums with commercial building
- Tilden Road – three single family homes currently under construction
- Village at South River – 14 townhouses with 16 slip marina in the spring of 2011
- Stockbridge Woods – 68 units (48 rental units and 20 single family homes); site work has started
- Inly School Expansion – additions to several buildings; construction of new 24,000 square foot building

## 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. As to the inclusion of debt service and final judgments (see "Securities and Remedies" under "THE BONDS" above).

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 following fiscal years:

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Gross Amount to be Raised:					
Appropriations	\$ 66,820,371	\$ 65,190,058	\$ 64,554,908	\$ 61,556,233	\$ 56,543,827
Other Local Expenditures	33,203	84,589	299,981	295,287	328,989
State & County Charges	568,260	523,756	500,684	487,978	480,385
Overlay Reserve	250,000	250,000	250,000	250,000	250,000
Total Gross Amount to be Raised	<u>67,671,834</u>	<u>66,048,403</u>	<u>65,605,573</u>	<u>62,589,498</u>	<u>57,603,201</u>
Offsets:					
Estimated Receipts - State	6,689,275	7,087,410	8,040,099	7,331,771	6,733,748
Estimated Receipts - Local	15,179,413	16,064,798	15,959,681	14,747,229	14,366,970
Appropriated:					
Free Cash	376,826	-	92,918	215,000	529,639
Other Available Funds	2,094,674	842,287	512,591	672,228	431,314
Free Cash & Other Revenue Used to Reduce the Tax Rate	-	-	200,000	500,000	500,000
Total Offsets	<u>24,340,188</u>	<u>23,994,495</u>	<u>24,805,289</u>	<u>23,466,228</u>	<u>22,561,671</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 43,334,646</u>	<u>\$ 42,053,907</u>	<u>\$ 40,800,284</u>	<u>\$ 39,123,270</u>	<u>\$ 35,041,529</u>
Property Valuation	\$ 3,851,701,910	\$ 3,940,605,320	\$ 4,174,489,410	\$ 4,243,304,810	\$ 4,216,790,550
Tax Rate per \$1,000 (1)	\$ 11.25	\$ 10.56	\$ 9.68	\$ 9.22	\$ 8.31

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. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent 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. A city or town may also exempt up to 20 percent 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, or pursuant to a revised schedule as may be issued by the Commissioner.

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 the 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		
2011	\$ 3,808,943,800	\$ 42,758,110	\$ 3,851,701,910	\$ 4,326,753,800	89.0 %
2010	3,940,605,320	41,772,270	3,982,377,590	4,575,033,600	87.0
2009	4,174,489,410	40,416,000	4,214,905,410	4,575,033,600	92.1
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

(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 2011		Fiscal 2010		Fiscal 2009	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 3,675,696,207	95.4 %	\$ 3,804,980,088	95.5 %	\$ 4,029,488,420	95.6 %
Commercial	127,662,193	3.3	130,039,832	3.3	138,848,190	3.3
Industrial	5,585,400	0.1	5,585,400	0.1	6,152,800	0.1
Personal	42,758,110	1.1	41,772,270	1.0	40,416,000	1.0
Total	<u>\$ 3,851,701,910</u>	<u>100.0 %</u>	<u>\$ 3,982,377,590</u>	<u>100.0 %</u>	<u>\$ 4,214,905,410</u>	<u>100.0 %</u>

Source: Massachusetts Department of Revenue.

## Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based upon assessed valuations for fiscal 2011, all of whom are current in their tax payments:

<u>Name</u>	<u>Type of Business</u>	<u>Total Assessed Valuation for Fiscal 2011</u>	<u>Fiscal 2011 Tax Levy</u>	<u>% of Total Net Levy</u>
Columbia Gas of Massachusetts	Utility	\$ 8,947,930	\$ 100,664	0.23 %
National Grid	Utility	8,656,640	97,387	0.22
Verizon New England Inc.	Utility	8,220,800	92,484	0.21
Abbott PM/Chamberlain Mng Co.	Manufacturer	7,921,400	89,116	0.21
Kent Village Associations	Sub. Housing	5,778,800	65,012	0.15
Rolling Lakes II LLC	Real Estate	5,486,500	61,723	0.14
HCRI Massachusetts Prop, Inc. Tr	Nursing Home	4,283,000	48,184	0.11
Hatherly Country Club	Country Club	3,822,880	43,007	0.10
Suburban Realty Trust	Real Estate	3,797,900	42,727	0.10
First Parish Road Inc.	Real Estate	3,522,700	39,630	0.09
Total		<u>\$ 60,438,550</u>	<u>\$ 679,934</u>	<u>1.57 %</u>

## Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the next tax levy. An abatement granted after a tax payment has been made is accounted for as a refund on the books of the Town.

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:

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Allowance</u>		<u>Exemptions/ Abatements Granted thru Fiscal Year</u>	<u>Overlay Excess (Deficit)</u>
		<u>Dollar Amount</u>	<u>Percent of Levy</u>		
2010	\$42,053,907	\$250,000	0.6%	\$151,676	\$98,324
2009	40,800,384	250,000	0.6	239,873	112,127
2008	39,123,270	250,000	0.6	120,244	99,756
2007	35,041,529	250,000	0.6	92,941	157,059
2006	33,028,907	239,440	0.7	130,494	108,946

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:

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at June 30 (2,3)</u>
2010	\$42,053,907	\$250,000	\$41,803,907	97.5%
2009	40,800,284	250,000	40,550,284	97.9
2008	39,123,270	250,000	38,873,270	97.4
2007	35,041,529	250,000	34,791,529	97.3
2006	33,028,907	239,440	32,789,467	98.6

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.

## 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 as described below.

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 non-payment 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 such 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:

<u>As of 6/30</u>	<u>Aggregate Overdue Property Taxes at FY-End (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2010	\$736,429	\$1,036,811	\$162,378
2009	871,218	855,808	159,058
2008	911,125	763,405	237,476
2007	744,412	602,776	192,068
2006	644,704	423,919	190,043

Source: Town Accountant.

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

## **Sale of Tax Receivables**

Cities and towns are authorized to sell delinquent property tax receivables by public sale, either individually or in bulk. The Town does not expect to utilize this option at the present time.

## **Municipal Tax Amnesty**

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates.

## **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 59, Section 21C of the General Laws, also known as Proposition 2½, 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".

The statute 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 or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. 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.

#### Pledged Taxes

Taxes on 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" under "TOWN FINANCES" below).

#### Unused Levy Capacity (1)

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

	For Fiscal Year				
	2011	2010	2009	2008	2007
Primary Levy Ceiling (2)	\$ 96,292,548	\$ 99,559,440	\$ 105,372,635	\$ 106,082,620	\$ 105,419,764
Prior Fiscal Year Levy Limit	\$ 40,315,308	\$ 38,999,766	\$ 37,583,047	\$ 33,546,920	\$ 32,290,090
2.5% Levy Growth	1,007,883	974,994	939,576	838,673	807,252
Current Fiscal Year New Growth (3)	290,389	340,548	477,143	455,725	449,578
Current Fiscal Year Override	-	-	-	2,741,729	-
Growth Levy Limit	41,613,580	40,315,308	38,999,766	37,583,047	33,546,920
Current Fiscal Year Debt Exclusion	1,748,238	1,778,026	1,818,013	1,569,639	1,496,874
Tax Levy Limit	43,361,818	42,093,334	40,817,779	39,152,686	35,043,794
Tax Levy	43,331,646	42,053,907	40,800,284	39,123,270	35,041,529
Unused Levy Capacity (4)	30,172	39,427	17,495	29,416	2,265
Unused Primary Levy Capacity (5)	\$ 54,678,968	\$ 59,244,132	\$ 66,372,869	\$ 68,499,573	\$ 71,872,844

- (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.

## 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 accept 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 or 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, and has used the funds strategically to enhance the quality, and character of the community. It has also created an Affordable Housing Trust to provide a variety in housing stock. The table below shows the amounts surcharged by the Town. In fiscal year 2010, the Town has also received \$376,762 in state matching funds.

<u>Fiscal Year</u>	<u>Surcharge</u>
2010	\$1,000,167
2009	968,068
2008	937,589
2007	843,939
2006	785,869

## TOWN FINANCES

### The Budget and Appropriation Process

The annual budget, and appropriation process is governed by the Town Charter, and General Bylaws. The Charter requires the Town Administrator to submit, and recommend a balanced operation, and capital budget plan. These budgets are submitted in accordance with established financial policies based on detailed revenue, and expenditure forecasting established by the Town Administrator, and the Financial Forecasting Committee.

In 2009, the Town engaged a new Town Administrator with 25 years of municipal management experience who had just recently been Deputy Executive Director of the Springfield Finance Control Board. The Town Administrator established a financial team to overhaul the budget process to increase financial stability, and reserves. This team includes the Treasurer/Collector with over 25 years of collection experience in the private and public sector; the Town Accountant with 28 years of accounting experience; and the Director of Assessing with 30 years of assessing experience.

The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in April. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee provides recommendations on proposed expenditures recommended by the Town Administrator, and the Board of Selectmen 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. The Town has no municipal gas or electric departments.

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 2011	Appropriated Fiscal 2010	Appropriated Fiscal 2009	Appropriated Fiscal 2008	Appropriated Fiscal 2007
General Government	\$ 2,367,954	\$ 2,220,164	\$ 2,219,965	\$ 2,115,706	\$ 2,043,179
Public Safety	7,378,216	7,511,789	7,504,996	7,434,903	6,794,938
Public Works	2,914,394	2,883,299	2,969,143	2,833,385	2,691,823
Human Services	451,985	455,415	433,330	433,848	394,814
Education	27,863,448	28,222,543	28,565,477	27,556,187	25,013,851
Recreation	1,077,103	1,192,009	1,173,513	1,159,227	885,972
Debt Service	2,276,194	2,228,460	2,307,447	1,534,883	1,457,210
Pensions and Benefits	9,376,848	8,271,952	7,774,878	7,331,722	6,578,592
<b>Total</b>	<b>\$ 53,706,142</b>	<b>\$ 52,985,631</b>	<b>\$ 52,948,749</b>	<b>\$ 50,399,861</b>	<b>\$ 45,860,379</b>

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. In fiscal 2010, the appropriation exceeded the minimum amount by \$3,838,756.

## 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 the 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. A municipality's state aid entitlement is based on 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 estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teachers' summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

Following are state aid payments received by the Town for the following fiscal years:

<u>Fiscal Year</u>	<u>Aid to Education</u>	<u>Other</u>	<u>Total State Aid</u>
2010	\$5,104,541	\$1,957,167	\$7,032,301
2009	5,208,715 (1)	2,574,020	7,234,964
2008	4,529,951	2,786,260	7,316,211
2007	3,965,346	2,739,853	6,705,199
2006	3,580,818	2,450,837	6,031,655

Source: Town Accountant.

(1) In fiscal 2009 the state reduced state aid. The Town offset the cuts through a combination of attrition and capital spending reductions and \$547,771 American Recovery and Reinvestment Act (ARRA) grant funds to supplement Chapter 70 payments from The Commonwealth. The Town offset anticipated additional state aid reductions in fiscal year 2010 through attrition, school layoffs, and reduced capital spending.

In 2009, the Town put in place stringent financial policies to weather revenue reductions. These include zero to minimal use of Free Cash, new and tighter budgeting, and performance based measurements for allocation of dollars for various department resources. The Town's state aid was reduced by \$341,765 in fiscal 2011. The fiscal 2011 budget was reduced by 10%, which was revised to 6%; the actual reduction was 4%. The Town's carrying a 4% local aid cut for the fiscal 2012 financial forecast; the Governor proposed a 7.3% reduction. However, Chapter 70 aid was increased by \$65 million so this will result in a net increase to the Town.

**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.

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 either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

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. 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, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. 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 Town has been approved for a \$2.6 million school renovation project under this program.

**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:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2010	\$2,083,548
2009	2,153,869
2008	1,885,097
2007	2,412,904
2006	2,626,191

(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 \$2,885,277. A population of more than 18,000 - which increases by more than 10% during the summer - consumes an average of 1.9 million gallons of water each day.

On July 1, 1999, the Town placed water services on an enterprise fund basis, which are provided to nearly 100 percent of the Town, on an enterprise basis. The Town has a planned upgrade program in place for water system infrastructure improvements while keeping the fund self supporting, and has a policy of increasing rates 5% each year. Charges for water usage are billed quarterly. For residential water consumption, the rates are \$0.64 per 100 cubic feet up to the first 1200 cubic feet. The next 1,800 cubic feet are billed at a rate of \$2.78 per 100 cubic feet. All usage in excess of 3,000 cubic feet is billed at a rate of \$4.52 per cubic 100 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. This serves 30% of the community. The WWTP was operational in November 1967 and was originally designated to treat an average daily flow of 1.6 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 \$4.60 per 100 cubic feet for all consumption with a minimum allowance for 1,250 cubic feet at a rate of \$57.35. The Town has a comprehensive plan for sewer expansion funded by users, and sewer rates have been increased to fund upgrade expansions.

**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 \$20.00 for a package of ten 30 gallon bags or \$10.00 for a package of ten 15 gallon bags. The Town has a current recycling rate of 50%.

## **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 2010 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, 2010, June 30, 2009, and June 30, 2008, and a Statement of Revenues, Expenditures and changes in Fund Balance for fiscal year ended June 30, 2010 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2006 through 2009. Said statements were extracted from the Town's audited financials.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2010 (1)

	General Fund	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and short-term investments	\$ 5,042,938	\$ 2,202,032	\$ 956,953	\$ 5,433,281	\$ 851,449	\$ 2,757,587	\$ 17,244,240
Receivables, net of allowance for uncollectibles							-
Real estate and personal property taxes	665,030	-	-	55,625	-	-	720,655
Other	2,009,035	-	-	-	-	-	2,009,035
Due from Commonwealth - Grants	980,000	-	-	-	-	783,077	1,763,077
Due from other funds	-	-	-	-	-	-	-
Cash - restricted	-	-	-	-	-	402,398	402,398
Total assets	<u>\$ 8,697,003</u>	<u>\$ 2,202,032</u>	<u>\$ 956,953</u>	<u>\$ 5,488,906</u>	<u>\$ 851,449</u>	<u>\$ 3,943,062</u>	<u>\$ 22,139,405</u>
<b>LIABILITIES</b>							
Warrants and accounts payable	\$ 1,043,848	\$ -	\$ -	\$ 76,185	\$ -	\$ 414,561	\$ 1,534,594
Accrued payroll and withholdings	1,158,899	-	-	-	-	-	1,158,899
Deferred revenues	2,674,065	-	-	52,002	-	-	2,726,067
Unearned revenues	103,622	-	-	8,394	-	-	112,016
Other	39,530	-	-	-	-	-	39,530
Bond anticipation notes payable	-	-	-	-	-	1,946,444	1,946,444
Total liabilities	<u>5,019,964</u>	<u>-</u>	<u>-</u>	<u>136,581</u>	<u>-</u>	<u>2,361,005</u>	<u>7,517,550</u>
<b>FUND BALANCES (DEFICIT)</b>							
Reserved for:							
Encumbrances	1,076,184	-	-	-	-	-	1,076,184
Expenditures	885,300	-	-	-	-	-	885,300
Stabilization	-	2,202,032	-	-	-	-	2,202,032
MBTA	-	-	956,953	-	-	-	956,953
Community preservation	-	-	-	5,352,325	-	-	5,352,325
Affordable housing	-	-	-	-	851,449	-	851,449
Unreserved:							
Undesignated: reported in:							
General fund	1,715,555	-	-	-	-	-	1,715,555
Special revenue funds	-	-	-	-	-	2,841,657	2,841,657
Capital project funds deficit	-	-	-	-	-	(1,661,998)	(1,661,998)
Permanent funds	-	-	-	-	-	402,398	402,398
Total fund balances	<u>3,677,039</u>	<u>2,202,032</u>	<u>956,953</u>	<u>5,352,325</u>	<u>851,449</u>	<u>1,582,057</u>	<u>14,621,855</u>
Total liabilities and fund balances	<u>\$8,697,003</u>	<u>\$2,202,032</u>	<u>\$956,953</u>	<u>\$5,488,906</u>	<u>\$851,449</u>	<u>3,943,062</u>	<u>\$22,139,405</u>

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

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2009 (1)**

	General Fund	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and short-term investments	\$ 3,748,277	\$ 2,176,804	\$ 2,820,451	\$ 6,035,130	\$ 700,017	\$ 3,751,206	\$ 19,231,885
Receivables, net of allowance for uncollectibles							-
Real estate and personal property taxes	871,218	-	-	-	-	-	871,218
Property tax deferrals	279,193	-	-	-	-	-	279,193
Other	1,578,421	-	-	-	-	60,920	1,639,341
Due from Commonwealth - Grants	-	-	-	-	-	589,519	589,519
Due from other funds	12,731	-	-	-	-	(12,731)	-
Cash - restricted	-	-	-	-	-	515,985	515,985
Total assets	<u>\$ 6,489,840</u>	<u>\$ 2,176,804</u>	<u>\$ 2,820,451</u>	<u>\$ 6,035,130</u>	<u>\$ 700,017</u>	<u>\$ 4,904,899</u>	<u>\$ 23,127,141</u>
<b>LIABILITIES</b>							
Warrants and accounts payable	\$ 869,267	\$ -	\$ -	\$ -	\$ -	\$ 612,147	\$ 1,481,414
Accrued payroll and withholdings	503,240	-	-	-	-	-	503,240
Planning deposits	540,368	-	-	-	-	-	540,368
Deferred revenues	2,728,832	-	-	-	-	60,921	2,789,753
Unearned revenues	204,606	-	-	-	-	-	204,606
Other	36,684	-	-	-	-	40,357	77,041
Bond anticipation notes payable	-	-	-	-	-	2,065,000	2,065,000
Total liabilities	<u>4,882,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,778,425</u>	<u>7,661,422</u>
<b>FUND BALANCES (DEFICIT)</b>							
Reserved for:							
Encumbrances	897,986	-	-	-	-	-	897,986
Expenditures	81,947	-	-	-	-	-	81,947
Stabilization	-	2,176,904	-	-	-	-	2,176,904
MBTA	-	-	2,820,451	-	-	-	2,820,451
Community preservation	-	-	-	6,035,130	-	-	6,035,130
Affordable housing	-	-	-	-	700,017	-	700,017
Unreserved:							
Undesignated: reported in:							
General fund	626,910	-	-	-	-	-	626,910
Special revenue funds	-	-	-	-	-	2,325,982	2,325,982
Capital project funds	-	-	-	-	-	(1,415,510)	(1,415,510)
Permanent funds	-	-	-	-	-	1,216,002	1,216,002
Total fund balances	<u>1,606,843</u>	<u>2,176,904</u>	<u>2,820,451</u>	<u>6,035,130</u>	<u>700,017</u>	<u>2,126,474</u>	<u>15,465,819</u>
Total liabilities and fund balances	<u>\$6,489,840</u>	<u>\$2,176,904</u>	<u>\$2,820,451</u>	<u>\$6,035,130</u>	<u>\$700,017</u>	<u>4,904,899</u>	<u>\$23,127,241</u>

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

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008 (1)**

	General Fund	Stabilization	Mitigation	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and short-term investments	\$ 2,384,076	\$ 2,208,653	\$ 3,473,450	\$ 5,256,091	\$ 3,540,122	\$ 16,862,392
Investments- restricted:	1,978,283	-	-	-	-	1,978,283
Receivables, net of allowance for uncollectibles						-
Real estate and personal property taxes	914,750	-	-	-	-	914,750
Property tax deferrals	291,793	-	-	-	-	291,793
Other	1,620,121	-	-	-	62,138	1,682,259
Due from Commonwealth - Grants	-	-	-	-	984,614	984,614
Due from other funds	-	-	-	-	-	-
Cash - restricted	-	-	-	-	612,363	612,363
Total assets	<u>\$ 7,189,023</u>	<u>\$ 2,208,653</u>	<u>\$ 3,473,450</u>	<u>\$ 5,256,091</u>	<u>\$ 5,199,237</u>	<u>\$ 23,326,454</u>
<b>LIABILITIES</b>						
Warrants and accounts payable	\$ 941,580	\$ -	\$ -	\$ -	\$ 351,962	\$ 1,293,542
Accrued payroll and withholdings	560,463	-	-	-	-	560,463
Planning deposits	574,094	-	-	-	-	574,094
Deferred revenue	2,795,770	-	-	-	73,078	2,868,848
Unearned revenues	155,822	-	-	-	-	155,822
Other	33,965	-	-	-	43,807	77,772
Bond anticipation notes payable	-	-	-	-	1,735,000	1,735,000
Total liabilities	<u>5,061,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,203,847</u>	<u>7,265,541</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	1,382,633	-	-	-	-	1,382,633
Expenditures	210,298	-	-	-	-	210,298
Stabilization	-	2,208,653	-	-	-	2,208,653
MBTA	-	-	3,473,450	-	-	3,473,450
Community preservation	-	-	-	5,256,091	-	5,256,091
Unreserved:						
Undesignated: reported in:						
General fund	534,398	-	-	-	-	534,398
Special revenue funds	-	-	-	-	2,977,148	2,977,148
Capital project funds	-	-	-	-	(594,121)	(594,121)
Permanent funds	-	-	-	-	612,363	612,363
Total fund balances	<u>2,127,329</u>	<u>2,208,653</u>	<u>3,473,450</u>	<u>5,256,091</u>	<u>2,995,390</u>	<u>16,060,913</u>
Total liabilities and fund balances	<u>\$ 7,189,023</u>	<u>\$ 2,208,653</u>	<u>\$ 3,473,450</u>	<u>\$ 5,256,091</u>	<u>\$ 5,199,237</u>	<u>\$ 23,326,454</u>

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

**TOWN OF SCITUATE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010 (1)**

	General	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Real estate and personal property taxes, net	\$ 42,007,719	\$ -	\$ -	\$ 994,875	\$ -	\$ -	\$ 43,002,594
Motor vehicle and other excises	2,125,130	-	-	-	-	-	2,125,130
Penalties and interest on taxes	367,174	-	-	-	-	-	367,174
Intergovernmental	14,565,629	-	-	376,762	-	4,532,744	19,475,135
Departmental and other	1,887,562	-	-	-	-	2,762,803	4,650,365
Contributions and donations	-	-	-	-	-	434,265	434,265
Investment income	122,506	15,813	11,502	31,688	5,163	2,202	188,874
Miscellaneous	-	-	-	-	-	131,502	131,502
<b>Total Revenues</b>	<b>\$ 61,075,720</b>	<b>\$ 15,813</b>	<b>\$ 11,502</b>	<b>\$ 1,403,325</b>	<b>\$ 5,163</b>	<b>\$ 7,863,516</b>	<b>\$ 70,375,039</b>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	2,400,709	9,415	-	-	700,000	5,500	3,115,624
Total Other Financing Sources	2,400,709	9,415	-	-	700,000	5,500	3,115,624
<b>Total Revenues and Other Financing Sources</b>	<b>63,476,429</b>	<b>25,228</b>	<b>11,502</b>	<b>1,403,325</b>	<b>705,163</b>	<b>7,869,016</b>	<b>73,490,663</b>
<b>EXPENDITURES:</b>							
General Government	4,067,542	-	-	-	-	657,851	4,725,393
Public Safety	7,154,119	-	-	-	-	115,173	7,269,292
Education	27,516,210	-	-	-	-	4,449,038	31,965,248
Public Works	2,980,636	-	-	-	-	2,506,985	5,487,621
Culture & Recreation	1,126,507	-	-	-	553,731	546,441	2,226,679
Health and Human Services	382,153	-	-	-	-	110,072	492,225
State & County Tax Assessments	547,726	-	-	-	-	-	547,726
Pensions and Other Fringes	14,687,400	-	-	-	-	-	14,687,400
Community Preservation	-	-	-	1,386,130	-	-	1,386,130
Debt Service	2,181,743	-	-	-	-	-	2,181,743
<b>Total Expenditures</b>	<b>60,644,036</b>	<b>-</b>	<b>-</b>	<b>1,386,130</b>	<b>553,731</b>	<b>8,385,560</b>	<b>70,969,457</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers out	762,197	-	1,875,000	700,000	-	27,873	3,365,070
<b>Total Expenditures and Other Financing Uses</b>	<b>61,406,233</b>	<b>-</b>	<b>1,875,000</b>	<b>2,086,130</b>	<b>553,731</b>	<b>8,413,433</b>	<b>74,334,527</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>							
Fund Balances - Beginning of Year	2,070,196	25,228	(1,863,498)	(682,805)	151,432	(544,417)	(843,864)
Fund Balances - Beginning of Year	1,606,843	2,176,804	2,820,451	6,035,130	700,017	2,126,474	15,465,719
<b>Fund Balances - End of Year</b>	<b>\$ 3,677,039</b>	<b>\$ 2,202,032</b>	<b>\$ 956,953</b>	<b>\$ 5,352,325</b>	<b>\$ 851,449</b>	<b>\$ 1,582,057</b>	<b>\$ 14,621,855</b>

(1) Extracted from Town's Audited Financial Statements.

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

	June 30,			
	2009	2008	2007	2006
<b>REVENUES:</b>				
Real and Personal Property Taxes	\$ 40,825,496	\$ 38,310,697	\$ 34,753,273	\$ 32,887,718
Motor Vehicle & Boat Excise	2,153,281	2,325,182	2,336,044	2,626,191
Intergovernmental	13,243,802	12,965,124	11,513,287	15,037,020
Penalties & Interest	413,014	295,176	231,409	291,766
Licenses & Permits	490,717	697,481	580,033	707,771
Fines & Forfeitures	80,288	67,496	73,586	79,617
Investment Income	195,319	353,519	602,728	354,970
Departmental & Other	1,674,943	1,244,066	1,290,744	1,302,022
<b>Total Revenues</b>	<b>59,076,860</b>	<b>56,258,741</b>	<b>51,381,104</b>	<b>53,287,075</b>
<b>EXPENDITURES:</b>				
General Government	2,172,367	2,167,354	1,905,915	2,140,605
Public Safety	7,448,340	7,654,797	7,236,775	6,878,140
Education	28,287,299	27,713,247	24,806,299	24,083,584
Public Works	3,245,690	3,026,959	2,556,666	2,688,564
Human Services	440,492	442,904	-	-
Culture & Recreation	1,156,707	1,112,072	1,343,887	1,310,143
Pension & Fringe Benefits	13,813,269	12,812,347	11,249,825	9,920,989
State & County Assessments	519,199	440,570	452,904	412,750
Debt Service	2,338,486	1,541,970	1,511,477	733,710
<b>Total Expenditures</b>	<b>59,421,849</b>	<b>56,912,220</b>	<b>51,063,748</b>	<b>48,168,485</b>
Excess (Deficiency) of Revenues Over Expenditures	(344,989)	(653,479)	317,356	5,118,590
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium on Sale of bonds	-	-	-	-
Operating Transfers In	-	-	510,993	573,586
Operating Transfers Out	175,407	693,279	(1,129,332)	(5,738,719)
<b>Total Other Financing Sources (Uses)</b>	<b>175,407</b>	<b>693,279</b>	<b>(618,339)</b>	<b>(5,165,133)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(520,486)	(1,346,758)	(300,983)	(46,543)
Prior Year Adjustment - Golf Course	-	-	-	-
Fund Equity, Beginning of Year	2,127,239	3,474,087	3,775,070	3,821,613
<b>FUND EQUITY, END OF YEAR</b>	<b>\$ 1,606,753</b>	<b>\$ 2,127,329</b>	<b>\$ 3,474,087</b>	<b>\$ 3,775,070</b>

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

## Undesignated General Fund Balances and Free Cash

Under Massachusetts law an amount known 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:

<u>Year</u>	<u>Undesignated General Fund Balance As of June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2010	\$1,715,555	\$976,826
2009	626,910	293,677
2008	534,398	(189,322)
2007	1,187,179	302,274
2006	1,707,620	725,852

(1) Source: Audited Financial Statements.

## 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 following fiscal years:

<u>Year</u>	<u>Stabilization Fund as of June 30,</u>
2010	\$ 2,202,033
2009	2,176,804
2008	2,208,653
2007	1,955,276
2006	2,070,793

## 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). The balance in the fund as of June 30, 2009 was \$2,820,451. As of June 30, 2010, the balance in the fund was \$956,953.

## **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased 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 is in the process of determining whether or not to develop such districts in the immediate future, and has re-established its Economic Development Industrial Commission (EDIC).

## **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.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. 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..

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 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. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. 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. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. 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 applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General 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 nor 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 paid by the State 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.

**Tax Credit Bonds or Notes.** Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

**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**  
**As of June 30, 2010, Including This Issue (1)**

Long-Term Indebtedness (2)			
General Obligation Bonds:			
Water (3)	\$	1,031,000	
School		11,885,000	
General (4)		4,519,000	
Land Acquisition		3,075,000	
Sewers & Drains		19,868,638	
Total (5)		<u>40,378,638</u>	\$ 40,378,638
This Issue			9,756,000
Short-term Debt			
Bond Anticipation Notes Outstanding (6)	\$	7,135,823	
Less:			
To Be Retired with Bond Proceeds		(6,532,700)	
To Be Retired with Revenue Funds		(270,444)	
To Be Retired with MWPAT Proceeds		(332,679)	
Total Short Term Debt After This Issue		<u>-</u>	
Total Direct Debt			<u>\$ 50,134,638</u>

- (1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.  
(2) Based on the Town's January 1, 2008 equalized valuation of \$4,575,033,600, the Town's normal General Debt Limit is \$228,751,680 and the Double General Debt Limit will be \$457,503,360. (See "Debt Limits," above).  
(3) Outside the Town's debt limit.  
(4) \$3,284,568 is outside the debt limit.  
(5) \$10,728,896 is exempt from the provisions of Proposition 2 ½.  
(6) Payable March 18, 2011.

**Key Debt Ratios**

	<u>As of June 30</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Long Term Debt Outstanding (1)	\$40,378,638	\$44,052,776	\$47,840,201	\$43,975,631	\$45,662,233
Debt per Capita	\$2,085.67	\$2,275.45	\$2,471.08	\$2,426.91	\$2,519.99
Percent of Assessed Valuation (2)	1.01%	1.05%	1.13%	1.04%	1.13%
Percent of Equalized Valuation (3)	0.88%	0.96%	1.11%	1.02%	1.35%
Debt per Capita as a Percent of per Capita Income	6.15%	6.70%	7.28%	7.15%	7.42%

- (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).

**Outstanding Bonded Debt (1)(2)  
Principal Payment by Purpose  
As of June 30, 2010**

Fiscal Year	Water (3)	School	General (4)	Land Acquisition	Sewers & Drains	Total (5)
2011	\$ 128,000	\$ 1,070,000	\$ 784,000	\$ 220,000	\$ 1,487,208	\$ 3,689,208
2012	128,000	810,000	594,000	220,000	1,518,332	3,270,332
2013	128,000	810,000	594,000	220,000	1,230,844	2,982,844
2014	126,000	810,000	596,000	220,000	1,581,908	3,333,908
2015	101,000	750,000	491,000	220,000	1,624,858	3,186,858
2016	46,000	750,000	506,000	220,000	1,667,372	3,189,372
2017	41,000	750,000	486,000	220,000	1,713,110	3,210,110
2018	41,000	750,000	96,000	220,000	1,759,549	2,866,549
2019	41,000	750,000	61,000	220,000	1,799,737	2,871,737
2020	41,000	750,000	61,000	220,000	1,023,549	2,095,549
2021	41,000	745,000	61,000	220,000	1,011,061	2,078,061
2022	41,000	745,000	61,000	220,000	892,450	1,959,450
2023	41,000	745,000	56,000	220,000	911,649	1,973,649
2024	46,000	745,000	36,000	215,000	917,011	1,959,011
2025	41,000	745,000	36,000	-	433,565	1,255,565
2026	-	160,000	-	-	296,436	456,436
	<u>\$ 1,031,000</u>	<u>\$ 11,885,000</u>	<u>\$ 4,519,000</u>	<u>\$ 3,075,000</u>	<u>\$ 19,868,638</u>	<u>\$ 40,378,638</u>

- (1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.  
(2) Based on the Town's January 1, 2008 equalized valuation of \$4,575,033,600, the Town's normal General Debt Limit is \$228,751,680 and the Double General Debt Limit will be \$457,503,360. (See "Debt Limits," above).  
(3) Outside the Town's debt limit.  
(4) \$2,919,000 is outside the debt limit.  
(5) \$9,797,606 is exempt from the provisions of Proposition 2 ½.

**Annual Debt Service as of June 30, 2010, Including this issue of Bonds (1)**

Fiscal Year	Outstanding (2)		MWPAT Subsidy	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest			
2011	\$ 3,689,208	\$ 1,551,015	\$ (535,220)	\$ 4,705,003	7.4 %
2012	4,181,332	1,743,551	(496,139)	5,428,743	15.7
2013	3,812,844	1,956,482	(500,350)	5,268,976	23.3
2014	4,103,908	1,474,919	(468,964)	5,109,864	31.5
2015	3,936,858	1,320,038	(451,744)	4,805,152	39.3
2016	3,894,372	1,148,729	(427,013)	4,616,088	47.1
2017	3,900,110	986,273	(403,504)	4,482,879	54.9
2018	3,446,549	816,432	(371,170)	3,891,812	61.8
2019	3,381,737	689,241	(343,375)	3,727,602	68.5
2020	2,540,549	569,853	(108,323)	3,002,078	73.6
2021	2,498,061	466,755	(88,231)	2,876,585	78.6
2022	2,344,450	368,566	(40,429)	2,672,586	83.2
2023	2,358,649	280,481	(35,680)	2,603,449	87.9
2024	2,314,011	191,436	(25,112)	2,480,335	92.6
2025	1,605,565	121,954	-	1,727,520	95.8
2026	746,436	74,874	-	821,310	97.2
2027	290,000	54,475	-	344,475	97.8
2028	280,000	43,600	-	323,600	98.4
2029	270,000	32,400	-	302,400	98.9
2030	270,000	21,600	-	291,600	99.5
2031	270,000	10,800	-	280,800	100.0
<b>Total</b>	<b>\$ 50,134,638</b>	<b>\$ 13,923,475</b>	<b>\$ (4,295,256)</b>	<b>\$ 59,762,856</b>	

- (1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.  
(2) Principal totaling \$10,962,605 and interest totaling \$3,367,110 is 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 \$15,760,674, of authorized unissued debt, as follows:

Purpose	Amount
Waste Water Treatment Plant Upgrade	\$ 100
Infiltration/Inflow Repair	17,366
Fire Stations	2,825,000
Sewer	996,341
Dredging	195,000
School Remodeling	773
Senior Center	1,900,000
Marine Bonds	799,945
Sewer Bonds	12,000
School Vehicles	18,000
Dam Repairs	100,000
Marine Park Recreational Facility	280,000
Water Equipment	13,000
Highway Improvement	423,149
Sewer Extension	6,100,000
Departmental Equipment	25,000
Departmental Equipment	60,000
Additional Sewer Extension	111,000
I&I System	286,000
School Repairs	1,398,000
Total	<u>\$ 15,760,674</u>

## 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 6/30/10	Scituate's Estimated Share %	Fiscal 2011 Dollar Assessment (1)
Plymouth County (2)	\$3,850,000	6.76%	\$72,476
Massachusetts Bay Transportation Authority (3)	\$5,393,081,820	N/A	\$113,422
South Shore Regional Vocational- Technical School District (4)	\$745,000	10.2%	\$604,419

(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"). Debt as of June, 30, 2010. 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 2010. 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.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

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 years 2007 and 2008 for the following sums: January 1, 2007 to December 31, 2007, \$435,973; and January 1, 2008 to December 31, 2008, \$444,693, March 1, 2009 to December 31, 2009, \$370,578, January 1, 2010 to December 31, 2010 \$453,587, January 2011 to December 31, 2011, \$462,659. 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 \$91.50 per ton in fiscal 2010 and \$93.50 per ton in fiscal 2011, which includes all hauling costs. The annual cost incurred were \$314,000 in fiscal 2007, \$306,259 in fiscal 2008, \$297,498 in fiscal 2009 and \$294,166 in fiscal 2010.

## **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, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. 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. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of

January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must be submitted to PERAC by September 27, 2010.

**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, 2010, the total unfunded pension benefit obligation of the Plymouth County System was \$459,137,923, as follows:

Total pension benefit obligation	\$1,132,847,379
Assets at market value	561,424,547
Unfunded pension benefit obligation	<u>\$459,137,923</u>
The Town's estimated share at its participation rate of 6.59%	<u>\$24,459,093</u>

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 2011 and for the last five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Contributory</u>
2011 (budget)	\$3,118,030
2010	2,758,350
2009	2,668,612
2008	2,464,168
2007	2,153,248
2006	1,939,160

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:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2010	\$ 1,670,005
2009	1,261,833
2008	1,243,781
2007	1,152,124
2006	1,017,000
2005	931,000

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 cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. 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. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town hired USI Consulting Group which performed the actuarial valuation of its post-employment benefit liability. The Town's estimated unfunded actuarial accrued liability is approximately \$49,580,009 and the Town's annual required contribution ('ARC') is approximately \$5,050,918. Although there have been no formal discussions on the plan to fund the unfunded pension liability, the Town plans to address the issue in the near future. The Town is aware of its unfunded liability and is taking steps to address it at the Annual Town Meeting in April 2011 by creating an OPEB fund.

## 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 642 full and part-time employees, including those in the School Department. Approximately 93 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee by Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires (4)</u>
<b>General Government</b>			
Police	International Brotherhood of Police Officers (IBPO)	27	6/30/2009
Firefighters	International Association of Fire Fighters (IAFF)	51	6/30/2009
Clerical Workers	SEIU 888 (1)	29	6/30/2009
Service Employees International	SEIU 888 (1)	11	6/30/2009
Public Works	Laborers District Council	34	6/30/2012
Administrators and Managers	SEIU 888 (2)	19	6/30/2013
Total General Government Professionals		<u>171</u>	
<b>School</b>			
Teachers	Scituate Teachers Assoc./Mass. Teachers Assoc.	274	8/31/2011
Custodians	AFSCME Local 1700 (3)	19	6/30/2011
Administration and Clerical	SEIU/Local 888	15	8/31/2011
Bus Workers	AFSCME Local 1700 (3)	18	6/30/2012
Aides and Tutors	SEIU/Local 888	82	8/31/2011
Cafeteria Workers	SEIU/Local 888	19	8/31/2011
Total School		<u>427</u>	
Total		<u>598</u>	

- (1) American Federation of Labor-Congress of Industrial Organizations.
- (2) Service Employees International Union.
- (3) American Federation of State, County and Municipal Employees.
- (4) Expired contracts are currently in negotiations.

## 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.

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

March 9, 2011

**TOWN OF SCITUATE, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2010

**TOWN OF SCITUATE, MASSACHUSETTS**

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# ROSELLI, CLARK & ASSOCIATES

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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 (the "Town"), as of and for the year ended June 30, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's managements. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

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, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10, funding and contribution progress for pension and other post employment benefits on page 41, and budgetary comparison information on pages 42 - 43 be presented to supplement the basic financial statements.

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Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Roselli, Clark and Associates  
Certified Public Accountants  
February 11, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of 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, 2010. 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 to 43 in this report.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$103.9 million (*total net assets*). Of this amount, approximately \$4.7 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 slightly, (less than 1%) over the prior year as an increase in the governmental net assets of over \$0.8 million was offset by a decrease in the Business type net assets of over \$0.6 million.
- At June 30, 2010, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$14.6 million. This represents a decrease of approximately \$0.8 million, or 5.5% from the prior year. There were a number of factors that contributed to this net decrease:
- The accounting treatment for certain items vary between the Statement of Net Assets and the Governmental Fund Balance Sheet, thus the differences in equity and fund balance amounts between the two statements noted above. Reconciliations have been provided on page 14 and 16 of the accompanying basic financial statements to assist the reader in understanding these differences.
- At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$2.4 million, or 3.9%, of total 2010 general fund expenditures.
- The Town's total long-term debt decreased by nearly \$3.7 million to approximately \$40.4 million in 2010. This was completely due to regular scheduled maturities as the Town did not enter into any new permanent financings during the year.

### Overview of the Financial Statements

This discussion and analysis is 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, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of 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 and 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 14 and 16 to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains eight 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, Affordable Housing and Community Preservation Fund. Data from the other three governmental funds are combined into a single, aggregated presentation as Nonmajor Governmental 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 42 of this report.

The basic governmental fund financial statements can be found on pages 13 – 16 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, sewer, golf, waterways and transfer station 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 to 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 and 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 to 40 of this report.

### **Government-Wide Financial Analysis**

**Statement of Net Assets (see Exhibit I on page 9).** 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 \$103.9 million at June 30, 2010.

The single largest financial component of net assets reported in the Town's Statement of Net Assets is 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 net of these items is approximately \$90.4 million, or 86.9%, of total net assets at June 30, 2010. 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.

Approximately \$8.8 million, or 8.5%, of the Town's net assets represent resources that are subject to external restriction on how they may be used. The remaining balance of approximately \$4.8 million, or 4.6%, of net assets are categorized as *unrestricted net assets*, and may be used to meet the Town's ongoing obligations to citizens and creditors.

At June 20, 2010, 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 Exhibit II on page 10).** The government's total net assets increased slightly, (less than 1%) over the prior year as an increase in the governmental net assets of over \$0.8 million was offset by a decrease in the Business type net assets of over \$0.6 million.

Major revenue sources of the governmental activities include property taxes and operating grants, which represented approximately 61.0% and 22.8% of total 2010 governmental revenues, respectively (62.3% and 22.8% in the prior year). Business-type activities consist of revenues from the operations of water (approximately 30.6%), sewer (approximately 19.7%), golf (approximately 15.1%), transfer station (approximately 13.4%) and the waterways funds (approximately 12.4%).

Education expenses, which represent the single largest governmental activity, represented over 66.6% of 2010 total expenses (64.8% in the prior year). Public safety expenses represented approximately 15.1% of 2010 total expenses (15.0% in the prior year). No other expense categories in governmental activities represented over ten percent of total 2010 or 2009 expenses.

Business-type activities consist of expenses from the operations of water (approximately 37.1%), sewer (approximately 30.1%), golf (approximately 12.0%), transfer station (approximately 10.7%), waterways funds (approximately 10.1%).

### **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 \$14.6 million. There were a number of factors that contributed to this net decrease:

- The fund balance in the *General Fund* increased by approximately \$2.1 million. This was primarily due to a one-time grant received from the Massachusetts School Building Authority of nearly \$1.0 million. The grant represented an award for construction projects the Town completed five years prior. The Town was not expecting these funds. In addition, the Town experienced significant savings through its appropriation line items by restricting spending at year-end and turning funds back to surplus.
- The fund balance in the *Mitigation Fund* decreased over \$1.8 million; this was primarily attributable to a transfer to the general fund that was used to purchase property.
- The fund balances in the *Community Preservation Fund* decreased by almost \$0.7 million; this was primarily due to transfers to *Affordable Housing* to fund construction.
- The fund balance in *Nonmajor governmental funds* decreased nearly \$0.5 million as expenditures exceeded revenues and other financing sources (i.e., proceeds from temporary and permanent financings) in 2010.

**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 June 30, 2010, net assets of the water fund amounted to approximately \$10.9 million; net assets of the sewer fund amounted to approximately \$25.5 million; net assets of the golf fund amounted to approximately \$0.4 million; net assets of the waterways fund amounted to approximately \$3.9 million; and the net deficit of the transfer station

amounted to approximately \$0.4 million. The Proprietary fund total net assets decreased by approximately \$0.7 million from the prior year.

### **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 42.

### **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, 2010, amounts to approximately \$123.1 million, net of accumulated depreciation. In 2010, the Town recorded net capital additions of \$7.9 million and depreciation expense of \$4.9 million.

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

**Long-term Debt.** At the June 30, 2010, the Town had total bond indebtedness outstanding of approximately \$40.4 million. The entire amount comprises debt backed by the full faith and credit of the government. Of this amount, approximately \$13.1 million represents general obligation bonds of governmental activities and approximately \$27.3 million represents general obligation bonds of business-type activities. The Town's total bond indebtedness outstanding decreased by approximately \$3.7 million in 2010 as the Town made regular scheduled pay downs of debt. There were no new bond issuances in 2010.

As of June 20, 2010, the Town is entitled to receive reimbursements for principal pay down of these notes in the amount of approximately \$2.1 million and future interest also in the amount of approximately \$2.3 million from the MWPAT.

In addition to permanent bond indebtedness, the Town has approximately \$5.7 million in bond anticipation notes payable outstanding at June 30, 2010. These temporary borrowings are scheduled to mature in March 2011.

The Town maintains an "Aa3" 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 \$192.6 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in note III.E and F on pages 32 to 35 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- Consistent with both State and National work force trends, the Town's unemployment rates have begun to stabilize over the past 12 months. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound can not be reasonably estimated at this time.

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 95.4 % 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 two and one-half percent (2 ½%) of the previous year tax levy.
- Consistent with both State and National indices, the Town's housing market is in a downward trend. Housing prices are approximately 20% to 25% lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. However, the extent, timing or certainty of any housing rebound can not be reasonably estimated at this time.

All of the above items were considered when the Town developed its budget for fiscal year 2011.

On April 12, 2010, Town Meeting approved the Town's fiscal year 2011 budget. All of the above items were considered when the Town developed this budget. General Fund appropriations approved were approximately \$54.4 million, and Enterprise fund appropriations approved were approximately \$10.3 million. For the General fund, property taxes of approximately \$43.1 million (net of overlay) make up approximately 79.2% of the appropriation funding sources (this includes debt exclusion overrides of \$1.1 million to fund debt on school construction, computers and books, as well as Sewer debt of \$0.6 million), State aid of approximately \$6.7 million make up approximately 12.3% of the appropriation funding sources. The remainder is funded from local receipts transfers from special revenue funds and prior year appropriations, 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.

The Town's tax rate for 2011 was set on November 17, 2010.

#### **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.

EXHIBIT I  
GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

<u>Assets</u>	Governmental activities		Business-type activities		Total	
	restated		restated		restated	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 22,139,405	\$ 22,586,772	\$ 18,680,821	\$ 20,524,054	\$ 40,820,226	\$ 43,110,826
Capital assets, net	67,913,621	64,425,043	55,222,844	55,569,351	123,136,465	119,994,394
<b>Total Assets</b>	<b>90,053,026</b>	<b>87,011,815</b>	<b>73,903,665</b>	<b>76,093,405</b>	<b>163,956,691</b>	<b>163,105,220</b>
<u>Liabilities</u>						
Long term liabilities	21,603,273	19,742,890	29,274,992	31,273,864	50,878,265	51,016,754
Other liabilities	4,791,483	4,458,484	4,363,955	3,904,228	9,155,438	8,362,712
<b>Total Liabilities</b>	<b>26,394,756</b>	<b>24,201,374</b>	<b>33,638,947</b>	<b>35,178,092</b>	<b>60,033,703</b>	<b>59,379,466</b>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	54,816,911	49,839,475	35,539,137	35,437,109	90,356,048	85,276,584
Restricted	8,814,140	11,682,072	-	-	8,814,140	11,682,072
Unrestricted	27,219	1,288,894	4,725,581	5,478,204	4,752,800	6,767,098
<b>Total Net Assets</b>	<b>\$ 63,658,270</b> <sup>a</sup>	<b>\$ 62,810,441</b>	<b>\$ 40,264,718</b> <sup>a</sup>	<b>\$ 40,915,313</b>	<b>\$ 103,922,988</b> <sup>a</sup>	<b>\$ 103,725,754</b>

<sup>a</sup> As restated; see footnote VI

**EXHIBIT II**  
**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**CHANGES IN NET ASSETS**

	Governmental activities		Business-type activities		Total	
	2010	restated 2009	2010	restated 2009	2010	restated 2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,818,296	\$ 4,490,403	\$ -	\$ -	\$ 4,818,296	\$ 4,490,403
Operating grants and contributions	15,955,756	15,276,240	132,208	-	16,087,964	15,276,240
Capital grants and contributions	2,346,192	367,699	571,042	611,006	2,917,234	978,705
<b>General revenues:</b>						
Property taxes	42,750,176	41,719,348	-	-	42,750,176	41,719,348
Intergovernmental	1,738,954	2,278,639	-	-	1,738,954	2,278,639
Other	2,485,126	2,886,366	21,578	-	2,506,704	2,886,366
Water	-	-	2,489,921	2,893,896	2,489,921	2,893,896
Sewer	-	-	1,602,906	2,383,735	1,602,906	2,385,755
Golf	-	-	1,229,438	1,272,009	1,229,438	1,272,009
Transfer Station	-	-	1,093,206	1,050,712	1,093,206	1,050,712
Waterways	-	-	1,007,672	955,841	1,007,672	955,841
Total revenues	<u>70,094,500</u>	<u>67,018,695</u>	<u>8,147,971</u>	<u>9,169,219</u>	<u>78,242,471</u>	<u>76,187,914</u>
<b>Expenses:</b>						
General government	3,246,946	3,787,065	-	-	3,246,946	3,787,065
Public safety	11,084,521	10,588,636	-	-	11,084,521	10,588,636
Education	44,988,566	45,865,884	-	-	44,988,566	45,865,884
Public works	5,249,424	6,278,142	-	-	5,249,424	6,278,142
Health and human services	646,098	1,109,657	-	-	646,098	1,109,657
Culture and recreation	3,215,979	2,544,847	-	-	3,215,979	2,544,847
Debt service	565,702	648,429	-	-	565,702	648,429
Water	-	-	3,356,155	2,623,876	3,356,155	2,623,876
Sewer	-	-	2,727,459	2,898,587	2,727,459	2,898,587
Golf	-	-	1,085,893	1,058,485	1,085,893	1,058,485
Transfer Station	-	-	966,933	1,173,451	966,933	1,173,451
Waterways	-	-	911,562	859,709	911,562	859,709
Total expenses	<u>68,997,235</u>	<u>70,822,660</u>	<u>9,048,002</u>	<u>8,614,108</u>	<u>78,045,237</u>	<u>79,436,768</u>
Change in net assets before transfers	1,097,265	(3,803,965)	(900,031)	555,111	197,234	(3,248,854)
Transfers	(249,436)	(274,219)	249,436	274,219	-	-
Increase in net assets	847,829	(4,078,184)	(650,595)	829,330	197,234	(3,248,854)
Net assets - beginning of year	<u>a 62,810,441</u>	<u>a 66,888,625</u>	<u>a 40,915,313</u>	<u>a 40,085,983</u>	<u>a 103,725,754</u>	<u>a 106,974,608</u>
Net assets - end of year	<u>\$ 63,658,270</u>	<u>a \$ 62,810,441</u>	<u>\$ 40,264,718</u>	<u>a \$ 40,915,313</u>	<u>\$ 103,922,988</u>	<u>a \$ 103,725,754</u>

a As restated; see footnote VI

**TOWN OF SCITUATE, MASSACHUSETTS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents	\$ 17,244,240	\$ 5,951,578	\$ 23,195,818
Restricted cash and equivalents	402,398	-	402,398
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	720,655	-	720,655
Departmental and other	2,009,035	1,322,143	3,331,178
Betterments	-	9,287,431	9,287,431
Intergovernmental	1,763,077	2,064,469	3,827,546
Inventory	-	55,200	55,200
Land	17,883,907	3,675,000	21,558,907
Construction in process	1,274,838	1,225,086	2,499,924
Depreciable capital assets, net of accumulated depreciation	<u>48,754,876</u>	<u>50,322,758</u>	<u>99,077,634</u>
<b>TOTAL ASSETS</b>	<u>90,053,026</u>	<u>73,903,665</u>	<u>163,956,691</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants and accounts payable	1,534,594	463,357	1,997,951
Accrued payroll	1,158,899	-	1,158,899
Retainage	-	42,811	42,811
Unearned revenue	-	101,939	101,939
Other liabilities	151,546	2,169	153,715
Bond anticipation notes payable	1,946,444	3,753,679	5,700,123
Noncurrent liabilities:			
Due in one year	2,285,493	2,415,127	4,700,620
Due in more than one year	<u>19,317,781</u>	<u>26,859,865</u>	<u>46,177,646</u>
<b>TOTAL LIABILITIES</b>	<u>26,394,756</u>	<u>33,638,947</u>	<u>60,033,703</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	54,816,911	35,539,137	90,356,048
Restricted	8,814,140	-	8,814,140
Unrestricted net assets	<u>27,219</u>	<u>4,725,581</u>	<u>4,752,800</u>
<b>NET ASSETS</b>	<u>\$ 63,658,270</u>	<u>\$ 40,264,718</u>	<u>\$ 103,922,988</u>

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

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	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
<b>FUNCTIONS/PROGRAMS</b>							
<u>Governmental Activities:</u>							
General government	\$ 3,246,946	\$ 663,889	\$ 449,032	\$ -	\$ (2,134,025)	\$ -	\$ (2,134,025)
Public safety	11,084,521	1,385,721	126,776	-	(9,572,024)	-	(9,572,024)
Education	44,988,566	2,107,151	14,993,097	-	(27,888,318)	-	(27,888,318)
Public works	5,249,424	10,910	115,431	1,969,430	(3,153,653)	-	(3,153,653)
Health and human services	646,098	62,228	185,843	-	(398,027)	-	(398,027)
Culture and recreation	3,215,979	588,397	85,577	376,762	(2,165,243)	-	(2,165,243)
Debt service	565,702	-	-	-	(565,702)	-	(565,702)
Total Governmental Activities	68,997,235	4,818,296	15,955,756	2,346,192	(45,876,991)	-	(45,876,991)
<u>Business-Type Activities:</u>							
Water	3,356,155	2,489,921	-	-	-	(866,234)	(866,234)
Sewer	2,727,459	1,602,906	-	321,551	-	(803,002)	(803,002)
Transfer Station	966,933	1,093,206	-	-	-	126,273	126,273
Golf	1,085,893	1,229,438	-	-	-	143,545	143,545
Waterways	911,562	1,007,672	132,208	249,491	-	477,809	477,809
Total Primary Government	\$ 78,045,237	\$ 12,241,439	\$ 16,087,964	\$ 2,917,234	(45,876,991)	(921,609)	(46,798,600)
<u>General Revenues:</u>							
Real and personal property taxes					42,750,176	-	42,750,176
Penalties and interest on taxes					367,174	-	367,174
Motor vehicle and other excise					2,145,931	-	2,145,931
Intergovernmental					1,738,954	-	1,738,954
Investment income					188,874	21,578	210,452
Loss on disposal of assets, net					(216,853)	-	(216,853)
Transfers (net):					(249,436)	249,436	-
Total general revenues and transfers					46,724,820	271,014	46,995,834
Change in Net Assets					847,829	(650,595)	197,234
<u>Net Assets:</u>							
Beginning of year					62,653,917	40,733,835	103,387,752
Prior period restatement (see footnote VII)					156,524	181,478	338,002
End of year					\$ 63,658,270	\$ 40,264,718	\$ 103,922,988

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

TOWN OF SCITUATE, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018

	General	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and short-term investments	\$ 5,042,938	\$ 2,202,032	\$ 956,953	\$ 5,433,281	\$ 851,449	\$ 2,757,587	\$ 17,244,240
Receivables, net of allowance for uncollectibles:							
Real estate and personal property taxes	665,030	-	-	55,625	-	-	720,655
Other	2,009,035	-	-	-	-	-	2,009,035
Due from Commonwealth - Grants	980,000	-	-	-	-	783,077	1,763,077
Due from other funds	-	-	-	-	-	-	-
Cash - restricted	-	-	-	-	-	402,398	402,398
<b>Total Assets</b>	<b>\$ 8,697,003</b>	<b>\$ 2,202,032</b>	<b>\$ 956,953</b>	<b>\$ 5,488,906</b>	<b>\$ 851,449</b>	<b>\$ 3,943,062</b>	<b>\$ 22,139,405</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Warrants and accounts payable	\$ 1,043,848	\$ -	\$ -	\$ 76,185	\$ -	\$ 414,561	\$ 1,534,594
Accrued payroll and withholdings	1,158,899	-	-	-	-	-	1,158,899
Deferred revenues	2,674,065	-	-	52,002	-	-	2,726,067
Unearned revenues	103,622	-	-	8,394	-	-	112,016
Other	39,530	-	-	-	-	-	39,530
Bond anticipation notes payable	-	-	-	-	-	1,946,444	1,946,444
<b>Total Liabilities</b>	<b>5,019,964</b>	<b>-</b>	<b>-</b>	<b>136,581</b>	<b>-</b>	<b>2,361,005</b>	<b>7,517,530</b>
<b>FUND BALANCES (DEFICIT):</b>							
Reserved for:							
Encumbrances	1,076,184	-	-	-	-	-	1,076,184
Expenditures	885,300	-	-	-	-	-	885,300
Stabilization	-	2,202,032	-	-	-	-	2,202,032
MBTA	-	-	956,953	-	-	-	956,953
Community preservation	-	-	-	5,352,325	-	-	5,352,325
Affordable housing	-	-	-	-	851,449	-	851,449
Unreserved:							
Undesignated, reported in:							
General fund	1,715,555	-	-	-	-	-	1,715,555
Special revenue funds	-	-	-	-	-	2,841,657	2,841,657
Capital projects funds deficit	-	-	-	-	-	(1,661,998)	(1,661,998)
Permanent funds	-	-	-	-	-	402,398	402,398
<b>Total Fund Balances</b>	<b>3,677,039</b>	<b>2,202,032</b>	<b>956,953</b>	<b>5,352,325</b>	<b>851,449</b>	<b>1,582,057</b>	<b>14,621,855</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,697,003</b>	<b>\$ 2,202,032</b>	<b>\$ 956,953</b>	<b>\$ 5,488,906</b>	<b>\$ 851,449</b>	<b>\$ 3,943,062</b>	<b>\$ 22,139,405</b>

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, 2010

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<b>Total Governmental Fund Balances</b>	<b>\$ 14,621,855</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,913,621
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	2,726,067
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	(13,096,710)
Other post employment benefits	(6,863,294)
Compensated absences	<u>(1,643,270)</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 63,658,269</u></u></b>

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  
YEAR ENDED JUNE 30, 2019

	General	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Real estate and personal property taxes, net	\$ 42,007,719	\$ -	\$ -	\$ 994,875	\$ -	\$ -	\$ 43,002,594
Motor vehicle and other excises	2,125,130	-	-	-	-	-	2,125,130
Penalties and interest on taxes	367,174	-	-	-	-	-	367,174
Intergovernmental	14,565,629	-	-	376,762	-	4,532,744	19,475,135
Departmental and other	1,887,562	-	-	-	-	2,762,803	4,650,365
Contributions and donations	-	-	-	-	-	434,265	434,265
Investment income	122,506	15,813	11,502	31,688	5,163	2,202	188,874
Miscellaneous	-	-	-	-	-	131,502	131,502
<b>Total Revenues</b>	<b>61,075,720</b>	<b>15,813</b>	<b>11,502</b>	<b>1,403,325</b>	<b>5,163</b>	<b>7,863,516</b>	<b>70,375,039</b>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	2,409,709	9,415	-	-	700,000	5,500	3,115,624
<b>Total Other Financing Sources</b>	<b>2,409,709</b>	<b>9,415</b>	<b>-</b>	<b>-</b>	<b>700,000</b>	<b>5,500</b>	<b>3,115,624</b>
<b>Total Revenues and Other Financing Sources</b>	<b>63,476,429</b>	<b>25,228</b>	<b>11,502</b>	<b>1,403,325</b>	<b>705,163</b>	<b>7,869,016</b>	<b>73,490,663</b>
<b>EXPENDITURES</b>							
General government	4,067,542	-	-	-	-	657,851	4,725,393
Public safety	7,154,119	-	-	-	-	115,173	7,269,292
Education	27,516,210	-	-	-	-	4,449,038	31,965,248
Public works	2,980,636	-	-	-	-	2,306,985	5,487,621
Culture and recreation	1,126,507	-	-	-	553,731	546,441	2,226,679
Health and human services	382,153	-	-	-	-	110,072	492,225
State and county tax assessments	547,726	-	-	-	-	-	547,726
Pensions and other fringes	14,687,400	-	-	-	-	-	14,687,400
Community preservation	-	-	-	1,386,130	-	-	1,386,130
Debt service	2,181,743	-	-	-	-	-	2,181,743
<b>Total Expenditures</b>	<b>60,644,036</b>	<b>-</b>	<b>-</b>	<b>1,386,130</b>	<b>553,731</b>	<b>8,285,560</b>	<b>70,969,457</b>
<b>OTHER FINANCING USES</b>							
Transfers out	762,197	-	1,875,000	700,000	-	27,873	3,365,070
<b>Total Expenditures and Other Financing Uses</b>	<b>61,406,233</b>	<b>-</b>	<b>1,875,000</b>	<b>2,086,130</b>	<b>553,731</b>	<b>8,413,433</b>	<b>74,334,527</b>
<b>(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING U</b>	<b>2,070,196</b>	<b>25,228</b>	<b>(1,863,498)</b>	<b>(682,805)</b>	<b>151,432</b>	<b>(544,417)</b>	<b>(843,864)</b>
<b>FUND BALANCES - Beginning of year</b>	<b>1,606,843</b>	<b>2,176,804</b>	<b>2,820,451</b>	<b>6,035,130</b>	<b>709,017</b>	<b>2,176,474</b>	<b>15,465,719</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 3,677,039</b>	<b>\$ 2,202,032</b>	<b>\$ 956,953</b>	<b>\$ 5,352,325</b>	<b>\$ 851,449</b>	<b>\$ 1,582,057</b>	<b>\$ 14,621,855</b>

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, 2010**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (843,864)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital outlays amounted to \$6,680,329 and depreciation expense totaled \$2,974,898. The net amount is reflected here as a reconciling item. 3,705,431

The Town disposed capital assets with historical costs of \$609,065 and accumulated depreciation of \$392,212. (216,853)

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. During the year there were repayments of \$1,488,858; there were no new debt issuances. 1,488,858

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 based on the two methodologies. (63,686)

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. 127,183

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	137,078
Other post employment benefits	<u>(3,486,318)</u>

**Change in Net Assets of Governmental Activities** **\$ 847,829**

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

TOWN OF SCITUATE, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS (DEFICIT)  
JUNE 30, 2019

ASSETS	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Combined Total
<b>CURRENT ASSETS:</b>						
Cash and short-term investments	\$ 2,040,543	\$ 2,162,505	\$ 197,890	\$ 298,654	\$ 1,251,986	\$ 5,951,578
Receivables, net of allowance for uncollectibles:						
User fees	893,425	428,718	-	-	-	1,322,143
Intergovernmental	-	219,466	-	-	-	219,466
Inventory	-	-	-	55,200	-	55,200
Total Current Assets	2,933,968	2,810,689	197,890	353,854	1,251,986	7,548,387
<b>NONCURRENT ASSETS:</b>						
Intergovernmental	-	1,845,003	-	-	-	1,845,003
Unapportioned assessments	-	9,287,431	-	-	-	9,287,431
Land	-	-	-	-	3,675,000	3,675,000
Construction in process	198,984	588,602	-	-	437,500	1,225,086
Capital assets, net of accumulated depreciation	10,402,980	32,488,029	1,630,381	2,677,475	3,123,893	50,322,758
<b>Total Assets</b>	<b>13,535,932</b>	<b>47,019,754</b>	<b>1,828,271</b>	<b>3,031,329</b>	<b>8,488,379</b>	<b>73,903,665</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Warrants and accounts payable	199,538	109,420	96,452	20,938	37,009	463,357
Bond indebtedness	133,000	1,480,350	37,000	300,000	275,000	2,225,350
Notes payable	1,222,000	1,452,679	150,000	-	929,000	3,753,679
Other liabilities	32,730	10,081	-	104,108	-	146,919
Capital lease obligations	-	-	-	56,956	-	56,956
Landfill liability	-	-	75,000	-	-	75,000
Compensated absences	13,951	22,395	8,780	-	12,695	57,821
<b>Total Current Liabilities</b>	<b>1,601,219</b>	<b>3,074,925</b>	<b>367,232</b>	<b>482,002</b>	<b>1,233,704</b>	<b>6,779,082</b>
<b>NONCURRENT:</b>						
Bonds and notes payable	933,000	18,326,578	507,000	2,040,000	3,250,000	25,056,578
Capital lease obligations	-	-	-	77,349	-	77,349
Landfill liability	-	-	1,350,000	-	-	1,350,000
Other post employment benefits	130,371	69,146	37,403	32,134	49,063	318,117
Compensated absences	13,951	22,395	8,780	-	12,695	57,821
<b>Total Noncurrent Liabilities</b>	<b>1,077,322</b>	<b>18,418,119</b>	<b>1,903,183</b>	<b>2,149,483</b>	<b>3,311,758</b>	<b>26,859,865</b>
<b>Total Liabilities</b>	<b>2,678,541</b>	<b>21,493,044</b>	<b>2,270,415</b>	<b>2,631,485</b>	<b>4,565,462</b>	<b>33,638,947</b>
<b>NET ASSETS (DEFICIT)</b>						
Retained earnings (deficiency) - unrestricted	2,543,427	2,357,786	(1,378,525)	62,369	1,140,524	4,725,581
Investment in capital assets, net of debt	8,313,964	23,168,924	936,381	337,475	2,782,393	35,539,137
<b>Total Net Assets (Deficit)</b>	<b>\$ 10,857,391</b>	<b>\$ 25,526,710</b>	<b>\$ (442,144)</b>	<b>\$ 399,844</b>	<b>\$ 3,922,917</b>	<b>\$ 40,264,718</b>

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, 2010

	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Combined Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 2,489,921	\$ 1,602,906	\$ 1,093,206	\$ 1,093,873	\$ 864,507	\$ 7,144,413
Other	-	-	-	135,565	143,155	278,720
Total Operating Revenues	2,489,921	1,602,906	1,093,206	1,229,438	1,007,662	7,423,133
<b>OPERATING EXPENSES</b>						
Operating costs	2,877,674	1,147,076	878,377	793,141	473,484	6,169,752
Depreciation	438,431	864,606	73,328	229,092	328,044	1,933,501
Total Operating Expenses	3,316,105	2,011,682	951,705	1,022,233	801,528	8,103,253
<b>OPERATING INCOME (LOSS)</b>	(826,184)	(408,776)	141,501	207,205	206,134	(680,120)
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Intergovernmental	-	321,551	-	-	249,491	571,042
Donations	-	-	-	-	132,208	132,208
Interest income	8,974	6,805	332	1,495	3,972	21,578
Interest expense	(40,050)	(715,777)	(15,228)	(63,660)	(110,034)	(944,749)
Transfers in (out), net	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
Total Nonoperating Revenues (Expenses), net	(213,212)	128,419	17,021	(102,311)	199,608	29,525
<b>CHANGE IN NET ASSETS</b>	(1,039,396)	(280,357)	158,522	104,894	405,742	(650,595)
<b>NET ASSETS (DEFICIT) - Beginning of year</b>	11,689,543	25,774,478	(582,262)	310,761	3,541,315	40,733,835
Prior period restatement (see footnote VI)	207,244	32,539	(18,404)	(15,811)	(24,140)	181,478
<b>NET ASSETS (DEFICIT) - End of year</b>	<u>\$ 10,857,391</u>	<u>\$ 25,826,710</u>	<u>\$ (442,144)</u>	<u>\$ 399,844</u>	<u>\$ 3,922,917</u>	<u>\$ 40,264,718</u>

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

**TOWN OF SCITUATE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2010**

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from users	\$ 2,285,288	\$ 1,553,764	\$ 1,093,206	\$ 1,093,873	\$ 864,507	\$ 6,890,638
Other receipts	-	-	-	131,640	143,155	274,795
Payments to vendors and employees	(2,819,348)	(1,078,533)	(927,156)	(758,958)	(421,383)	(6,005,878)
Net Cash Provided by (Used in) Operating Activities	(534,560)	475,231	166,050	466,555	586,279	1,159,555
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers - net	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
Net Cash (Used in) Provided by Noncapital Related Financing Activities	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes	-	-	150,000	-	600,000	750,000
Acquisition and construction of capital assets	(207,511)	(537,805)	(146,509)	-	(669,322)	(1,561,138)
Assessments received	-	789,357	-	-	-	789,357
Government grants	-	544,093	-	-	249,491	793,584
Donations	-	-	-	-	132,208	132,208
Principal payments on notes	-	(12,321)	-	-	-	(12,321)
Principal payments on bonds	(132,000)	(1,446,281)	(37,000)	(295,000)	(275,000)	(2,185,281)
Principal payments on capital leases	-	-	-	(51,141)	-	(51,141)
Interest expense	(54,870)	(837,548)	(22,843)	(93,313)	(153,792)	(1,162,366)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(394,381)	(1,509,505)	(56,343)	(439,454)	(116,415)	(2,507,098)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income	8,974	6,805	332	1,495	3,972	21,578
Net Cash Provided by Investing Activities	8,974	6,805	332	1,495	3,972	21,578
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	<b>(1,102,103)</b>	<b>(502,629)</b>	<b>141,956</b>	<b>(11,550)</b>	<b>397,807</b>	<b>(1,076,519)</b>
<b>CASH AND EQUIVALENTS:</b>						
Beginning of year	3,142,646	2,865,134	55,034	310,204	854,179	7,027,097
End of year	\$ 2,040,543	\$ 2,362,505	\$ 197,890	\$ 298,654	\$ 1,251,986	\$ 5,951,378
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (826,184)	\$ (408,776)	\$ 141,501	\$ 207,205	\$ 206,134	\$ (680,120)
Depreciation expense	438,431	864,606	73,328	229,092	328,044	1,933,501
Changes in assets and liabilities:						
Receivables	(204,633)	(48,792)	-	-	-	(253,425)
Inventory	-	-	-	7,760	-	7,760
Unearned revenue	-	-	-	(3,925)	-	(3,925)
Accounts payable and accrued expenses	57,826	68,193	(18,779)	26,423	52,101	155,764
Net Cash Provided By (Used In) Operating Activities	\$ (534,560)	\$ 475,231	\$ 166,050	\$ 466,555	\$ 586,279	\$ 1,159,555
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>						
Borrowing under capital leases	\$ -	\$ -	\$ -	\$ 19,915	\$ -	\$ -
Purchase of equipment on account	-	-	-	19,915	-	-

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

**TOWN OF SCTUATE, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2010**

	Private Purpose Trust Funds	Agency
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash and cash equivalents	\$ 360,272	\$ 594,278
Receivables	-	29,142
	360,272	623,420
<b>Total Assets</b>	<b>360,272</b>	<b>623,420</b>
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Planning board deposits	-	564,278
Student activity accounts	-	30,000
Accounts payable and accrued expenses	-	29,142
	-	623,420
<b>Total Liabilities</b>	<b>-</b>	<b>623,420</b>
<b>NET ASSETS</b>		
Held in trust for other purposes	360,272	-
<b>Net Assets</b>	<b>\$ 360,272</b>	<b>\$ -</b>

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, 2010

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	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Investment income and donations	\$ 1,542
<b>Total Additions</b>	<u>1,542</u>
<b>EXPENDITURES:</b>	
Scholarships and assistance	<u>15,750</u>
<b>Total Deductions</b>	<u>15,750</u>
<b>CHANGE IN NET ASSETS</b>	(14,208)
<b>NET ASSETS - Beginning of year</b>	<u>374,480</u>
<b>NET ASSETS - End of year</b>	<u><u>\$ 360,272</u></u>

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

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## TOWN OF SCITUATE, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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#### **I. Summary of Significant Accounting Policies**

The basic financial statements of the Town of Scituate, Massachusetts (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 governmental entities. The following is a summary of the more significant policies and practices used by the Town:

- A. Reporting Entity** – The Town 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, which are 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 their operations and financial relationship with the Town. Pursuant to this criteria there are no entities classified as component units in this report.
- 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. 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 on these statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods 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. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

- 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 sixty (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 income associated with the current fiscal period is considered being susceptible to accrual and so has been recognized as revenues 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.

*Affordable Housing Fund* – is used to account for funds associated with the Town’s affordable housing program, which assists qualifying homeowners with down payment programs. This is a new major fund in fiscal year 2010.

*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 *Nonmajor Governmental Funds* consist of special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

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

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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.

*Widow’s Walk 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.

Agency Fund – is used to account for funds in which the Town legally acts as an agent; these include Student Activities, Police and Fire detail, and Planning Board deposits.

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.

#### **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 (30) 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 (14) 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 the Government-Wide and Government 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 in excess of \$5,000 and an estimated useful life in excess of two (2) 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.

The Town's property, plant and equipment 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

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, 2010 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 Governmental 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 Government 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 participates 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 – The Town employs encumbrance accounting as a significant aspect of budgetary control in the Governmental Fund types. Encumbrance accounting reserves that portion of an applicable appropriation that the Town is contractually bound through purchase orders, contracts and/or other commitments for expenditure of funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities.

Fund Equity – In the Governmental 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. A comparison of budget and actual balance may be reviewed on page 41 of these financial statements.
- 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 a legal deficit in its Capital Projects Fund in the amount of \$1,661,998. The deficit relates to general construction costs the Town incurred that have been financed with bond anticipation notes to date. The Town anticipates permanently financing these bond anticipation notes at a future date.

## **III. Detailed Notes to All Funds**

### **A. Deposits and Investments**

Deposits – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Certificates of deposit with original maturities greater than three months are classified as investments.

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 (90) 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 cash, cash equivalents and 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. At June 30, 2010, \$4,168,096 of Town deposits in bank accounts, money markets and certificates of deposit was covered by either federal depository insurance or by the depositors' insurance programs. The remainder \$18,677,561 was uninsured and uncollateralized.

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

At June 30, 2010, the Town classified \$2,010,780 in investments in the State Treasurer's Investment Pool, \$2,088,542 in certificates of deposit with maturities of less than three months and \$10,466,997 in money markets as cash equivalents.

## B. Receivables

Receivables as of year-end for the individual major governmental and non major funds are as follows:

Property taxes	\$ 730,983
Tax liens and foreclosures	1,145,882
Excise	492,196
Ambulance	679,359
Due from the Commonwealth of Massachusetts	1,763,077
Agency	29,142
Other	<u>272,714</u>
Gross receivables	5,113,353
Allowance for uncollectible accounts	<u>(620,586)</u>
Net receivables	\$ <u>4,492,767</u>

Receivables as of year-end for the enterprise funds are as follows:

Water use charges	\$ 893,425
Sewer use charges	428,718
Due from the MWPAT	2,064,469
Unapportioned assessments	<u>9,287,431</u>
Gross receivables	12,674,043
Allowance for uncollectible accounts	<u>—</u>
Net receivables	\$ <u>12,674,043</u>

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 \$2,064,469 and interest costs of \$2,230,811 until maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore the principal amount of \$2,064,469 has been reflected as receivables in the Sewer Enterprise fund.

Betterments -- The Town reflects receivables of \$9,287,431 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.

Massachusetts School Business Authority - The Town applied for and was awarded \$980,000 in reimbursements for school construction it had incurred during 2005. The Town had previously funded such construction through bond issuances. The lump-sum amount awarded was received subsequent to year-end in December, 2010 and thus has been reported as a receivable in the General Fund.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>GOVERNMENTAL-TYPE ACTIVITIES:</u></b>				
Capital assets not being depreciated:				
Land	\$ 16,942,532	\$ 941,375	\$ -	\$ 17,883,907
Construction in process	1,697,788	928,578	(1,351,528)	1,274,838
Total capital assets not being depreciated	<u>18,640,320</u>	<u>1,869,953</u>	<u>(1,351,528)</u>	<u>19,158,745</u>
Capital assets being depreciated:				
Land improvements	4,630,185	164,027	-	4,794,212
Buildings and improvements	37,084,409	2,442,513	-	39,526,922
Infrastructure	16,973,063	2,285,143	-	19,258,206
Machinery and equipment	9,182,413	1,030,570	-	10,212,983
Vehicles	2,979,480	239,649	-	3,219,129
Total capital assets being depreciated	<u>70,849,550</u>	<u>6,161,902</u>	<u>-</u>	<u>77,011,452</u>
Less accumulated depreciation for:				
Land improvements	(311,584)	(157,073)	-	(468,657)
Buildings and improvements	(8,015,299)	(1,100,779)	-	(9,116,078)
Infrastructure	(7,908,489)	(761,959)	-	(8,670,448)
Machinery and equipment	(7,075,181)	(645,523)	-	(7,720,704)
Vehicles	(1,971,126)	(309,564)	-	(2,280,690)
Total accumulated depreciation	<u>(25,281,679)</u>	<u>(2,974,898)</u>	<u>-</u>	<u>(28,256,577)</u>
Total capital assets being depreciated, net	<u>45,567,871</u>	<u>3,187,004</u>	<u>-</u>	<u>48,754,875</u>
Governmental activities capital assets, net	<u>\$ 64,208,191</u>	<u>\$ 5,056,957</u>	<u>\$ (1,351,528)</u>	<u>\$ 67,913,620</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
Capital assets not being depreciated:				
Land	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in process	-	1,225,086	-	1,225,086
Total capital assets not being depreciated	<u>3,675,000</u>	<u>1,225,086</u>	<u>-</u>	<u>4,900,086</u>
Capital assets being depreciated:				
Land improvements	3,617,506	299,360	-	3,916,866
Buildings and improvements	3,465,844	247,972	-	3,713,816
Infrastructure	62,374,991	-	-	62,374,991
Machinery and equipment	7,031,974	647,651	-	7,679,625
Vehicles	365,595	47,991	-	413,586
Total capital assets being depreciated	<u>76,855,910</u>	<u>1,242,974</u>	<u>-</u>	<u>78,098,884</u>
Less accumulated depreciation for:				
Land improvements	(313,936)	(43,556)	-	(357,492)
Buildings and improvements	(1,866,890)	(178,658)	-	(2,045,548)
Infrastructure	(18,690,366)	(1,247,500)	-	(19,937,866)
Machinery and equipment	(4,655,033)	(436,516)	-	(5,091,549)
Vehicles	(316,461)	(27,270)	-	(343,731)
Total accumulated depreciation	<u>(25,842,686)</u>	<u>(1,933,500)</u>	<u>-</u>	<u>(27,776,186)</u>
Total capital assets being depreciated, net	<u>51,013,224</u>	<u>(690,526)</u>	<u>-</u>	<u>50,322,698</u>
Business activities capital assets, net	<u>\$ 54,688,224</u>	<u>\$ 534,560</u>	<u>\$ -</u>	<u>\$ 55,222,784</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental-type Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 67,237	Water	\$ 438,431
Public safety	257,346	Sewer	864,606
Education	1,436,159	Transfer station	73,327
Public works	959,715	Golf	229,092
Health and human services	11,725	Waterways	328,044
Culture and recreation	242,716		
	<u>\$ 2,974,898</u>		<u>\$ 1,933,500</u>

Capital asset activity for the year ended June 30, 2010, for the Town's Business-type Activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Construction in process	-	198,984	-	198,984
Total capital assets not being depreciated	-	198,984	-	198,984
Capital assets being depreciated:				
Buildings and improvements	9,500	-	-	9,500
Infrastructure	20,196,415	-	-	20,196,415
Machinery and equipment	232,339	-	-	232,339
Vehicles	163,755	29,146	-	192,901
Total capital assets being depreciated	20,602,009	29,146	-	20,631,155
Less accumulated depreciation for:				
Buildings and improvements	(1,781)	(238)	-	(2,019)
Infrastructure	(9,518,106)	(403,928)	-	(9,922,034)
Machinery and equipment	(148,485)	(13,211)	-	(161,696)
Vehicles	(121,391)	(21,054)	-	(142,445)
Total accumulated depreciation	(9,789,763)	(438,431)	-	(10,228,194)
Total Water capital assets being depreciated, net	10,812,246	(409,285)	-	10,402,961
<i>Business-type Activities: Sewer</i>				
Capital assets not being depreciated:				
Construction in process	-	588,602	-	588,602
Total capital assets not being depreciated	-	588,602	-	588,602
Capital assets being depreciated:				
Buildings and improvements	20,200	-	-	20,200
Infrastructure	42,178,576	-	-	42,178,576
Machinery and equipment	352,000	-	-	352,000
Vehicles	184,255	18,845	-	203,100
Total capital assets being depreciated	42,735,031	18,845	-	42,753,876
Less accumulated depreciation for:				
Buildings and improvements	(1,515)	(1,010)	-	(2,525)
Infrastructure	(9,172,260)	(843,572)	-	(10,015,832)
Machinery and equipment	(49,280)	(14,080)	-	(63,360)
Vehicles	(178,165)	(5,944)	-	(184,109)
Total accumulated depreciation	(9,801,220)	(864,606)	-	(10,265,826)
Total Sewer capital assets being depreciated, net	33,333,811	(845,761)	-	32,488,050
<i>Business-type Activities: Transfer Station</i>				
Capital assets being depreciated:				
Buildings and improvements	1,992,971	-	-	1,992,971
Machinery and equipment	539,141	146,500	-	685,641
Vehicles	17,585	-	-	17,585
Total capital assets being depreciated	2,549,697	146,500	-	2,696,197
Less accumulated depreciation for:				
Buildings and improvements	(463,033)	(49,834)	-	(512,867)
Machinery and equipment	(512,547)	(23,231)	-	(535,778)
Vehicles	(16,905)	(272)	-	(17,177)
Total accumulated depreciation	(992,485)	(73,327)	-	(1,065,812)
Total Transfer Station capital assets being depreciated, net	1,557,212	73,173	-	1,630,385
<i>Business-type Activities: Widow's Walk Golf Course</i>				
Capital assets being depreciated:				
Land improvements	3,160,144	-	-	3,160,144
Buildings and improvements	932,856	-	-	932,856
Machinery and equipment	1,780,619	24,566	-	1,805,185
Total capital assets being depreciated	5,873,619	24,566	-	5,898,185
Less accumulated depreciation for:				
Land improvements	(293,308)	(23,321)	-	(316,629)
Buildings and improvements	(1,211,038)	(105,338)	-	(1,316,376)
Machinery and equipment	(1,487,275)	(100,433)	-	(1,587,708)
Total accumulated depreciation	(2,991,621)	(329,092)	-	(3,320,713)
Total Widow's Walk Golf Course capital assets being depreciated, net	2,881,998	(204,526)	-	2,677,472
<i>Business-type Activities: Waterways</i>				
Capital assets not being depreciated:				
Land	3,675,000	-	-	3,675,000
Construction in process	-	437,500	-	437,500
Total capital assets not being depreciated	3,675,000	437,500	-	4,112,500
Capital assets being depreciated:				
Land improvements	457,362	299,360	-	756,722
Buildings and improvements	510,317	247,972	-	758,289
Machinery and equipment	4,127,875	476,585	-	4,604,460
Total capital assets being depreciated	5,095,554	1,023,917	-	6,119,471
Less accumulated depreciation for:				
Land improvements	(20,628)	(30,235)	-	(40,863)
Buildings and improvements	(189,533)	(22,348)	-	(211,771)
Machinery and equipment	(2,457,446)	(285,561)	-	(2,743,007)
Total accumulated depreciation	(2,667,597)	(328,044)	-	(3,995,641)
Total Waterways capital assets being depreciated, net	2,427,957	695,873	-	3,123,830
<b>Total Business-type activities - capital assets, net</b>	<b>\$ 54,688,324</b>	<b>\$ 834,560</b>	<b>\$ -</b>	<b>\$ 55,222,784</b>

**D. Interfund Receivables, Payables and Transfers** – Interfund transfers (net) during the year were as follows:

	Transfers In	Transfers Out
General	\$ 2,400,709	\$ 762,197
Nonmajor Governmental	5,500	27,873
Stabilization	9,415	–
Community Preservation	–	700,000
Affordable Housing	700,000	–
Mitigation	–	1,875,000
Business-Type	<u>249,446</u>	<u>–</u>
Totals	<u>\$ 3,365,070</u>	<u>\$ 3,365,070</u>

Transfers were made to supplement appropriation line items, indirect costs and subsidies from the General Fund.

**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 tax anticipation notes (“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, 2010, recorded in the Governmental and Proprietary Funds are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
BAN	1.00%	Matured	\$ 4,182,000	\$ –	\$ (4,182,000)	\$ –
BAN	2.49%	Matured	329,000	–	(329,000)	–
BAN	2.00%	Matured	570,000	–	(570,000)	–
BAN	1.25%	3/18/11	<u>–</u>	<u>5,700,123</u>	<u>–</u>	<u>5,700,123</u>
			<u>\$ 5,081,000</u>	<u>\$ 5,700,123</u>	<u>\$ (5,081,000)</u>	<u>\$ 5,700,123</u>

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

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2010:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<b>Governmental Activities:</b>					
General obligation bonds	3.0 - 5.0%	\$ 14,517,000	\$ -	\$ (1,482,000)	\$ 13,035,000
Massachusetts Water Resources Authority notes	2.0 - 5.0%	68,568	-	(6,838)	61,710
Total Governmental Activities		\$ 14,585,568	\$ -	\$ (1,488,838)	\$ 13,096,710
<b>Business-type Activities - Water</b>					
General obligation bonds	3.0 - 5.0%	1,198,000	-	(132,000)	1,066,000
Total Water		1,198,000	-	(132,000)	1,066,000
<b>Business-type Activities - Sewer</b>					
General obligation bonds	3.0 - 5.0%	3,179,000	-	(204,000)	2,975,000
Massachusetts Water Resources Authority note	2.0 - 5.0%	18,074,207	-	(1,242,281)	16,831,926
Total Sewer		21,253,207	-	(1,446,281)	19,806,926
<b>Business-type Activities - Transfer Station</b>					
General obligation bond	3.0 - 5.0%	581,000	-	(37,000)	544,000
Total Transfer Station		581,000	-	(37,000)	544,000
<b>Business-type Activities - Widow's Walk Golf Course</b>					
General obligation bond	2.0 - 4.0%	2,635,000	-	(295,000)	2,340,000
Total Widow's Walk Golf Course		2,635,000	-	(295,000)	2,340,000
<b>Business-type Activities - Waterways</b>					
General obligation bonds	3.0 - 5.0%	3,800,000	-	(275,000)	3,525,000
Total Waterways		3,800,000	-	(275,000)	3,525,000
Total Business-type Activities		\$ 29,467,207	\$ -	\$ (2,185,281)	\$ 27,281,926
Total Bond and Note Debt					\$ 40,378,636

During the year ended June 30, 2010, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
Bond and note debt	\$ 14,585,568	\$ -	\$ (1,488,838)	\$ 13,096,710	\$ 1,463,858
Compensated absences	1,780,347	753,097	(890,174)	1,643,270	821,635
Other post employment benefits, net	3,376,975	5,082,348	(1,596,029)	6,863,294	-
Total Governmental Activities	\$ 19,742,890	\$ 5,835,445	\$ (3,975,061)	\$ 21,603,274	\$ 2,285,493
<b>Business-type Activities - Water</b>					
Bond and note debt	\$ 1,198,000	\$ -	\$ (132,000)	\$ 1,066,000	\$ 133,000
Compensated absences	50,173	2,816	(25,086)	27,902	13,251
Other post employment benefits, net	64,147	96,541	(30,317)	130,371	-
Total Business-type Activities: Water	1,312,319	99,357	(187,403)	1,224,273	146,951
<b>Business-type Activities - Sewer</b>					
Bond and note debt	21,253,207	-	(1,446,281)	19,806,926	1,480,350
Compensated absences	42,946	23,317	(21,473)	44,790	22,395
Other post employment benefits, net	34,022	51,203	(16,080)	69,145	-
Total Business-type Activities: Sewer	21,330,175	74,520	(1,483,834)	19,920,861	1,502,745
<b>Business-type Activities - Transfer Station</b>					
Bond and note debt	581,000	-	(37,000)	544,000	37,000
Compensated absences	23,462	5,829	(11,731)	17,560	8,780
Landfill	1,500,000	-	(75,000)	1,425,000	75,000
Other post employment benefits, net	18,404	27,697	(8,698)	37,403	-
Total Business-type Activities: Transfer Station	2,122,866	33,526	(132,429)	2,023,963	120,780
<b>Business-type Activities - Widow's Walk Golf Course</b>					
Bond and note debt	2,635,000	-	(295,000)	2,340,000	300,000
Capital lease	166,190	19,915	(51,800)	134,305	56,956
Other post employment benefits, net	15,811	23,796	(7,473)	32,134	-
Total Business-type Activities: Widow's Walk Golf Course	2,817,001	43,711	(354,273)	2,506,439	356,956
<b>Business-type Activities - Waterways</b>					
Bond and note debt	3,800,000	-	(275,000)	3,525,000	275,000
Compensated absences	23,846	13,467	(11,923)	25,390	12,695
Other post employment benefits, net	34,140	36,331	(11,409)	49,062	-
Total Business-type Activities: Waterways	3,847,986	49,798	(298,332)	3,599,452	287,695
Total Business-type Activities: All	\$ 31,430,347	\$ 300,913	\$ (2,456,271)	\$ 29,274,988	\$ 2,415,127
Total Long-term Obligations	\$ 51,173,237	\$ 6,136,357	\$ (4,431,332)	\$ 50,878,262	\$ 4,700,620

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

Bonded Debt (Governmental Activities)

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 1,463,858	\$ -	\$ 1,463,858	\$ 511,498	\$ (2,618)	\$ 508,880	\$ 1,972,738
2012	1,003,858	-	1,003,858	462,228	(2,267)	459,961	1,463,819
2013	1,003,857	-	1,003,857	429,463	(8,160)	421,303	1,425,160
2014	995,857	-	995,857	382,469	(1,915)	380,554	1,376,411
2015	826,856	-	826,856	338,781	(1,564)	337,217	1,164,073
2016 - 2020	3,917,424	-	3,917,424	1,189,585	(2,760)	1,186,825	5,104,249
2021 - 2025	3,725,000	-	3,725,000	431,560	-	431,560	4,156,560
2026	160,000	-	160,000	6,560	-	6,560	166,560
Total	\$ 13,096,710	\$ -	\$ 13,096,710	\$ 3,752,144	\$ (19,284)	\$ 3,732,860	\$ 16,829,570

Bonded Debt (Business-Type Activities)

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 2,225,350	\$ (219,466)	\$ 2,005,884	\$ 1,039,513	\$ (313,136)	\$ 726,377	\$ 2,732,261
2012	2,266,474	(242,768)	2,023,706	921,233	(251,105)	670,128	2,693,834
2013	1,978,985	(41,777)	1,937,208	1,192,245	(450,416)	741,829	2,679,037
2014	2,338,050	(228,452)	2,109,598	782,577	(238,599)	543,978	2,653,576
2015	2,360,001	(224,464)	2,135,537	694,483	(225,716)	468,767	2,604,304
2016 - 2020	10,315,895	(1,010,003)	9,305,892	1,999,471	(640,622)	1,358,849	10,664,741
2021 - 2025	5,500,735	(97,519)	5,403,216	479,106	(91,933)	387,173	5,790,389
2026	296,436	-	296,436	2,964	-	2,964	299,400
Total	\$ 27,281,926	\$ (2,064,449)	\$ 25,217,477	\$ 7,111,592	\$ (2,211,527)	\$ 4,900,065	\$ 30,117,542

Capital lease obligations (Business-Type Activities - Widow's Walk Golf Course)

Year Ending June 30	Minimum Lease		
	Principal	Interest	Obligation
2010	\$ 56,956	\$ 5,779	\$ 62,735
2011	44,031	2,842	46,873
2012	19,535	1,165	20,700
2013	10,117	314	10,431
2014	3,666	46	3,712
Total	\$ 134,305	\$ 10,146	\$ 144,451

Authorized and Unissued Debt - At June 30, 2010, the Town had authorized and unissued debt as follows:

Project	Amount
General	\$ 335,000
Transfer Station	25,000
Water	1,193,000
Sewer	7,096,341
Waterways	280,000
Total authorized and unissued	\$ 8,929,341

**Future Debt Payoff:** - Payments on general long-term debt obligation bonds and notes of Business-type Activities due in future years consist of the following:

**Business-type Activities: Water**

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 133,000	\$ -	\$ 133,000	\$ 41,745	\$ -	\$ 41,745	\$ 174,745
2012	133,000	-	133,000	37,756	-	37,756	170,756
2013	133,000	-	133,000	33,506	-	33,506	166,506
2014	131,000	-	131,000	26,942	-	26,942	157,942
2015	106,000	-	106,000	21,729	-	21,729	127,729
2016 - 2020	220,000	-	220,000	69,103	-	69,103	289,103
2021 - 2025	210,000	-	210,000	26,722	-	26,722	236,722
2026	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,066,000</b>	<b>\$ -</b>	<b>\$ 1,066,000</b>	<b>\$ 257,503</b>	<b>\$ -</b>	<b>\$ 257,503</b>	<b>\$ 1,323,503</b>

**Business-type Activities: Sewer**

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 1,480,350	\$ (219,466)	\$ 1,260,884	\$ 758,888	\$ (313,136)	\$ 445,752	\$ 1,706,636
2012	1,511,474	(242,768)	1,268,706	662,731	(251,105)	411,626	1,680,332
2013	1,223,985	(41,777)	1,182,208	958,624	(450,416)	508,208	1,690,416
2014	1,575,050	(228,452)	1,346,598	580,394	(238,599)	341,795	1,688,393
2015	1,618,001	(224,464)	1,393,537	521,631	(225,716)	295,915	1,689,452
2016 - 2020	7,935,895	(1,010,003)	6,925,892	1,498,120	(640,622)	857,498	7,783,390
2021 - 2025	4,165,735	(97,519)	4,068,216	332,913	(91,933)	240,980	4,309,196
2026	296,436	-	296,436	2,964	-	2,964	299,400
<b>Total</b>	<b>\$ 19,806,926</b>	<b>\$ (2,064,449)</b>	<b>\$ 17,742,477</b>	<b>\$ 5,316,265</b>	<b>\$ (2,211,527)</b>	<b>\$ 3,104,738</b>	<b>\$ 20,847,215</b>

**Business-type Activities: Transfer Station**

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 37,000	\$ -	\$ 37,000	\$ 21,733	\$ -	\$ 21,733	\$ 58,733
2012	37,000	-	37,000	20,624	-	20,624	57,624
2013	37,000	-	37,000	19,468	-	19,468	56,468
2014	37,000	-	37,000	17,616	-	17,616	54,616
2015	36,000	-	36,000	16,138	-	16,138	52,138
2016 - 2020	180,000	-	180,000	59,085	-	59,085	239,085
2021 - 2025	180,000	-	180,000	22,716	-	22,716	202,716
2026	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 544,000</b>	<b>\$ -</b>	<b>\$ 544,000</b>	<b>\$ 177,380</b>	<b>\$ -</b>	<b>\$ 177,380</b>	<b>\$ 721,380</b>

**Business-type Activities: Widow's Walk Golf Course**

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 300,000	\$ -	\$ 300,000	\$ 77,750	\$ -	\$ 77,750	\$ 377,750
2012	310,000	-	310,000	68,975	-	68,975	378,975
2013	320,000	-	320,000	59,125	-	59,125	379,125
2014	330,000	-	330,000	48,563	-	48,563	378,563
2015	345,000	-	345,000	36,300	-	36,300	381,300
2016 - 2020	735,000	-	735,000	29,700	-	29,700	764,700
2021 - 2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,340,000</b>	<b>\$ -</b>	<b>\$ 2,340,000</b>	<b>\$ 320,413</b>	<b>\$ -</b>	<b>\$ 320,413</b>	<b>\$ 2,660,413</b>

**Business-type Activities: Waterways**

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	275,000	-	275,000	139,397	-	139,397	414,397
2012	275,000	-	275,000	131,147	-	131,147	406,147
2013	265,000	-	265,000	121,522	-	121,522	386,522
2014	265,000	-	265,000	109,062	-	109,062	374,062
2015	255,000	-	255,000	98,685	-	98,685	353,685
2016 - 2020	1,245,000	-	1,245,000	343,463	-	343,463	1,588,463
2021 - 2025	945,000	-	945,000	96,755	-	96,755	1,041,755
2026	-	-	-	-	-	-	-
<b>Total</b>	<b>3,525,000</b>	<b>-</b>	<b>3,525,000</b>	<b>1,040,031</b>	<b>-</b>	<b>1,040,031</b>	<b>4,565,031</b>

#### **IV. Other Information**

##### **A. Retirement System**

*System Description* – The Town contributes to the Plymouth County Retirement Association (“PCRA” or the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Plymouth County Retirement Association (the “Board”).

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information. The report may be obtained by writing to the Board at Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

*Funding Policy* – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,758,350, \$2,668,512, and \$2,464,168. These contributions were equal to the required contribution for each year as set by the Board. Schedules of funding progress and contribution funding are included as required supplementary information.

##### **B. Massachusetts Teachers’ Retirement System**

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 \$6,553,328 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

##### **C. 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.

**D. Other Post Employment Benefits ("OPEB")**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the "Plan") in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's insurance program. The Plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 836 active employees and 328 retired employees with 99 spouses for a total of 1,263 participants.

*Funding Policy* – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute their Plan contributions through pension benefit deductions. The remainder of the cost is funded by the Town. Retirees also contribute 50% towards life insurance premiums (face value is \$2,000). The Town pays the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

*Annual OPEB Cost and Net OPEB Obligation* - The Town's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty (30) years.

The following table reflects the activity regarding the Town's OPEB obligation:

OPEB obligation at beginning of year	\$ 3,533,499
Annual required contribution ("ARC")	5,317,917
Contributions made	<u>(1,670,005)</u>
 OPEB obligation at end of year	 \$ <u>7,181,411</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)*	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2009	\$ 5,050,918	30%	\$ 3,533,499
June 30, 2010	\$ 5,317,917	31%	\$ 7,181,499

\* The AOPEBC was charged to the following functional programs: General Government \$160,067; Public Safety \$905,864; Education \$3,650,831; Public Works \$202,230; Health and Human Services \$43,836; and Culture and Recreation \$119,519. In the Business-Type Funds, the following activities were charged Water \$96,541, Sewer \$51,203, Transfer Station \$27,697, Golf \$23,796 and Waterways \$36,331.

Funding Status and Funding Progress – The funded status of the Plan at July 1, 2008 for the most recent actuarial valuation performed as of July 1, 2008, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$49,580,009	\$49,580,009	0.0%	\$35,820,651	138.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation dated July 1, 2008 are as follows:

Funding interest rate:	4.0%
2008 medical/drug trend rate	10% / 11%
Ultimate medical/drug trend rate:	5% / 5%
Year ultimate medical/drug trend rate reached:	2013 / 2014
Actuarial cost method	Entry Age Normal
Remaining amortization period:	28 years as of June 30, 2010

#### E. 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, 2010, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2010.

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.

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.

#### **F. Landfill Closure and Post-Closure Care Costs**

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for thirty (30) years after the landfill cover is installed. The Town presently appropriates \$75,000 per year for post-closure care costs and has recorded a liability of \$1,475,000 in the governmental activities fund as result of this activity.

#### **V. Implementation of New GASB Pronouncements**

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, which was effective for the Town beginning on July 1, 2009. The objective of GASB 51 was to establish accounting and financial reporting requirements for intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software, and reduce inconsistencies in current reporting practices, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments. The adoption of GASB 51 did not have a material impact on the Town's financial position or its results from operations.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for the Town beginning on July 1, 2009. GASB 53 was intended to improve how state and local governments report information about derivative instruments (financial arrangements used by governments to manage specific risks or make investments) in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of GASB 53 did not have a material impact on the Town's financial position or its results from operations.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The Town will adopt GASB 54 for the fiscal year ended June 30, 2011. The Town is currently

evaluating whether the adoption of GASB 54 will have a material impact on its financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The Town does not expect that the adoption of GASB 59 will have a material effect on its financial statements.

## **VI. Restatement of Prior Year Balances**

The following restatements were made to the prior year ending balances in order to conform to the current year presentation:

	<u>Water</u>	<u>Sewer</u>	<u>Transfer Station</u>	<u>Widow's Walk Golf</u>	<u>Waterways</u>
As previously recorded	\$ 11,689,543	\$ 25,774,478	\$ (582,262)	\$ 310,761	\$ 3,541,315
Record other post employment benefits	(64,147)	(34,022)	(18,404)	(15,811)	(24,140)
Record unbilled receivables	271,391	66,611	-	-	-
As restated	<u>\$ 11,896,787</u>	<u>\$ 25,807,067</u>	<u>\$ (600,666)</u>	<u>\$ 294,950</u>	<u>\$ 3,517,175</u>

	<u>Governmental Activities</u>	<u>Business Activities</u>
As previously recorded	62,653,917	40,733,835
Reclassify other post employment benefits	156,524	(156,524)
Record unbilled receivables	-	338,002
As restated	<u>\$ 62,810,441</u>	<u>\$ 40,915,313</u>

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TOWN OF SCITUATE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2010	\$ 673,709,456	\$ 1,132,847,379	\$ 459,137,923	40.5%	\$ 227,507,647	201.8%
1/1/2009	\$ 579,877,224	\$ 1,159,210,636	\$ 579,333,412	50.0%	\$ 264,541,078	219.0%
1/1/2008	\$ 683,819,938	\$ 1,056,020,215	\$ 372,200,277	35.2%	\$ 252,682,832	147.3%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2008	\$ -	\$ 49,580,009	\$ 49,580,009	0.0%	\$ 35,820,651	138.4%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Plymouth Regional Retirement Association			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2009	\$ 42,708,372	\$ 42,708,372	100.0%	2,758,350	6.5%
2008	\$ 41,286,383	\$ 41,286,383	100.0%	2,668,612	6.5%
2007	\$ 38,854,868	\$ 38,854,868	100.0%	2,464,168	6.3%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2010	\$ 5,317,917	\$ 1,670,005	31.4%
2009	\$ 5,050,918	\$ 1,517,419	30.0%

See accompanying independent auditor's report.

TOWN OF SCITUATE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Adjusted Actual	Variances favorable (unfavorable)
	Original Budget	Final Budget				
<b>REVENUES</b>						
Real estate and personal property taxes, net	\$ 41,818,318	\$ 41,818,318	\$ 42,007,719	\$ -	\$ 42,007,719	\$ 189,401
Intergovernmental	7,061,708	7,061,708	8,012,301	-	8,012,301	950,593
Motor vehicle and other excises	2,047,697	2,047,697	2,125,130	-	2,125,130	77,433
Departmental and other revenue	1,924,187	1,924,187	1,887,562	-	1,887,562	(36,625)
Penalties and interest	413,014	413,014	367,174	-	367,174	(45,840)
Investment income	189,754	189,754	122,506	-	122,506	(67,248)
<b>Total Revenues</b>	<b>53,454,678</b>	<b>53,454,678</b>	<b>54,522,392</b>	<b>-</b>	<b>54,522,392</b>	<b>1,067,714</b>
<b>EXPENDITURES</b>						
General government	4,352,050	4,352,050	4,067,542	205,843	4,273,385	78,665
Public safety	7,509,269	7,509,269	7,154,119	143,611	7,297,730	211,539
Education	28,348,914	28,348,914	27,516,210	814,209	28,330,419	18,495
Public works	3,116,635	3,116,635	2,980,636	7,247	2,987,883	128,752
Culture and recreation	1,199,711	1,199,711	1,126,507	8,460	1,134,967	64,744
Health and human services	476,100	476,100	382,153	27,440	409,593	66,507
State and county tax assessments	523,756	523,756	547,726	-	547,726	(23,970)
Pensions and fringe benefits	8,270,952	8,270,952	8,134,072	12,802	8,146,874	124,078
Debt service	2,190,282	2,190,282	2,181,743	-	2,181,743	8,539
<b>Total Expenditures</b>	<b>55,987,669</b>	<b>55,987,669</b>	<b>54,090,708</b>	<b>1,219,613</b>	<b>55,310,320</b>	<b>677,349</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers (net)	1,613,092	1,613,092	1,638,512	-	1,638,512	25,420
<b>Total Other Financing Sources (Uses)</b>	<b>1,613,092</b>	<b>1,613,092</b>	<b>1,638,512</b>	<b>-</b>	<b>1,638,512</b>	<b>25,420</b>
<b>DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE</b>						
	<u>(919,899)</u>	<u>(919,899)</u>	<u>2,070,196</u>	<u>\$ (1,219,613)</u>	<u>\$ 850,584</u>	<u>\$ 1,770,483</u>
<b>BUDGETARY FUND BALANCES, July 1, 2009</b>	<u>1,606,843</u>	<u>1,606,843</u>	<u>1,606,843</u>			
<b>BUDGETARY FUND BALANCES, June 30, 2010</b>	<u>\$ 686,944</u>	<u>\$ 686,944</u>	<u>\$ 3,677,039</u>			
<b>Budgetary deficit funded from:</b>						
Deficits	(33,887)	(33,887)				
Prior year encumbrances	897,988	897,988				
Debt reserve	10,591	10,591				
Miscellaneous	45,207	45,207				
	<u>\$ 919,899</u>	<u>\$ 919,899</u>				

See accompanying independent auditor's report.

**TOWN OF SCITUATE, MASSACHUSETTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

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**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 of Massachusetts. Reconciliation is provided below.

Revenues on a GAAP basis	\$ 61,075,720
On Behalf Teacher's receipts	<u>(6,553,328)</u>
Revenues on a Budgetary basis	\$ <u>54,522,392</u>
Expenditures on a GAAP basis	\$ 60,644,036
On Behalf Teacher's expenditures	<u>(6,553,328)</u>
Expenditures on a Budgetary basis	\$ <u>54,090,708</u>

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## EDWARDS ANGELL PALMER &amp; DODGE LLP

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(Date of Delivery)

Jane C. Lepardo, Treasurer  
Town of Scituate  
Scituate, Massachusetts

\$9,756,000  
Town of Scituate, Massachusetts  
General Obligation Municipal Purpose Loan of 2011 Bonds  
Dated as of Their Delivery Date

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

**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 \$9,756,000 General Obligation Municipal Purpose Loan of 2011 Bonds dated as of their delivery date (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.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in 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.

“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.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to the MSRB 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 MSRB an Annual Report by the date required in subsection (a), the Town shall send a notice to the MSRB, 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 \_\_\_\_\_, 2011 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, (vi) pension obligations of the Town, and (vii) other post-employment benefits liability 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 (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Town shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
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, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.

8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Town.\*
13. The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Town shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Town determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, the Town shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

**SECTION 6. Transmission of Information and Notices.** Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**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. If such termination occurs

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

prior to the final maturity of the Bonds, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 the MSRB.

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: \_\_\_\_\_, 2011

TOWN OF SCITUATE,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

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Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]