

**OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 13, 2003**

**Rating:**  
Moody's Investors Service: Aa3

**New Issue**

The opinion of Bond Counsel will state the following, under existing law: Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes, assuming continued compliance by the Town with the Internal Revenue Code of 1986. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; interest on the Bonds is taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. 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 Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, in the opinion of Bond Counsel, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.* (See "The Bonds - Tax Exemption" herein and Appendix B attached hereto.)

**TOWN OF SCITUATE, MASSACHUSETTS  
\$3,755,000 GENERAL OBLIGATION REFUNDING BONDS**

**DATED**  
May 15, 2003

**DUE**  
September 1  
(as shown below)

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder 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 denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry-Only System" herein.)

Principal of the Bonds will be paid on September 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2004, 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. 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 not subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Scituate, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½).

**MATURITIES, AMOUNTS, RATES, PRICES AND/OR YIELDS**

<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Cusip #</u> <u>809095</u>	<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Cusip #</u> <u>809095</u>
2005	\$270,000	2.00	% 1.12 %	QB1	2011	\$310,000	3.00	% 2.97 %	QH8
2006	275,000	2.00	1.40	QC5	2012	320,000	3.25	3.09	QJ4
2007	285,000	2.00	1.83	QD7	2013	330,000	3.25	3.21	QK1
2008	290,000	2.00	2.12	QE5	2014	345,000	4.00	3.34	QL9
2009	295,000	2.40	2.42	QF2	2015	360,000	4.00	3.44	QM7
2010	300,000	2.75	2.74	QG0	2016	375,000	4.00	3.54	QN5

(accrued interest, if any, to be added)

The Bonds are offered subject to the final approving opinion of Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein. First Southwest Company has acted as Financial Advisor to the Town of Scituate, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or to its custodial agent, on or about May 27, 2003 against payment to the Town in federal reserve funds.

**CORBY CAPITAL MARKETS, INC.**

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of Scituate since the date hereof.

## 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 and Time of Sale:** Tuesday, May 13, 2003, at 11:00 A.M. (Eastern Time).

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

**Issuer:** Town of Scituate, Massachusetts.

**Issue:** \$3,755,000 General Obligation Refunding Bonds - Book-Entry - See "Book-Entry-Only System" herein.

**Official Statement Dated:** May 1, 2003.

**Dated Date of Bonds:** May 15, 2003.

**Principal Due:** Serially on September 1, 2005 through September 1, 2016, as set forth herein.

**Redemption:** The Bonds are not subject to redemption prior to their stated maturity dates.

**Security:** The Bonds are valid general obligations of the Town of Scituate, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½).

**Credit Rating:** Moody's Investors Service has assigned the rating of Aa3 to the Bonds.

**Bond Insurance:** The Town has not contracted for the issuance of any policy of municipal bond insurance. If the successful bidder arranges insurance for any Bonds, it does so at its own risk and expense.

**Basis of Award:** Lowest true interest cost (TIC) as of the dated date.

**Tax Exemption:** Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

**Continuing Disclosure:** Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

**Bank Qualification:** The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

**Paying Agent:** U.S. Bank National Association, Boston, Massachusetts.

**Escrow Agent:** U.S. Bank National Association, Boston, Massachusetts.

**Verification Agent:** Grant Thornton LLP.

**Bond Counsel:** Palmer & Dodge LLP, Boston, Massachusetts.

**Financial Advisor:** First Southwest Company, Boston, Massachusetts.

**Delivery and Payment:** The Bonds in definitive form will be delivered to DTC on or about May 27, 2003.

**Additional Information:** Questions concerning the Official Statement should be addressed to: Mr. Brendan Lynch, Treasurer, Town of Scituate, Massachusetts (telephone: 781-545-8720) or Peter B. Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts (telephone: 617-619-4409).

**Final Official Statement:** Within seven (7) business days following the award of the Bonds in accordance herewith, at least 100 copies of the Final Official Statement will be available from First Southwest Company for use in reoffering the Bonds. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

**NOTICE OF SALE**  
**TOWN OF SCITUATE, MASSACHUSETTS**  
**\$3,755,000 GENERAL OBLIGATION REFUNDING BONDS**

The Town of Scituate, Massachusetts, will receive sealed or electronic (as described herein) proposals until 11:00 A.M. (Eastern Time) on Tuesday, May 13, 2003, for the purchase of the following described Bonds of the Town:

**\$3,755,000 General Obligation Refunding Bonds payable as follows:**

<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>
2005	\$270,000	2011	\$310,000
2006	275,000	2012	320,000
2007	285,000	2013	330,000
2008	290,000	2014	345,000
2009	295,000	2015	360,000
2010	300,000	2016	375,000

The Bonds will be dated May 15, 2003. Principal of the Bonds will be payable on September 1 of the years in which the Bonds mature. Interest will be payable semiannually on March 1 and September 1, commencing March 1, 2004.

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, 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. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of and semiannual 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 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 DTC. Disbursements 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 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 one-twentieth or one-eighth 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 three percent. No bid of less than par and accrued interest to date of delivery 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 May 15, 2003, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

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

- (b) Electronically via PARITY in accordance with this Notice of Sale. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact the Financial Advisor to the Town or Dalcomp at 40 West 23<sup>rd</sup> Street, 5<sup>th</sup> Floor, New York, NY 10010, telephone (212) 404-8102.

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

Within the limits set forth herein, the Town reserves the right to adjust the aggregate principal amount of the Bonds, and to adjust the principal amount of individual maturities of the Bonds, even if the aggregate principal amount of the Bonds is unchanged. Immediately following the opening of bids, the Town, acting through its Financial Advisor, will contact the apparent successful bidder by telephone to obtain the initial reoffering prices of each maturity of the Bonds, the premium to be paid on account of bond insurance, if any, and other information relevant to the sale of the Bonds. The apparent successful bidder shall then immediately deliver to the Town written confirmation by facsimile transmission as to such reoffering prices and bond insurance premium, if any. Upon being supplied with such initial reoffering prices and bond insurance premium, if any, the Town will determine the amount of Bonds that it may issue under the Internal Revenue Code. The Town will also determine the need to otherwise reallocate the principal maturities of the Bonds. The Town expects to advise the successful bidder as soon as possible, but no later than 5:00 p.m. E.T., on the date of sale of the amount, if any, of any changes in either the aggregate principal amount (which changes will be allocated among the several maturities of the Bonds in a manner to be specified by the Town) or individual maturities (assuming no changes in the aggregate principal amount of the Bonds). Any adjustment in either the aggregate principal amount or the individual maturities of the Bonds will be in an amount of \$5,000 or an integral multiple thereof and will be made only as necessary to effect the refunding in accordance with the Town's objectives. The amount of the total purchase price of the Bonds as bid by the apparent successful bidder will be adjusted proportionately to any adjustment made in the aggregate principal amount of Bonds, but the interest rates specified by the apparent successful bidder are not subject to change. Adjustments in the principal amount of the Bonds will be limited to \$100,000 in aggregate and ten percent in any maturity.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated May 1, 2003, (b) a certificate in form satisfactory to said firm, 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 signer or signers thereof, threatened affecting 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 his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds referred to below do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in 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 to be dated as of the date of delivery of the Bonds and incorporated by reference in the Bonds.

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 therefore, 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 his 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 fees paid to Moody's Investors Service for the rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

Additional information concerning the Town of Scituate and the Bonds is contained in the Preliminary Official Statement dated May 1, 2003, 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. The Preliminary Official Statement is deemed final by the Town as of its date for the purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, and other terms of the Bonds depending on such matters and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, 54 Canal Street, 3<sup>rd</sup> Floor, Boston, Massachusetts 02114, telephone (617) 619-4400. Within seven business days following award of the Bonds and receipt of necessary information from the successful bidder, at least 100 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, in the opinion of Bond Counsel, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.

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

The Bonds, in definitive form, will be delivered to The Depository Trust Company on or about May 27, 2003 against payment in federal reserve funds.

TOWN OF SCITUATE, MASSACHUSETTS  
/s/ Brendan Lynch,  
Town Treasurer

May 1, 2003

## OFFICIAL STATEMENT

### TOWN OF SCITUATE, MASSACHUSETTS

#### \$3,755,000 GENERAL OBLIGATION REFUNDING BONDS

##### INTRODUCTION

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 \$3,755,000 aggregate principal amount of its General Obligation Refunding Bonds, referred to herein as 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 are being offered for sale at public bidding on Tuesday, May 13, 2003, and a Notice of Sale dated May 1, 2003 has been furnished to prospective bidders containing the terms and conditions for bidding.

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "THE BONDS - Security and Remedies," below.

##### THE BONDS

###### Description of the Bonds

The Bonds will be dated May 15, 2003 and will bear interest payable semiannually on March 1 and September 1 of each year until maturity, commencing March 1, 2004, at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated May 1, 2003. The Bonds shall mature on September 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

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, 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. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. 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 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 DTC. Disbursements 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.

###### Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered Bonds 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 Bond Certificate will be issued for the 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 bond and note 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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).

Purchasers of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Issuer or Paying Agent, on 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, Paying Agent, or Issuer, 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 Issuer or 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 the Bonds any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

### **Record Date**

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, provided that with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten days before the special record date.

## Rating

Application has been made to Moody's Investors Service for a rating on the Bonds. Said rating, if obtained, will reflect only the rating agency's view and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

## Authorization of the Bonds and Use of Proceeds

\$3,755,000 The Refunding Bonds are authorized pursuant to Chapter 44, Section 21A of the Massachusetts General Laws, as amended, and by a vote of the Board of Selectmen passed on April 22, 2003 for the purpose of the advance refunding of \$3,455,000 Municipal Purpose Loan Bonds of 1994, which represent the outstanding bonds maturing in the years 2005 through 2016, originally issued on September 1, 1994.

## Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the advance refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Refunded Bonds.

## Verification Agent

The accuracy of the mathematical computations of (i) the adequacy of the maturing principal of and interest earned on the escrow securities together with other available funds held in the escrow account, to provide for the payment of the Refunded Bonds; and (ii) the "yield" on the escrow securities and on the Bonds, prepared by the Financial Advisor, will be verified by Grant Thornton LLP, a firm of independent certified public accountants.

These computations will be based upon information and assumptions supplied by the Underwriter on behalf of the Town. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or examined the assumptions or information used in the computations.

## Sources and Uses of Funds

The following is a summary of the sources and uses of funds for the current issue of Bonds:

Sources:	
Par Amount of Bonds	\$ 3,755,000.00
Premium	77,906.95
Equity Contribution	(2,076.50)
Accrued Interest	3,711.83
Total Sources	<u>\$ 3,834,542.28</u>
Uses:	
Deposit to Refunding Escrow Fund	\$ 3,776,110.20
Costs of Issuance	46,271.50
Total Underwriter's Discount	8,448.75
Accrued Interest	3,711.83
Total Uses	<u>\$ 3,834,542.28</u>

## **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Bonds will be rendered by Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of original delivery of the Bonds to the successful bidder 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.

## **Tax Exemption**

The opinion of Palmer & Dodge LLP, Bond Counsel, will state that under existing law the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; interest on the Bonds is taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure, and investment of bond proceeds and also include the payment of rebates or penalties in lieu of rebates to the United States. Failure to comply with these requirements may cause inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Town will covenant to take all lawful action necessary to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be or continue to be excluded from gross income for federal income tax purposes.

It should also be noted that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds. Interest on Bonds earned by insurance companies or allocable to certain dividends received by such companies may increase taxable income of those companies as calculated under Subchapter L of the Code. In addition, interest on the Bonds earned by certain corporations could be subject to the foreign branch profits tax imposed by the Code, and may be included in passive investment income subject to federal income taxation under provisions of the Code applicable to certain S corporations. The Code also 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, and receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code.

The opinion of Bond Counsel will also state 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 purchasers should be aware, however, that the Bonds will be included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon will be included in the measure of Massachusetts corporate excise and franchise taxes.

No assurance can be given that future legislation will not have adverse tax consequences for owners of the Bonds.

## **Bank Eligibility**

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

## Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Serial Bonds and Notes" under "INDEBTEDNESS - Types of Obligations" 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 payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid in the next tax levy 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.

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

Utility and Enterprise Receipts; Revolving Funds. Massachusetts statutes also provide that certain water, gas and electric, sewer and parking meter receipts may be used only for water, gas and electric, sewer, and parking and related 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, recreational or transportation facility; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant is restricted to use for plant 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 reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (see "Serial Bonds and Notes" under "Types of Obligations" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority or the Metropolitan District Commission if the city or town is within the territory served by either of those entities, 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 treatment or collection 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 of 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.

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

First Southwest Company 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 they so desire.

#### **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C hereto. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town has never failed to comply, in all material respects, with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

## THE TOWN OF SCITUATE

### General

The Town of Scituate (the "Town"), which was incorporated in 1636, is in Plymouth County. It is approximately 25 miles southeast of Boston and 18 miles east of Brockton. The Town is bordered by the Atlantic Ocean on the east and north, Marshfield on the south, Norwell on the southwest, Hingham on the west, and Cohasset on the northwest. It is approximately 17 square miles in area and, according to the 2002 Town census, has a population of 19,926 persons. Scituate is a residential community with a substantial summer population. It has 57 miles of tidal shoreline that includes excellent beaches and saltwater recreation areas for boating, fishing and other marine sports. It is one of two communities in the United States that harvests Irish moss (a marine algae) used in brewing, dyeing and making blanc mange. Its harbor is home to approximately 1,300 boats in season and is one of the most sheltered/protected harbors on the East Coast.

### Local Government

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

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

### Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Expiration of Term</u>
Selectmen	Joseph P. Norton, Chairman	Elected - 3-year term	2004
	Shawn Harris	Elected - 3-year term	2005
	Richard W. Lane	Elected - 3-year term	2003
	Paul Reidy	Elected - 3-year term	2005
	Joseph P. Norton	Elected - 3-year term	2004
	James Pollard	Elected - 3-year term	2004
Town Administrator	Richard H. Agnew	Appointed	Indefinite
Treasurer/Collector	Brendan F. Lynch	Elected - 3 year term	2005
Accountant	Mary Gallagher	Appointed	Indefinite
Town Clerk	Barbara J. Maffucci	Elected - 3 year term	2003
Town Counsel	Kopelman & Paige	Indefinite	Indefinite

### Municipal Services

The Town of Scituate provides major public services, certain of which are described below:

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

**Water** - The Department of Public Works Water Division is responsible for the construction, operation and maintenance of Scituate's municipal water system. The Water Division supervisor is responsible for the daily operations of the Water Division, which provides for the water service needs of 100% of the population. Scituate's water supply is obtained from six gravel packed wells along with a reservoir. (On September 1, 1999, the provision of water services was placed on an "enterprise" basis.)

**Sewer Facilities** - The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with three pump stations. Sewer service is available to 33 percent of all residential properties in Scituate, including the business district at Scituate Harbor which is also connected to the system. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, semi-annually, a minimum and an excess meter reading. In response to a consent decree, construction has been completed to upgrade and expand the Town's existing wastewater treatment plant at a cost of approximately \$15,117,000. These improvements will allow 2,000 to 3,000 additional homeowners to hook up into the new facility, which will effectively sewer 60-75% of the entire Town. First new tie-Ins will be late spring 2003.

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

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

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

**Recreation** - The Town operates a marina comprised of 200 slips with permanent and transient docking facilities for commercial and pleasure boats. The marina is accounted for in a special revenue 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.

**Public Schools** - The public school system of the Town consists of three elementary schools with an enrollment of 1,518; one intermediate school with an enrollment of 758; and one senior high school with an enrollment of 780. On November 9, 1998 and February 14, 2000, voters authorized loans in the total amount of \$31,340,000 to renovate the high school and to construct a new elementary school, contingent upon receipt of a school building assistance grant that would cover 64 percent of eligible project costs, including debt service. In June 1999, the Commonwealth of Massachusetts, Department of Education determined that the building projects met all of the requirements for school buildings. Completion of the school renovation and construction projects provided the school system with a capacity of 3,775 pupils. Both are completed with the new school scheduled to open September 1, 2003.

The school system has 223 teachers, 18 supervisory, and 116 part-time and non-professional personnel. The student/teacher ratio is approximately 23 to 1 at both the elementary and intermediate levels and approximately 20 to 1 at the high school level.

## Education

The Town provides a comprehensive school system which offers education from grades K-12, as well as special needs programs. In addition, the Town has a Community Education 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)				
	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>
Grades K/5	1,565	1,562	1,590	1,485	1,518
Grades 6/8	736	756	768	773	758
Grades 9/12	724	767	740	756	780
Ungraded	<u>19</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>3</u>
Total	3,047	3,094	3,089	3,025	3,059

  

	Projected Annual Enrollments				
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
Grades K/5	1,687	1,683	1,553	1,450	1506
Grades 6/8	865	861	858	728	706
Grades 9/12	853	924	872	779	745
Ungraded	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	3,405	3,468	3,283	2,957	2,957

Source: Acting Superintendent of Schools.

(1) As of October 1 each school year.

## Population Trends

<u>2002</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
19,976	19,360	18,002	17,316	16,744

Source: Town of Scituate Registrar of Voters.

## 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.

## Major Employers

The Town is primarily a residential community and, excluding the Town itself, there are only two significant employers; i.e., Life Care Center, a nursing home employing 135 persons, and Scituate Marketplace, a supermarket employing 120 persons. No other employers have more than 100 employees, although several restaurants, another nursing home and a concrete pipe manufacturer employ between 50 and 99 people. In addition, a private business/residential development worth over \$25,000,000 will be under construction in the Harbor area adding 24 condominiums, a 218 seat movie theater and 22,000 square feet of office and retail space. The Town also released 52 residential lots for development; 33 individual homes along with a 22 unit condominium development.

## 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 current and last four calendar years:

<u>Calendar Year</u>	<u>New Construction</u>		<u>Additions/Alterations</u>		<u>Total</u>	
	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>
2002	66	\$25,928,345	569	\$14,856,535	635	\$40,784,880
2001	36	12,104,701	620	15,603,007	656	27,707,708
2000	83	17,530,233	552	28,813,197	635	44,343,430
1999	83	6,358,261	567	9,235,146	650	15,593,403
1998	79	14,964,892	581	8,085,180	660	23,050,072

Source: Town of Scituate Building Inspector.

## PROPERTY TAXATION

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

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

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

### Tax Levy Computation

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

	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000	Fiscal 1999
<b>Gross Amount to be Raised:</b>					
Appropriations	\$ 45,425,781	\$ 45,551,318	\$ 46,348,622	\$ 44,574,345	\$ 40,269,742
Other Local Expenditures	1,435,421	925,662	704,574	750,163	358,790
State & County Charges	396,843	452,065	502,475	500,746	490,278
Overlay Reserve	282,421	250,000	300,000	350,000	300,000
<b>Total Gross Amount to be Raised</b>	<b>47,540,466</b>	<b>47,179,045</b>	<b>47,855,671</b>	<b>46,175,254</b>	<b>41,418,810</b>
<b>Offsets:</b>					
Estimated Receipts - State	6,916,080	7,016,686	6,641,430	5,859,853	5,286,927
Estimated Receipts - Local	10,402,469	9,296,433	9,396,433	10,783,740	7,825,634
<b>Appropriated:</b>					
Free Cash	190,103	945,636	945,636	1,810,700	853,204
Other Available Funds	792,639	-	4,046,306	2,610,931	3,289,596
Free Cash & Other Revenue		4,046,206			
Used to Reduce the Tax Rate	500,000	400,000	400,000	400,000	400,000
<b>Total Offsets</b>	<b>18,801,291</b>	<b>21,704,961</b>	<b>21,429,805</b>	<b>21,465,224</b>	<b>17,655,361</b>
<b>Net Amount to be Raised (Tax Levy)</b>	<b>\$ 28,739,176</b>	<b>\$ 27,999,450</b>	<b>\$ 26,523,966</b>	<b>\$ 24,710,030</b>	<b>\$ 23,763,449</b>
Property Valuation	\$ 3,063,878,000	\$ 1,828,834,100	\$ 1,804,487,500	\$ 1,784,117,700	\$ 1,497,381,800
Tax Rate per \$1,000 (1)	\$ 9.38	\$ 15.31	\$ 14.70	\$ 13.85	\$ 15.87

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

The Town of Scituate classifies property 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 to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation. The effective rate for open space must be at least 75 percent of the effective rate for residential real property. 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.

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

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

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

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

Fiscal Year	Assessed Valuations (1)			Official Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2003	\$3,036,056,500	\$27,821,500	\$3,063,878,000	\$2,565,482,500	159.0%
2002	1,804,346,300	24,847,800	1,828,834,100	1,926,402,100	94.9
2001	1,783,905,800	20,581,700	1,804,487,500	1,926,402,100	93.7
2000	1,764,034,900	20,082,800	1,784,117,700	1,612,453,800	110.6
1999	1,478,987,800	18,394,000	1,497,381,800	1,612,453,800	92.9

(1) Source: Board of Assessors.

(2) Source: Massachusetts Department of Revenue - Equalized valuations are established as of March 1 of even-numbered years for the next two years. The equalized valuations used here are as follows:

### Classification of Property

Type	Fiscal 2003		Fiscal 2002		Fiscal 2001	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 2,940,148,200	96.0 %	\$ 1,730,679,200	94.6 %	\$ 1,709,952,700	94.8 %
Commercial	90,237,900	2.9	69,559,600	3.8	69,951,300	3.9
Industrial	5,670,400	0.2	4,107,500	0.2	4,001,800	0.2
Personal	27,821,500	0.9	24,487,800	1.3	20,581,700	1.1
Total	\$ 3,063,878,000	100.0 %	\$ 1,828,834,100	100.0 %	\$ 1,804,487,500	100.0 %

Source: Massachusetts Department of Revenue.

## Abatements and Overlay

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

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

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

Fiscal Year	Gross Tax Levy	Overlay Allowance		Exemptions/ Abatements Granted thru Fiscal Year	Overlay Excess (Deficit)
		Dollar Amount	Percent of Levy		
2003	\$28,739,176	\$282,421	1.0%	\$68,021 (1)	\$214,400
2002	27,999,450	250,000	0.9	134,091	115,909
2001	26,525,966	300,000	1.1	87,665	212,335
2000	24,710,030	350,000	1.4	121,930	228,070
1999	23,763,449	300,000	1.3	134,228	165,772

Source: Board of Assessors.

(1) As of December 31, 2002

## Tax Collections

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	% of Net Collected at June 30 (2,3)
2003	\$28,739,176	\$282,421	\$28,456,755	47.1% (4)
2002	27,999,450	250,000	27,749,450	97.0
2001	26,525,966	300,000	26,225,966	96.3
2000	24,710,030	350,000	24,360,000	96.3
1999	23,763,449	300,000	23,463,449	97.0

Source: Board of Assessors as to rates and levies; Town Accountant as to collections.

(1) Net after deduction of overlay for abatements.

(2) I.e., at the end of the fiscal year for which levied.

(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

(4) As of December 31, 2002.

## Tax Titles and Possessions

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

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

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

Legislation enacted in 1996 authorizes public sales by cities and towns of delinquent property tax receivables, either individually, or in bulk.

## Taxes Outstanding

The following table presents aggregate taxes outstanding, tax titles and tax possessions for the last five fiscal years:

<u>As of</u> <u>6/30</u>	<u>Aggregate Overdue</u> <u>Property Taxes</u> <u>at FY-End (1)</u>	<u>Tax Titles</u>	<u>Tax</u> <u>Possessions</u>
2002	\$1,143,017	\$297,758	\$191,417
2001	1,198,736	326,960	200,845
2000	994,304	343,085	138,815
1999	729,947	590,406	111,488
1998	719,300	692,958	95,951

Source: Town Accountant.

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

## Taxation to Meet Deficits

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

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

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sale 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.

## Property Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition know as "Proposition 2 1/2," was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 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 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 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 2 1/2 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.

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.

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 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, the statute limits the annual increase in the total assessment 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) 2 1/2 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 the statute any state law to take effect on or after March 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town, or if state funding is provided. Similarly, state rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate state appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

## Unused Levy Capacity (1)

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

	For Fiscal Year				
	2003	2002	2001	2000	1999
Primary Levy Limit (2)	\$ 76,596,950	\$ 45,720,853	\$ 45,112,188	\$ 44,602,943	\$ 37,434,545
Prior Fiscal Year Levy Limit	\$ 26,242,271	\$ 25,191,545	\$ 24,250,437	\$ 23,367,452	\$ 22,463,113
2.5% Levy Growth	656,057	629,789	606,261	584,186	561,578
Current Fiscal Year New Growth (3)	695,478	420,937	334,847	298,799	342,761
Current Fiscal Year Override	-	-	-	-	-
Growth Levy Limit	27,593,806	26,242,271	25,191,545	24,250,437	23,367,452
Current Fiscal Year Debt Exclusion	1,186,752	1,767,824	1,339,419	468,557	410,000
Tax Levy Limit	28,780,558	28,010,095	26,530,964	24,718,994	23,777,452
Tax Levy	28,739,176	27,999,450	26,525,966	24,710,030	23,763,449
Unused Levy Capacity (4)	41,382	10,645	4,998	8,964	14,003
Unused Primary Levy Capacity (5)	\$ 49,003,144	\$ 19,478,582	\$ 19,920,643	\$ 20,352,506	\$ 14,067,093

- (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 Limit 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.

## TOWN FINANCES

### The Budget and Appropriation Process

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

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

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

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

### Operating Budget Trends

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

	<u>Appropriated Fiscal 2003</u>	<u>Appropriated Fiscal 2002</u>	<u>Appropriated Fiscal 2001</u>	<u>Appropriated Fiscal 2000</u>
General Government	\$ 1,755,570	\$ 1,552,894	\$ 1,470,564	\$ 1,426,739
Public Safety	5,960,113	5,729,508	5,282,427	4,990,724
Public Works (1)	2,404,304	2,303,355	2,285,493	2,093,053 (1)
Human Services	425,741	413,343	393,291	390,465
Education	20,762,532	19,561,838	18,614,334	17,280,528
Recreation	825,958	793,053	734,343	702,488
Debt Service	1,493,288	1,868,059	1,442,883	1,033,080
Pensions and Benefits	4,008,137	3,533,047	3,153,326	3,119,787
Total	<u>\$ 37,635,643</u>	<u>\$ 35,755,097</u>	<u>\$ 33,376,661</u>	<u>\$ 31,036,864</u>

Source: Town Accountant.

(1) Appropriation declined due to the establishment of an Enterprise Fund for Water Operations as of September 1, 1999.

### Education Reform

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

## Revenues

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

**State Distributions:** In addition to grants for specified capital purposes (some of which are payable over the life of bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. 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. As a result of lower than anticipated state revenues in the current fiscal year, the state legislature recently authorized the Governor to make significant reductions in the amount of state aid originally appropriated for cities and towns for the current fiscal year. The Town of Scituate expects that FY2003 state aid will be reduced by \$231,760. The Town expects to cover this reduction with revenues in excess of budget or unexpended appropriations.

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.

Following are state aid payments received by the Town for the current and last four fiscal years:

<u>Fiscal Year</u>	<u>Aid to Education</u>	<u>Other</u>	<u>Total State Aid</u>
2003	\$3,968,237	\$2,610,732	\$6,578,969
2002	3,875,113	2,730,375	6,605,488
2001	3,543,481	3,012,284	6,555,765
2000	2,885,532	2,898,249	5,783,781
1999	2,581,458	2,609,711	5,191,169

Source: Town Accountant.

**State School Building Assistance Program:** Chapter 645 of the Acts of 1948 as amended ("Chapter 645") created a statewide school building assistance program. Pursuant to this program cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth's Fiscal Year 2001 budget repealed Chapter 645 and created a new school building assistance program codified as Chapter 70B of the General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain "grandfathered" projects will be based on the statutory percentages provided for in Chapter 645.

After applying for a grant pursuant to the school building assistance program, an eligible project is placed on a list with other eligible school projects for which grant applications have been submitted and ranked in order of priority. Projects on the priority list are approved for grants by the State Board of Education in order of priority based on the aggregate amount of state funds appropriated and available therefore. Projects may be on the priority list for several years before being approved for funding. Projects on the priority list have no legal right to or guarantee of approval by the State Board of Education for a grant.

Various proposals for changing or restructuring the school building assistance program have been and continue to be made for the purpose of containing the cost of the program to the State. The enactment of any such proposal could affect a project's eligibility for approval of a grant or the amount or manner of payment of any such grant.

**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>
2003	\$1,955,868
2002	2,007,261
2001	2,000,748
2000	1,859,596
1999	1,759,080

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

**Water Rates and Services:** On September 1, 1999, the Town placed water services, which are provided to 100 percent of the Town, on an enterprise basis. Charges for water usage are billed quarterly. There is a minimum charge of \$101 per 5,000 cubic feet of water used during a fiscal year. Usage in excess of 5,000 cubic feet, which is determined by water meter readings, is billed based on the \$101 rate.

**Annual Audits**

The Town of Scituate is audited annually by Raymond Kasperowicz, Certified Public Accountant, of Cohasset, Massachusetts. A copy of the fiscal 2002 audit is attached hereto as Appendix A.

**Financial Statements**

Set forth on the following pages are Combined Balance Sheets - All Fund Types and Account Group for fiscal years ending June 30, 2000, 2001, 2002 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended June 30, 1998 through 2002.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS**  
 June 30, 2002

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum only)			
	General Funds	Special Revenue Funds	Capital Projects				Proprietary Funds	Trust and Agency	Long-Term Obligations
<b>ASSETS</b>									
Cash and investments (Note 4)	\$ 5,519,934	\$ 2,101,147	\$ 2,886,423	\$ 4,077,808	\$ 2,607,128	\$ 17,192,440			
Merchandise Inventory (Note 2e)	-	-	-	29,734	-	29,734			
Accounts receivable:									
Property taxes (Note 5)	15,414,733	-	-	-	-	15,414,733			
Allowance for abatements and exemptions	(425,995)	-	-	-	-	(425,995)			
Tax liens, deferrals, in litigation and foreclosures	723,398	-	-	52,989	-	776,387			
Motor vehicle & boat excise	577,727	-	-	-	-	577,727			
Water & sewer, net of \$52,988 reserve for bad debts	-	-	-	85,948	-	85,948			
Apportioned assessments not yet due	105,670	70,471	-	-	-	176,141			
Other departmental	261,526	243,611	-	-	22,776	527,913			
Due from other governments	20,080	122,297	-	1,341,984	-	1,484,361			
Advances / due from other funds (Note 8)	78,574	-	-	-	-	78,574			
Deposits	1,000	-	-	-	-	1,000			
Property, plant & equipment, net of accumulated depreciation	-	-	-	29,772,444	-	29,772,444			
Construction in progress	-	-	-	1,015,144	-	1,015,144			
Capital leases, net of amortization (Note 6)	-	-	-	295,500	-	295,500			
Landfill post closure costs (Note 17)	-	-	-	-	-	1,480,000			
Amount to be provided for the retirement of bonds	-	-	-	-	\$ 1,480,000	1,480,000			
<b>Total assets</b>	<b>\$ 22,276,647</b>	<b>\$ 2,537,526</b>	<b>\$ 2,886,423</b>	<b>\$ 36,671,551</b>	<b>\$ 2,629,904</b>	<b>\$ 68,866,793</b>			
<b>LIABILITIES</b>									
Accounts payable	\$ 564,595	\$ 87,389	\$ 489,500	\$ 227,801	-	\$ 1,369,285			
Accrued liabilities:									
Guaranteed deposits	-	-	-	25,800	\$ 476,876	476,876			
Other	207,879	-	792,903	2,776	-	1,026,582			
Due to other governments	-	-	-	77,503	114	2,890			
Advances / Due to other funds (Note 8)	-	-	-	1,650,000	1,071	78,574			
Anticipation notes (Note 9)	-	-	31,905,000	144,984	-	33,555,000			
Capital lease obligations (Note 6)	-	-	-	21,172,873	-	144,984			
General obligation bonds & notes payable (Notes 10)	-	-	-	85,418	-	21,557,615			
Deferred revenue (Note 11)	16,567,753	314,082	-	-	22,947	16,990,200			
Estimated landfill closure liability (Note 17)	-	-	-	-	-	1,480,000			
<b>Total liabilities</b>	<b>\$ 17,340,227</b>	<b>\$ 401,471</b>	<b>\$ 33,187,403</b>	<b>\$ 23,387,155</b>	<b>\$ 1,864,742</b>	<b>\$ 76,682,006</b>			
<b>FUND EQUITIES</b>									
Reserved for:									
Encumbrances and continuing appropriations	2,677,985	2,136,055	(30,300,980)	2,818,286	370,986	(22,297,668)			
Contributed capital	-	-	-	5,111,342	-	5,111,342			
Unreserved:									
Designated for subsequent year expenditures	810,500	-	-	5,354,768	-	810,500			
Undesignated	1,447,935	-	-	13,284,396	1,757,910	8,560,613			
<b>Total fund equity (Note 14)</b>	<b>\$ 4,936,420</b>	<b>\$ 2,136,055</b>	<b>\$ (30,300,980)</b>	<b>\$ 13,284,396</b>	<b>\$ 2,128,896</b>	<b>\$ (7,815,213)</b>			
<b>Total liabilities and fund equity</b>	<b>\$ 22,276,647</b>	<b>\$ 2,537,526</b>	<b>\$ 2,886,423</b>	<b>\$ 36,671,551</b>	<b>\$ 2,629,904</b>	<b>\$ 68,866,793</b>			

Extracted from audited financial statements.

TOWN OF SCITUATE, MASSACHUSETTS  
COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS  
June 30, 2001

	Governmental Fund Types			Proprietary Funds	Industry Fund Types	Account Group		
	General Funds	Special Revenues Funds	Capital Projects			Trust and Agency	General	Total (Memorandum only)
		Long-Term Obligations						
<b>ASSETS</b>								
Cash and Investments (Note 4)	\$ 6,115,024	\$ 2,187,192	\$ 2,577,856	\$ 1,991,106	\$ 3,167,705	\$	\$ 16,039,483	
Merchandise Inventory (Note 2e)				27,990			27,990	
Receivables: (Note 5)								
Property taxes	14,675,591						14,675,591	
Allowance for abatements and exemptions	(529,486)						(529,486)	
Tax liens, delinquents, in litigation and foreclosures	735,442			50,167			785,609	
Motor vehicle & boat excise	613,212						613,212	
Water & sewer, net of \$38,855 reserve for bad debts				102,213			102,213	
Appointed assessments not yet due	124,754	65,391					190,145	
Other departmental	208,825				16,393		225,218	
Due from other governments	131,930	195,109		1,742,472			2,069,511	
Advances/due from other funds (Note 6)	115,604						115,604	
Deposits	1,000						1,000	
Property & equipment, net of accumulated depreciation				30,132,141			30,132,141	
Construction in progress				443,388			443,388	
Capital leases, net of amortization (Note 6)				261,936			261,936	
Landfill closure & pot-closure costs (Note 15)								
Amount to be provided for the retirement of bonds								
Total assets	\$ 22,192,496	\$ 2,447,692	\$ 2,577,856	\$ 34,751,413	\$ 3,184,098	\$ 610,908	\$ 65,764,463	
<b>LIABILITIES</b>								
Accounts payable	\$ 415,740	\$ 36,424	\$ 1,304,360	\$ 206,787		\$	\$ 1,963,311	
Accrued liabilities:								
Guaranteed deposits					372,725		372,725	
Other	510,999		851,516	220,909	187		1,583,424	
Due to other governments	92,503				23,101		92,690	
Advances/Due to other funds (Note 8)				92,503			115,604	
Anticipation notes (Note 9)			21,955,000	650,000			22,905,000	
Capital lease obligation (Note 6)				157,205			157,205	
General obligation bonds & notes payable (Notes 10)				22,842,069			22,842,069	
Deferred revenue	15,581,999	65,391		66,377	16,393		15,730,160	
Estimated landfill closure liability								
Total liabilities	\$ 16,601,241	\$ 401,815	\$ 24,110,876	\$ 24,235,850	\$ 412,406	\$ 610,908	\$ 66,373,096	
Fund Equities								
Reserved for:								
Encumbrances and continuing appropriations	2,710,743	100		1,476,536			5,663,915	
Contributed capital							57,799,066	
Unreserved:								
Designated for subsequent year expenditures	1,165,270						1,165,270	
Undesignated	1,715,153	2,045,777	(21,533,020)	3,240,961	2,397,505		(12,133,624)	
Total fund equity (Note 12)	5,591,166	2,045,877	(21,533,020)	62,516,563	3,874,041		52,494,627	
Total liabilities and fund equity	\$ 22,192,496	\$ 2,447,692	\$ 2,577,856	\$ 34,751,413	\$ 3,184,098	\$ 610,908	\$ 65,764,463	

Extracted from audited financial statements.

TOWN OF SCITUATE, MASSACHUSETTS  
 COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS  
 June 30, 2000

	Governmental Fund Types				Fiduciary Fund Types		Total (Memorandum only)
	General Funds	Special		Trust and Agency	Long-Term Obligations	Account Group	
		Revenues Funds	Capital Projects				
<b>ASSETS</b>							
Cash and Investments (Note 4)	\$ 7,474,313	\$ 1,423,619	\$ 8,111,431	\$ 3,960,658	\$ 2,474,219	\$ -	\$ 23,444,240
Merchandise Inventory (Note 2e)	-	-	-	26,733	-	-	26,733
Receivables: (Note 5)							
Property taxes	13,529,829	-	-	-	-	-	13,529,829
Allowance for abatements and exemptions	(497,359)	-	-	-	-	-	(497,359)
Tax liens, delerrals, in litigation and foreclosures	684,601	-	-	38,854	-	-	723,455
Motor vehicle & boat excise	605,784	-	-	-	-	-	605,784
Water & sewer, net of \$38,855 reserve for bad debts	-	-	-	164,359	-	-	164,359
Appointed assessments not yet due	131,393	70,229	-	-	-	-	201,622
Other departmental	175,023	-	-	-	24,563	-	199,586
Due from other governments	156,125	143,716	-	4,156,763	-	-	4,456,604
Advances/due from other funds (Note 6)	107,557	-	-	-	-	-	107,557
Deposits	1,000	-	-	-	-	-	1,000
Property & equipment, net of accumulated depreciation	-	-	-	11,111,369	-	-	11,111,369
Construction in progress	-	-	-	18,200,295	-	-	18,200,295
Capital leases, net of amortization (Note 6)	-	-	-	240,217	-	-	240,217
Landfill closure & pot-closure costs (Note 15)	-	-	-	-	-	5,000,000	5,000,000
Amount to be provided for the retirement of bonds	-	-	-	-	-	1,077,402	1,077,402
<b>Total assets</b>	<b>\$ 22,368,266</b>	<b>\$ 1,637,564</b>	<b>\$ 8,111,431</b>	<b>\$ 37,899,248</b>	<b>\$ 2,498,782</b>	<b>\$ 6,077,402</b>	<b>\$ 78,592,693</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 685,464	\$ 86,746	\$ 649,335	\$ 211,045	\$ -	\$ -	\$ 1,632,590
Accrued liabilities:							
Guaranteed deposits	-	-	-	-	412,289	-	412,289
Other	170,514	-	63,581	667,497	-	-	901,592
Due to other governments	107,503	-	-	2,905	126	-	110,534
Advances/Due to other funds (Note 8)	-	-	-	107,503	54	-	107,557
Anticipation notes (Note 9)	-	-	11,955,000	3,698,819	-	-	15,653,819
Capital lease obligation (Note 6)	-	-	-	193,514	-	-	193,514
General obligation bonds & notes payable (Notes 10)	-	-	-	20,594,612	-	1,077,402	21,672,014
Deferred revenue	14,476,919	200,701	-	52,069	-	-	14,729,689
Estimated landfill closure liability	-	-	-	-	-	5,000,000	5,000,000
<b>Total liabilities</b>	<b>\$ 15,440,400</b>	<b>\$ 287,447</b>	<b>\$ 12,667,916</b>	<b>\$ 25,527,964</b>	<b>\$ 412,469</b>	<b>\$ 6,077,402</b>	<b>\$ 60,413,598</b>
<b>Fund Equities</b>							
Reserved for:							
Encumbrances and continuing appropriations	3,458,004	100	-	4,391,922	367,890	-	8,217,916
Contributed capital	-	-	-	6,109,301	-	-	6,109,301
Unreserved:							
Designated for subsequent year expenditures	1,415,500	-	-	-	-	-	1,415,500
Undesignated	2,054,362	1,350,017	(4,556,485)	1,870,061	1,718,423	-	2,436,378
<b>Total fund equity (Note 12)</b>	<b>6,927,866</b>	<b>1,350,117</b>	<b>(4,556,485)</b>	<b>12,371,284</b>	<b>2,086,313</b>	<b>-</b>	<b>18,179,095</b>
<b>Total liabilities and fund equity</b>	<b>\$ 22,368,266</b>	<b>\$ 1,637,564</b>	<b>\$ 8,111,431</b>	<b>\$ 37,899,248</b>	<b>\$ 2,498,782</b>	<b>\$ 6,077,402</b>	<b>\$ 78,592,693</b>

Extracted from audited financial statements.

Extracted from audited financial statements.

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

	Fiscal Year Ended June 30				
	2002	2001	2000	1999	1998
<b>REVENUES:</b>					
Real and Personal Property Taxes	\$ 27,960,635	\$ 26,277,993	\$ 24,412,421	\$ 23,845,363	\$ 22,562,616
Motor Vehicle & Boat Excise	2,038,165	2,039,865	1,896,322	1,794,545	1,691,199
Intergovernmental	9,235,166	9,116,960	5,891,187	5,211,169	4,813,422
Penalties & Interest	277,332	204,578	197,817	268,116	254,615
Charges for Services	490,040	381,089	368,425	312,983	250,958
User Charges	-			1,266,334	2,217,418
Fees	122,602	115,155	107,090	125,560	308,431
Licenses & Permits	467,404	322,347	331,326	319,255	595,258
Fines & Forfeitures	69,143	59,239	78,980	70,984	81,185
Investment Income	248,518	703,374	393,346	460,789	517,010
Departmental & Other	205,399	179,900	267,199	140,837	250,751
<b>Total Revenues</b>	<b>41,114,404</b>	<b>39,400,500</b>	<b>33,944,113</b>	<b>33,815,935</b>	<b>33,542,863</b>
<b>EXPENDITURES:</b>					
General Government	1,627,716	2,187,911	2,126,472	1,212,982	1,297,635
Public Safety	5,708,545	5,724,847	5,384,040	4,796,171	4,583,483
Education	20,234,440	19,496,291	17,911,483	16,717,915	15,344,553
Public Works	3,112,948	3,200,549	2,183,245	3,403,192	4,148,343
Human Services	338,655	423,181	334,988	265,705	234,422
Culture & Recreation	872,167	776,105	789,763	618,222	589,286
Pensions & Fringe Benefits	6,409,186	5,602,893	2,935,007	2,873,003	2,631,436
State & County Assessments	582,826	592,095	609,267	644,270	606,824
Debt Service	1,150,393	956,115	674,729	1,450,186	1,784,558
<b>Total Expenditures</b>	<b>40,036,876</b>	<b>38,959,987</b>	<b>32,948,994</b>	<b>31,981,646</b>	<b>31,220,540</b>
Excess (Deficiency) of Revenues Over Expenditures	1,077,528	440,513	1,295,119	1,834,289	2,322,323
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium on Sale of bonds	240,218				
Operating Transfers In	888,247	1,071,000	743,500	1,508,038	408,862
Operating Transfers Out	(2,860,737)	(2,945,826)	(1,754,509)	(3,270,931)	(1,383,498)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,972,490)</b>	<b>(1,874,826)</b>	<b>(1,011,009)</b>	<b>(1,762,893)</b>	<b>(974,636)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(654,744)	(1,336,702)	309,275	71,396	1,347,687
Prior Year Adjustment - Golf Course	-	-	-	-	-
Fund Equity, Beginning of Year	5,591,164	6,927,866	6,618,591	6,547,195	5,199,508
<b>FUND EQUITY, END OF YEAR</b>	<b>\$ 4,936,420</b>	<b>\$ 5,591,164</b>	<b>\$ 6,927,866</b>	<b>\$ 6,618,591</b>	<b>\$ 6,547,195</b>

## 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 a five-year 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 September 1</u>
2002	\$1,447,935	\$824,416
2001	1,715,131	972,405
2000	2,054,362	1,236,316
1999	2,714,543	1,760,978
1998	3,640,622	2,677,846

(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 may be appropriated at an annual or special town meeting for any municipal purpose. As of June 30, 2002, the balance in the fund totaled \$1,683,194.

## 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, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth 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 State Emergency Finance Board. Based on the Town's equalized valuation of \$2,565,482,500 as of January 1, 2002, its normal debt limit is \$128,274,125 and the double debt limit is \$256,548,250.

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 and solid waste disposal facility bonds 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 and gas (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). Industrial revenue bonds, electric revenue bonds, solid waste disposal revenue bonds, water pollution abatement revenue bonds and drinking water revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

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

### Types of Obligations

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

*Serial Bonds and Notes.* These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes and certain state-aided school projects, and for those projects for which debt service has been exempted from property tax limitations. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes. Serial bonds may be issued as "qualified bonds" with the approval of the State Emergency Finance Board, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

**Revenue Bonds.** Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs. 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 May 1, 2003 (1)**

**Long-Term Indebtedness (2)**

Sewers & Drains	\$12,878,457
Water	1,891,500
School	96,000
General	<u>3,882,500</u>

Total Long-Term Indebtedness \$18,748,457

**Short-Term Indebtedness**

Bond Anticipation Notes	<u>\$33,470,000 (3)</u>
Total Short-Term Indebtedness	<u>33,470,000</u>

Total Direct Debt \$52,218,457

- (1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.
- (2) Based on the Town's equalized valuation of \$2,565,482,500 as of January 1, 2002, the Town's normal General Debt Limit is \$128,274,125 and the Double General Debt Limit is \$256,548,250. (See "Debt Limits," above.)
- (3) \$31,340,000 of the Notes maturing March 4, 2004 is exempt from Proposition 2 ½.

## Key Debt Ratios

	As of June 30				
	2002	2001	2000	1999	1998
Long Term Debt Outstanding (1)	\$21,557,615	\$23,451,976	\$21,472,014	\$22,611,980	\$11,885,000
Debt per Capita	\$1206.83	\$1,312.88	\$1,202.04	\$1,278.89	\$678.02
Percent of Assessed Valuation (2)	1.18%	1.30%	1.20%	1.51%	0.80%
Percent of Equalized Valuation (3)	1.12%	1.22%	1.33%	1.40%	0.79%
Debt per Capita as a Percent of per Capita Income	3.56%	3.87%	3.54%	3.77%	2.00%

(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 March 1.

(3) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established as of January 1 of each even-numbered year for the next two years).

## Annual Debt Service as of June 30, 2002

Fiscal Year	Outstanding (2)		MWPAT Subsidy	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest			
2003	\$ 1,477,056	\$ 878,772	(495,071)	1,860,757	8.1 %
2004	1,391,705	808,729	(481,960)	1,718,474	15.8
2005	1,409,592	742,107	(468,590)	1,683,108	23.6
2006	1,229,922	676,371	(455,011)	1,451,283	30.3
2007	1,243,246	615,750	(441,067)	1,417,929	37.2
2008	846,479	561,742	(426,726)	981,495	41.8
2009	877,465	519,422	(412,074)	984,814	46.7
2010	907,879	474,829	(397,056)	985,652	51.7
2011	947,106	425,387	(381,555)	990,938	56.9
2012	982,924	373,669	(365,591)	991,001	62.3
2013	697,204	655,530	(359,182)	993,553	66.1
2014	1,049,524	298,751	(340,331)	1,007,944	71.9
2015	1,094,721	240,726	(323,283)	1,012,165	77.9
2016	1,141,055	180,192	(305,697)	1,015,550	84.2
2017	1,187,555	117,015	(287,614)	1,016,956	90.7
2018	812,555	64,307	(269,003)	607,859	95.2
2019	835,155	22,883	(239,039)	618,999	99.8
2020	34,332	944	(10,630)	24,647	100.0
Total	<u>\$ 18,165,472</u>	<u>\$ 7,657,125</u>	<u>\$ (6,459,477)</u>	<u>\$ 19,363,120</u>	

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

(2) Principal totaling \$3,984,329 and interest totaling \$2,182,288 are exempt from the provisions of Proposition 2 1/2.

## Authorized Unissued Debt and Prospective Financing

As of December 31, 2002, the Town had \$56,746,516 of authorized unissued debt, as follows:

<u>Purpose</u>	<u>Amount</u>
Design & Construction-Sewer Treatment Plant	812,400
Marshfield Scituate Water Connection	70,000
Water Conservation (Meter Replacement)	650
Waste Water Treatment Plant Upgrade	169,100
Infiltration/Inflow Repairs	17,366
Septic Systems	300,000
Reconstruction of Oceanside Drive Seawall	565,000
Design/Construction/Renovation of Schools (1)	31,340,000
Landfill Closure and Capping	1,500,000
Watermain	600,000
Firestations	2,825,000
Sewer Lines and Pump Stations	2,000,000
School Buses	225,000
Seawalls	775,000
Water Mains	496,000
Repairs to Wells 10 & 11	447,000
Stormwater Management	310,000
Sewer Extension	13,544,000
Infiltration/Inflow	750,000
<b>Total</b>	<b>\$ 56,746,516</b>

- (1) On December 5, 1998, the Town voted to exempt the principal and interest on bonds and notes for the school projects from the limitations of Proposition 2 ½. The Town has applied for, and expects to receive, state grants that will cover 64 percent of eligible project costs, including debt service on bonds and notes issued for these projects, subject to annual appropriation by the state legislature. The Town cannot represent with certainty whether or when the school projects will be funded. The Town also cannot represent with certainty the actual amount of reimbursement. The School Building Assistance Program is currently under review by the Commonwealth as the state confronts the fiscal challenges facing it in fiscal 2004 and thereafter. The schedule of grant awards as currently represented by the priority list, the method of funding the state's share of eligible project costs, and the reimbursement rates may all be restructured to reduce the cost of the program to the Commonwealth. It cannot be anticipated when such changes may occur, or which projects may be affected.

### 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:

	<u>Outstanding Bonded Debt as of 6/30/02</u>	<u>Scituate's Estimated Share, %</u>	<u>Fiscal 2003 Dollar Assessment (1)</u>
Plymouth County (2)	\$0	5.75%	\$60,833
Massachusetts Bay Transportation Authority (3)	\$3,468,445,000	N/A	\$270,730
South Shore Regional Vocational-Technical School District (4)	\$2,860,000	5.45	\$170,313

- (1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: Treasurer, Plymouth County. County expenses are assessed upon the cities and towns within the County in proportion to their valuations of taxable property as last equalized by the State Commissioner of Revenue. Assessment shown is based on the most recent equalized valuation.
- (3) Source: Massachusetts Bay Transportation Authority (the "MBTA"). The MBTA was created in 1964 to finance and operate mass transportation facilities within the Greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue bonds for particular capital projects in the aggregate principal amount of approximately \$1,700,000,000. 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 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 2002. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.

## **Contracts**

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

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

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

The Town is currently a participant in the following contracts:

In January 2002, the Town extended a three-year maintenance contract to International Golf Management. The total cost of this three-year contract is \$839,000.

The Town currently contracts with SEMASS for solid waste disposal at a rate of \$75 per ton. This activity is funded through user fees.

## **RETIREMENT SYSTEM**

The Massachusetts General Laws (chapter 32, sections 1-28) 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. Under the pension law 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.

### **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, 2002, the total unfunded pension benefit obligation of the System was \$266,872,544, as follows:

Total pension benefit obligation	\$733,198,204
Assets at market value	<u>(466,325,660)</u>
Unfunded pension benefit obligation	<u>\$266,872,544</u>
The Town's estimated share at its participation rate of 6.7%	<u>\$17,795,561</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 for the last five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Contributory</u>
2002	\$1,513,837
2001	1,469,952
2000	1,328,026
1999	1,217,178
1998	1,010,629

Prior to September 1, 1998, the Commonwealth of Massachusetts reimbursed the System on a quarterly basis for the portion of the benefit payments owing to cost of living increases granted after the implementation of Proposition 2 1/2. Subsequent to June 30, 1998, the Town is assessed for cost of living increases as part of its semi-annual contributions.

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

### COLLECTIVE BARGAINING

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

The Town has approximately 620 full and part-time employees, including those in the School Department. Approximately 81 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
<b>General Government:</b>			
Police	International Brotherhood of Police Officers	28	6/30/03
Firemen	Scituate Fire Fighters Union	53	6/30/03
Clerical Workers	925,AFL-CIO-CLC	27	6/30/03
Library	925,AFL-CIO-CLC	11	6/30/03
Public Works	AFL-CIO (1)	37	6/30/04
Administrators, Managers and Professionals	SEIU (2)	18	6/30/04
<b>School:</b>			
Teachers	Scituate Teachers Assoc./Mass. Teachers Assoc.	230	8/31/04
Custodians	AFSCME (3)	20	6/30/04
Nurses	AFSCME (3)	5	8/31/04
Secretaries	SEIU/Local 925 (2)	15	6/30/04
Cafeteria Workers	SEIU/Local 254 (2)	17	8/31/04
Bus Workers	AFSCME (3)	18	8/31/04
Aides and Tutors	SEIU/Local 925 (2)	<u>82</u>	8/31/04
Total		561	

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

**LITIGATION**

In the opinion of the Town Treasurer, and confirmed by the Town Administrator, Mr. Richard Agnew, and by the Chairman of the Board of selectmen, Joseph P. Norton, in memorandum dated January 29, 2003, and by Town Counsel no litigation is pending, or to his knowledge threatened, which is likely to result, either individually or in the aggregate, in a final judgment against the Town materially affecting its financial position.

TOWN OF SCITUATE, MASSACHUSETTS

/s/ Brendan F. Lynch  
Town Treasurer/Collector

May 1, 2003

**TOWN OF SCITUATE, MASSACHUSETTS  
GENERAL PURPOSE FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULES AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2002**

**TOWN OF SCITUATE, MASSACHUSETTS**  
**General Purpose Financial Statements**  
**Year Ended June 30, 2002**

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**RAYMOND KASPEROWICZ**  
CERTIFIED PUBLIC ACCOUNTANT  
760 CHIEF JUSTICE CUSHING WAY  
COHASSET, MA 02025  
(781)383-9158

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Selectmen  
Town of Scituate  
Scituate, Massachusetts

I have audited the accompanying general purpose financial statements of the Town of Scituate, Massachusetts as of June 30, 2002 and for the year then ended. These general purpose financial statements are the responsibility of the management of the Town of Scituate, Massachusetts. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally-accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Town has not maintained records of the cost of its general fixed assets and, therefore, a general fixed assets account group is not presented in the accompanying general purpose financial statements as required by generally accepted accounting principles. Also, the general purpose financial statements do not include amounts for accrued compensated absences, which, in my opinion, should be included in the general purpose financial statements to conform with generally accepted accounting principles.

In my opinion, except for the effect of the matters referred to above, the accompanying general purpose financial statements present fairly the financial position of the Town of Scituate, Massachusetts at June 30, 2002 and the results of its operations, and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Accounting Standards*, I have also issued my report dated November 17, 2002 on my consideration of the Town of Scituate's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

November 17, 2002



TOWN OF SCITUATE, MASSACHUSETTS  
 COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS  
 June 30, 2002

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum only)		
	General Funds	Special Revenue Funds	Capital Projects	Proprietary Funds				Trust and Agency	Long-Term Obligations
<b>ASSETS</b>									
Cash and Investments (Note 4)	\$ 5,519,934	\$ 2,101,147	\$ 2,886,423	\$ 4,077,808	\$ 2,607,128	-	\$ 17,192,440		
Merchandise Inventory (Note 2e)	-	-	-	29,734	-	-	29,734		
Accounts receivable:									
Property taxes (Note 5)	15,414,733	-	-	-	-	-	15,414,733		
Allowance for abatements and exemptions	(425,995)	-	-	-	-	-	(425,995)		
Tax liens, deferrals, in litigation and foreclosures	723,398	-	-	52,989	-	-	776,387		
Motor vehicle & boat excise	577,727	-	-	-	-	-	577,727		
Water & sewer, net of \$52,988 reserve for bad debts	-	-	-	85,948	-	-	85,948		
Apportioned assessments not yet due	105,670	70,471	-	-	-	-	176,141		
Other departmental	261,526	243,611	-	-	22,776	-	527,913		
Due from other governments	20,080	122,297	-	1,341,984	-	-	1,484,361		
Advances / due from other funds (Note 8)	78,574	-	-	-	-	-	78,574		
Deposits	1,000	-	-	-	-	-	1,000		
Property, plant & equipment, net of accumulated depreciation	-	-	-	29,772,444	-	-	29,772,444		
Construction in progress	-	-	-	1,015,144	-	-	1,015,144		
Capital leases, net of amortization (Note 6)	-	-	-	295,500	-	-	295,500		
Landfill post closure costs (Note 17)	-	-	-	-	-	-	-		
Amount to be provided for the retirement of bonds	-	-	-	-	-	\$ 1,480,000	1,480,000		
Total assets	\$ 22,276,647	\$ 2,537,526	\$ 2,886,423	\$ 36,671,551	\$ 2,629,904	\$ 1,864,742	\$ 68,866,793		
<b>LIABILITIES</b>									
Accounts payable	\$ 564,595	\$ 87,389	\$ 489,500	\$ 227,801	-	-	\$ 1,369,285		
Accrued liabilities:									
Guaranteed deposits	-	-	-	-	\$ 476,876	-	476,876		
Other	207,879	-	792,903	25,800	-	-	1,026,582		
Due to other governments	-	-	-	2,776	114	-	2,890		
Advances / Due to other funds (Note 8)	-	-	-	77,503	1,071	-	78,574		
Anticipation notes (Note 9)	-	-	31,905,000	1,650,000	-	-	33,555,000		
Capital lease obligations (Note 6)	-	-	-	144,984	-	-	144,984		
General obligation bonds & notes payable (Notes 10)	-	-	-	21,172,873	-	\$ 384,742	21,557,615		
Deferred revenue (Note 11)	16,567,753	314,082	-	85,418	22,947	-	16,990,200		
Estimated landfill closure liability (Note 17)	-	-	-	-	-	1,480,000	1,480,000		
Total liabilities	17,340,227	401,471	33,187,403	23,387,155	501,008	1,864,742	76,682,006		
<b>FUND EQUITIES</b>									
Reserved for:									
Encumbrances and continuing appropriations	2,677,985	2,136,055	(30,300,980)	2,818,286	370,986	-	(22,297,668)		
Contributed capital	-	-	-	5,111,342	-	-	5,111,342		
Unreserved:									
Designated for subsequent year expenditures	810,500	-	-	-	-	-	810,500		
Undesignated	1,447,935	-	-	5,354,768	1,757,910	-	8,560,613		
Total fund equity (Note 14)	4,936,420	2,136,055	(30,300,980)	13,284,396	2,128,896	-	(7,815,213)		
Total liabilities and fund equity	\$ 22,276,647	\$ 2,537,526	\$ 2,886,423	\$ 36,671,551	\$ 2,629,904	\$ 1,864,742	\$ 68,866,793		

See the accompanying notes to the general purpose financial statements.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fudiciary Fund	Totals (Memorandum only)
	General Fund	Special Revenue Funds	Capital Projects Funds	Expensible Trust Funds	
<b>REVENUES:</b>					
Real and personal property taxes	\$27,960,635	-	-	-	\$ 27,960,635
Motor vehicle and boat excise	2,038,165	-	-	-	2,038,165
Intergovernmental	9,235,166	\$ 2,039,073	-	\$ 8,677	11,282,916
Penalties and interest	277,332	-	-	-	277,332
Charges for service	490,040	476,378	-	-	966,418
User charges	-	-	-	-	-
Fees	122,602	658,490	-	-	781,092
License and permits	467,404	-	-	-	467,404
Fines and forfeitures	69,143	-	-	-	69,143
Investment income	248,518	-	-	50,203	298,721
Departmental and other	205,399	110,663	-	197,444	513,506
<b>Total revenues</b>	<u>41,114,404</u>	<u>3,284,604</u>	-	<u>256,324</u>	<u>44,655,332</u>
<b>EXPENDITURES:</b>					
General government	1,627,716	162,315	-	39,248	1,829,279
Public safety	5,708,545	76,746	\$ 30,696	-	5,815,987
Education	20,234,440	2,027,210	8,812,033	13,575	31,087,258
Public works	3,112,948	454,383	10,231	2,082	3,579,644
Human services	338,655	69,526	-	750	408,931
Culture and recreation	872,167	241,779	-	-	1,113,946
Pension and fringe benefits	6,409,186	-	-	-	6,409,186
State and county assessments	582,826	-	-	-	582,826
Capital outlay	-	-	-	-	-
Debt service	1,150,393	-	-	-	1,150,393
<b>Total expenditures</b>	<u>40,036,876</u>	<u>3,031,959</u>	<u>8,852,960</u>	<u>55,655</u>	<u>51,977,450</u>
Excess (deficiency) of revenues over expenditures	1,077,528	252,645	(8,852,960)	200,669	(7,322,118)
<b>OTHER FINANCING SOURCES (USES) (Note 15):</b>					
Premium on sale of bonds (Note 10)	240,218	-	-	-	240,218
Other sources of revenue	-	-	85,000	-	85,000
Transfers in	888,247	256,780	-	323,736	1,468,763
Transfers out	(2,860,737)	(419,247)	-	(1,164,000)	(4,443,984)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(654,744)	90,178	(8,767,960)	(639,595)	(9,972,121)
Fund equity, beginning of year, as previously reported	5,591,164	2,045,877	(21,533,020)	2,397,505	(11,498,474)
<b>FUND EQUITY, END OF YEAR</b>	<u>\$ 4,936,420</u>	<u>\$ 2,136,055</u>	<u>\$ (30,300,980)</u>	<u>\$ 1,757,910</u>	<u>\$ (21,470,595)</u>

See the accompanying notes to the general purpose financial statements.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BUDGETARY BASIS STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES**  
**BUDGET VERSUS ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund		Variance Favorable (unfavorable)
	Final Budget	Actual	
<b>REVENUES</b>			
Real and personal property taxes	\$ 27,763,104	\$ 28,027,229	\$ 264,125
Motor & boat excise	1,912,257	2,038,165	125,908
Penalties and interest	204,578	277,332	72,754
Charges for service	391,424	490,040	98,616
Fees	115,155	122,602	7,447
Intergovernmental	6,531,500	6,605,488	73,988
Licenses and permits	322,348	467,404	145,056
Departmental and other revenue	115,587	205,399	89,812
Fines and forfeits	59,239	69,143	9,904
Investment income	650,000	248,518	(401,482)
Total revenues	<u>38,065,192</u>	<u>38,551,320</u>	<u>486,128</u>
<b>EXPENDITURES</b>			
General government	2,119,447	2,016,566	102,881
Public safety	5,850,272	5,750,143	100,129
Education	20,051,838	20,043,932	7,906
Public works	2,587,058	2,480,376	106,682
Human services	616,071	523,780	92,291
Culture and recreation	925,617	892,669	32,948
Pension and fringe benefits	3,768,471	3,779,508	(11,037)
State and county assessments	549,241	582,826	(33,585)
Debt service	1,409,854	1,460,739	(50,885)
Total expenditures	<u>37,877,869</u>	<u>37,530,539</u>	<u>347,330</u>
Excess (deficiency) of revenues over expenditures	<u>187,323</u>	<u>1,020,781</u>	<u>833,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in (out):			
Special revenue funds	180,230	142,467	(37,763)
Enterprise funds	(2,036,799)	(2,126,671)	(89,872)
Capital projects fund	-	-	-
Expendable trust funds	167,815	167,815	-
Premium on sale of notes	-	240,218	240,218
Total other financing sources	<u>(1,688,754)</u>	<u>(1,576,171)</u>	<u>112,583</u>
Excess(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,501,431)</u>	<u>\$ (555,390)</u>	<u>\$ 946,041</u>
<b>Other budget funding sources:</b>			
Prior year appropriations	-		
Prior year deficits to be raised	(67,685)		
Free cash and overlay surplus	1,569,116		
Total other budget funding sources	<u>1,501,431</u>		
Net budget	<u>\$ -</u>		

See accompanying notes to the general purpose financial statements.

TOWN OF SCITUATE, MASSACHUSETTS  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS/FUND BALANCE - PROPRIETARY FUND TYPES  
 AND NON-EXPENDABLE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type				Fiduciary Fund Type Non-expendable Trusts	Totals (Memorandum only)
	Golf Course	Landfill Fund	Sewer Fund	Waterway Fund		
<b>REVENUES</b>						
User charges	\$ 1,337,197	\$ 668,230	\$ 956,393	\$ 470,887	\$ 1,859,631	\$ 5,292,338
Intergovernmental	-	-	741,875	56,938	-	798,813
Merchandise sales	145,891	-	-	-	-	145,891
Rental income	23,433	-	-	-	-	23,433
Investment income	11,500	3,039	9,856	17,204	5,228	64,777
Miscellaneous income	-	-	255	42,686	-	42,941
	<u>1,518,021</u>	<u>671,269</u>	<u>1,708,379</u>	<u>587,715</u>	<u>1,864,859</u>	<u>6,368,193</u>
<b>EXPENSES</b>						
Personal services	170,438	150,806	324,585	187,841	510,780	1,344,450
Operating expenses	569,292	796,125	456,420	150,861	763,202	2,739,500
Cost of merchandise sold	85,517	-	-	-	-	85,517
Depreciation	156,118	78,625	448,966	61,643	179,071	924,423
Maintenance and repairs	-	112,871	-	117,567	-	230,438
Interest	240,934	8,160	746,292	4,236	157,765	1,157,387
	<u>1,222,299</u>	<u>1,146,587</u>	<u>1,976,263</u>	<u>522,148</u>	<u>1,610,818</u>	<u>6,481,715</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>295,722</u>	<u>(475,318)</u>	<u>(267,884)</u>	<u>65,567</u>	<u>254,041</u>	<u>(113,522)</u>
Transfers in	-	496,276	1,289,310	-	1,222,186	3,007,772
Transfers out	(15,000)	-	-	-	-	(32,551)
Premium on bond issue	-	2,773	901	-	3,009	6,683
Prior year adjustment	(103,750)	-	-	-	-	(103,750)
Contributed capital	-	-	-	-	-	-
<b>CHANGE IN FUND BALANCES</b>	<u>176,972</u>	<u>23,731</u>	<u>1,022,327</u>	<u>65,567</u>	<u>1,479,236</u>	<u>2,764,632</u>
Retained earnings/fund balances, July 1, 2001	785,199	1,809,399	3,953,418	1,219,829	2,748,718	10,890,750
<b>RETAINED EARNINGS/FUND BALANCES, June 30, 2002</b>	<u>\$ 962,171</u>	<u>\$ 1,833,130</u>	<u>\$ 4,975,745</u>	<u>\$ 1,285,396</u>	<u>\$ 4,227,954</u>	<u>\$ 13,655,382</u>

See accompanying notes to general purpose financial statements.

TOWN OF SCITUATE, MASSACHUSETTS  
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
 AND NON-EXPENDABLE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type				Fiduciary Fund Type	Total (Memorandum only)
	Golf Course	Landfill Fund	Sewer Fund	Waterway Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 1,502,129	\$ 668,230	\$ 956,649	\$ 465,129	\$ 1,844,139	\$ 5,436,276
Other cash received	-	-	-	45,583	-	45,583
Cash payments to employees for services	(811,557)	(985,066)	(635,973)	(179,263)	(773,349)	(3,385,208)
Cash payments for goods and services	(99,758)	(68,765)	(121,126)	(125,643)	(494,885)	(913,777)
	590,814	(385,601)	199,550	205,806	575,905	1,182,874
					(3,600)	
					(3,600)	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	(15,000)	496,276	1,289,310	-	1,222,186	2,975,221
					(17,551)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of equipment	(73,078)	(148,045)	(328,617)	(10,237)	(22,000)	(581,977)
Harbor dredging	-	-	-	79,781	-	79,781
Landfill capping & transfer station	-	(112,871)	-	-	-	(112,871)
Construction in progress	-	-	(495,622)	-	(116,134)	(611,756)
Principal payments made on capital leases	(97,906)	-	-	-	-	(97,906)
Interest paid on capital leases	(7,234)	-	-	-	-	(7,234)
Principal payments made on bonds	(160,000)	(15,000)	(762,443)	(24,000)	(489,189)	(1,450,632)
Interest paid on general obligation bonds	(233,700)	(8,160)	(746,292)	(5,400)	(157,765)	(1,151,317)
Bond proceeds	-	-	-	-	-	-
Bond anticipation notes	-	300,000	500,000	-	200,000	1,000,000
MWPAT subsidy	-	-	674,245	-	-	674,245
Premium on bond issue	-	2,773	901	-	3,010	6,684
State grants	-	-	67,629	52,946	-	120,575
	(571,918)	18,697	(1,090,199)	93,090	(582,078)	(2,132,408)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment income received	11,500	3,039	9,886	20,833	5,228	68,436
Lease income	23,433	-	-	5,569	-	29,002
	34,933	3,039	9,886	26,402	5,228	97,438
					(17,950)	
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>38,829</b>	<b>132,411</b>	<b>408,547</b>	<b>325,298</b>	<b>1,221,241</b>	<b>2,123,125</b>
					(3,201)	
<b>CASH, JULY 1, 2001</b>	<b>226,404</b>	<b>300,903</b>	<b>981,447</b>	<b>541,002</b>	<b>(58,750)</b>	<b>2,365,193</b>
<b>CASH, JUNE 30, 2002</b>	<b>\$ 265,233</b>	<b>\$ 433,314</b>	<b>\$ 1,389,994</b>	<b>\$ 866,300</b>	<b>\$ 1,162,491</b>	<b>\$ 4,488,318</b>

See accompanying notes to general purpose financial statements.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 1 - REPORTING ENTITY**

The Town's general purpose financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity considered for inclusion in the accompanying general purpose financial statements. The activities of the Scituate Housing Authority are not included in these financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2002. The accounting policies of the Town conform with generally accepted accounting principles (GAAP), except that the Town does not maintain, and therefore does not report, a general fixed assets account group and does not account for compensated absences in accordance with generally accepted accounting principles. Such departures from GAAP are permissible under the Massachusetts Uniform Municipal Accounting System.

(b) Fund Accounting

The operations of the Town are recorded in the following fund types and account group:

Governmental Fund Types

Governmental funds are used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is upon determination of changes in financial position. The following are the Town's governmental fund types:

General Fund - The general fund is the general operating of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to specified purpose.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary Fund Types

Enterprise Funds - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges. The municipal golf course commenced operations July 1, 1997 and has been maintained as an enterprise fund in accordance with Town Meeting vote. The marina began operations as an enterprise fund commencing July 1, 1996. Effective July 1, 1998, sewer and landfill enterprise funds were established in accordance with Town Meeting vote. The water enterprise fund was established on July 1, 1999 in accordance with Town Meeting vote.

Fiduciary Fund Types

Trust and Agency Funds - Fiduciary funds are used to account for assets held by the Town in a trust capacity or as an agent. Trust funds include expendable trust funds and non-expendable trust funds. Expendable trust funds are accounted for similar to governmental funds. Non-expendable trust funds are accounted for on an accrual basis. Agency funds are custodial in nature and do not involve measurement of results of operation.

Account Group

General Long Term Obligations Account Group - This account group is used to account for all long-term obligations of the Town except those accounted for in proprietary funds.

(c) Basis of Accounting

The modified accrual basis of accounting is followed by governmental funds, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued vacation and sick leave, which are also recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. One requires funds to be expended on the specific purpose or project before any amounts will be paid to the Town; therefore revenues are recognized based upon the expenditures incurred. The other has little or no restriction and is usually revocable only for failure to comply with prescribed compliance requirements.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end. Special assessments are recorded as revenue in the year the individual installments are due. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The accrual basis of accounting is used by non-expendable trust funds.

**(d) Cash Equivalents**

For purposes of the statement of cash flows, the non-expendable trust funds consider certificates of deposit to be cash equivalents.

**(e) Merchandise Inventory**

Merchandise inventory consists of golf supplies and accessories available for sale to patrons of the Widows' Walk Golf Course pro shop and is recorded at the lower of cost or market. Accounting for this activity is maintained within the Proprietary Funds displayed in Exhibits 1, 4 and 5.

**(f) Encumbrances and Continuing Appropriations**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities, except for budgetary purposes (see Note 3).

Certain unexpended and unencumbered appropriations for uncompleted projects are carried over to succeeding years. Such continued appropriations are accounted for similar to encumbrances.

**(g) Accrued Sick and Vacation Leave**

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rates of pay. The amount of sick and vacation costs which are not due and payable are not recorded in the General Long-term Obligations Account Group, which is a departure from generally accepted accounting principles.

**(h) Self-Insurance**

Effective July 1, 1995 the Town terminated its self-insured medical program. No premiums were paid by the town in fiscal years 1996 through 1998. As of June 30, 2002, all known claims had been settled. The balance of \$156,000 was transferred to the general fund at the March 2001 annual town meeting.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of public schools, are prepared under the direction of the Town Administrator. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are enacted by the Town Meeting.

All General Fund functions are prepared on a basis other than generally accepted accounting principles ("GAAP"). The "actual" results columns of the Statements of Revenues and Expenditures - budgetary Basis is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are that:

(a) Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).

(b) Encumbrances and continuing appropriations at June 30, 2002 are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

The following reconciliation summarizes the differences between budget and GAAP basis accounting principles for the year ended June 30, 2002:

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING ( continued)**

	General Fund		
	<u>Revenue</u>	<u>Expend- itures</u>	<u>Other financing sources (uses) net</u>
As reported on a budgetary basis	\$38,551,320	\$37,530,539	(\$1,576,171)
Adjustment for MTRS contribution	2,629,678	2,629,678	
Reimbursements from enterprise funds		(156,101)	(156,101)
Adjustment of property tax revenues to a modified accrual basis	(66,594)		
Adjustment for encumbrances and continuing appropriations		32,760	
As reported on a GAAP basis	<u>\$41,114,404</u>	<u>\$40,036,876</u>	<u>(\$1,732,272)</u>

**NOTE 4 - CASH AND INVESTMENTS**

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institutions may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust ("MMDT").

**Deposits**

The following summary presents the amount of Town deposits which are fully insured or collateralized with securities held by the Town or its agent in the Town's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name (Category 2), and those deposits which are not collateralized (Category 3) at June 30, 2001.

Category 1, insured or collateral held by Town	\$ 1,415,780
Category 2, collateral held by institution	1,379,002
Category 3, not insured or collateralized	<u>14,397,658</u>
Total cash	<u>\$17,192,440</u>

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 5 - PROPERTY TAXES**

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has the ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations may be overridden by a Town-wide referendum vote.

**NOTE 6 - FIXED ASSETS, DEPRECIATION AND AMORTIZATION**

Property, plant and equipment recorded in the Proprietary Funds are stated at historical cost. Donated fixed assets, where it applicable, would be stated at fair market value on the date donated. Governmental funds fixed assets are not recorded in the General Fixed Asset Group as required by generally accepted accounting principles. Depreciation and amortization are calculated under the straight-line method over the estimated useful lives (from 1 to 40 years) of the assets as follows:

	<u>Historic Cost</u>				
	<u>Marina</u>	<u>Golf Course</u>	<u>Landfill</u>	<u>Sewer</u>	<u>Water</u>
Golf course land impr		\$3,160,143			
Buildings	\$120,000	909,149	\$1,862,971	\$16,361,670	\$3,317,000
Infrastructure				1,094,008	3,029,995
Town pier	420,815				
Other improvements		235,466	267,133		
Construction in progress				495,622	
Development costs		477,682			
Furniture, fixtures, equip	135,373	212,605	334,403	242,829	140,702
Golf carts		578,689			
Marina float systems	243,664				
Pump station & Well #17A					<u>519,522</u>
Total cost	<u>919,852</u>	<u>5,573,734</u>	<u>2,464,507</u>	<u>18,194,129</u>	<u>\$7,007,219</u>
Accumulated depr. & amort.	<u>(384,043)</u>	<u>(584,660)</u>	<u>(363,111)</u>	<u>(818,543)</u>	<u>(925,996)</u>
Net book value	<u>\$535,809</u>	<u>\$4,989,074</u>	<u>\$2,101,396</u>	<u>\$17,375,586</u>	<u>\$6,081,223</u>

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 6 - FIXED ASSETS, DEPRECIATION AND AMORTIZATION (continued)**

In behalf of Widows Walk Golf Enterprise Fund, the Town had negotiated three capital leases. The Town had leased various golf equipment from Leasing Innovations, Inc. beginning April, 1999 in the amount of \$274,533, over 48 months at 5.76%; ten golf carts beginning July, 2000 in the amount of \$49,218, over 36 months at from Master Equipment; and twenty-six golf carts beginning June, 2002 in the amount of \$85,686 over 60 months from Country Club Enterprises. These financing leases are included in the categorized costs listed above.

**NOTE 7 - CAPITALIZED INTEREST**

Interest costs incurred since fiscal 1999 associated with the construction of Proprietary Funds long lived assets is capitalized. The capitalized interest added to asset values in fiscal 2002 was as follows:

Sewer Enterprise Fund	\$91,438
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**NOTE 8 - INTERFUND RECEIVABLE AND PAYABLE BALANCES**

Individual fund interfund receivable and payable balances at June 30, 2002 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General	\$78,574	
Proprietary Funds:		
Golf enterprise fund		\$77,503
Expendable Trust Funds:		
Various trust funds		1,071

**NOTE 9 - TEMPORARY BORROWINGS**

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues or tax anticipation notes (RANS or TANS).
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS).
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANS and SANS).

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 9 - TEMPORARY BORROWINGS (continued)**

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. As of June 30, 2002 the Town had borrowed \$1,000,000 with BANS bearing an interest rate of 2.25% due on March 6, 2003 and \$32,555,000 with BANS bearing an interest rate of 2.4% due March 6, 2003.

**NOTE 10 - LONG-TERM DEBT**

The Town is subject to a dual level general debt limit equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal 5% debt limit without state approval. Authorizations over 5% and up to the 10% debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

**Legal Debt Margin**

As of June 30, 2002, the Town may issue approximately \$54,801,594 in additional general obligation debt under the normal (5%) debt limit calculated as follows:

Equalized valuation		\$2,565,482,500
Less property subject to exemptions		<u>(30,108,850)</u>
Net equalized valuation		<u>\$2,535,373,650</u>
Debt limit - 5% of net equalized value		\$126,768,683
Debt outstanding at 6/30/02	\$21,557,615	
Less debt outside debt limit at 6/30/02	<u>6,507,500</u>	
Issued debt within debt limit		(15,050,115)
Authorized, unissued debt at 6/30/02	56,917,624	
Less authorized, unissued debt outside limit	<u>650</u>	
Unissued debt within debt limit		(56,916,974)
Legal debt margin		<u>\$54,801,594</u>

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 10 - LONG-TERM DEBT – continued**

Authorized and Unissued Debt

Authorized and unissued debt at June 30, 2002 is as follows:

Sewer plant design and engineering	\$ 812,400
Marshfield water connection	70,000
Water conservation (meter replacement)	650
Waste water treatment plant upgrade	169,100
Infiltration / inflow repairs	26,906
Septic systems	376,568
Reconstruction of Oceanside Dr. seawall	650,000
School design, construction/renovate	31,340,000
Landfill closure & capping	1,500,000
Well 17A water main	600,000
Sewer expansion project	2,000,000
Fire stations	2,825,000
School buses	225,000
Seawalls	775,000
Water mains	496,000
Repairs to Wells 10 & 11	447,000
Stormwater Management	310,000
Sewer extension	13,544,000
Infiltration/Inflow	<u>750,000</u>
	<b><u>\$56,917,624</u></b>

Overlapping Debt

The Town pays assessments that include debt service payments to the South Shore Regional Vocational School which had \$2.9 million of bonds outstanding at June 30, 2002. The Town's share of this debt was 5.45% of the total or \$155,870.

Schedule of Changes in Long-Term Debt

The following schedule presents a summary of changes in long-term debt for the year ended June 30, 2002:

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 10 - LONG-TERM DEBT**

	Original Amount	Interest Rates	July 1, 2001	Additions	Retirements	June 30, 2002
<b>GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS</b>						
Public works, serial maturities through 2003	97,500	5.2 - 7.03%	\$ 31,500	-	\$ (11,000)	\$ 20,500
Departmental equipment, serial maturities through 2002	1,007,000	4.1 - 5.73%	25,228	-	(25,228)	-
Municipal buildings, serial maturities through 2002	164,000 b	4.09%	7,410	-	(7,410)	-
Water mains/source acquisition, serial maturities through 2003	795,000 a	4.16 - 5.73%	3,337	-	(1,668)	1,669
School, serial maturities through 2006	1,259,000	4.62%	269,000	-	(149,000)	120,000
Septic Title V bond, maturities through 2017	200,000	none	123,433	-	(6,859)	116,574
Public works, serial maturities through 2006	125,000	4.62%	77,000	-	(12,000)	65,000
Sewer design, serial maturities through 2006	126,000	4.62%	74,000	-	(13,000)	61,000
	<u>3,768,500</u>		<u>610,908</u>	-	<u>(226,165)</u>	<u>384,743</u>
<b>WATERWAYS ENTERPRISE FUND</b>						
Harbor dredging, serial maturities through 2004	240,000	5.73%	96,000	-	(24,000)	72,000
<b>MUNICIPAL GOLF COURSE ENTERPRISE FUND</b>						
Municipal golf course, serial maturities through 2016	4,700,000	5.73%	4,155,000	-	(160,000)	3,995,000
<b>LANDFILL ENTERPRISE FUND</b>						
Landfill improvements, serial maturities through 2003	135,000	4.22 - 7.03%	31,000	-	(15,000)	16,000
<b>WATER ENTERPRISE FUND</b>						
Water, serial maturities through 2007	2,800,000	5.2 - 7.0%	1,000,000	-	(200,000)	800,000
Municipal buildings, serial maturities through 2002	164,000 b	4.09%	3,857	-	(3,857)	-
Pumping station, serial maturities through 2003	191,000	4.28%	56,000	-	(21,000)	35,000
Water mains/source acquisition, serial maturities through 2003	795,000 a	4.16 - 5.73%	299,164	-	(78,332)	220,832
Water mains, serial maturities through 2006	2,262,000	4.62%	1,625,000	-	(186,000)	1,439,000
	<u>6,212,000</u>		<u>2,984,021</u>	-	<u>(489,189)</u>	<u>2,494,832</u>

**TOWN OF SCITUATE, MASSACHUSETTS**  
Notes to General Purpose Financial Statements  
June 30, 2002

**NOTE 10 - LONG-TERM DEBT (continued)**

	Original Amount	Interest Rates	July 1, 2001	Additions	Retirements	June 30, 2002
<b>SEWER ENTERPRISE FUND</b>						
Sewer design, serial maturities through 2006	200,000	4.62%	40,000	-	(40,000)	-
Sewer, serial maturities through 2003	300,000	4.24 - 6.75%	75,000	-	(31,000)	44,000
Departmental equipment, serial maturities through 2002	238,000	4.64%	1,505	-	(1,505)	-
Sewer plant upgrade WPAT bond, matures 2018-20	16,505,593	4.64%	15,458,543	-	(907,503)	14,551,040
Total sewer	<u>17,243,593</u>		<u>15,575,048</u>		<u>(980,008)</u>	<u>14,595,040</u>
Total long term debt	<u>\$25,952,093</u>		<u>\$23,451,977</u>	<u>\$ -</u>	<u>\$ (1,894,362)</u>	<u>\$21,557,615</u>

a,b - Indicates that the same bond issuances are seen elsewhere on this schedule funding other projects.

The annual requirement to amortize all general obligation bonds outstanding as of June 30, 2002 including interest, are as follows:

Year ending June 30,	Principal	Interest	Total
2,003	1,617,722	1,047,953	2,664,775
2,004	1,535,613	970,526	2,506,139
2,005	1,556,629	897,452	2,454,081
2,006	1,379,972	825,306	2,205,278
2,007	1,396,756	757,778	2,154,534
Thereafter	14,070,923	4,986,298	19,057,221
	<u>\$21,557,615 *</u>	<u>\$9,484,413</u>	<u>\$31,042,028</u>

\* Includes \$8,702,377 of principal and interest payments subsidized by the State over the term of the notes.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 10 - LONG-TERM DEBT – continued**

Subsequent Years' Annual Debt Service

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2002 are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	1,617,722	1,047,053	2,664,775
2004	1,535,613	970,526	2,506,139
2005	1,556,629	897,452	2,454,081
2006	1,379,972	825,306	2,205,278
2007	1,396,756	757,778	2,154,534
Thereafter	<u>14,070,923</u>	<u>4,986,298</u>	<u>19,057,221</u>
Totals	<u>\$21,557,615</u>	<u>\$9,484,413</u>	<u>\$31,042,028</u>

Massachusetts Water Pollution Abatement Trust

The Town has obtained financial assistance from the Massachusetts Water Pollution Abatement Trust, (MWPAT) an instrumentality of the Commonwealth of Massachusetts, created to receive direct federal and state funding for (a) municipal sewer projects and (b) residential septic system upgrades to conform to the new, so-called "Title V" clean water statutes of the Commonwealth. MWPAT is authorized to sell bonds to the public effectively underwritten by the collective guarantees of cities and towns participating in loan agreements with MWPAT.

The Town of Scituate loan agreements with MWPAT for projects were authorized by the 1995 Annual Town Meeting that approved \$1,512,000 for the design and construction of the wastewater treatment plant and the March 3, 1997 Annual Town Meeting that approved \$15,117,000 for wastewater treatment plant upgrading; \$885,000 for an infiltration and inflow program, and \$500,000 for upgrade of residential septic systems. MWPAT has approved these projects as eligible for MWPAT bond financed assistance in the amounts of \$699,600; \$14,009,000; \$822,000; and \$200,000 respectively.

MWPAT requires that the Town reflect the indebtedness authorized, i.e., principal advanced or to be advanced, as a liability of the Town and the portion, if any, not yet advanced to the Town, be recorded as an account receivable from MWPAT.

At June 30, 2002 the following amounts are recorded as due from the MWPAT in the form of loan principal remaining to be advanced to the Town:

Due from MWPAT to sewer enterprise fund	<u>\$1,328,257</u>
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**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 11 – SCHOOL DEPARTMENT LEASES**

Under three contracts with commencement dates between September 1998 and September 2000, the school department has been leasing five modular classroom units. The initial contract for two units expired June 30, 2001. The school department exercised its option to purchase the four units under two contracts for a sum of \$218,507 paid in September 2002.

The remaining contract has a lease payment commitment of \$20,220 to be paid in fiscal year 2003. This contract for one unit allows title to revert to the school department upon expiration of the lease with no additional consideration.

**NOTE 12 - DEFERRED REVENUE**

Property taxes and other revenues and entitlements that are measurable but deemed not susceptible to accrual have been treated as deferred revenue at June 30, 2002 as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Golf. Enter. Fund</u>	<u>Trust &amp; Agency Fund</u>
Revenues reserved until collected:				
Property taxes	\$15,414,733			
Less: allowance for exemptions	(425,995)			
net property taxes	14,988,738			
Add: FY'03 cash receipt	12,844			
Less: 60 day accrual	(179,654)			
property taxes reserved	14,821,928			
Tax liens, possessions	723,398			
Excise taxes	577,728			
Septic betterments not yet due	105,670			
Due from golf course enterprise fund	77,503			
Other departmental fees	<u>261,526</u>	<u>\$314,082</u>	<u>\$85,418</u>	<u>\$22,947</u>
	<u>\$16,567,753</u>	<u>\$314,082</u>	<u>\$85,418</u>	<u>\$22,947</u>

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 13 - PENSION PLAN**

(a) Plan Description

The Town provides retirement benefits to employees through a contributory retirement system administered by the Plymouth County Retirement System ("System"), a cost-sharing, multiple-employer public employee retirement system. Each participating employer's share of the total annual contribution is determined on the basis of active payroll. The Town's payroll for employees covered by the Retirement System for the year ended June 30, 2002 was \$10,597,089 (excluding school administrative and teaching personnel). The Town's total covered payroll was \$23,527,569. Public school teachers and administrators are covered by the Commonwealth of Massachusetts Teachers' Retirement System (TRS) to which the Town of Scituate does not contribute. The Town's payroll for teachers covered by the TRS for the year ended June 30, 2002 was \$12,930,480.

The System and the TRS are contributory defined benefit plans covering all Town and school employees deemed eligible. The System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). Membership in the System and the TRS is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Both systems provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of both systems become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the Fund. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation depending on the date upon which their membership began. The Town is required to contribute the remaining amounts necessary to pay benefits when due.

The systems also provide death and disability benefits.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of the Public Employee Retirement Administration. An annual financial report is available to the public by writing to the Plymouth County Retirement System, 11 South Russell Street, Plymouth, MA 02360 or by calling (508) 830-9120.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 13 - PENSION PLAN - continued**

(b) Funding Status and Progress

The amount shown below as the "pension benefit obligation" for the Plymouth County Retirement System is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of the actuarial valuation performed as of January 1, 2002. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.5% per year and (b) projected salary increases of 5.5% per year.

Total unfunded pension benefit obligation of the System was \$266,872,544 at January 1, 2002 compared to \$160,993,439 at January 1, 2000. The components of this derivation for both valuation dates is as follows:

	<u>Jan. 1, 2002</u>	<u>Jan. 1, 2000</u>
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ <u>305,588,382</u>	\$ <u>262,550,427</u>
Total pension benefit obligation	733,198,204	611,204,058
Assets at market value	<u>466,325,660</u>	<u>450,210,619</u>
Unfunded pension benefit obligation	<u>\$266,872,544</u>	<u>\$160,993,439</u>
The Town's estimated share of unfunded pension benefit obligation at its participation rate of 6.70% for fiscal 2002 and 8.10% for fiscal 2000 respectively	<u>\$17,795,561</u>	<u>\$11,775,388</u>

(c) Contribution Requirements and Contribution Made

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.

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

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 13 - PENSION PLAN - continued**

The Town's contribution to the System for 2002 of \$1,469,952 in accordance with the funding policy described above represents approximately 6.2% of system-wide employer contributions for the calendar year. The Town's contribution to the System for 2001 and 2000 were \$1,328,026 and \$1,273,987 respectively.

Prior to July 1, 1998, the Commonwealth of Massachusetts reimbursed the System on a quarterly basis for the portion of the benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2. Subsequent to June 30, 1998, the Town is assessed for cost of living increases as part of its semi-annual contributions.

(d) Trend Information

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is required by GAAP to be included in the System's annual financial report.

**NOTE 14 – DEFICIT FUND BALANCES**

The following funds had deficit fund balances as of June 30, 2002:

Capital Projects:	
Seawall	\$565,000
School construction	29,909,993

These deficits will be eliminated through future bond issues and federal and state reimbursements.

**NOTE 15 - OPERATING TRANSFERS**

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Operating transfers during the year were as follows:

Purpose of operating transfer:	Transfers In (Out)					
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexp Trusts</u>	<u>Capital Proj.</u>	<u>Expend Trusts</u>	<u>Prop. Funds</u>
Investment income			(17,551)		17,551	
Driftway conservtn.	(2,000)				2,000	
Conservation	(3,500)	3,500				
Workman's comp insurance	(48,280)	48,280				
Sewer debt exclusion	(659,029)					659,029
Sewer GF subsidy	(230,281)					230,281
Sewer I/I study	(400,000)					400,000
Animal shelter	8,000				(8,000)	

**TOWN OF SCITUATE, MASSACHUSETTS**  
**Notes to General Purpose Financial Statements**  
**June 30, 2002**

**NOTE 15 - OPERATING TRANSFERS - continued**

	<u>Transfers In (Out)</u>					
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexp Trusts</u>	<u>Capital Proj.</u>	<u>Expend Trusts</u>	<u>Prop. Funds</u>
Transfer Station deficit	(496,276)					496,276
Group insurance	156,000				(156,000)	
Capital outlay	693,730	(383,730)			(310,000)	
Surplus Revenue	15,517	(15,517)				
Water Well 19					(690,000)	690,000
Water deficit	(512,186)	(20,000)				532,186
Stabilization Fund	(304,185)				304,185	
Seawalls	(200,000)	200,000				
Charter review comm.	(5,000)	5,000				
Golf course reimb.	15,000					(15,000)
	<u>(1,972,490)</u>	<u>(162,467)</u>	<u>(17,551)</u>		<u>(840,264)</u>	<u>2,992,772</u>

**NOTE 16 - SUBSEQUENT YEAR AUTHORIZATIONS**

The Town has authorized fiscal 2003 operating and capital budgets totaling \$47,258,046 which are funded as follows:

Fiscal 2003 tax levies net of overlay	\$28,456,755
Grants, departmental revenues, other local receipts	4,657,503
State aid and highway grants	6,916,080
Free cash and other available funds	1,482,742
Enterprise fund receipts	<u>5,744,966</u>
Total	<u>\$47,258,046</u>

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

General

Management of the Town and its Counsel indicated that they are not aware of any claims or potential claims from pending lawsuits involving the Town which would materially affect the financial statements of the Town.

Landfill Closure

The Town has closed and capped its landfill site. Post closure costs will continue to be incurred for monitoring and maintenance at the estimated cost of \$74,000 annually over the next twenty-nine years. These charges are reflected in the Town's General Long-Term Obligations Account Group.

**RAYMOND KASPEROWICZ**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**760 CHIEF JUSTICE CUSHING WAY**  
**COHASSET, MA 02025**  
**(781) 383-9158**

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

Board of Selectmen  
Town of Scituate, Massachusetts

My report on my audit of the basic general purpose financial statements of the Town of Scituate, Massachusetts, for the year ended June 30, 2002 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of cash balances and accounts receivable at June 30, 2002 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic general purpose financial statements taken as a whole.

*Raymond Kasperowicz*

November 17, 2002

SCHEDULE I

TOWN OF SCITUATE, MASSACHUSETTS

Cash Balances

As of June 30, 2002

Bank of Canton	26437800	\$ 350,443
Fleet - Money market	798754800	2,109,329
Mellon - Boston Safe Deposit	007-0866	201,004
Century Bank	7521405	61,713
Century Bank - Health Claims Trust	7567847	22
Century Bank - CD - stabilization	99207532	131,877
Century Bank - CD	99207516	154,085
Citizens Bank - muni revenue	1104358015	1,252,035
Citizens Bank - various trust funds		1,602,534
U.S. Treasury note - 8% - Devereaux Trust		5,000
Eastern Bank	9175253	1,354,653
Hingham Credit Union - M. LeClair	553340	6
Hingham Credit Union - Scituate High School	00119420-7793	4,000
Hingham Credit Union - Gates Inter. School	00119420-7816	8,000
Hingham Institution for Savings - A. Rowe	96877	7,338
Hingham Institution for Savings - CD	95504118	142,129
First Federal Bank - CD	414171534	125,181
Rockland Trust -	2-240-262	1,479,002
Tickets	2-241-307	85,689
Marina	2-241-315	100,890
Landfill	2-482-762	225,906
Rockland Trust - golf course	2-482-339	270,602
Rockland Trust - CD - Marina	1102125411	538,286
Rockland Trust - Connihasset subdivision	400976498	13,607
Rockland Trust - CD - L. Fuller	1102125318	74,481
Rockland Trust - payroll	2241978	100,000
Rockland Trust - CD	125426	382,931
Rockland Trust - CD - Stabilization	1102125348	88,572
Rockland Trust - CD - Stabilization	1102125317	430,793
Rockland Trust - Veterans	8274339	1,053
Scituate Federal - Northey	1-86-266485	1,819
Scituate Federal - Law Enforcement	13010016	19,711
Scituate Federal - Lincoln psp.	033219221	8,879
Scituate Federal - CD general	860221787	894,840
Scituate Federal - Gates student activity acct	19018449	22,848
Scituate Federal - Scituate H.S. activity acct	19018431	49,297
State Street Bank	9418-055-1	976,217
Mass. Municipal Depository Trust	11-44202729	3,915,343
Petty cash		2,325
<b>TOTAL CASH - ALL FUNDS PER EXHIBIT 1</b>	<b>\$</b>	<b><u>17,192,440</u></b>

DISTRIBUTION OF CASH BALANCES AMONG FUNDS

General fund	\$ 5,519,934
Special revenue funds	2,101,147
Capital projects fund	2,886,423
Enterprise funds	4,077,808
Trust and agency funds	2,607,128
<b>TOTAL CASH - ALL FUNDS PER EXHIBIT 1</b>	<b>\$ <u>17,192,440</u></b>

Schedule II

TOWN OF SCITUATE, MASSACHUSETTS  
 SCHEDULE OF TAXES AND OTHER DEPARTMENTAL RECEIVABLES  
 FOR THE YEAR ENDED JUNE 30, 2002  
 GENERAL FUND, LANDFILL, AND SEWER ENTERPRISE FUNDS

	Uncollected at 7/1/01 per Financial Statements	Commitments	Collections	Less abate- ments & Adjustments	Transfers To Tax Title or Foreclosure	Refunds	Uncollected at 6/30/02 per Financial Statements
<b>PROPERTY TAXES</b>							
<b>Personal Property Taxes</b>							
1987	98	-	-	-	-	-	98
1988	62	-	-	-	-	-	62
1989	2,718	-	-	-	-	-	2,718
1990	702	-	70	-	-	-	632
1991	1,404	-	73	-	-	-	1,331
1992	2,939	-	-	-	-	-	2,939
1993	3,340	-	-	-	-	-	3,340
1994	4,127	-	-	-	-	-	4,127
1995	3,979	-	-	-	-	-	3,979
1996	7,842	-	-	-	-	-	7,842
1997	6,674	-	22	-	-	-	6,652
1998	5,690	-	23	-	-	-	5,667
1999	5,932	-	23	-	-	-	5,909
2000	4,885	-	270	-	-	-	4,615
2001	14,145	-	8,283	3,696	-	3,759	5,925
2002	179,094	196,318	358,991	1,690	-	816	15,547
2003	-	186,154	-	-	-	-	186,154
	<u>243,631</u>	<u>382,472</u>	<u>367,755</u>	<u>5,386</u>		<u>4,575</u>	<u>257,537</u>
<b>Real Estate Taxes</b>							
1999	8,377	-	6,289	-	2,088	-	-
2000	164,804	-	129,118	83	24,910	-	10,693
2001	958,583	489	737,969	495	118,897	5,987	107,698
2002	13,300,106	14,337,215	26,700,593	119,091	3,503	129,862	943,996
2003	-	14,116,276	12,846	8,621	-	-	14,094,809
	<u>14,431,870</u>	<u>28,453,980</u>	<u>27,586,815</u>	<u>128,290</u>	<u>149,398</u>	<u>135,849</u>	<u>15,157,196</u>
<b>Total property taxes</b>	<u>14,675,501</u>	<u>28,836,452</u>	<u>27,954,570</u>	<u>133,676</u>	<u>149,398</u>	<u>140,424</u>	<u>15,414,733</u>



Schedule II

TOWN OF SCITUATE, MASSACHUSETTS  
 SCHEDULE OF TAXES AND OTHER DEPARTMENTAL RECEIVABLES  
 FOR THE YEAR ENDED JUNE 30, 2002  
 GENERAL FUND, LANDFILL, AND SEWER ENTERPRISE FUNDS

	Uncollected at 7/1/01 per Financial Statements	Commitments	Collections	Less abate- ments & Adjustments	Transfers To Tax Title or Foreclosure	Refunds	Uncollected at 6/30/02 per Financial Statements
<b>Boat Excise Tax</b>							
1985	-	-	10	-	-	-	(10)
1987	89	-	-	-	-	-	89
1988	11,259	-	113	-	-	-	11,146
1989	9,556	-	-	-	-	-	9,556
1990	7,853	-	-	-	-	-	7,853
1991	10,539	-	213	-	-	-	10,326
1992	7,915	-	350	-	-	350	7,915
1993	7,854	-	153	-	-	-	7,701
1994	7,950	-	108	-	-	-	7,842
1995	6,292	-	251	93	-	-	5,948
1996	4,104	-	237	(129)	-	-	3,996
1997	6,534	-	283	-	-	-	6,251
1998	3,680	-	16	-	-	-	3,664
1999	5,511	-	75	-	-	-	5,436
2000	4,930	-	314	-	-	93	4,709
2001	5,624	-	1,095	-	-	-	4,529
2002	-	88,662	81,488	1,912	-	1,405	6,667
	<u>99,690</u>	<u>88,662</u>	<u>84,706</u>	<u>1,876</u>	-	<u>1,848</u>	<u>103,618</u>
Total Excise Taxes	<u>613,212</u>	<u>2,110,893</u>	<u>2,109,396</u>	<u>77,142</u>	-	<u>40,160</u>	<u>577,727</u>
<b>WATER ENTERPRISE FUND</b>							
Water charges	76,834	1,878,204	1,529,440	77,712	256,793	1,233	92,326
Water Liens Added							
2000	4,036	-	3,527	-	-	-	509
2001	23,762	-	15,393	-	4,783	-	3,586
2002	-	256,793	191,758	1,641	41,948	1,798	23,244
	<u>27,798</u>	<u>256,793</u>	<u>210,678</u>	<u>1,641</u>	<u>46,731</u>	<u>1,798</u>	<u>27,339</u>
Water tax title	2,621	2,411	-	-	-	-	5,032
Water taxes in litigation	-	303	-	-	-	-	303
	<u>30,419</u>	<u>259,507</u>	<u>210,678</u>	<u>1,641</u>	<u>93,462</u>	<u>1,798</u>	<u>32,674</u>

Schedule II

TOWN OF SCITUATE, MASSACHUSETTS  
 SCHEDULE OF TAXES AND OTHER DEPARTMENTAL RECEIVABLES  
 FOR THE YEAR ENDED JUNE 30, 2002  
 GENERAL FUND, LANDFILL, AND SEWER ENTERPRISE FUNDS

	Uncollected at 7/1/01 per Financial Statements	Water/Sewer Committed Interest Added to Taxes	Commitments	Collections	Less abatements & Adjustments	Transfers To Tax Title or Foreclosure	Refunds	Uncollected at 6/30/02 per Financial Statements
2000	218	-	-	130	-	60	-	28
2001	939	-	-	600	-	174	-	165
2002	-	7,435	7,435	6,362	3	14	27	1,083
	<u>1,157</u>	<u>7,435</u>	<u>7,435</u>	<u>7,092</u>	<u>3</u>	<u>248</u>	<u>27</u>	<u>1,276</u>
Total Water	<u>108,410</u>	<u>2,145,146</u>	<u>2,145,146</u>	<u>1,747,210</u>	<u>79,356</u>	<u>350,503</u>	<u>3,058</u>	<u>126,276</u>
<b>APPORTIONED ASSESSMENTS NOT YET DUE</b>								
Sewer / Stone Ave.	124,093	-	-	-	-	18,423	-	105,670
Title V (in Spec. Rev.)	63,600	28,000	28,000	16,000	-	5,129	-	70,471
	<u>187,693</u>	<u>28,000</u>	<u>28,000</u>	<u>16,000</u>	<u>-</u>	<u>23,552</u>	<u>-</u>	<u>176,141</u>
<b>SEWER ENTERPRISE FUND</b>								
Sewer Charges	55,051	833,174	833,174	628,276	78,050	144,914	1,605	38,590
Sewer Disposal Fees	20,495	160,770	160,770	173,245	-	-	-	8,020
	<u>75,546</u>	<u>993,944</u>	<u>993,944</u>	<u>801,521</u>	<u>78,050</u>	<u>144,914</u>	<u>1,605</u>	<u>46,610</u>
Sewer Liens Added								
2000	4,312	-	-	3,979	-	-	-	333
2001	13,537	-	-	8,985	93	1,274	93	3,278
2002	-	144,914	144,914	132,515	71	222	-	12,106
	<u>17,849</u>	<u>144,914</u>	<u>144,914</u>	<u>145,479</u>	<u>164</u>	<u>1,496</u>	<u>93</u>	<u>15,717</u>
Sewer Tax Title	741	2,168	2,168	-	-	-	-	2,909
Sewer Taxes in litigation	-	413	413	-	-	-	-	413
	<u>18,590</u>	<u>147,495</u>	<u>147,495</u>	<u>145,479</u>	<u>164</u>	<u>1,496</u>	<u>93</u>	<u>19,039</u>
Total Sewer	<u>94,136</u>	<u>1,141,439</u>	<u>1,141,439</u>	<u>947,000</u>	<u>78,214</u>	<u>146,410</u>	<u>1,698</u>	<u>65,649</u>
<b>OTHER DEPARTMENTAL</b>								
Ambulance	208,825	627,101	627,101	489,300	85,100	-	-	261,526

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**PALMER & DODGE LLP**

111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER  
BOSTON, MA 02199-7613

(Date of Delivery)

Brendan F. Lynch, Treasurer  
Town of Scituate  
Scituate, Massachusetts

(Scituate Refunding Bonds)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$3,755,000 Refunding Bonds dated May 15, 2003, by the Town of Scituate, Massachusetts.

On the basis of this examination we are of opinion, as of the date hereof and under existing law, as follows:

(1) The bonds are valid general obligations of the Town of Scituate 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, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

(2) The 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 as to other Massachusetts tax consequences arising with respect to the bonds.

(3) The interest on the bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds. Except as expressed in the following paragraph, we express no opinion regarding other federal tax consequences arising with respect to the bonds.

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

The rights of the holders of the bonds and the enforceability thereof 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.

Yours faithfully,

**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 \$3,755,000 Refunding Bonds dated May 15, 2003 (the "Bonds"). The Town covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted when available separately from the balance of the Annual Report.

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated May \_\_, 2003 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth.

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

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

SECTION 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, [4, 5], 8 and 10 above are not applicable to the Bonds.

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

SECTION 6. 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 or payment in full of all of the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 8. 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 9. 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: \_\_\_\_\_, 2003

TOWN OF SCITUATE,  
MASSACHUSETTS

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

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



