

**FINAL OFFICIAL STATEMENT DATED MAY 21, 2014**

**TOWN OF SCITUATE, MASSACHUSETTS**

**\$8,300,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

Dated  
May 30, 2014

Due  
September 26, 2014

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<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP</u>
1	\$ 8,300,000	0.75%	0.09%	809095 VJ8

**Mitsubishi UFJ Securities (USA), Inc.**

*Purchaser*

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The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 13, 2014 supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

**FirstSouthwest**

*Financial Advisor*

**PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 13, 2014**

**Standard & Poor's Rating Group: SP-1+**

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

**TOWN OF SCITUATE, MASSACHUSETTS  
\$8,300,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The Town of Scituate, Massachusetts (the "Town"), will receive telephone and electronic bids at First Southwest Company (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 11:00 A.M., Eastern Time, Wednesday, May 21, 2014 for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$8,300,000 General Obligation Bond Anticipation Notes (new money). The Notes will be dated May 30, 2014 and will be payable September 26, 2014. Interest will be computed on a 30 day month/360 day year basis (116/360).

Bids may be submitted electronically via PARITY pursuant to this Notice of Sale until 11:00 A.M., Eastern Time, but no bid will be received after the time for receiving bids specified above. 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 First Southwest Company (617) 619-4400 or PARITY at (212) 404-8102.

The Notes will be issued by means of a book-entry system, evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to rules and procedures adopted by DTC (see "Book-Entry Transfer System"), unless the issuance of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. Principal and interest will be payable upon maturity in federal reserve funds at U.S. Bank National Association, Boston, Massachusetts.

Bids may be for all or part of the Notes at a single or various rates of interest in a multiple of one-hundredth (1/100) of one percent (1%). No bid of less than par and accrued interest to the date of delivery will be considered. **A premium of at least \$2.00 must be included for each \$1,000 bid.** The right is reserved to reject any or all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid. The Notes will be awarded on the basis of lowest net interest cost to the Town after deduction of premium, if any. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from May 30, 2014 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of Notes than bid, the premium shall be reduced proportionately.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than 12:00 NOON on the date of sale.

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

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of The Depository Trust Company. The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

It shall be the condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting the Notes and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Notes 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 Notes or the power of the Town to levy and collect taxes to pay them, and (c) a certificate of the Town's Treasurer to the effect that, to the best of her 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 such Notes 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.

On or prior to the date of delivery of the Notes, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel to the effect that (a) as of May 21, 2014 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the purchaser is purchasing the Notes for its own account and not on behalf of another party, and the purchaser does not presently intend to resell the Notes, the successful bidder will be required to so certify.

The purchaser(s) will be furnished the opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may also be subject to the exercise of judicial discretion in appropriate cases. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will be valid general obligations of the Town of Scituate and, except to the extent they are paid from the bond proceeds in anticipation of which they are issued, or from any other available moneys, the principal of and interest on the Notes 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.

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

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

Additional information concerning the Town of Scituate and the Notes is contained in the Preliminary Official Statement dated May 13, 2014 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts, 02114 telephone (617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder(s), 5 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the requester.

The Notes in definitive form will be delivered to The Depository Trust Company or the office of its custodial agent, or to the registered owner if a fully registered certificate is requested by the winning bidder and approved by the Town, on or about May 30, 2014 for credit to the Town in federal reserve funds.

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TOWN OF SCITUATE, MASSACHUSETTS  
/s/ Pamela Avitabile, Town Treasurer

May 13, 2014

**OFFICIAL STATEMENT  
TOWN OF SCITUATE, MASSACHUSETTS  
\$8,300,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

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 an aggregate \$8,300,000 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

**Description of the Notes**

The Notes will be dated May 30, 2014 and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on September 26, 2014. The Notes will bear interest payable at maturity, calculated on a 30 day-month/360 day-year basis (116/360), at the rate or rates determined upon their sale in accordance with the Notice of Sale dated May 13, 2014. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry Transfer System" herein.)

**Authorization of the Notes and Use of Proceeds**

The following sets forth the principal amounts, purposes, statutory references and dates of approval for the current offering of Bond Anticipation Notes:

Purpose	This Issue	Original Bond Authorization	Statutory Reference	Dates of Approval
School Security	\$ 150,000	\$ 150,000	Ch.44, s.7(3A)	4/9/13, art. 3B
School Technology	150,000	150,000	Ch.44, s.7(28) & 7(29)	4/9/13, art. 3D
Road/Sidewalk Improvements	400,000	400,000	Ch.44, s.7(5) or 7(6)	4/9/13, art. 3I
Water Pipe Replacement	400,000	400,000	Ch.44, s.8	4/9/13, art. 3L
Fire Department Equipment	400,000	400,000	Ch.44, s.7(9)	11/4/13, art. 8
Water Pipe Improvement & Replacement	6,800,000	22,000,000	Ch.44, s.8	11/4/13, art. 11
	<u>\$ 8,300,000</u>			

**Tax Exemption**

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

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

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Notes being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Notes from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

### **Book-Entry Transfer System**

This section shall apply to Notes issued in book-entry form through the facilities of The Depository Trust Company.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also

facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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).

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Town or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the 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 Notes at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## 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 “TYPES OF OBLIGATIONS”) and setoffs of state distributions as described below (see “*State Distributions*” below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “DEBT LIMITS” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts 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, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately held property in the city or town to certain energy conservation and renewable energy projects and may borrow to establish such fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, or for charges necessary to meet obligations under the Commonwealth’s Water

Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Disclosure of Significant Events**

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Issuer will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Issuer; (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Issuer to comply with any provision of the certificate shall be an action for specific performance of the Issuer's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

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

## THE TOWN OF SCITUATE

### General

The Town of Scituate (the "Town"), which was incorporated in 1636, is located in Plymouth County. It is approximately 25 miles southeast of Boston and 40 miles from Cape Cod. The Town is bordered by the Atlantic Ocean on the east and north, Marshfield on the south, Norwell on the southwest, Hingham on the west, and Cohasset on the northwest. It is approximately 17 square miles in area. The Town has a year round population of 18,133, and 30,000 in summer months. Scituate is a residential community with a substantial summer population. It has 57 miles of tidal shoreline that includes five beaches and saltwater recreation areas for boating, fishing and other marine sports. Its harbor is home to approximately 1,300 boats in season and is one of the most sheltered/protected harbors on the East Coast.

### Local Government

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

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

### Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Expiration of Term</u>
Selectmen	Shawn Harris, Chair	Elected – 3-year term	2014
	Martin O'Toole	Elected - 3-year term	2016
	Anthony Vegnani	Elected - 3-year term	2014
	John F. Danehey	Elected - 3-year term	2016
	Richard Murray	Elected – 3-year term	2015
Town Administrator	Patricia A. Vinchesi	Appointed	Indefinite
Treasurer/Collector	Pamela Avitabile	Appointed	2016
Finance Director/ Accountant	Nancy Holt	Appointed	2017
Town Clerk	Kathleen Curran	Elected - 3 year term	2015
Town Counsel	Murphy, Hesse, Toomey & Lehane	Indefinite	Indefinite

### Municipal Services

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

**Water** - The Department of Public Works Water Division is responsible for the construction, operation and maintenance of Scituate's municipal water system. The Water Division supervisor is responsible for the daily operations of the Water Division, which provides for the water service needs of nearly 100% of the population. Scituate's water supply is obtained from six gravel packed wells along with a reservoir. The Water Department is self-supporting including debt service. On November 4, 2013, the Town approved a \$22,000,000 water pipe improvement and replacement project which will replace approximately 21 miles of water mains starting in the spring of 2014.

**Sewer Facilities**- The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with eight pump stations. Sewer service is available to 33 percent of all residential properties in Scituate and to the business districts of Scituate Harbor & Greenbush. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, quarterly, a minimum and an excess meter reading. In the past two years, the Town has implemented an aggressive infrastructure upgrade, and expansion program for water, and sewer funded by users. The Sewer operation is self-supporting including debt service. On April 14, 2014, the Town approved \$400,000 for the design and engineering work related to Phase IV of the five phased sewer expansion project.

**Safety Services** - The Scituate Police Department carries out investigative, enforcement, support and educational functions in order to promote the safety and general welfare of the citizens of the Town. The Department consists of a chief, Two Lieutenants, Five Sergeants, Two Detectives, One K9 Officer, One Traffic Enforcement Officer, Twenty Two Patrol Officers, and Five Dispatchers. Equipment consists of nine patrol cars, two unmarked cars, and one Animal Control vehicle.

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

**Library Services** - The municipal library was completed and occupied in 1978 and the construction cost was fully funded by the federal government. The library offers a variety of services and programs to Scituate residents in all age groups. Traditional library services are enhanced by modern technologies and innovative information systems. The library is centrally located and serves as a convenient meeting place for community groups. The Board of Library Trustees is responsible for establishing policies governing the operation of the library. On November 4, 2013, the Town approved \$12,000,000 library renovation project which will be offset with a \$4,900,000 public construction grant from the Massachusetts Board of Library Commissioners. On December 14, 2013, the Town voted to exclude this debt from the limitations of Proposition 2 ½.

**Recreation** - The Town operates two public marinas comprised of 236 slips with permanent and transient docking facilities for commercial and pleasure boats. Fifteen additional slips were added in the spring of 2011. The Recreation Department oversees, and maintains the Town's beaches and 17 athletic fields, and offers several programs for reasonable fees. The marina is accounted for as an enterprise fund and is completely self-supporting, including debt service. The Town also operates an 18-hole municipal golf course. The course, which opened in June 1997, is also self-supporting, including debt service, and is an enterprise fund as well. The Recreation Department offers several programs for reasonable fees.

**Public Schools** – Currently, the public school system of the Town consists of four elementary schools (K-6) with an enrollment of 1,813 students; one intermediate school (7-8) with an enrollment of 523 students; and one senior high school with an enrollment of 863 students. The Town also has a Pre-K program which is housed at the high school with an enrollment of 73 students.

The school system has 280 teachers, 13 administrators, 6 nurses and 145 support personnel. The approximate student/teacher ratio is 14 to 1 at the elementary, 16 to 1 at the intermediate levels, and 16 to 1 at the high school level.

**Education**

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

	Average Annual Enrollments (1)				
	2009/10	2010/11	2011/12	2012/13	2013/14
Pre-K	68	78	73	78	69
Grades K/6	1,885	1,859	1,813	1,764	1,670
Grades 7/8	476	515	523	567	510
Grades 9/12	839	830	863	873	871
Ungraded	9	4	4	4	2
Total	<u>3,277</u>	<u>3,286</u>	<u>3,276</u>	<u>3,286</u>	<u>3,122</u>

(1) As of October 1 each school year.

	Projected Annual Enrollments	
	<u>2014/15</u>	<u>2015/16</u>
Pre-K	73	74
Grades K/6	1,675	1,608
Grades 7/8	494	516
Grades 9/12	891	894
Ungraded	<u>1</u>	<u>1</u>
Total	<u>3,134</u>	<u>3,093</u>

Source: Superintendent of Schools.

### Population Trends

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

Source: Town Clerk.

### Age, Income and Wealth Levels

	<u>Scituate</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2010	45.1	39.1	37.2
2000	40.7	36.5	35.3
1990	36.9	33.6	32.9
Median Family Income:			
2010	\$ 86,723	\$ 81,165	\$ 51,144
2000	86,058	61,664	50,046
1990	59,168	44,367	35,225
Per Capita Income:			
2010	\$ 44,549	\$ 33,966	\$ 27,344
2000	33,940	25,952	21,587
1990	11,203	17,224	14,420

Source: U.S. Bureau of the Census.

### Largest Employers

The Town is primarily a residential community and, excluding the Town itself, there are only two significant employers: Life Care Center, a nursing home employing 185 persons, and Scituate Marketplace, a supermarket employing 100 persons. No other employers have more than 100 employees, although several restaurants, numerous banks, another nursing home and a concrete pipe manufacturer employ between 50 and 99 people. In addition, a private business/residential development worth over \$15,000,000 was completed within the past five years in the Harbor area adding 37 condominiums, all of which are occupied, plus retail space.

## Building Permits

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

Fiscal Year	New Construction		Additions/Alterations		Total	
	Residential/Non-Residential No.	Value	No.	Value	No.	Value
2014 (1)	16	\$ 5,177,735	191	\$ 3,697,098	207	\$ 8,874,833
2013 (2)	52	14,888,035	719	15,146,040	771	30,034,075
2012	37	10,597,458	661	14,867,844	698	25,465,302
2011	14	4,161,100	543	18,144,658	557	22,305,758
2010	29	9,460,130	478	4,042,831	507	13,502,961
2009	60	10,689,900	493	10,478,800	553	21,168,700

Source: Building Commissioner.

(1) Increase attributable to a historically low interest rate, increased demand and an improved economic outlook.

(2) Issued through April 15, 2014.

## Economic Development

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

<u>DEVELOPMENT</u>	<u>UNITS/COMMERCIAL SPACE APPROVED</u>	<u>CONSTRUCTION STATUS</u>	<u>% COMPLETE</u>
Riverway Condominiums (60 New Driftway)	24 condominiums and commercial building with 2 rental apts approved	24 condominiums built 19 CO's issued	85% complete
Village at South River (Central Ave.)	14 condominiums, 1 affordable off site unit and 16 slip marina approved	11 condominiums permitted, 6 CO's issued and marina complete	75% complete
Stockbridge Landing (formerly Stockbridge Woods) (96 Stockbridge Rd.)	74 rental apts approved	Site work has started	15% complete
Tilden Estates (Evangeline Dr.)	15 lots subdivision approved	14 homes permitted and 12 C/O's issued; Road top coat remaining	90% complete
275/277 Chief Justice Cushing Highway	2 lot common driveway approved	2 homes permitted, 1 CO issued some site work remaining	90% complete
Whitcomb Pines (Alexander Dr., Kyle Path)	40 condominiums approved (40B development)	33 condominiums permitted and 28 CO's issued	80% complete
Walden Woods	28 condominiums approved (40B development)	Some drainage & utilities installed 6 permits issued	20% complete
556/562 First Parish Rd.	3 lot common driveway, 2 new homes approved	2 homes built, 1 CO issued some site work remaining	90% complete
Deer Common (530 Chief Justice Cushing Highway)	12 lot subdivision approved	Road base, drainage & some utilities installed	20% complete
Dreamwold Estates (Coby's Run)	3 lot subdivision approved	3 homes built, 3 CO's issued road top course remaining to be installed	90% complete
The Glen (Kevin's Way)	10 lot subdivision	Some site work completed, new owner to build as 10	15% complete

<u>DEVELOPMENT</u>	<u>UNITS/COMMERCIAL SPACE APPROVED</u>	<u>CONSTRUCTION STATUS</u>	<u>% COMPLETE</u>
Benjamin Studley Farm (214 Clapp Rd)	9 lot subdivision	condominiums Approved, no site work started	N/A
543/543R Country Way	2 lot common driveway	Approved, renovation of antique house on first lot underway	25% complete
Blanchard Farm Estates (40 Curtis St)	11 lot subdivision	In approval process	N/A
White Ash Farm (305 Country Way)	3 lot subdivision	In approval process	N/A
50 Country Way	Mixed use development; includes 6,400 sq. ft. office, 2,200 sq. ft. retail, 30 residential units	In approval process	N/A
207 Front St.	630 sq. ft. vacant commercial space to be redeveloped as café/retail space accessory to charter schooner	Approved	15%
Various (separate properties)	7 accessory dwellings (rental apts)	Approved; some construction started	N/A

## 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 following fiscal years:

	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010
Gross Amount to be Raised:					
Appropriations	\$ 76,364,245	\$ 71,876,401	\$ 71,405,054	\$ 66,820,371	\$ 65,190,058
Other Local Expenditures	43,495	28,230	28,385	33,203	84,589
State & County Charges	463,691	491,928	498,028	568,260	523,756
Overlay Reserve	220,000	219,170	250,000	250,000	250,000
<b>Total Gross Amount to be Raised</b>	<b>77,091,431</b>	<b>72,615,729</b>	<b>72,181,467</b>	<b>67,671,834</b>	<b>66,048,403</b>
Offsets:					
Estimated Receipts - State	6,958,087	6,791,545	6,541,049	6,689,275	7,087,410
Estimated Receipts - Local	16,352,216	15,566,947	17,561,858	15,179,413	16,064,798
Appropriated:					
Free Cash	2,287,431	1,147,091	936,232	376,826	-
Other Available Funds	1,556,418	1,027,990	470,001	2,094,674	842,287
Free Cash & Other Revenue Used to Reduce the Tax Rate	-	-	-	-	-
<b>Total Offsets</b>	<b>27,154,152</b>	<b>24,533,573</b>	<b>25,509,140</b>	<b>24,340,188</b>	<b>23,994,495</b>
<b>Net Amount to be Raised (Tax Levy)</b>	<b>\$ 49,937,279</b>	<b>\$ 48,082,156</b>	<b>\$ 46,672,324</b>	<b>\$ 43,331,646</b>	<b>\$ 42,053,907</b>
Property Valuation	\$ 3,788,924,500	\$ 3,780,043,710	\$ 3,782,198,290	\$ 3,851,701,910	\$ 3,982,377,590
Tax Rate per \$1,000 (1)	\$ 13.05	\$ 12.72	\$ 12.34	\$ 11.25	\$ 10.56

Source: Board of Assessors.

(1) The Town taxes all property at a single rate (residential, commercial, industrial, personal).

Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

## Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

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

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

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

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

Fiscal Year	Assessed Valuations (1)			Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2014	\$ 3,788,924,500	\$ 37,686,890	\$ 3,826,611,390	\$ 4,137,906,200	92.5 %
2013	3,739,956,490	40,087,220	3,780,043,710	4,137,906,200	91.4
2012	3,742,889,490	39,308,800	3,782,198,290	4,326,753,800	87.4
2011	3,808,943,800	42,758,110	3,851,701,910	4,326,753,800	89.0
2010	3,940,605,320	41,772,270	3,982,377,590	4,575,033,600	87.0

(1) Source: Board of Assessors.

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

## Classification of Property

Type	Fiscal 2014		Fiscal 2013		Fiscal 2012	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 3,654,706,380	95.5 %	\$ 3,608,700,390	95.5 %	\$ 3,610,700,846	95.5 %
Commercial	125,105,420	3.3	126,075,000	3.3	127,007,544	3.4
Industrial	9,112,700	0.2	5,181,100	0.1	5,181,100	0.1
Personal	37,686,890	1.0	40,087,220	1.1	39,308,800	1.0
Total	<u>\$ 3,826,611,390</u>	<u>100.0 %</u>	<u>\$ 3,780,043,710</u>	<u>100.0 %</u>	<u>\$ 3,782,198,290</u>	<u>100.0 %</u>

Source: Massachusetts Department of Revenue.

## Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based upon assessed valuations for preliminary fiscal 2014, all of whom are current in their tax payments:

<u>Name</u>	<u>Type of Business</u>	<u>Total Assessed Valuation for Fiscal 2014</u>	<u>Fiscal 2014 Tax Levy</u>	<u>% of Total Net Levy</u>
Columbia Gas of Massachusetts	Utility	\$ 10,526,820	\$ 137,375	0.28 %
Massachusetts Electric Company	Utility	7,988,570	104,251	0.21
Abbott P M/Chamberlain Mng Co.	Real Estate	7,765,620	101,341	0.20
Verizon New England Inc.	Utility	5,779,500	75,422	0.15
Kent Village Associates	Housing	5,621,600	73,362	0.15
Suburban Realty Trust	Real Estate	4,196,400	54,763	0.11
Hatherly Country Club	Country Club	4,186,670	54,636	0.11
HCRI Massachusetts Pro. Inc. Tr.	Nursing	4,130,100	53,898	0.11
Scituate Wind LLC	Real Estate	3,931,600	51,307	0.10
Scituate Harbor Yacht	Real Estate	3,370,100	43,980	0.09
Total		<u>\$ 57,496,980</u>	<u>\$ 750,336</u>	<u>1.50 %</u>

## Abatements and Overlay

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

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

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Allowance</u>		<u>Exemptions/ Abatements Granted thru Fiscal Year</u>	<u>Overlay Excess (Deficit)</u>
		<u>Dollar Amount</u>	<u>Percent of Levy</u>		
2013	\$48,082,156	\$219,170	0.5%	\$144,913	\$74,257
2012	46,672,324	250,000	0.6	249,523	476
2011	43,334,646	250,000	0.6	115,758	134,242
2010	42,053,907	250,000	0.6	152,088	97,915
2009	40,800,384	250,000	0.6	249,897	103

Source: Board of Assessors.

## Tax Collections

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at June 30 (2,3)</u>
2014	\$49,937,279	\$220,000	\$49,717,279	80.2% (4)
2013	48,082,156	219,170	47,862,986	97.6
2012	46,672,324	250,000	46,422,324	96.9
2011	43,334,646	250,000	43,084,646	98.4
2010	42,053,907	250,000	41,803,907	97.5
2009	40,800,284	250,000	40,550,284	97.9

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

- (1) Net after deduction of overlay for abatements.
- (2) I.e., at the end of the fiscal year for which levied.
- (3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.
- (4) Collected as of April 23, 2014.

## Tax Titles and Possessions

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

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

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

## Taxes Outstanding

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

<u>As of 6/30</u>	<u>Aggregate Overdue Property Taxes at FY-End (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2013	\$675,649	\$1,297,349	\$243,113
2012	608,096	1,034,052	232,219
2011	686,600	986,591	448,462
2010	736,429	1,036,811	162,378
2009	871,218	855,808	159,058

Source: Town Accountant.

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

## **Sale of Tax Receivables**

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

## **Taxation to Meet Deficits**

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

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

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

## **Tax Limitations**

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

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

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

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

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

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

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

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

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

### Pledged Taxes

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

### Unused Levy Capacity (1)

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

	For Fiscal Year				
	2014	2013	2012	2011	2010
Primary Levy Ceiling (2)	\$ 95,665,285	\$ 94,501,093	\$ 94,554,957	\$ 96,292,548	\$ 99,559,440
Prior Fiscal Year Levy Limit	46,677,025	45,150,901	41,613,580	40,315,308	38,999,766
2.5% Levy Growth	1,166,926	1,128,773	1,040,340	1,007,883	974,994
Current Fiscal Year New Growth (3)	521,126	397,351	296,981	290,389	340,548
Current Fiscal Year Override	-	-	2,200,000	-	-
Growth Levy Limit	48,365,077	46,677,025	45,150,901	41,613,580	40,315,308
Current Fiscal Year Debt Exclusion	1,578,047	1,543,979	1,540,358	1,748,238	1,778,026
Tax Levy Limit	49,943,124	48,221,004	46,691,259	43,361,818	42,093,334
Tax Levy	49,937,279	48,082,156	46,672,327	43,331,646	42,053,907
Unused Levy Capacity (4)	5,845	138,848	18,932	30,172	39,427
Unused Primary Levy Capacity (5)	\$ 47,300,208	\$ 47,824,068	\$ 49,404,056	\$ 54,678,968	\$ 59,244,132

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Ceiling less Growth Levy Limit.

### Initiative Petitions

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

## Community Preservation Act

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

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town adopted the Community Preservation Act in March of 2002, and has used the funds strategically to enhance the quality and character of the community. It has also created an Affordable Housing Trust to provide a variety in housing stock. The table below shows the amounts surcharged by the Town and the amounts received in state matching funds.

Fiscal Year	Surcharge	State Matching Funds
2014	\$ 1,176,227	\$ 648,377
2013	1,128,807	321,446
2012	1,059,948	299,740
2011	1,021,115	299,907
2010	1,000,167	376,762
2009	968,068	683,297

## TOWN FINANCES

### The Budget and Appropriation Process

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

In 2010, the budget process was overhauled with the establishment of policies and reserves.

The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in April. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee provides recommendations on proposed expenditures recommended by the Town Administrator, and the Board of Selectmen at the Annual Town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings, but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation, any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. The Town has no municipal gas or electric departments.

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

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

### Operating Budget Trends

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

	Appropriated Fiscal 2015	Appropriated Fiscal 2014	Appropriated Fiscal 2013	Appropriated Fiscal 2012	Appropriated Fiscal 2011
General Government	\$ 3,163,025	\$ 2,920,731	\$ 2,824,180	\$ 2,492,699	\$ 2,294,954
Public Safety	8,384,084	8,027,982	7,806,517	7,591,895	7,394,904
Public Works	3,798,519	3,659,941	3,588,449	3,496,970	2,897,394
Human Services	680,552	624,975	546,901	487,967	451,737
Education	33,276,333	31,887,479	30,654,667	29,750,930	27,913,448
Culture & Recreation	1,105,033	1,111,952	1,102,105	1,086,199	1,077,103
Debt	2,365,652	2,362,632	2,047,600	2,055,490	2,276,194
Employee Benefits	9,912,257	9,515,307	9,901,681	9,743,403	9,376,848
<b>Total</b>	<b>\$ 62,685,455</b>	<b>\$ 60,110,999</b>	<b>\$ 58,472,100</b>	<b>\$ 56,705,553</b>	<b>\$ 53,682,582</b>

Source: Town Accountant.

### Fiscal Year 2015 Budget

The fiscal 2015 budget was balanced at the Annual Town Meeting with no use of Free Cash. The fiscal 2015 budget also incorporated the Town's five-year rolling capital plan and approvals of \$1,643,000 in borrowing were authorized. The Town projected level-funded local aid. The Town's certified Free Cash on June 30, 2013 was \$2,813,553. After funding items at the fall 2013 special town meeting as well as pay-as-you-go capital, the balance as of April 14, 2014 was \$420,120. The Stabilization Fund balance as of April 14, 2014 was \$3,101,305.

## 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 the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

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

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

<u>Fiscal Year</u>	<u>Aid to Education</u>	<u>Other</u>	<u>Total State Aid</u>
2013	\$4,957,576	\$1,712,220	\$6,669,796
2012	4,854,210	1,780,728	6,634,938
2011	4,806,334	1,842,293	6,648,627
2010	5,104,541	1,957,167	7,032,301
2009	5,208,715 (1)	2,574,020	7,234,964

Source: Town Accountant.

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

**State School Building Assistance Program:** Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

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

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

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

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

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement. The Town was approved for a \$2.33 million school renovation project under this program which is now completed.

**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>
2013	\$2,110,420
2012	2,287,903
2011	2,277,636
2010	2,083,548
2009	2,153,869

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

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

The Water Division employs a staff of twelve appropriately licensed professional individuals who are responsible for the maintenance and operation of nearly 50 million dollars of assets with an annual operating budget of \$2,885,277. A population of more than 18,000 - which increases by more than 10% during the summer - consumes an average of 1.9 million gallons of water each day.

On July 1, 1999, the Town placed water services, which are provided to nearly 100 percent of the Town, on an enterprise fund basis. The Town has a planned upgrade program in place for water system infrastructure improvements while keeping the fund self-supporting, and has a policy of increasing rates each year. Charges for water usage are billed quarterly. As of August 1, 2013, for residential water consumption, the rates are \$0.81 per 100 cubic feet up to the first 1200 cubic feet, with a minimal charge of \$43.35. Usage between 1,201-30,000 cubic feet is billed at a rate of \$3.54 per 100 cubic feet. All usage in excess of 30,000 cubic feet is billed at a rate of \$5.75 per 100 cubic feet. All commercial usage is billed at a rate of \$3.77 per 100 cubic feet.

**Sewer Rates and Services:** The Sewer Division of the Department of Public Works is responsible for the operations and maintenance of the Scituate Wastewater Treatment Plant (WWTP) and 24 miles of sewers, which make up the Scituate Sewer Collection System. This serves 33% of the community. The WWTP was operational in November 1967 and was originally designated to treat an average daily flow of 1.6 million gallons per day (mgd). The WWTP was designated as a secondary treatment plant utilizing the extended aeration mode of the activated sludge (microorganisms) process.

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

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

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

The sewer rate is a minimum charge of \$58.50 per quarter plus \$4.70 per hundred cubic feet of water consumption in excess of 12.5 hundred cubic feet per quarter. The Town has a comprehensive plan for sewer expansion funded by users, and sewer rates have been increased to fund upgrade expansions.

**Transfer Station:** The Transfer Station Division of the Department of Public Works is responsible for the operation and maintenance of the Transfer Station and Recycling Center. The Transfer Station is operated as a Pay-As-You-Throw facility and will accept only household refuse contained in Pay-As-You-Throw trash bags. These trash bags can be purchased at the Transfer Station or at local retailers at a cost of \$20.00 for a package of ten 30 gallon bags or \$10.00 for a package of ten 15 gallon bags. The Town has a current recycling rate of 50%.

**Local Option Meals Tax:** Effective July 1, 2013, the Town adopted the local meals excise tax. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The future revenue from this tax is approximately \$210,000.

## **Annual Audits**

The Town of Scituate is audited annually by Powers & Sullivan, Certified Public Accountant, of Wakefield, Massachusetts. A copy of the fiscal 2013 audit is attached hereto as Appendix A.

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

## **Financial Statements**

Set forth on the following pages is a Governmental Funds Balance Sheets for fiscal years ending June 30, 2013, June 30, 2012 and June 30, 2011, and a Statement of Revenues, Expenditures and changes in Fund Balance for fiscal years ended June 30, 2013 through June 30, 2009. Said statements were extracted from the Town's audited financials.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2013 (1)

	General Fund	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 11,312,863	\$ 7,010,690	\$ 992,737	\$ 9,615,842	\$ 28,932,132
Receivables, net of allowance for uncollectibles					
Real estate and personal property taxes	921,057	12,712	-	-	933,769
Tax liens	1,190,189	21,379	-	-	1,211,568
Motor vehicle and other excise taxes	231,595	-	-	-	231,595
Departmental and other	200,919	-	-	-	200,919
Special assessments	65,245	-	-	11,702	76,947
Intergovernmental	-	293,000	-	334,040	627,040
Tax foreclosures	243,113	-	-	-	243,113
Total assets	<u>\$ 14,164,981</u>	<u>\$ 7,337,781</u>	<u>\$ 992,737</u>	<u>\$ 9,961,584</u>	<u>\$ 32,457,083</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	911,550	10,625	-	761,490	1,683,665
Accrued liabilities	1,102,214	-	-	-	1,102,214
Tax refunds payable	31,000	-	-	-	31,000
Abandoned property	50,243	-	-	-	50,243
Deferred revenues	2,528,117	34,092	-	345,741	2,907,950
Unearned revenue	174,446	-	-	-	174,446
Notes payable	-	-	-	225,000	225,000
Total liabilities	<u>4,797,570</u>	<u>44,717</u>	<u>-</u>	<u>1,332,231</u>	<u>6,174,518</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	27,051	27,051
Restricted	84,518	7,293,064	992,737	8,779,510	17,149,829
Committed	959,038	-	-	-	959,038
Assigned	1,308,703	-	-	-	1,308,703
Unassigned	7,015,152	-	-	(177,208)	6,837,944
Total fund balances	<u>9,367,411</u>	<u>7,293,064</u>	<u>992,737</u>	<u>8,629,353</u>	<u>26,282,565</u>
Total liabilities and fund balances	<u>\$ 14,164,981</u>	<u>\$ 7,337,781</u>	<u>\$ 992,737</u>	<u>\$ 9,961,584</u>	<u>\$ 32,457,083</u>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012 (1)**

	General Fund	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 10,622,646	\$ 6,229,477	\$ 820,292	\$ 6,710,447	\$ 24,382,862
Receivables, net of allowance for uncollectibles					
Real estate and personal property taxes	850,089	12,422	-	-	862,511
Tax liens	939,049	17,168	-	-	956,217
Motor vehicle and other excise taxes	171,694	-	-	-	171,694
Departmental and other	249,063	-	-	118,637	367,700
Special assessments	25,027	-	-	13,552	38,579
Intergovernmental	-	233,000	-	490,745	723,745
Tax foreclosures	232,219	-	-	-	232,219
<b>Total assets</b>	<b>\$ 13,089,787</b>	<b>\$ 6,492,067</b>	<b>\$ 820,292</b>	<b>\$ 7,333,381</b>	<b>\$ 27,735,527</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	1,588,376	86,608	-	333,632	2,008,616
Accrued liabilities	554,888	-	-	-	554,888
Tax refunds payable	15,000	-	-	-	15,000
Abandoned property	42,409	-	-	-	42,409
Deferred revenues	2,355,735	29,590	-	311,835	2,697,160
Notes payable	-	-	-	461	461
<b>Total liabilities</b>	<b>4,556,408</b>	<b>116,198</b>	<b>-</b>	<b>645,928</b>	<b>5,318,534</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	27,051	27,051
Restricted	86,767	6,375,869	820,292	7,512,074	14,795,002
Committed	327,128	-	-	-	327,128
Assigned	1,255,617	-	-	-	1,255,617
Unassigned	6,863,867	-	-	(851,672)	6,012,195
<b>Total fund balances</b>	<b>8,533,379</b>	<b>6,375,869</b>	<b>820,292</b>	<b>6,687,453</b>	<b>22,416,993</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,089,787</b>	<b>\$ 6,492,067</b>	<b>\$ 820,292</b>	<b>\$ 7,333,381</b>	<b>\$ 27,735,527</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF SCITUATE, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2011 (1)**

	General Fund	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 8,211,915	\$ 5,063,216	\$ 828,555	\$ 5,529,078	\$ 19,632,764
Receivables, net of allowance for uncollectibles					
Real estate and personal property taxes	922,320	212	-	-	922,532
Tax liens	908,725	17,195	-	-	925,920
Motor vehicle and other excise taxes	189,521	-	-	-	189,521
Departmental and other	166,440	13,201	-	-	179,641
Special assessments	31,632	-	-	15,402	47,034
Intergovernmental	79,683	299,740	-	1,925,104	2,304,527
Tax foreclosures	448,462	-	-	-	448,462
Total assets	<u>\$ 10,958,698</u>	<u>\$ 5,393,564</u>	<u>\$ 828,555</u>	<u>\$ 7,469,584</u>	<u>\$ 24,650,401</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	658,719	49,388	-	797,614	1,505,721
Accrued liabilities	1,253,032	-	-	-	1,253,032
Tax refunds payable	25,000	-	-	-	25,000
Abandoned property	41,961	-	-	-	41,961
Other liabilities	113,529	5,024	-	-	118,553
Deferred revenues	2,242,103	30,608	-	856,601	3,129,312
Total liabilities	<u>4,334,344</u>	<u>85,020</u>	<u>-</u>	<u>1,654,215</u>	<u>6,073,579</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	27,051	27,051
Restricted	86,767	5,308,544	828,555	5,788,318	12,012,184
Assigned	1,260,786	-	-	-	1,260,786
Unassigned	5,276,801	-	-	-	5,276,801
Total fund balances	<u>6,624,354</u>	<u>5,308,544</u>	<u>828,555</u>	<u>5,815,369</u>	<u>18,576,822</u>
Total liabilities and fund balances	<u>\$ 10,958,698</u>	<u>\$ 5,393,564</u>	<u>\$ 828,555</u>	<u>\$ 7,469,584</u>	<u>\$ 24,650,401</u>

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

**TOWN OF SCITUATE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013 (1)**

	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds	\$ 47,666,579	\$ -	\$ -	\$ -	\$ 47,666,579
Motor vehicle and other excise taxes	2,449,218	-	-	-	2,449,218
Penalties and interest	348,212	3,753	-	-	351,965
Fees	1,338,592	-	-	-	1,338,592
Licenses and permits	637,653	-	-	242,790	880,443
Fines and forfeitures	95,779	-	-	-	95,779
Intergovernmental	14,221,002	381,581	-	3,083,102	17,685,685
Departmental and other	267,798	-	188,293	3,286,390	3,742,481
Community preservation surtax	-	1,108,110	-	-	1,108,110
Contributions	-	-	-	197,296	197,296
Investment income	38,353	20,969	1,792	15,402	76,516
<b>Total Revenues</b>	<b>\$ 67,063,186</b>	<b>\$ 1,514,413</b>	<b>\$ 190,085</b>	<b>\$ 6,824,980</b>	<b>\$ 75,592,664</b>
<b>EXPENDITURES:</b>					
Current:					
General government	2,402,369	-	17,640	351,666	2,771,675
Public safety	8,020,373	-	-	384,218	8,404,591
Education	31,186,793	-	-	5,174,870	36,361,663
Public works	4,157,928	-	-	1,574,861	5,732,789
Human services	530,629	-	-	87,804	618,433
Culture and recreation	1,081,660	-	-	412,996	1,494,656
Community preservation	-	597,218	-	-	597,218
Pension benefits	10,963,813	-	-	-	10,963,813
Employee benefits	5,730,351	-	-	65,016	5,795,367
State and county charges	445,762	-	-	-	445,762
Debt service:					
Principal	1,413,858	-	-	-	1,413,858
Intrest	488,798	-	-	-	488,798
<b>Total Expenditures</b>	<b>66,422,334</b>	<b>597,218</b>	<b>17,640</b>	<b>8,051,431</b>	<b>75,088,623</b>
Excess (Deficiency) of Revenues Over Expenditures	640,852	917,195	172,445	(1,226,451)	504,041
Other Financing Sources (Uses):					
Proceeds from bonds and notes	-	-	-	3,403,000	3,403,000
Transfer in	940,174	-	-	-	940,174
Transfer out	(746,994)	-	-	(234,649)	(981,643)
<b>Total Expenditures and Other Financing Uses</b>	<b>193,180</b>	<b>-</b>	<b>-</b>	<b>3,168,351</b>	<b>3,361,531</b>
Net Change in Fund Balances	834,032	917,195	172,445	1,941,900	3,865,572
Fund Balances - Beginning of Year	8,533,379	6,375,869	820,292	6,687,453	22,416,993
<b>Fund Balances - End of Year</b>	<b>\$ 9,367,411</b>	<b>\$ 7,293,064</b>	<b>\$ 992,737</b>	<b>\$ 8,629,353</b>	<b>\$ 26,282,565</b>

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

**TOWN OF SCITUATE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012 (1)**

	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds	\$ 46,526,693	\$ -	\$ -	\$ -	\$46,526,693
Motor vehicle and other excise taxes	2,329,038	-	-	-	2,329,038
Penalties and interest	493,563	4,993	-	-	498,556
Fees	204,034	-	-	-	204,034
Licenses and permits	424,545	-	-	290,630	715,175
Fines and forfeitures	80,716	-	-	-	80,716
Intergovernmental	13,658,197	729,140	-	5,766,210	20,153,547
Departmental and other	1,259,250	-	-	2,989,047	4,248,297
Community preservation surtax	-	1,084,819	-	-	1,084,819
Contributions	-	-	-	122,159	122,159
Investment income	57,000	17,687	2,280	14,995	91,962
<b>Total Revenues</b>	<b>\$ 65,033,036</b>	<b>\$1,836,639</b>	<b>\$ 2,280</b>	<b>\$ 9,183,041</b>	<b>\$76,054,996</b>
<b>EXPENDITURES:</b>					
Current:					
General government	2,517,181	-	10,543	800,203	3,327,927
Public safety	7,800,288	-	-	508,775	8,309,063
Education	29,996,649	-	-	7,053,663	37,050,312
Public works	2,766,372	-	-	1,245,724	4,012,096
Human services	455,356	-	-	98,833	554,189
Culture and recreation	1,021,747	-	-	403,821	1,425,568
Community preservation	-	769,314	-	-	769,314
Pension benefits	10,171,678	-	-	-	10,171,678
Employee benefits	5,876,878	-	-	-	5,876,878
State and county charges	472,015	-	-	-	472,015
Debt service:					
Principal	1,474,328	-	-	-	1,474,328
Interest	579,727	-	-	-	579,727
<b>Total Expenditures</b>	<b>63,132,219</b>	<b>769,314</b>	<b>10,543</b>	<b>10,111,019</b>	<b>74,023,095</b>
Excess (Deficiency) of Revenues Over Expenditures	1,900,817	1,067,325	(8,263)	(927,978)	2,031,901
Other Financing Sources (Uses):					
Proceeds from bonds and notes	-	-	-	1,859,021	1,859,021
Premium from issuance of bonds and notes	18,480	-	-	-	18,480
Transfer in	826,723	-	-	106,047	932,770
Transfer out	(836,995)	-	-	(165,006)	(1,002,001)
<b>Total Expenditures and Other Financing Uses</b>	<b>8,208</b>	<b>-</b>	<b>-</b>	<b>1,800,062</b>	<b>1,808,270</b>
<b>Net Change in Fund Balances</b>	<b>1,909,025</b>	<b>1,067,325</b>	<b>(8,263)</b>	<b>872,084</b>	<b>3,840,171</b>
Fund Balances - Beginning of Year	6,624,354	5,308,544	828,555	5,815,369	18,576,822
<b>Fund Balances - End of Year</b>	<b>\$ 8,533,379</b>	<b>\$6,375,869</b>	<b>\$ 820,292</b>	<b>\$ 6,687,453</b>	<b>\$22,416,993</b>

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

**TOWN OF SCITUATE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2011 (1)**

	General	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds	\$ 43,516,682	\$ -	\$ -	\$ -	\$ -	\$43,516,682
Motor vehicle and other excise taxes	2,283,729	-	-	-	-	2,283,729
Penalties and interest	417,449	-	3,161	-	-	420,610
Fees	197,399	-	-	-	-	197,399
Licenses and permits	462,641	-	-	-	244,859	707,500
Fines and forfeitures	103,033	-	-	-	-	103,033
Intergovernmental	13,424,095	-	299,907	-	4,100,473	17,824,475
Departmental	1,166,732	-	-	-	2,687,097	3,853,829
Community preservation surtax	-	-	1,002,872	-	-	1,002,872
Contributions	-	-	-	-	145,106	145,106
Investment income	65,275	-	21,500	2,637	34,576	123,988
<b>Total Revenues</b>	<b>\$ 61,637,035</b>	<b>\$ -</b>	<b>\$1,327,440</b>	<b>\$ 2,637</b>	<b>\$ 7,212,111</b>	<b>\$70,179,223</b>
<b>EXPENDITURES:</b>						
Current:						
General government	2,183,454	-	-	25,531	1,220,791	3,429,776
Public safety	7,161,440	-	-	-	127,205	7,288,645
Education	27,997,022	-	-	-	4,853,431	32,850,453
Public works	3,085,705	-	-	-	1,093,824	4,179,529
Human services	410,181	-	-	-	80,371	490,552
Culture and recreation	1,030,778	-	-	-	509,059	1,539,837
Community preservation	-	-	1,670,961	-	-	1,670,961
Pension benefits	9,953,489	-	-	-	-	9,953,489
Employee benefits	5,653,254	-	-	-	-	5,653,254
State and county charges	520,678	-	-	-	-	520,678
Debt service:						
Principal	1,463,858	-	-	-	-	1,463,858
Interest	771,919	-	-	-	-	771,919
<b>Total Expenditures</b>	<b>60,231,778</b>	<b>-</b>	<b>1,670,961</b>	<b>25,531</b>	<b>7,884,681</b>	<b>69,812,951</b>
Excess (Deficiency) of Revenues Over Expenditures	1,405,257	-	(343,521)	(22,894)	(672,570)	366,272
<b>Other Financing Sources (Uses):</b>						
Proceeds from bonds and notes	-	-	-	-	3,245,470	3,245,470
Premium from issuance of bonds and notes	148,644	-	-	-	-	148,644
Transfer in	751,667	-	-	-	940,000	1,691,667
Transfer out	(751,332)	(956,953)	-	-	(88,541)	(1,796,826)
<b>Total Expenditures and Other Financing Uses</b>	<b>148,979</b>	<b>(956,953)</b>	<b>-</b>	<b>-</b>	<b>4,096,929</b>	<b>3,288,955</b>
Net Change in Fund Balances	1,554,236	(956,953)	(343,521)	(22,894)	3,424,359	3,655,227
Fund Balances - Beginning of Year	5,070,118	956,953	5,652,065	851,449	2,391,010	14,921,595
<b>Fund Balances - End of Year</b>	<b>\$ 6,624,354</b>	<b>\$ -</b>	<b>\$5,308,544</b>	<b>\$ 828,555</b>	<b>\$ 5,815,369</b>	<b>\$18,576,822</b>

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

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

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

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

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

	June 30,
	2009
<b>REVENUES:</b>	
Real and Personal Property Taxes	\$ 40,825,496
Motor Vehicle & Boat Excise	2,153,281
Intergovernmental	13,243,802
Penalties & Interest	413,014
Licenses & Permits	490,717
Fines & Forfeitures	80,288
Investment Income	195,319
Departmental & Other	1,674,943
Total Revenues	59,076,860
<b>EXPENDITURES:</b>	
General Government	2,172,367
Public Safety	7,448,340
Education	28,287,299
Public Works	3,245,690
Human Services	440,492
Culture & Recreation	1,156,707
Pension & Fringe Benefits	13,813,269
State & County Assessments	519,199
Debt Service	2,338,486
Total Expenditures	59,421,849
Excess (Deficiency) of Revenues Over Expenditures	(344,989)
<b>OTHER FINANCING SOURCES (USES):</b>	
Premium on Sale of bonds	-
Operating Transfers In	-
Operating Transfers Out	175,407
Total Other Financing Sources (Uses)	175,407
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(520,486)
Prior Year Adjustment - Golf Course	-
Fund Equity, Beginning of Year	2,127,239
FUND EQUITY, END OF YEAR	\$ 1,606,753

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

## Unassigned/Undesignated General Fund Balances and Free Cash

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

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

<u>Year</u>	<u>Undesignated/Unassigned General Fund Balance As of June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2013	\$7,015,152 (2)	\$2,813,553
2012	6,863,867 (2)	2,123,316
2011	5,276,801 (2)	1,528,192
2010	1,715,555	976,826
2009	626,910	293,677

(1) Source: Audited Financial Statements.

(2) Unassigned Fund Balance.

## Stabilization Fund

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

<u>Year</u>	<u>Stabilization Fund as of June 30,</u>
2014 (est.)	\$ 3,103,139
2013	2,059,297
2012	3,009,312
2011	2,084,463
2010	2,202,033

The Stabilization fund will appropriate any excess levy capacity to the fund or \$576,242 in fiscal 2014.

## Capital Stabilization Fund

The Town established a capital stabilization fund at the November 2012 special town meeting. The estimated balance projected at June 30, 2014 is approximately \$364,079. Funds were appropriated at the 2014 town meeting in the amount of \$128,776 from estimated meals tax revenues for fiscal 2015.

## Economic Development Stabilization Fund

The Town established an economic development stabilization fund at the April 2013 town meeting with an estimated balance projected at June 30, 2014 of \$0. Funds were appropriated at the 2014 town meeting in the amount of \$13,500 from the tax levy for fiscal 2015.

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

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or towns' development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations under "PROPERTY TAXATION" above). The Town is in the process of determining whether or not to develop such districts in the immediate future, and has re-established its Economic Development Industrial Commission (EDIC). The Town has not established any such development districts.

## **Investment of Town Funds**

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

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

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

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

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

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

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board, consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

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

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

### Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not

less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

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

### **Revenue Anticipation Note Borrowing**

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

**Direct Debt Summary  
As of June 30, 2013  
Including Subsequent Issues**

Long-Term Indebtedness		
General Obligation Bonds:		
Water (2)	\$ 6,083,500	
School	11,389,021	
General (3)	10,383,993	
Sewers & Drains	4,015,486	
MWPAT (4)	19,003,921	
Total (5)		\$ 50,875,921
Short-term Debt		
Bond Anticipation Notes (6)	\$ 536,000	
This Issue - New Money (7)	8,300,000	
Total Short Term Debt		8,836,000
Total Direct Debt		\$ 59,711,921

- (1) Excludes overlapping debt, lease and installment purchase obligations, unfunded pension liability, and other post employment benefits liability.
- (2) Outside the Town's general debt limit, subject to a separate debt limit equal to 10% of the Town's equalized valuation.
- (3) \$1,863,000 is outside the Town's general debt limit.
- (4) \$5,430,135 is outside the Town's general debt limit.
- (5) \$9,082,121 is exempt from the provisions of Proposition 2 ½.
- (6) Payable September 26, 2014.
- (7) This issue, payable September 26, 2014.

**Debt Ratios**

	As of June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Long Term Debt Outstanding (1)	\$50,875,921	\$42,612,765	\$46,445,430	\$40,378,638	\$44,052,776
Debt per Capita	\$2,627.89	\$2,201.07	\$2,399.04	\$2,085.67	\$2,275.45
Percent of Assessed Valuation (2)	1.35%	1.11%	1.21%	1.01%	1.05%
Percent of Equalized Valuation (3)	1.23%	0.98%	1.07%	0.88%	0.96%
Debt per Capita as a Percent of per Capita Income	7.74%	6.49%	7.07%	6.15%	6.70%

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

**Outstanding Bonded Debt (1)  
Principal Payment by Purpose  
As of June 30, 2013**

Fiscal Year	Water (2)	School	General (3)	Sewers & Drains	MWPAT (4)	Total (5)
2014	\$ 592,500	\$ 1,029,021	\$ 1,392,993	\$ 317,486	\$ 1,611,002	\$ 4,943,002
2015	536,000	955,000	1,286,000	298,000	1,658,996	4,733,996
2016	481,000	955,000	1,246,000	298,000	1,706,665	4,686,665
2017	471,000	955,000	1,216,000	298,000	1,757,669	4,697,669
2018	466,000	875,000	681,000	298,000	1,809,488	4,129,488
2019	416,000	870,000	546,000	298,000	1,855,173	3,985,173
2020	396,000	870,000	511,000	293,000	1,084,602	3,154,602
2021	396,000	855,000	491,000	293,000	1,077,853	3,112,853
2022	366,000	855,000	471,000	293,000	965,105	2,950,105
2023	341,000	855,000	476,000	293,000	990,295	2,955,295
2024	281,000	830,000	426,000	283,000	1,011,778	2,831,778
2025	276,000	825,000	216,000	233,000	584,587	2,134,587
2026	180,000	240,000	180,000	85,000	596,847	1,281,847
2027	180,000	80,000	185,000	85,000	306,941	836,941
2028	175,000	80,000	175,000	80,000	313,612	823,612
2029	170,000	80,000	175,000	80,000	320,428	825,428
2030	170,000	80,000	180,000	80,000	327,392	837,392
2031	170,000	70,000	180,000	75,000	334,507	829,507
2032	10,000	15,000	185,000	20,000	341,777	571,777
2033	10,000	15,000	165,000	15,000	349,205	554,205
	<u>\$ 6,083,500</u>	<u>\$ 11,389,021</u>	<u>\$ 10,383,993</u>	<u>\$ 4,015,486</u>	<u>\$ 19,003,921</u>	<u>\$ 50,875,921</u>

- (1) Excludes overlapping debt, lease and installment purchase obligations, unfunded pension liability and other post-employment benefits liability.
- (2) Outside the Town's general debt limit, subject to a separate debt limit equal to 10% of the Town's equalized valuation.
- (3) \$1,863,000 is outside the Town's general debt limit.
- (4) \$5,430,135 is outside the Town's general debt limit.
- (5) \$9,082,121 is exempt from the provisions of Proposition 2 ½.

**Annual Debt Service as of June 30, 2013 (1)**

Fiscal Year	Outstanding (2)		MWPAT Subsidy	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest			
2014	\$ 4,943,002	\$ 1,688,283	\$ (468,964)	\$ 6,162,321	9.7 %
2015	4,733,996	1,555,110	(451,744)	5,837,361	19.0
2016	4,686,665	1,367,954	(427,013)	5,627,606	28.2
2017	4,697,669	1,189,649	(403,504)	5,483,814	37.5
2018	4,129,488	1,005,054	(371,170)	4,763,372	45.6
2019	3,985,173	863,325	(343,375)	4,505,123	53.4
2020	3,154,602	730,091	(108,323)	3,776,369	59.6
2021	3,112,853	614,758	(88,231)	3,639,379	65.7
2022	2,950,105	504,419	(40,429)	3,414,095	71.5
2023	2,955,295	404,368	(35,680)	3,323,982	77.3
2024	2,831,778	304,236	(25,112)	3,110,902	82.9
2025	2,134,587	224,345	-	2,358,933	87.1
2026	1,281,847	166,681	-	1,448,528	89.6
2027	836,941	135,339	-	972,280	91.3
2028	823,612	113,298	-	936,910	92.9
2029	825,428	90,881	-	916,309	94.5
2030	837,392	68,321	-	905,713	96.2
2031	829,507	45,307	-	874,814	97.8
2032	571,777	22,124	-	593,901	98.9
2033	554,205	9,591	-	563,796	100.0
<b>Total</b>	<b>\$ 50,875,921</b>	<b>\$ 11,103,134</b>	<b>\$ (2,763,547)</b>	<b>\$ 59,215,508</b>	

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

(2) Principal totaling \$9,082,121 and interest totaling \$2,257,864 is exempt from the provisions of Proposition 2 1/2.

## Authorized Unissued Debt and Prospective Financing

Currently, the Town has approximately \$42,539,578, of authorized unissued debt, as follows:

Purpose	Amount
Dredging	\$ 195,000
Marine Park Recreational Facility	280,000
Highway Improvement	423,149
Sewer Extension	311,000
Departmental Equipment	25,000
Departmental Equipment	60,000
Additional Sewer Extension	27,429
Energy Savings (ESCO)	3,200,000
Facilities Design/Engineering/Service	375,000
School Security	150,000
School Technology	150,000
Road/Sidewalk Improvements	400,000
Water Pipe Replacement	400,000
Fire Departmental Equipment	400,000
Water Pipe Improvement & Replacement	22,000,000
Library Renovations (1)	12,000,000
Financial Management System	200,000
Police and Fire Communications System	208,000
Roadway Improvements	200,000
Foreshore Protection	300,000
DPW Highway Dump Truck	135,000
School Technology	200,000
Foreshore Protection	500,000
Sewer Phase IV	400,000
Total	<u>\$ 42,539,578</u>

## Overlapping Debt

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

	Outstanding Bonded Debt <u>as of 6/30/13</u>	Scituate's <u>Estimated Share %</u>	Fiscal 2014 Dollar <u>Assessment (1)</u>
Plymouth County (2)	\$3,025,000	6.76%	\$82,163
Massachusetts Bay Transportation Authority (3)	\$5,561,383,476	0.076%	\$118,847
South Shore Regional Vocational- Technical School District (4)	\$1,035,000	5.52%	\$468,127

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

(2) Source: Treasurer, Plymouth County. Assessment is for fiscal year 2014. 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"). Assessment is for fiscal year 2014. The MBTA was created in 1964 to finance and operate mass transportation facilities within the Greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA is also authorized to issue bonds for the purpose of refunding bonds. Under the MBTA's enabling act, debt service as well as other operating expenses of the MBTA are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the Authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(4) Source: Treasurer, South Shore Regional Vocational-Technical School District. Assessment is for fiscal year 2014. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.

## **Contracts**

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

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

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

The Town has entered in contract with International Golf Maintenance of Champions Gate, Florida 33896, to maintain its golf course, for the following sums: \$462,659, January 1, 2012 – December 31, 2012, \$462,659, January 1, 2013 – December 31, 2013, \$471,912 January 1, 2014 – December 31, 2014 - \$475,311, January 1, 2015 – December 31, 2015, \$489,677, January 1, 2016 – December 31, 2016. Performance reviews will take place each November 1 to determine satisfaction and subsequent release of annual retainage.

The Town also contracts annually with SEMASS Partnership solid waste disposal at \$91.50 per ton in fiscal 2010, \$93.50 per ton in fiscal 2011, \$91.43 per ton in fiscal 2012 and \$87.35 per ton in fiscal 2013 and \$89.10 per ton in fiscal 2014, which includes all hauling costs. This contract expires on June 30, 2023. The annual cost incurred were \$306,259 in fiscal 2008, \$297,498 in fiscal 2009, \$294,166 in fiscal 2010, \$302,963 in fiscal 2011, \$300,000 in fiscal 2012 and \$272,790 in fiscal 2013 \$207,729 in fiscal 2014.

## **RETIREMENT SYSTEM**

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the

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

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

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

**Plymouth County Retirement System**

The Town participates in the contributory retirement system of Plymouth County (the "Plymouth County") that is partially funded by employee contributions. More information can be found at [www.pcr-ma.org](http://www.pcr-ma.org), including annual reports, annual statements, actuarial valuation reports and actuarial valuation statements. The Town meets its share of costs 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, 2013, the total unfunded pension benefit obligation of the Plymouth County System was \$652,865,215, assuming a 8.25% discount rate as follows:

Total pension benefit obligation	\$1,319,764,989
Assets at market value	666,899,774
Unfunded pension benefit obligation	<u>\$ 652,865,215</u>
The Town's estimated share at its participation rate of 6.44%	<u>\$ 42,068,071</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 Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2034 as shown below.

## Current Plymouth County Funding Schedule

Fiscal Year	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio**
2014	\$ 238,655,485	\$ 20,376,194	\$ 11,556,155	\$ 43,410,022	\$ 54,966,177	23.0	50.5
2015	248,201,704	21,371,610	11,827,022	47,536,449	59,363,471	23.9	51.7
2016	258,129,773	22,414,057	12,101,068	52,011,480	64,112,548	24.8	53.4
2017	265,454,963	23,505,705	12,378,115	55,079,233	67,457,348	25.1	55.1
2018	279,193,162	24,648,823	12,657,964	57,245,719	69,903,683	25.0	56.8
2019	290,360,888	25,845,781	12,940,396	59,498,865	72,439,261	24.9	58.6
2020	301,975,324	27,099,058	13,225,169	61,257,161	74,482,330	24.7	60.4
2021	314,054,337	28,411,243	13,512,020	63,401,128	76,913,148	24.5	62.2
2022	326,616,510	29,785,045	13,800,659	65,935,610	79,736,269	24.4	64.1
2023	339,681,171	31,223,293	14,090,769	68,571,472	82,662,241	24.3	66.1
2024	353,268,418	32,728,944	14,382,007	71,312,768	85,694,775	24.3	68.1
2025	367,399,154	34,305,091	14,673,999	74,163,716	88,837,715	24.2	70.3
2026	382,095,121	35,954,963	14,966,339	77,128,702	92,095,041	24.1	72.6
2027	397,378,925	37,681,936	15,258,588	80,212,288	95,470,876	24.0	75.0
2028	413,274,082	39,489,540	15,550,271	83,419,217	98,969,488	23.9	77.5
2029	429,805,046	41,381,461	15,840,874	86,715,357	102,556,231	23.9	80.2
2030	446,997,248	43,361,552	16,129,846	90,183,972	106,313,818	23.8	83.1
2031	464,877,137	45,433,840	16,416,590	93,791,330	110,207,920	23.7	86.1
2032	483,472,223	47,602,532	16,700,465	97,542,984	114,243,449	23.6	89.3
2033	502,811,112	49,872,026	16,980,784	101,444,703	118,425,487	23.6	92.6
2034	522,923,556	52,246,916	17,256,808	105,502,491	122,759,299	23.5	96.2
2035	543,840,499	54,732,001	17,527,744	-	17,527,744	3.2	100.0
2036	565,594,119	57,332,298	17,792,745	-	17,792,745	3.1	100.0
2037	588,217,883	60,053,047	18,050,901	-	18,050,901	3.1	100.0
2038	611,746,599	62,899,725	18,301,241	-	18,301,241	3.0	100.0
2039	636,216,463	65,878,052	18,542,727	-	18,542,727	2.9	100.0
2040	661,665,121	68,994,006	18,774,250	-	18,774,250	2.8	100.0
2041	688,131,726	72,253,831	18,994,626	-	18,994,626	2.8	100.0
2042	715,656,995	75,143,984	19,754,411	-	19,754,411	2.8	100.0
2043	744,283,275	78,149,744	20,544,588	-	20,544,588	2.8	100.0
2044	774,054,606	81,275,734	21,366,371	-	21,366,371	2.8	100.0
2045	805,016,790	84,526,763	22,221,026	-	22,221,026	2.8	100.0

SOURCE: November 19, 2013 Plymouth County Retirement System Actuarial Valuation, PERAC.

The annual contributions of the Town to the Plymouth County System budgeted for fiscal year 2014 and for the last five fiscal years are as follows:

Fiscal Year	Contributory
2014	\$3,836,129
2013	3,444,211
2012	3,118,030
2011	3,118,030
2010	2,758,350
2009	2,668,612

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

## Other Post-Employment Benefits

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

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2013	\$ 2,014,132
2012	1,530,639
2011	1,525,504
2010	1,314,867
2009	1,261,833

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town hired USI Consulting Group which performed the actuarial valuation of its post-employment benefit liability. The Town's estimated unfunded actuarial accrued liability is approximately \$53,916,330 and the Town's annual required contribution ('ARC') is approximately \$5,100,918 assuming a 4.0% discount rate. At the April 11, 2011 Annual Town Meeting the Town created an OPEB fund with an initial contribution of \$14,983. The OPEB contribution will be included in the annual fixed costs expenditures and will be a minimum of 2% of pension costs. At June 30, 2013 the OPEB Trust Fund balance was \$209,227. The projected OPEB Trust Fund balance at June 30, 2014 is estimated to be approximately \$281,898.

## 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 776 full and part-time employees, including those in the School Department. Approximately 96 percent belong to unions or other collective bargaining groups as shown below:

Employee by Category	Represented by	Number of Employees	Contract Expires
<b>General Government</b>			
Police	International Brotherhood of Police Officers (IBPO)	27	6/30/2017
Firefighters	International Association of Fire Fighters (IAFF)	50	6/30/2013 (4)
Clerical Workers	SEIU 888 (1)	38	6/30/2017
Public Works	Laborers District Council	38	6/30/2016
Administrators and Managers	SEIU 888 (2)	<u>21</u>	6/30/2017
Total General Government Professionals		<u>174</u>	
<b>School</b>			
Teachers	Scituate Teachers Assoc./Mass. Teachers Assoc.	283	8/31/2015
Custodians	AFSCME Local 1700 (3)	24	6/30/2015
Administration and Managers	SEIU/Local 888	15	6/30/2015
Bus Workers	AFSCME Local 1700 (3)	18	8/31/2015
Aides and Tutors	SEIU/Local 888	76	8/31/2015
Cafeteria Workers	SEIU/Local 888	17	8/31/2015
Total School		<u>433</u>	
Total		<u><u>607</u></u>	

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

## LITIGATION

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

TOWN OF SCITUATE, MASSACHUSETTS  
 /s/ Pamela Avitabile  
 Town Treasurer

May 13, 2014

***TOWN OF SCITUATE, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2013***

TOWN OF SCITUATE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

**TABLE OF CONTENTS**

Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements .....	11
Statement of net position .....	13
Statement of activities.....	14
Governmental funds – balance sheet.....	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....	17
Governmental funds – statement of revenues, expenditures and changes in fund balances.....	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	19
Proprietary funds – statement of net position .....	20
Proprietary funds – statement of revenues, expenses and changes in fund net position .....	21
Proprietary funds – statement of cash flows.....	22
Fiduciary funds – statement of fiduciary net position.....	23
Fiduciary funds – statement of changes in fiduciary net position .....	24
Notes to basic financial statements .....	25
Required Supplementary Information.....	55
General fund budgetary comparison schedule .....	56
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....	57
Retirement system schedules.....	58
Retirement system schedule of funding progress.....	59
Retirement system schedule of employer contributions .....	60
Other postemployment benefits plan schedules.....	61
Other postemployment benefit plan funding progress and employer contributions.....	62
Other postemployment benefit plan actuarial methods and assumptions .....	63
Notes to required supplementary information.....	64



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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Scituate, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Scituate, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of June 30, 2013, and the respective

changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 on our consideration of the Town of Scituate, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Scituate, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

March 7, 2014

***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Scituate, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis is part of these requirements.

### ***Overview of the Financial Statements***

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, community preservation and interest. The business-type activities include the water, sewer, transfer station, Widow's Walk golf course and waterways activities.

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

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

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

The Town of Scituate adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, transfer station, widow's walk golf course and waterways activities.

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary compliance and the progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees.

## **Government-wide Financial Analysis**

### **Governmental Activities**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$63.3 million at the close of fiscal year.

Governmental net position of \$56.6 million (89%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased by approximately \$583,000 during fiscal year 2013. This was primarily the result of the acquisition of capital assets exceeding the depreciation expense recorded against capital assets.

An additional portion of the net position \$8.8 million (14%) represents resources that are subject to external restrictions on how they may be used. This balance was up by approximately \$248,000 mainly due to the recognition of revenue related to the Community Preservation Act. The remaining balance of *unrestricted net position* reported a deficit position of \$2.1 million (-3%). This balance decreased by approximately \$2.5 million, partially due to the increase in the liability relating to GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. In fiscal 2013 the Town, based on its actuarial valuation, reported an accrual of \$17.1 million for its portion of the liability that was not paid. This represents an increase of \$3.8 million over the prior fiscal year. Offsetting this increase in OPEB liability, the Town's General Fund reported expenditures less than appropriations

by approximately \$1.9 million and higher than budgeted collection of revenues of approximately \$408,000. Condensed financial data for fiscal years 2013 and 2012 is presented below:

	<b>FY2013 Governmental Activities</b>	<b>FY2012 Governmental Activities</b>	<b>Increase/ Decrease</b>
<b>Assets:</b>			
Current assets.....	\$ 32,457,083	\$ 27,735,527	\$ 4,721,556
Capital assets.....	70,444,791	70,233,210	211,581
Total assets.....	<u>102,901,874</u>	<u>97,968,737</u>	<u>4,933,137</u>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	4,641,107	4,066,838	574,269
Noncurrent liabilities (excluding debt).....	17,474,843	13,673,076	3,801,767
Current debt.....	1,992,879	1,414,319	578,560
Noncurrent debt.....	15,484,278	13,849,157	1,635,121
Total liabilities.....	<u>39,593,107</u>	<u>33,003,390</u>	<u>6,589,717</u>
<b>Net Position:</b>			
Net investment in capital assets.....	56,560,454	55,977,544	582,910
Restricted.....	8,821,398	8,573,833	247,565
Unrestricted.....	(2,073,085)	413,970	(2,487,055)
Total net position.....	<u>\$ 63,308,767</u>	<u>\$ 64,965,347</u>	<u>\$ (1,656,580)</u>
<b>Program revenues:</b>			
Charges for services.....	\$ 5,100,500	\$ 4,727,587	\$ 372,913
Operating grants and contributions.....	15,220,665	16,542,324	(1,321,659)
Capital grants and contributions.....	958,424	1,612,713	(654,289)
<b>General Revenues:</b>			
Real estate and personal property taxes.....	47,975,280	46,582,135	1,393,145
Tax liens.....	27,344	32,255	(4,911)
Motor vehicle and other excise taxes.....	2,530,107	2,328,915	201,192
Community preservation tax.....	1,105,543	1,070,846	34,697
Penalties and interest on taxes.....	447,439		
Grants and contributions not restricted to specific programs.....	1,806,527	1,799,495	7,032
Unrestricted investment income.....	55,527	74,257	(18,730)
Miscellaneous.....	576,098	852,317	(276,219)
Total revenues.....	<u>75,803,454</u>	<u>75,622,844</u>	<u>180,610</u>
<b>Expenses:</b>			
General government.....	3,791,027	4,256,315	(465,288)
Public safety.....	11,893,978	11,473,602	420,376
Education.....	51,771,927	50,586,444	1,185,483
Public works.....	6,166,961	4,193,275	1,973,686
Human services.....	1,125,471	948,776	176,695
Culture and recreation.....	2,015,558	1,953,509	62,049
Community preservation.....	2,480	59,513	(57,033)
Interest.....	651,163	415,187	235,976
Total expenses.....	<u>77,418,565</u>	<u>73,886,621</u>	<u>3,531,944</u>
<b>Excess (deficiency) before transfers.....</b>	<b>(1,615,111)</b>	<b>1,736,223</b>	<b>(3,351,334)</b>
<b>Transfers.....</b>	<b>(41,469)</b>	<b>(69,231)</b>	<b>27,762</b>
<b>Change in net position.....</b>	<b>\$ (1,656,580)</b>	<b>\$ 1,666,992</b>	<b>\$ (3,323,572)</b>

Current assets increased as a result of the issuance of debt during the fiscal year, which caused a \$4.5 million increase in the cash balance at year end. The increase in noncurrent liabilities (excluding debt) is the result of a \$3.8 million increase in the OPEB liability. General government expenses decreased due to \$412,000 of lower operating expenses for flood mitigation, Pier 44, Greenbush Village and MBTA Streetscape, all of which the Town classifies as general government. The increase in public works expenses is the result of increased expenses of \$525,000 for storm cleanup, \$245,000 for equipment rentals, \$316,000 for wind turbine operating expenses and \$188,000 for engineering services.

### Business-type Activities

The following chart provides a summary of Business-type activities financial data for fiscal year 2013, with comparative fiscal 2012 information.

	<b>FY2013</b>		<b>FY2012</b>		<b>Increase/ Decrease</b>
	<b>Business-type</b>		<b>Business-type</b>		
	<b>Activities</b>		<b>Activities</b>		<b>Decrease</b>
<b>Assets:</b>					
Current assets.....	\$ 10,128,983	\$	12,952,609	\$	(2,823,626)
Noncurrent assets (excluding capital).....	8,257,816		9,118,085		(860,269)
Capital assets.....	60,096,194		58,675,537		1,420,657
Total assets.....	<b>78,482,993</b>		<b>80,746,231</b>		<b>(2,263,238)</b>
<b>Liabilities:</b>					
Current liabilities (excluding debt).....	1,324,176		2,141,072		(816,896)
Noncurrent liabilities (excluding debt).....	2,048,273		1,920,461		127,812
Current debt.....	3,500,366		7,853,000		(4,352,634)
Noncurrent debt.....	30,557,908		28,029,774		2,528,134
Total liabilities.....	<b>37,430,723</b>		<b>39,944,307</b>		<b>(2,513,584)</b>
<b>Net Position:</b>					
Net invested in capital assets.....	27,524,735		26,572,988		951,747
Unrestricted.....	13,527,535		14,228,936		(701,401)
Total net position.....	<b>\$ 41,052,270</b>	\$	<b>40,801,924</b>	\$	<b>250,346</b>
<b>Program revenues:</b>					
Charges for services.....	\$ 8,297,174	\$	7,971,694	\$	325,480
Operating grants and contributions.....	1,725		16,237		(14,512)
Capital grants and contributions.....	188,126		692,556		(504,430)
Total revenues.....	<b>8,487,025</b>		<b>8,680,487</b>		<b>(193,462)</b>
<b>Expenses:</b>					
Water.....	2,638,627		2,567,621		71,006
Sewer.....	2,735,738		2,962,259		(226,521)
Transfer station.....	958,265		1,015,410		(57,145)
Widows Walk golf course.....	1,083,881		1,045,083		38,798
Waterways.....	861,637		934,540		(72,903)
Total expenses.....	<b>8,278,148</b>		<b>8,524,913</b>		<b>(246,765)</b>
<b>Excess (deficiency) before transfers.....</b>	<b>208,877</b>		<b>155,574</b>		<b>53,303</b>
<b>Transfers.....</b>	<b>41,469</b>		<b>69,231</b>		<b>(27,762)</b>
<b>Change in net position.....</b>	<b>\$ 250,346</b>	\$	<b>224,805</b>	\$	<b>25,541</b>

At the end of the current fiscal year, the Town reports \$41.1 million in net position for its combined business-type activities. Of this balance, \$27.5 million reflects the Town's investment in capital assets of the enterprise funds less debt outstanding related to the construction of those assets.

There was a net increase of \$250,000 in net position reported in connection with the Town's business-type activities (enterprise funds). The changes by fund are listed in the following table:

	<b>FY2013 Net Position</b>	<b>FY2012 Net Position</b>	<b>Change in Net Position</b>
<b>Net Position:</b>			
Water.....	\$ 10,722,668	\$ 10,568,839	\$ 153,829
Sewer.....	25,065,662	25,384,627	(318,965)
Transfer station.....	378,950	137,161	241,789
Widows Walk golf course.....	727,460	616,287	111,173
Waterways.....	<u>4,157,530</u>	<u>4,095,010</u>	<u>62,520</u>
 Total Net Position.....	 <u>\$ 41,052,270</u>	 <u>\$ 40,801,924</u>	 <u>\$ 250,346</u>

The water enterprise fund reported a slight increase in net position of \$154,000 (1%). Enterprise funds are budgeted to recoup 100% of the operating costs, so a 1% increase is reasonable.

The sewer enterprise fund reported a decrease in net position of \$319,000 (1%). This slight decrease was due to lower subsidy payment on Massachusetts Water Pollution Abatement Trust (MWPAT) debt.

The transfer station fund reported an increase of \$242,000 in net position. This increase was due to favorable budgetary results where revenues came in higher than budgeted and expenditures were less than budgeted.

The Widow's Walk golf course fund reported an \$111,000 (18%) increase in net position. This increase was due to expenses being lower than budgeted.

The waterway's enterprise fund reported a \$63,000 (2%) increase in net position. This slight increase was due to the decreased expenditures related to the marina expansion and dredging projects which began in 2012 and ended in 2013.

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26.3 million, of which \$9.4 million is for the general fund, \$7.3 million is for community preservation fund, \$993,000 is for the affordable housing fund, and \$8.6 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$3.9 million in fund balances from the prior year.

The *general fund* is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7 million, while total fund balance was \$9.4 million. As a measure of the general fund's

liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the *general fund* increased by \$834,000, which was primarily due to positive budgetary results. General fund revenues exceeded the budget by approximately \$408,000 and expenditures were less than budgeted by approximately \$1.9 million. Within the general fund in the fund financial statements, the Town also reports the activity of the Stabilization Fund and the Worker's Compensation Trust Fund which reported year end balances of approximately \$2.2 million and \$370,000, respectively.

The *Community Preservation Act Fund* had a fund balance at June 30, 2013 of \$7.3 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The Community Preservation Act's fund balance increased by \$917,000 in fiscal year 2013. This was the net result of \$1.1 million in taxes collected, \$382,000 in state matching funds, and \$597,000 in expenditures on community preservation projects.

The *Affordable Housing Fund* had a fund balance at June 30, 2013 of \$993,000. This fund reported \$188,000 of revenue related to the sale of a foreclosed home, investment income and \$18,000 in expenditures which represent the activity of the Town's affordable housing program. This program assists qualifying homeowners with down payment programs.

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

The initial fiscal year 2013 operating budget consisted of \$60.2 million in appropriations and \$1.6 million in articles and encumbrances carried over from prior years. The increase between the original budget and the final amended budget was primarily due to supplemental appropriations to use \$2.5 million of available funds (free cash) to fund the feasibility study at Gates Middle School, complete security measures at the public schools, police and fire overtime, to create a capital stabilization fund and to cover costs associated with unprecedented weather events during fiscal year 2013. The final budget included the use of free cash (available fund balance) totaling \$1.5 million. Actual revenues came in over budget by approximately \$408,000, and actual expenditures came in under budget by approximately \$1.9 million, of this balance, the Town reserved \$2.3 million in articles and encumbrances for spending in subsequent fiscal years.

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

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's major capital additions for fiscal year 2013 included sewer infrastructure and water mains in the enterprise funds. The Town also purchased a new ambulance, made sidewalk improvements, and made security upgrades in the schools. Within the governmental activities, capital improvements totaled \$3.5 million.

The Town had \$225,000 in governmental BAN's and \$311,000 in business-type BAN's outstanding as of June 30, 2013.

Outstanding governmental long-term debt, as of June 30, 2013, totaled \$17.3 million, of which approximately \$11.4 million relates to various school construction projects, and \$859,000 relates to construction of seawalls leaving a balance of approximately \$5 million for other various projects.

The enterprise funds reported \$23 million in sewer debt, \$5.3 million in water debt, \$543,000 in transfer station debt, \$1.4 million in Widow's Walk golf course debt and \$3.5 million in waterways debt. Approximately \$1.6 million of the sewer debt is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust.

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

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

This financial report is designed to provide a general overview of the Town of Scituate's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Municipal Finance, Town Hall, 600 Chief Justice Cushing Way, Scituate, Massachusetts 02360.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 28,932,132	\$ 6,856,686	\$ 35,788,818
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	933,769	-	933,769
Tax liens.....	1,211,568	92,729	1,304,297
Motor vehicle and other excise taxes.....	231,595	-	231,595
User fees.....	-	1,717,438	1,717,438
Departmental and other.....	200,919	-	200,919
Special assessments.....	76,947	518,000	594,947
Intergovernmental.....	627,040	888,716	1,515,756
Tax foreclosures.....	243,113	-	243,113
Inventory.....	-	55,414	55,414
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	1,331,985	1,331,985
Special assessments.....	-	6,925,831	6,925,831
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	19,655,009	9,945,330	29,600,339
Depreciable.....	50,789,782	50,150,864	100,940,646
<b>TOTAL ASSETS.....</b>	<b>102,901,874</b>	<b>78,482,993</b>	<b>181,384,867</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,683,665	658,974	2,342,639
Accrued liabilities.....	1,102,214	-	1,102,214
Tax refunds payable.....	31,000	-	31,000
Accrued interest.....	170,239	373,649	543,888
Abandoned property.....	50,243	-	50,243
Other liabilities.....	174,446	99,903	274,349
Capital lease obligations.....	-	29,150	29,150
Landfill closure.....	-	69,000	69,000
Compensated absences.....	1,429,300	93,500	1,522,800
Notes payable.....	225,000	311,000	536,000
Bonds payable.....	1,767,879	3,189,366	4,957,245
<b>NONCURRENT:</b>			
Capital lease obligations.....	-	41,567	41,567
Landfill closure.....	-	1,181,000	1,181,000
Compensated absences.....	325,314	30,824	356,138
Other postemployment benefits.....	17,149,529	794,882	17,944,411
Bonds payable.....	15,484,278	30,557,908	46,042,186
<b>TOTAL LIABILITIES.....</b>	<b>39,593,107</b>	<b>37,430,723</b>	<b>77,023,830</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	56,560,454	27,524,735	84,085,189
Restricted for:			
Permanent funds:			
Expendable.....	430,117	-	430,117
Nonexpendable.....	27,051	-	27,051
Grants and Gifts.....	8,364,230	-	8,364,230
Unrestricted.....	(2,073,085)	13,527,535	11,454,450
<b>TOTAL NET POSITION.....</b>	<b>\$ 63,308,767</b>	<b>\$ 41,052,270</b>	<b>\$ 104,361,037</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,791,027	\$ 685,283	\$ 343,187	\$ -	\$ (2,762,557)
Public safety.....	11,893,978	1,436,056	146,289	-	(10,311,633)
Education.....	51,771,927	1,989,005	14,616,774	14,008	(35,152,140)
Public works.....	6,166,961	497,826	66,000	562,853	(5,040,282)
Human services.....	1,125,471	83,797	37,028	-	(1,004,646)
Culture and recreation.....	2,015,558	408,533	11,387	-	(1,595,638)
Community preservation.....	2,480	-	-	381,563	379,083
Interest.....	651,163	-	-	-	(651,163)
<b>Total Governmental Activities.....</b>	<b>77,418,565</b>	<b>5,100,500</b>	<b>15,220,665</b>	<b>958,424</b>	<b>(56,138,976)</b>
<i>Business-Type Activities:</i>					
Water.....	2,638,627	3,031,977	-	-	393,350
Sewer.....	2,735,738	1,778,510	-	188,126	(769,102)
Transfer Station.....	958,265	1,228,419	-	-	270,154
Golf.....	1,083,881	1,244,651	-	-	160,770
Waterways.....	861,637	1,013,617	1,725	-	153,705
<b>Total Business-Type Activities.....</b>	<b>8,278,148</b>	<b>8,297,174</b>	<b>1,725</b>	<b>188,126</b>	<b>208,877</b>
<b>Total Primary Government.....</b>	<b>\$ 85,696,713</b>	<b>\$ 13,397,674</b>	<b>\$ 15,222,390</b>	<b>\$ 1,146,550</b>	<b>\$ (55,930,099)</b>

(Continued)

See notes to basic financial statements.

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b><u>(56,138,976)</u></b>	<b><u>208,877</u></b>	<b><u>(55,930,099)</u></b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	47,975,280	-	47,975,280.00
Tax liens.....	27,344	-	27,344.00
Motor vehicle and other excise taxes.....	2,530,107	-	2,530,107.00
Community preservation tax.....	1,105,543	-	1,105,543.00
Penalties and interest on taxes.....	447,439	-	447,439.00
Grants and contributions not restricted to specific programs.....	1,806,527	-	1,806,527.00
Unrestricted investment income.....	55,527	-	55,527.00
Miscellaneous.....	576,098	-	576,098.00
<i>Transfers, net</i> .....	<u>(41,469)</u>	<u>41,469</u>	<u>-</u>
Total general revenues and transfers.....	<u>54,482,396</u>	<u>41,469</u>	<u>54,523,865</u>
Change in net position.....	(1,656,580)	250,346	(1,406,234)
<i>Net Position:</i>			
Beginning of year.....	<u>64,965,347</u>	<u>40,801,924</u>	<u>105,767,271</u>
End of year..... \$	<u><u>63,308,767</u></u>	<u><u>41,052,270</u></u>	<u><u>104,361,037</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2013

<b>ASSETS</b>	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments.....	\$ 11,312,863	\$ 7,010,690	\$ 992,737	\$ 9,615,842	\$ 28,932,132
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	921,057	12,712	-	-	933,769
Tax liens.....	1,190,189	21,379	-	-	1,211,568
Motor vehicle and other excise taxes.....	231,595	-	-	-	231,595
Departmental and other.....	200,919	-	-	-	200,919
Special assessments.....	65,245	-	-	11,702	76,947
Intergovernmental.....	-	293,000	-	334,040	627,040
Tax foreclosures.....	243,113	-	-	-	243,113
<b>TOTAL ASSETS.....</b>	<b>\$ 14,164,981</b>	<b>\$ 7,337,781</b>	<b>\$ 992,737</b>	<b>\$ 9,961,584</b>	<b>\$ 32,457,083</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 911,550	\$ 10,625	\$ -	\$ 761,490	\$ 1,683,665
Accrued liabilities.....	1,102,214	-	-	-	1,102,214
Tax refunds payable.....	31,000	-	-	-	31,000
Abandoned property.....	50,243	-	-	-	50,243
Deferred revenues.....	2,528,117	34,092	-	345,741	2,907,950
Unearned revenue.....	174,446	-	-	-	174,446
Notes payable.....	-	-	-	225,000	225,000
<b>TOTAL LIABILITIES.....</b>	<b>4,797,570</b>	<b>44,717</b>	<b>-</b>	<b>1,332,231</b>	<b>6,174,518</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	27,051	27,051
Restricted.....	84,518	7,293,064	992,737	8,779,510	17,149,829
Committed.....	959,038	-	-	-	959,038
Assigned.....	1,308,703	-	-	-	1,308,703
Unassigned.....	7,015,152	-	-	(177,208)	6,837,944
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>9,367,411</b>	<b>7,293,064</b>	<b>992,737</b>	<b>8,629,353</b>	<b>26,282,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 14,164,981</b>	<b>\$ 7,337,781</b>	<b>\$ 992,737</b>	<b>\$ 9,961,584</b>	<b>\$ 32,457,083</b>

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....		\$ 26,282,565
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		70,444,791
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		2,907,950
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(170,239)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(17,252,157)	
Postemployment benefits.....	(17,149,529)	
Compensated absences.....	(1,754,614)	
Net effect of reporting long-term liabilities.....		(36,156,300)
Net position of governmental activities.....		\$ 63,308,767

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2013

	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 47,666,579	\$ -	\$ -	\$ -	\$ 47,666,579
Motor vehicle and other excise taxes.....	2,449,218	-	-	-	2,449,218
Penalties and interest.....	348,212	3,753	-	-	351,965
Fees.....	1,338,592	-	-	-	1,338,592
Licenses and permits.....	637,653	-	-	242,790	880,443
Fines and forfeitures.....	95,779	-	-	-	95,779
Intergovernmental.....	14,221,002	381,581	-	3,083,102	17,685,685
Departmental and other.....	267,798	-	188,293	3,286,390	3,742,481
Community Preservation surtax.....	-	1,108,110	-	-	1,108,110
Contributions.....	-	-	-	197,296	197,296
Investment income.....	38,353	20,969	1,792	15,402	76,516
<b>TOTAL REVENUES.....</b>	<b>67,063,186</b>	<b>1,514,413</b>	<b>190,085</b>	<b>6,824,980</b>	<b>75,592,664</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,402,369	-	17,640	351,666	2,771,675
Public safety.....	8,020,373	-	-	384,218	8,404,591
Education.....	31,186,793	-	-	5,174,870	36,361,663
Public works.....	4,157,928	-	-	1,574,861	5,732,789
Human services.....	530,629	-	-	87,804	618,433
Culture and recreation.....	1,081,660	-	-	412,996	1,494,656
Community preservation.....	-	597,218	-	-	597,218
Pension benefits.....	10,963,813	-	-	-	10,963,813
Employee benefits.....	5,730,351	-	-	65,016	5,795,367
State and county charges.....	445,762	-	-	-	445,762
Debt service:					
Principal.....	1,413,858	-	-	-	1,413,858
Interest.....	488,798	-	-	-	488,798
<b>TOTAL EXPENDITURES.....</b>	<b>66,422,334</b>	<b>597,218</b>	<b>17,640</b>	<b>8,051,431</b>	<b>75,088,623</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>640,852</b>	<b>917,195</b>	<b>172,445</b>	<b>(1,226,451)</b>	<b>504,041</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	-	3,403,000	3,403,000
Transfers in.....	940,174	-	-	-	940,174
Transfers out.....	(746,994)	-	-	(234,649)	(981,643)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>193,180</b>	<b>-</b>	<b>-</b>	<b>3,168,351</b>	<b>3,361,531</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>834,032</b>	<b>917,195</b>	<b>172,445</b>	<b>1,941,900</b>	<b>3,865,572</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>8,533,379</b>	<b>6,375,869</b>	<b>820,292</b>	<b>6,687,453</b>	<b>22,416,993</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,367,411</b>	<b>\$ 7,293,064</b>	<b>\$ 992,737</b>	<b>\$ 8,629,353</b>	<b>\$ 26,282,565</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds.....		\$ 3,865,572
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	3,521,008	
Depreciation expense.....	<u>(3,309,427)</u>	
Net effect of reporting capital assets.....		211,581
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		210,790
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(3,403,000)	
Debt service principal payments.....	<u>1,413,858</u>	
Net effect of reporting long-term debt.....		(1,989,142)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	13,260	
Net change in accrued interest on long-term debt.....	(162,365)	
Net change in postemployment benefit accrual.....	<u>(3,806,276)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,955,381)</u>
Change in net position of governmental activities.....		\$ <u><u>(1,656,580)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....\$	1,889,547	2,702,985	813,265	146,079	1,304,810	6,856,686
Receivables, net of allowance for uncollectibles:						
User fees.....	1,232,947	484,491	-	-	-	1,717,438
Water and sewer liens.....	35,432	57,297	-	-	-	92,729
Special assessments.....	-	518,000	-	-	-	518,000
Intergovernmental.....	-	888,716	-	-	-	888,716
Inventory.....	-	-	-	55,414	-	55,414
Total current assets.....	<u>3,157,926</u>	<u>4,651,489</u>	<u>813,265</u>	<u>201,493</u>	<u>1,304,810</u>	<u>10,128,983</u>
<b>NONCURRENT:</b>						
Receivables, net of allowance for uncollectibles:						
Intergovernmental.....	-	1,331,985	-	-	-	1,331,985
Special assessments.....	-	6,925,831	-	-	-	6,925,831
Capital assets, net of accumulated depreciation:						
Nondepreciable.....	411,673	5,858,657	-	-	3,675,000	9,945,330
Depreciable.....	12,912,385	30,629,067	1,539,004	2,216,232	2,854,176	50,150,864
Total noncurrent assets.....	<u>13,324,058</u>	<u>44,745,540</u>	<u>1,539,004</u>	<u>2,216,232</u>	<u>6,529,176</u>	<u>68,354,010</u>
<b>TOTAL ASSETS.....</b>	<b><u>16,481,984</u></b>	<b><u>49,397,029</u></b>	<b><u>2,352,269</u></b>	<b><u>2,417,725</u></b>	<b><u>7,833,986</u></b>	<b><u>78,482,993</u></b>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	56,607	516,415	55,635	11,376	18,941	658,974
Accrued interest.....	56,661	249,251	7,141	17,975	42,621	373,649
Other liabilities.....	-	-	-	99,903	-	99,903
Capital lease obligations.....	-	-	-	29,150	-	29,150
Landfill closure.....	-	-	69,000	-	-	69,000
Compensated absences.....	32,700	29,200	16,500	-	15,100	93,500
Notes payable.....	-	311,000	-	-	-	311,000
Bonds payable.....	525,736	1,941,630	57,000	330,000	335,000	3,189,366
Total current liabilities.....	<u>671,704</u>	<u>3,047,496</u>	<u>205,276</u>	<u>488,404</u>	<u>411,662</u>	<u>4,824,542</u>
<b>NONCURRENT:</b>						
Capital lease obligations.....	-	-	-	41,567	-	41,567
Landfill closure.....	-	-	1,181,000	-	-	1,181,000
Compensated absences.....	11,584	4,456	7,583	-	7,201	30,824
Other postemployment benefits.....	325,762	172,773	93,460	80,294	122,593	794,882
Bonds payable.....	4,750,266	21,106,642	486,000	1,080,000	3,135,000	30,557,908
Total noncurrent liabilities.....	<u>5,087,612</u>	<u>21,283,871</u>	<u>1,768,043</u>	<u>1,201,861</u>	<u>3,264,794</u>	<u>32,606,181</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>5,759,316</u></b>	<b><u>24,331,367</u></b>	<b><u>1,973,319</u></b>	<b><u>1,690,265</u></b>	<b><u>3,676,456</u></b>	<b><u>37,430,723</u></b>
<b>NET POSITION</b>						
Net investment in capital assets.....	8,675,704	13,846,900	999,504	735,515	3,267,112	27,524,735
Unrestricted.....	2,046,964	11,218,762	(620,554)	(8,055)	890,418	13,527,535
<b>TOTAL NET POSITION (DEFICITS).....\$</b>	<b><u>10,722,668</u></b>	<b><u>25,065,662</u></b>	<b><u>378,950</u></b>	<b><u>727,460</u></b>	<b><u>4,157,530</u></b>	<b><u>41,052,270</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>OPERATING REVENUES:</b>						
Charges for services .....	\$ 3,010,554	\$ 1,448,559	\$ 1,225,957	\$ 1,244,218	\$ 864,324	\$ 7,793,612
Penalties and interest.....	17,663	323,854	-	-	-	341,517
Other.....	-	-	-	-	146,013	146,013
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,028,217</b>	<b>1,772,413</b>	<b>1,225,957</b>	<b>1,244,218</b>	<b>1,010,337</b>	<b>8,281,142</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration .....	1,979,084	1,063,488	861,183	829,869	408,423	5,142,047
Depreciation.....	493,014	886,855	73,457	186,047	303,690	1,943,063
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,472,098</b>	<b>1,950,343</b>	<b>934,640</b>	<b>1,015,916</b>	<b>712,113</b>	<b>7,085,110</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>556,119</b>	<b>(177,930)</b>	<b>291,317</b>	<b>228,302</b>	<b>298,224</b>	<b>1,196,032</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income/(loss).....	3,760	6,097	2,462	433	3,280	16,032
Interest expense.....	(166,529)	(785,395)	(23,625)	(67,965)	(149,524)	(1,193,038)
Intergovernmental.....	-	188,126	-	-	-	188,126
Capital contributions.....	-	-	-	-	1,725	1,725
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(162,769)</b>	<b>(591,172)</b>	<b>(21,163)</b>	<b>(67,532)</b>	<b>(144,519)</b>	<b>(987,155)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>393,350</b>	<b>(769,102)</b>	<b>270,154</b>	<b>160,770</b>	<b>153,705</b>	<b>208,877</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	646,994	100,000	-	-	746,994
Transfers out.....	(239,521)	(196,857)	(128,365)	(49,597)	(91,185)	(705,525)
<b>TOTAL TRANSFERS.....</b>	<b>(239,521)</b>	<b>450,137</b>	<b>(28,365)</b>	<b>(49,597)</b>	<b>(91,185)</b>	<b>41,469</b>
<b>CHANGE IN NET POSITION.....</b>	<b>153,829</b>	<b>(318,965)</b>	<b>241,789</b>	<b>111,173</b>	<b>62,520</b>	<b>250,346</b>
<b>NET POSITION (DEFICITS) AT BEGINNING OF YEAR....</b>	<b>10,568,839</b>	<b>25,384,627</b>	<b>137,161</b>	<b>616,287</b>	<b>4,095,010</b>	<b>40,801,924</b>
<b>NET POSITION (DEFICITS) AT END OF YEAR..... \$</b>	<b>10,722,668</b>	<b>25,065,662</b>	<b>378,950</b>	<b>727,460</b>	<b>4,157,530</b>	<b>41,052,270</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

Business-type Activities - Enterprise Funds						
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 2,780,883	\$ 1,750,139	\$ 1,225,957	\$ 1,244,218	\$ 1,010,337	\$ 8,011,534
Payments to vendors.....	(1,469,274)	(603,810)	(688,582)	(674,821)	(136,117)	(3,572,604)
Payments to employees.....	(700,889)	(416,570)	(203,310)	(170,212)	(240,914)	(1,731,895)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>610,720</b>	<b>729,759</b>	<b>334,065</b>	<b>399,185</b>	<b>633,306</b>	<b>2,707,035</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	646,994	100,000	-	-	746,994
Transfers out.....	(239,521)	(196,857)	(128,365)	(49,597)	(91,185)	(705,525)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(239,521)</b>	<b>450,137</b>	<b>(28,365)</b>	<b>(49,597)</b>	<b>(91,185)</b>	<b>41,469</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes.....	328,500	3,050,468	-	-	-	3,378,968
Acquisition and construction of capital assets.....	(780,201)	(2,712,571)	(105,471)	(35,079)	(59,148)	(3,692,470)
Principal payments on bonds and notes.....	(388,000)	(1,257,208)	(57,000)	(320,000)	(335,000)	(2,357,208)
Interest expense.....	(179,249)	(583,688)	(24,417)	(71,432)	(153,986)	(1,012,772)
Capital contributions.....	-	663,816	-	-	1,725	665,541
Capital lease payments.....	-	-	-	5,689	-	5,689
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,018,950)</b>	<b>(839,183)</b>	<b>(186,888)</b>	<b>(420,822)</b>	<b>(546,409)</b>	<b>(3,012,252)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income/(loss).....	3,760	6,097	2,462	433	3,280	16,032
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(643,991)</b>	<b>346,810</b>	<b>121,274</b>	<b>(70,801)</b>	<b>(1,008)</b>	<b>(247,716)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>2,533,538</b>	<b>2,356,175</b>	<b>691,991</b>	<b>216,880</b>	<b>1,305,818</b>	<b>7,104,402</b>
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....</b>	<b>\$ 1,889,547</b>	<b>\$ 2,702,985</b>	<b>\$ 813,265</b>	<b>\$ 146,079</b>	<b>\$ 1,304,810</b>	<b>\$ 6,856,686</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 556,119	\$ (177,930)	\$ 291,317	\$ 228,302	\$ 298,224	\$ 1,196,032
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	493,014	886,855	73,457	186,047	303,690	1,943,063
Changes in assets and liabilities:						
Water and sewer liens.....	(7,024)	(6,194)	-	-	-	(13,218)
User fees.....	(240,310)	(16,080)	-	-	-	(256,390)
Inventory.....	-	-	-	(9,722)	-	(9,722)
Warrants payable.....	(263,884)	(963)	6,883	(8,171)	5,283	(260,852)
Other postemployment benefits.....	72,302	38,346	20,743	17,821	27,209	176,421
Accrued liabilities.....	-	-	-	(15,092)	-	(15,092)
Landfill closure.....	-	-	(62,000)	-	-	(62,000)
Accrued compensated absences.....	503	5,725	3,665	-	(1,100)	8,793
Total adjustments.....	54,601	907,689	42,748	170,883	335,082	1,511,003
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 610,720</b>	<b>\$ 729,759</b>	<b>\$ 334,065</b>	<b>\$ 399,185</b>	<b>\$ 633,306</b>	<b>\$ 2,707,035</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Amortization of debt premium.....	\$ 15,721	\$ -	\$ -	\$ -	\$ -	\$ 15,721
Intergovernmental subsidy of debt service.....	\$ -	\$ 500,352	\$ -	\$ -	\$ -	\$ 500,352

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds	Other Postemployment Benefits Fund
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 252,835	\$ 784,092	\$ 209,220
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	55,518	-
<b>TOTAL ASSETS</b> .....	<u>252,835</u>	<u>839,610</u>	<u>209,220</u>
<b>LIABILITIES</b>			
Warrants payable.....	-	32,696	-
Liabilities due depositors.....	-	796,647	-
Other liabilities.....	-	30,000	-
Deferred revenue.....	-	55,518	-
<b>TOTAL LIABILITIES</b> .....	<u>-</u>	<u>914,861</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for OPEB and other purposes.....	<u>\$ 252,835</u>	<u>\$ -</u>	<u>\$ 209,220</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Other Postemployment Benefits Fund</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer.....	\$ -	\$ 208,900
Net investment income (loss):		
Interest.....	269	320
TOTAL ADDITIONS.....	<u>269</u>	<u>209,220</u>
<u>DEDUCTIONS:</u>		
Educational scholarships.....	<u>22,825</u>	<u>-</u>
CHANGE IN NET POSITION.....	(22,556)	209,220
NET POSITION AT BEGINNING OF YEAR.....	<u>275,391</u>	<u>-</u>
NET POSITION AT END OF YEAR.....	<u>\$ 252,835</u>	<u>\$ 209,220</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Scituate, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

**A. Reporting Entity**

The Town of Scituate, Massachusetts is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has not identified any component units requiring inclusion in these basic financial statements.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the water, sewer, transfer station, Widow's Walk golf course and waterways enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is used to account for funds received in accordance with the Massachusetts Community Preservation Act (the "CPA"). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. These funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

The *affordable housing fund* is used to account for funds associated with the Town's affordable housing program, which assists qualifying homeowners with down payment programs.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *transfer station enterprise fund* is used to account for user fees and costs associated with the Town's pay-as-you-throw facility for household refuse.

The *Widow's Walk golf course enterprise fund* is used to account for the operations of the Town's golf course facility, which is maintained through the collection of user fees.

The *waterways enterprise fund* is used to account for user fees and costs associated with the protection, tracking, oversight, and usage of waterways surrounding or within the Town's borders. Fees are primarily derived from public marina slips and moorings maintained by the Town.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity by the Town and uses the accrual basis of accounting but has no measurement focus.

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate Taxes, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Motor Vehicle and Other Excise Taxes***

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

Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

#### ***User Fees***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

#### ***Departmental and Other***

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Special Assessments***

The costs incurred on completed special projects that have been assessed to the benefited taxpayers which have not been paid.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

#### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**F. Inventories**

*Government-Wide and Fund Financial Statements*

Inventories of the Governmental Funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Inventories of the Golf Enterprise Fund are carried at average cost.

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases in excess of \$5,000 are capitalized at the date of acquisition with expected useful life of greater than two year. Construction costs in excess of \$150,000 are capitalized at the date of construction with expected useful lives of greater than two year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Structure and improvements.....	20-50
Buildings.....	30-40
Machinery and equipment.....	3-10
Infrastructure.....	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

#### H. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

#### I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

##### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

##### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

#### J. Interfund Transfers

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

##### *Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

##### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### K. Deferred Revenue

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

### L. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority which is an approved article at Town Meeting.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### M. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### N. Investment Income

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

#### O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

## P. Use of Estimates

### *Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## Q. Individual Fund Deficits

An individual fund deficit exists in the Highway Improvements fund and School Lunch fund. These deficits will be funded through grants and available funds in the future fiscal years.

## R. Total Column

### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Scituate's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$33,500,136 and the bank balance totaled \$34,635,638. Of the bank balance, \$1,750,014 was covered by Federal Depository Insurance, \$6,138,365 was covered by the Depositors Insurance Fund, \$13,473,864 was collateralized, and \$13,273,395 was uninsured and uncollateralized.

### Investments

As of June 30, 2013, the Town's investments consisted solely of its investment with MMDT in the amount of \$3,534,829. This investment is not rated.

MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town's investment policy requires the Treasurer to review, on a quarterly basis, the Call Reports and/or the Uniform Bank Performance Report of any institution, conducting business with the Town, receiving a "Yellow" classification or receiving less than three stars on the previous quarter's Veribanc report. As of June 30, 2013, the Town does not have custodial credit risk for its investments since MMDT deposits are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

### Interest Rate Risk

Investments are limited to the MMDT Cash Fund whose assets are managed to maintain a dollar-weighted average portfolio maturity of 90 days or less. The Town's investment policy limits investment maturities to seven years maintaining an average maturity no greater than three years for the portfolio.

### Credit Risk

The Town's investment policy limits investing in corporate debt to a rating of "A" or better by either S&P or Moody's rating services. During the fiscal year the Town limited its investments to certificates of deposits, money market accounts, bank deposits and the MMDT. The MMDT funds are unrated.

### Concentration of Credit Risk

The Town's investment policy allows the treasurer to invest an unlimited amount in MMDT, US Treasury Obligations, US Agency Obligations or bank accounts and CD's with final maturity no greater than one year from date of purchase and they are fully collateralized or covered by FDIC, DIF or SIF insurance. The Treasurer may invest in uninsured or unsecured bank accounts or CD's with a maturity of no greater than one year from the date of purchase, however the uninsured portion at any one institution cannot exceed 5% of the institution's total deposits reflected on the bank's last filed FDIC Call Report and no more than 35% of the Town's funds may be held in uninsured accounts.

**NOTE 3 – RECEIVABLES**

At June 30, 2013, receivables for the individual major governmental funds, nonmajor governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 998,064	\$ (64,295)	\$ 933,769
Tax liens.....	1,211,568	-	1,211,568
Motor vehicle and other excise taxes.....	544,223	(312,628)	231,595
Departmental and other.....	830,334	(629,415)	200,919
Special assessments.....	76,947	-	76,947
Intergovernmental.....	627,040	-	627,040
Total.....	<u>\$ 4,288,176</u>	<u>\$ (1,006,338)</u>	<u>\$ 3,281,838</u>

At June 30, 2013, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,717,438	\$ -	\$ 1,717,438
Water and sewer liens.....	92,729	-	92,729
Special assessments.....	518,000	-	518,000
Intergovernmental.....	888,716	-	888,716
Total.....	<u>\$ 3,216,883</u>	<u>\$ -</u>	<u>\$ 3,216,883</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation Funds	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes....	\$ 577,392	\$ 21,379	\$ -	\$ 598,771
Tax liens.....	1,209,853	-	-	1,209,853
Motor vehicle and other excise taxes.....	231,595	-	-	231,595
Departmental and other.....	200,919	12,713	-	213,632
Special assessments.....	65,245	-	11,702	76,947
Intergovernmental.....	-	-	334,039	334,039
Tax foreclosures.....	243,113	-	-	243,113
Total.....	<u>\$ 2,528,117</u>	<u>\$ 34,092</u>	<u>\$ 345,741</u>	<u>\$ 2,907,950</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 18,813,593	\$ 20,000	\$ -	\$ 18,833,593
Construction in progress.....	2,009,717	459,604	(1,647,905)	821,416
Total capital assets not being depreciated.....	<u>20,823,310</u>	<u>479,604</u>	<u>(1,647,905)</u>	<u>19,655,009</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,077,222	593,629	-	6,670,851
Buildings and building improvements.....	42,339,544	383,419	-	42,722,963
Machinery and equipment.....	11,035,907	1,086,609	-	12,122,516
Infrastructure.....	20,673,993	1,742,287	-	22,416,280
Vehicles.....	3,268,765	883,365	-	4,152,130
Total capital assets being depreciated.....	<u>83,395,431</u>	<u>4,689,309</u>	<u>-</u>	<u>88,084,740</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,275,827)	(269,241)	-	(1,545,068)
Buildings and building improvements.....	(10,595,422)	(1,264,185)	-	(11,859,607)
Machinery and equipment.....	(9,317,400)	(587,743)	-	(9,905,143)
Infrastructure.....	(10,176,170)	(824,603)	-	(11,000,773)
Vehicles.....	(2,620,712)	(363,655)	-	(2,984,367)
Total accumulated depreciation.....	<u>(33,985,531)</u>	<u>(3,309,427)</u>	<u>-</u>	<u>(37,294,958)</u>
Total capital assets being depreciated, net.....	<u>49,409,900</u>	<u>1,379,882</u>	<u>-</u>	<u>50,789,782</u>
Total governmental activities capital assets, net.....	<u>\$ 70,233,210</u>	<u>\$ 1,859,486</u>	<u>\$ (1,647,905)</u>	<u>\$ 70,444,791</u>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 414,300	\$ 272,070	\$ (274,697)	\$ 411,673
Total capital assets not being depreciated.....	414,300	272,070	(274,697)	411,673
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	9,500	-	-	9,500
Machinery and equipment.....	256,621	185,947	-	442,568
Vehicles.....	321,893	31,288	-	353,181
Infrastructure.....	23,362,037	384,954	-	23,746,991
Total capital assets being depreciated.....	23,950,051	602,189	-	24,552,240
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,498)	(241)	-	(2,739)
Machinery and equipment.....	(182,795)	(20,873)	-	(203,668)
Vehicles.....	(194,376)	(25,158)	-	(219,534)
Infrastructure.....	(10,767,172)	(446,742)	-	(11,213,914)
Total accumulated depreciation.....	(11,146,841)	(493,014)	-	(11,639,855)
Total capital assets being depreciated, net.....	12,803,210	109,175	-	12,912,385
Total business-type activities capital assets, net.....	\$ 13,217,510	\$ 381,245	\$ (274,697)	\$ 13,324,058

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 3,351,607	\$ 2,519,467	\$ (12,417)	\$ 5,858,657
Total capital assets not being depreciated.....	<u>3,351,607</u>	<u>2,519,467</u>	<u>(12,417)</u>	<u>5,858,657</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	20,200	-	-	20,200
Machinery and equipment.....	352,000	12,417	-	364,417
Vehicles.....	203,100	26,237	-	229,337
Infrastructure.....	42,850,105	68,759	-	42,918,864
Total capital assets being depreciated.....	<u>43,425,405</u>	<u>107,413</u>	<u>-</u>	<u>43,532,818</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(4,545)	(1,011)	-	(5,556)
Machinery and equipment.....	(91,520)	(1,320)	-	(92,840)
Vehicles.....	(193,677)	(6,393)	-	(200,070)
Infrastructure.....	(11,727,154)	(878,131)	-	(12,605,285)
Total accumulated depreciation.....	<u>(12,016,896)</u>	<u>(886,855)</u>	<u>-</u>	<u>(12,903,751)</u>
Total capital assets being depreciated, net.....	<u>31,408,509</u>	<u>(779,442)</u>	<u>-</u>	<u>30,629,067</u>
Total business-type activities capital assets, net.....	<u>\$ 34,760,116</u>	<u>\$ 1,740,025</u>	<u>\$ (12,417)</u>	<u>\$ 36,487,724</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Transfer Station:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 2,002,858	\$ -	\$ -	\$ 2,002,858
Machinery and equipment.....	685,641	105,471	-	791,112
Vehicles.....	17,585	-	-	17,585
Total capital assets being depreciated.....	<u>2,706,084</u>	<u>105,471</u>	<u>-</u>	<u>2,811,555</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(613,550)	(50,470)	-	(664,020)
Machinery and equipment.....	(568,078)	(22,987)	-	(591,065)
Vehicles.....	(17,466)	-	-	(17,466)
Total accumulated depreciation.....	<u>(1,199,094)</u>	<u>(73,457)</u>	<u>-</u>	<u>(1,272,551)</u>
Total capital assets being depreciated, net.....	<u>1,506,990</u>	<u>32,014</u>	<u>-</u>	<u>1,539,004</u>
Total business-type activities capital assets, net.....	<u>\$ 1,506,990</u>	<u>\$ 32,014</u>	<u>\$ -</u>	<u>\$ 1,539,004</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Widows Walk Golf Course:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 3,160,144	\$ -	\$ -	\$ 3,160,144
Buildings and building improvements.....	932,860	-	-	932,860
Machinery and equipment.....	1,883,077	35,079	-	1,918,156
Total capital assets being depreciated.....	5,976,081	35,079	-	6,011,160
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(460,695)	(107,866)	-	(568,561)
Buildings and building improvements.....	(1,444,911)	(32,155)	-	(1,477,066)
Machinery and equipment.....	(1,703,275)	(46,026)	-	(1,749,301)
Total accumulated depreciation.....	(3,608,881)	(186,047)	-	(3,794,928)
Total capital assets being depreciated, net.....	2,367,200	(150,968)	-	2,216,232
Total business-type activities capital assets, net.....	\$ 2,367,200	\$ (150,968)	\$ -	\$ 2,216,232
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Waterways:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in progress.....	437,500	-	(437,500)	-
Total capital assets not being depreciated.....	4,112,500	-	(437,500)	3,675,000
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,552,409	9,149	-	2,561,558
Buildings and building improvements.....	560,060	437,500	-	997,560
Machinery and equipment.....	3,219,176	-	-	3,219,176
Total capital assets being depreciated.....	6,331,645	446,649	-	6,778,294
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,595,423)	(268,883)	-	(1,864,306)
Buildings and building improvements.....	(1,834,593)	(18,195)	-	(1,852,788)
Machinery and equipment.....	(190,412)	(16,612)	-	(207,024)
Total accumulated depreciation.....	(3,620,428)	(303,690)	-	(3,924,118)
Total capital assets being depreciated, net.....	2,711,217	142,959	-	2,854,176
Total business-type activities capital assets, net.....	\$ 6,823,717	\$ 142,959	\$ (437,500)	\$ 6,529,176

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

**Governmental Activities:**

General government.....	\$	122,266
Public safety.....		246,179
Education.....		1,471,470
Public works.....		1,191,607
Human services.....		25,221
Culture and recreation.....		<u>252,684</u>

Total depreciation expense - governmental activities..... \$ 3,309,427

**Business-Type Activities:**

Water.....	\$	493,014
Sewer.....		886,855
Transfer Station.....		73,457
Widow's Walk Golf Course.....		186,047
Waterways.....		<u>303,690</u>

Total depreciation expense - business-type activities..... \$ 1,943,063

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Sewer Enterprise Fund	Transfer Station Enterprise Fund	Total
General Fund.....	\$ -	\$ 646,994	\$ 100,000	\$ 746,994
Nonmajor Governmental Funds....	234,649	-	-	234,649
Water Enterprise Fund.....	239,521	-	-	239,521
Sewer Enterprise Fund.....	196,857	-	-	196,857
Transfer Station Fund.....	128,365	-	-	128,365
Golf Enterprise Fund.....	49,597	-	-	49,597
Waterways Enterprise Fund.....	<u>91,185</u>	<u>-</u>	<u>-</u>	<u>91,185</u>
Total.....	<u>\$ 940,174</u>	<u>\$ 646,994</u>	<u>\$ 100,000</u>	<u>\$ 1,687,168</u>

Transfers represent amounts voted to fund the fiscal year 2013 operating budget, reimbursements of indirect costs of the enterprise funds and general fund debt service, capital subsidies to the water, sewer, and transfer station enterprise funds, and budgeted appropriations to nonmajor governmental funds.

**NOTE 6 – LEASES**

The Town has entered into lease agreements to finance the acquisition of equipment and golf carts for the Widow’s Walk golf course, an enterprise fund of the Town. The lease agreements that qualify as capital leases for accounting purposes have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 350,829
Less: accumulated depreciation.....	<u>(279,012)</u>
Total.....	<u>\$ 71,817</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2013:

<u>Fiscal Years Ending June 30</u>	<u>Business-Type Activities</u>
2014.....	\$ 31,557
2015.....	22,627
2016.....	15,524
2017.....	<u>7,729</u>
Total minimum lease payments.....	77,437
Less: amounts representing interest.....	<u>(6,720)</u>
Present value of minimum lease payments.....	<u>\$ 70,717</u>

**NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
<b>Governmental Funds</b>							
BAN	Facilities Design/Engineering Services.....	.45	09/27/13	\$ -	\$ 225,000	\$ -	\$ 225,000
<b>Enterprise Funds</b>							
BAN	Infiltration & Inflow System.....	0.16	N/A	\$ 5,389,000	\$ -	\$ 5,389,000	\$ -
BAN	Sewer Extension.....	.45	09/27/13	-	311,000	-	311,000
	Total sewer.....			\$ 5,389,000	\$ 311,000	\$ 5,389,000	\$ 311,000

Subsequent to year end the Town reissued the full \$536,000 of BANs outstanding at a rate of 0.60%. The new BAN is due on September 26, 2014.

**NOTE 8 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
General Obligation Bonds of 2000.....	2019	\$ 123,432	4.00 - 5.00	\$ 47,994	\$ -	\$ 6,858	\$ 41,136
General Obligation Bonds of 2005.....	2025	12,279,000	3.00 - 5.00	7,861,000	-	702,000	7,159,000
General Obligation Bonds of 2008.....	2026	11,491,500	3.00 - 5.00	2,720,000	-	295,000	2,425,000
General Obligation Bonds of 2011.....	2031	3,245,470	3.00 - 5.00	2,775,000	-	410,000	2,365,000
General Obligation Bonds of 2013.....	2033	5,262,021	2.00 - 2.75	1,859,021	3,403,000	-	5,262,021
Total Governmental Bonds Payable.....				\$ 15,263,015	\$ 3,403,000	\$ 1,413,858	\$ 17,252,157

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,767,879	\$ 581,671	\$ 2,349,550
2015.....	1,581,856	519,014	2,100,870
2016.....	1,531,856	459,713	1,991,569
2017.....	1,486,856	405,543	1,892,399
2018.....	1,291,855	356,646	1,648,501
2019.....	1,151,855	310,884	1,462,739
2020.....	1,110,000	268,987	1,378,987
2021.....	1,090,000	229,438	1,319,438
2022.....	1,070,000	190,628	1,260,628
2023.....	1,075,000	153,311	1,228,311
2024.....	1,005,000	116,519	1,121,519
2025.....	1,005,000	80,264	1,085,264
2026.....	420,000	54,554	474,554
2027.....	265,000	41,542	306,542
2028.....	255,000	35,015	290,015
2029.....	255,000	28,417	283,417
2030.....	260,000	21,660	281,660
2031.....	250,000	14,588	264,588
2032.....	200,000	7,451	207,451
2033.....	180,000	2,473	182,473
Total.....	\$ <u>17,252,157</u>	\$ <u>3,878,318</u>	\$ <u>21,130,475</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,560,438 and interest costs for \$1,203,109. Thus, net sewer enterprise loan repayments, including interest, are scheduled to be \$24,975,024. The principal subsidies are guaranteed and therefore a \$1,560,438 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2013. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2013 principal and interest subsidies totaled \$41,777 and \$458,575, respectively.

In prior years the Town participated in MSBA's Construction Assistance Program whereby the MSBA has reimbursed the Town annually for the State's share of the debt service related to approved School construction projects. The MSBA has prefunded the State's share of the future debt service through a lump-sum payment which has been reserved by the Town and is being used to offset the annual debt service payments related to the construction projects. The reserved balance at June 30, 2013 is \$701,095.

**Bonds and Notes Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
MWPAT CW-02-22A.....	2024	\$ 1,288,256	2.00	\$ 955,306	\$ -	\$ 71,146	\$ 884,160
MWPAT CW-04-38.....	2026	3,554,137	2.00	2,871,026	-	179,489	2,691,537
MWPAT CW-04-38-A.....	2026	929,694	2.00	784,998	-	49,076	735,922
MWPAT Pool 10.....	2021	11,253,992	2.50 - 5.25	6,140,441	-	488,722	5,651,719
MWPAT CW-02-22.....	2024	4,557,209	0.00	3,494,333	-	232,552	3,261,781
General Obligation Bonds of 2005.....	2025	3,046,000	3.00 - 5.00	1,969,000	-	153,000	1,816,000
General Obligation Bonds of 2008.....	2024	800,000	3.00 - 5.00	600,000	-	50,000	550,000
General Obligation Bonds of 2011.....	2031	1,310,041	3.00 - 5.00	1,225,000	-	75,000	1,150,000
MWPTA CWS-09-06.....	2033	348,667	2.00	348,667	-	-	348,667
General Obligation Bonds of 2013.....	2033	569,486	2.00 - 2.75	569,486	-	-	569,486
MWPAT CW-10-25.....	2033	5,389,000	2.00	-	5,389,000	-	5,389,000
Subtotal sewer bonds payable.....				18,958,257	5,389,000	1,298,985	23,048,272
General Obligation Bonds of 2005.....	2025	1,660,000	3.00 - 5.00	775,000	-	128,000	647,000
General Obligation Bonds of 2008.....	2017	50,000	3.00 - 5.00	25,000	-	5,000	20,000
General Obligation Bonds of 2011.....	2031	4,147,000	3.00 - 5.00	3,885,000	-	255,000	3,630,000
General Obligation Bonds of 2013.....	2033	855,493	2.00 - 2.75	526,993	328,500	-	855,493
Subtotal water bonds payable.....				5,211,993	328,500	388,000	5,152,493
Unamortized Premium on Bonds.....				138,524	-	15,015	123,509
Total water bonds payable.....				5,350,517	328,500	403,015	5,276,002
General Obligation Bonds of 2005.....	2025	746,000	3.00 - 5.00	470,000	-	37,000	433,000
General Obligation Bonds of 2011.....	2020	150,000	3.00 - 5.00	130,000	-	20,000	110,000
Subtotal transfer station bonds payable.....				600,000	-	57,000	543,000
General Obligation Bonds of 2004.....	2017	3,755,000	2.00 - 4.00	1,730,000	-	320,000	1,410,000
Subtotal widow's walk golf course bonds payable.....				1,730,000	-	320,000	1,410,000
General Obligation Bonds of 2005.....	2024	4,175,000	3.00 - 5.00	2,635,000	-	220,000	2,415,000
General Obligation Bonds of 2008.....	2023	564,500	3.00 - 5.00	340,000	-	45,000	295,000
General Obligation Bonds of 2011.....	2025	903,489	3.00 - 5.00	830,000	-	70,000	760,000
Subtotal waterway's bonds payable.....				3,805,000	-	335,000	3,470,000
Total Enterprise Bonds Payable.....				\$ 30,443,774	\$ 5,717,500	\$ 2,414,000	\$ 33,747,274

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

**SEWER ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 1,941,630	\$ 712,998	\$ 2,654,628
2015.....	1,970,142	684,418	2,654,560
2016.....	2,012,811	601,744	2,614,555
2017.....	2,063,814	521,188	2,585,002
2018.....	2,100,633	421,371	2,522,004
2019.....	2,146,318	352,858	2,499,176
2020.....	1,377,601	288,326	1,665,927
2021.....	1,370,850	241,324	1,612,174
2022.....	1,258,105	197,849	1,455,954
2023.....	1,283,295	157,058	1,440,353
2024.....	1,294,778	115,651	1,410,429
2025.....	817,587	92,430	910,017
2026.....	681,846	71,823	753,669
2027.....	391,941	60,078	452,019
2028.....	393,612	51,151	444,763
2029.....	400,428	42,143	442,571
2030.....	407,392	32,968	440,360
2031.....	409,507	23,669	433,176
2032.....	361,777	14,274	376,051
2033.....	364,205	6,978	371,183
Total.....	\$ <u>23,048,272</u>	\$ <u>4,690,299</u>	\$ <u>27,738,571</u>

**WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 511,493	\$ 184,532	\$ 696,025
2015.....	461,000	169,412	630,412
2016.....	406,000	153,197	559,197
2017.....	396,000	139,182	535,182
2018.....	371,000	125,755	496,755
2019.....	321,000	112,940	433,940
2020.....	306,000	100,775	406,775
2021.....	306,000	87,235	393,235
2022.....	276,000	73,695	349,695
2023.....	256,000	65,366	321,366
2024.....	241,000	57,119	298,119
2025.....	236,000	48,720	284,720
2026.....	180,000	40,303	220,303
2027.....	180,000	33,720	213,720
2028.....	175,000	27,131	202,131
2029.....	170,000	20,319	190,319
2030.....	170,000	13,694	183,694
2031.....	170,000	7,050	177,050
2032.....	10,000	400	10,400
2033.....	10,000	135	10,135
Total.....	\$ <u>5,152,493</u>	\$ <u>1,460,680</u>	\$ <u>6,613,173</u>

**TRANSFER STATION ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 57,000	\$ 21,967	\$ 78,967
2015.....	51,000	19,887	70,887
2016.....	51,000	17,847	68,847
2017.....	51,000	15,807	66,807
2018.....	51,000	13,766	64,766
2019.....	51,000	11,727	62,727
2020.....	51,000	9,687	60,687
2021.....	36,000	7,497	43,497
2022.....	36,000	6,057	42,057
2023.....	36,000	4,572	40,572
2024.....	36,000	3,060	39,060
2025.....	36,000	1,531	37,531
Total.....	<u>\$ 543,000</u>	<u>\$ 133,405</u>	<u>\$ 676,405</u>

**WIDOW'S WALK ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 330,000	\$ 48,563	\$ 378,563
2015.....	345,000	36,300	381,300
2016.....	360,000	22,200	382,200
2017.....	375,000	7,500	382,500
Total.....	<u>\$ 1,410,000</u>	<u>\$ 114,563</u>	<u>\$ 1,524,563</u>

**WATERWAY'S ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 335,000	\$ 138,554	\$ 473,554
2015.....	325,000	126,079	451,079
2016.....	325,000	113,254	438,254
2017.....	325,000	100,429	425,429
2018.....	315,000	87,516	402,516
2019.....	315,000	74,916	389,916
2020.....	310,000	62,316	372,316
2021.....	310,000	49,266	359,266
2022.....	310,000	36,191	346,191
2023.....	305,000	24,060	329,060
2024.....	255,000	11,888	266,888
2025.....	40,000	1,400	41,400
Total.....	<u>\$ 3,470,000</u>	<u>\$ 825,869</u>	<u>\$ 4,295,869</u>

At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
General.....	\$ 5,138,667
Sewer.....	738,429
Waterways.....	195,000
<b>Total.....</b>	<b>\$ 6,072,096</b>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 15,263,015	\$ 3,403,000	\$ (1,413,858)	\$ 17,252,157	\$ 1,767,879
Compensated Absences.....	1,767,874	190,769	(204,029)	1,754,614	1,429,300
Postemployment Benefits.....	13,343,253	5,731,182	(1,924,906)	17,149,529	-
<b>Total governmental activity long-term liabilities.....</b>	<b>\$ 30,374,142</b>	<b>\$ 9,324,951</b>	<b>\$ (3,542,793)</b>	<b>\$ 36,156,300</b>	<b>\$ 3,197,179</b>
<b>Business-Type Activities:</b>					
Compensated Absences.....	\$ 115,531	\$ 9,893	\$ (1,100)	\$ 124,324	\$ 93,500
Landfill Closure.....	1,312,000	72,000	(134,000)	1,250,000	69,000
Postemployment Benefits.....	618,461	265,647	(89,226)	794,882	-
Long-Term Bonds.....	30,443,774	5,717,500	(2,414,000)	33,747,274	3,189,366
Capital Lease.....	65,028	45,870	(40,181)	70,717	29,150
<b>Total business-type activity long-term liabilities.....</b>	<b>\$ 32,554,794</b>	<b>\$ 6,110,910</b>	<b>\$ (2,678,507)</b>	<b>\$ 35,987,197</b>	<b>\$ 3,381,016</b>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town utilizes a hierarchy for fund balance classifications based on the constraints imposed on the uses of those resources.

The Town reports two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or that are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, the Town utilizes a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2013, the governmental fund balances consisted of the following:

GOVERNMENTAL FUNDS					
	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 27,051	\$ 27,051
Restricted for:					
Community preservation.....	-	7,293,064	-	-	7,293,064
Affordable Housing.....	-	-	992,737	-	992,737
Town revolving funds.....	-	-	-	3,464,774	3,464,774
Town grant funds.....	-	-	-	337,344	337,344
School revolving funds.....	-	-	-	636,556	636,556
School grant funds.....	-	-	-	542,899	542,899
Town capital projects.....	-	-	-	3,111,631	3,111,631
School capital projects.....	-	-	-	256,189	256,189
Future debt service.....	84,518	-	-	-	84,518
Permanent Trust funds.....	-	-	-	430,117	430,117
Committed to:					
General government.....	67,377	-	-	-	67,377
Public safety.....	80,183	-	-	-	80,183
Education.....	775,414	-	-	-	775,414
Public works.....	16,820	-	-	-	16,820
Human services.....	19,244	-	-	-	19,244
Assigned to:					
General government.....	169,844	-	-	-	169,844
Public safety.....	20,230	-	-	-	20,230
Education.....	371,992	-	-	-	371,992
Public works.....	675,909	-	-	-	675,909
Human services.....	14,773	-	-	-	14,773
Culture and recreation.....	3,955	-	-	-	3,955
Employee benefits.....	52,000	-	-	-	52,000
Unassigned.....	7,015,152	-	-	(177,208)	6,837,944
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 9,367,411</b>	<b>\$ 7,293,064</b>	<b>\$ 992,737</b>	<b>\$ 8,629,353</b>	<b>\$ 26,282,565</b>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals

from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund.

At year end the balance of the general stabilization fund totaled approximately \$2.2 million and is reported as unassigned fund balance within the general fund.

#### **NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town participates in a health insurance risk pool trust administered by Plymouth County, a municipal corporation that obtains health insurance for member governments at costs eligible to larger groups. Plymouth County offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by Plymouth County. The Town is obligated to pay Plymouth County its required premiums and, in the event Plymouth County is terminated, its pro-rata share of a deficit, should one exist. The Town is self-insured for workman's compensation and unemployment benefits.

The incurred but not reported liability related to workman's compensation and unemployment claims is immaterial and therefore not recorded.

#### **NOTE 11 – PENSION PLAN**

*Plan Description* - The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,457,000 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Plymouth County Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 10 Cordage Park Circle, Suite 234, North Plymouth, Massachusetts 02360.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,444,211, \$3,164,536, and \$3,118,030, respectively, which equaled its required contribution for each fiscal year.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and town ordinance. All benefits are provided through the Town’s insurance program.

At July 1, 2012, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	508
Current active members.....	<u>726</u>
Total.....	<u><u>1,234</u></u>

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For fiscal year 2013, the Town contributed \$2 million to the plan.

*Annual OPEB Costs and Net OPEB Obligation* – The Town’s annual other postemployment benefit (OPEB) cost (expenses) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligations are summarized in the following table:

Annual Required Contribution.....	\$ 5,320,551
Interest on net OPEB Obligation.....	558,469
Adjustment to the ARC.....	<u>117,809</u>
Annual OPEB cost (expense).....	5,996,829
Contributions made.....	<u>(2,014,132)</u>
Increase/Decrease in net OPEB obligation.....	3,982,697
Net OPEB obligation - beginning of year.....	<u>13,961,714</u>
Net OPEB obligation - end of year.....	<u><u>\$ 17,944,411</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 5,996,829	34%	\$ 17,944,411
6/30/2012	5,368,371	37%	13,961,714
6/30/2011	5,079,506	34%	10,525,859
6/30/2010	5,317,917	31%	7,181,411
6/30/2009	5,050,918	30%	3,533,499

*Funded Status and Funding Progress* – The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2010, is as follows:

<u>Actuarial Valuation Date</u>	<u>Value of Assets (A)</u>	<u>Liability (AAL) Entry Age Normal (B)</u>	<u>AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
7/1/2012	\$ -	\$ 65,117,566	\$ 65,117,566	0.00%	N/A	N/A
7/1/2010	-	53,916,330	53,916,330	0.00%	N/A	N/A
7/1/2008	-	49,580,009	49,580,009	0.00%	N/A	N/A

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

### NOTE 13 – LANDFILL CLOSURE COSTS

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for thirty years after the landfill cover is installed. The Town presently appropriates approximately \$69,000 per year for post-closure care costs and has recorded a liability of \$1,250,000 in the business-type activities as a result of this activity. Actual costs may change due to inflation, changes in technology, or changes in regulations.

**NOTE 14 – COMMITMENTS**

The Town has entered into a long-term contract with South Eastern Massachusetts Partnership (SEMASS) to provide solid waste disposal services. Total charges are based on a formula of tipping and transport fees with costs rising gradually through fiscal year 2023 when the contract expires. Actual expenditures under this contract for fiscal year 2013 were approximately \$273,000.

**NOTE 15 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2013, the following GASB pronouncements were implemented:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts						Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 47,498,977	\$ 47,498,977	\$ 47,862,986	\$ 47,666,579	\$ -	\$ (196,407)
Motor vehicle and other excise taxes.....	-	2,295,191	2,295,191	2,295,191	2,449,218	-	154,027
Penalties and interest on taxes.....	-	417,448	417,448	417,448	348,212	-	(69,236)
Fees and rentals.....	-	1,161,375	1,161,375	1,161,375	1,338,592	-	177,217
Licenses and permits.....	-	424,380	424,380	424,380	637,653	-	213,273
Fines and forfeitures.....	-	80,559	80,559	80,559	95,779	-	15,220
Intergovernmental.....	-	6,763,315	6,763,315	6,763,315	6,764,379	-	1,064
Departmental and other.....	-	138,047	138,047	138,047	267,798	-	129,751
Investment income.....	-	48,000	48,000	48,000	30,989	-	(17,011)
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>58,827,292</b>	<b>58,827,292</b>	<b>59,191,301</b>	<b>59,599,199</b>	<b>-</b>	<b>407,898</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	334,962	2,824,180	3,159,142	3,233,229	2,402,369	237,221	593,639
Public safety.....	46,600	7,816,517	7,863,117	8,180,317	8,020,373	100,413	59,531
Education.....	562,397	30,807,167	31,369,564	32,364,564	31,214,742	1,147,406	2,416
Public works.....	578,023	3,861,449	4,439,472	5,395,051	4,157,928	692,729	544,394
Human services.....	20,059	546,901	566,960	604,019	530,629	34,017	39,373
Culture and recreation.....	10,704	1,102,105	1,112,809	1,110,233	1,081,660	3,955	24,618
Pension benefits.....	-	68,884	68,884	3,507,190	3,507,190	-	-
Employee benefits.....	30,000	9,901,681	9,931,681	6,435,875	5,824,001	52,000	559,874
State and county charges.....	-	491,928	491,928	491,928	445,762	-	46,166
Debt service:							
Principal.....	-	1,413,858	1,413,858	1,413,858	1,413,858	-	-
Interest.....	-	633,742	633,742	633,742	616,900	-	16,842
<b>TOTAL EXPENDITURES.....</b>	<b>1,582,745</b>	<b>59,468,412</b>	<b>61,051,157</b>	<b>63,370,006</b>	<b>59,215,412</b>	<b>2,267,741</b>	<b>1,886,853</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,582,745)</b>	<b>(641,120)</b>	<b>(2,223,865)</b>	<b>(4,178,705)</b>	<b>383,787</b>	<b>(2,267,741)</b>	<b>2,294,751</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Premium from issuance of bonds.....	-	-	-	-	128,102	-	128,102
Transfers in.....	-	841,177	841,177	1,888,625	1,895,674	-	7,049
Transfers out.....	-	(746,994)	(746,994)	(896,994)	(896,994)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>94,183</b>	<b>94,183</b>	<b>991,631</b>	<b>1,126,782</b>	<b>-</b>	<b>135,151</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,582,745)</b>	<b>(546,937)</b>	<b>(2,129,682)</b>	<b>(3,187,074)</b>	<b>1,510,569</b>	<b>(2,267,741)</b>	<b>2,429,902</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (1,582,745)</b>	<b>\$ 4,485,535</b>	<b>\$ 2,902,790</b>	<b>\$ 1,845,398</b>	<b>\$ 6,543,041</b>	<b>\$ (2,267,741)</b>	<b>\$ 2,429,902</b>

See notes to basic financial statements.

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
01/01/11	666,730,812	1,187,447,414	520,716,602	56.1%	228,289,638	228.1%
01/01/10	673,709,456	1,132,847,379	459,137,923	59.5%	227,507,647	201.8%
01/01/09	579,877,224	1,159,210,636	579,333,412	50.0%	264,541,078	219.0%
01/01/08	683,819,938	1,056,020,215	372,200,277	64.8%	252,682,832	147.3%
01/01/07	606,629,089	987,840,418	381,211,329	61.4%	244,574,136	155.9%
01/01/06	558,533,863	918,851,707	360,317,844	60.8%	226,262,731	159.2%
01/01/04	520,104,805	802,158,453	282,053,648	64.8%	208,312,002	135.4%
01/01/02	466,325,660	733,198,204	266,872,544	63.6%	205,039,686	130.2%
01/01/00	450,210,619	611,204,058	160,993,439	73.7%	178,010,731	90.4%
01/01/98	316,253,566	492,303,777	176,050,211	64.2%	148,264,981	118.7%

The Town's share of the UAAL, as of June 30, 2013, is approximately 6.27%.

See notes to required supplementary information.

**PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	System Wide			Town of Scituate		
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions	
2013	\$ 54,966,177	\$ 54,966,177	100%	\$ 3,444,211	6.27%	
2012	46,850,767	46,850,767	100%	3,164,536	6.75%	
2011	48,986,967	48,986,967	100%	3,118,030	6.37%	
2010	42,708,712	42,708,712	100%	2,758,350	6.46%	
2009	41,286,384	41,286,384	100%	2,668,512	6.46%	
2008	38,854,868	38,854,868	100%	2,464,168	6.34%	

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**Schedule of Funding Progress**

Actuarial Valuation Date	Value of Assets (A)	Liability (AAL) Entry Age Normal (B)	AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ -	\$ 65,117,566	\$ 65,117,566	0.00%	N/A	N/A
7/1/2010	-	53,916,330	53,916,330	0.00%	N/A	N/A
7/1/2008	-	49,580,009	49,580,009	0.00%	N/A	N/A

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions	Total Percentage Contributed
6/30/2013	\$ 5,320,551	\$ 2,014,132	37.9%
6/30/2012	5,368,371	1,890,814	35.2%
6/30/2011	5,100,217	1,735,058	34.0%
6/30/2010	5,317,917	1,670,005	31.4%
6/30/2009	5,050,918	1,517,419	30.0%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Cost, Closed
Amortization method.....	Amortization payments increasing at 4.00%
Remaining amortization period.....	30 years as of July 1, 2012
Actuarial Assumptions:	
Investment rate of return.....	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	9% in 2014 grading down 1% per year reaching the ultimate rate of 5% in 2018

Plan Membership:

Current retirees, beneficiaries, and dependents.....	508
Current active members.....	<u>726</u>
Total.....	<u><u>1,234</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Town's Advisory Committee (the "Committee") and the Board of Selectmen (the "Board"). The Town Administrator submits a proposed operating budget to the Committee and the Board for the ensuing fiscal year. The Board and the Committee hold public hearings on the proposed budget and present the proposed budget to an open Town meeting. The proposed budget includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town meeting has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized with the approval of the Department of Revenue; and expenditures related to snow and ice removal may exceed the level of spending authorized with the approval of the Board of Selectmen.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the General Fund includes \$60.2 million in current year appropriations and other amounts to be raised and \$1.6 million in encumbrances and appropriations carried over from previous fiscal years. During the fiscal year, additional appropriations were approved totaling \$2.5 million.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,510,569
<u>Perspective difference:</u>	
Funds recorded in the General Fund for GAAP:	
Stabilization Fund.....	(848,443)
Workers' Compensation Fund.....	143,957
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(16,000)
Net change in recording accrued expenditures.....	27,949
Net change in recording receivables.....	16,000
Recognition of revenue for on-behalf payments.....	7,456,623
Recognition of expenditures for on-behalf payments.....	<u>(7,456,623)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 834,032</u>

**C. Appropriation Deficits**

None of the Town's expenditures exceeded appropriations for fiscal year 2013.

**NOTE B – PENSION PLAN**

The Town contributes to the Plymouth County Contributory Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Plymouth County Retirement Association (the Association). The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2013
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year
Remaining Amortization Period.....	21 years remaining as of January 1, 2013
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is determined using a 5 year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3.0% of the lesser of the pension amount and \$13,000 per year

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,228
Inactive participants.....	2,108
Disabled participants.....	360
Active participants.....	<u>5,729</u>
 Total.....	 <u><u>11,425</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town of Scituate administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.