

***TOWN OF SCITUATE, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2011***

TOWN OF SCITUATE, MASSACHUSETTS

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JUNE 30, 2011

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Scituate, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scituate, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, on our consideration of the Town of Scituate, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance - general fund - budget and actual, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions, and other postemployment benefit plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Powers & Sullivan LLC*

March 6, 2012

# ***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, 2011. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

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

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

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

Both of the government-wide financial statements distinguish functions 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.

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization funds are reported within the general fund as unassigned.

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 assets may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$63 million at the close of fiscal year.

Governmental net assets of \$54.6 million (86%) 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. Invested in capital assets, net of related debt, increased by approximately \$467,000 during fiscal year 2011. This was primarily related to the acquisition of capital assets exceeding depreciation expense recorded against capital assets.

An additional portion of the net assets \$7.5 million (12%) represents resources that are subject to external restrictions on how they may be used. This balance was up by approximately \$768,000 mainly due to the recognition of grant revenues from Chapter 90, the state highway grant program. The remaining balance of *unrestricted net assets* \$1.2 million (2%) may be used to meet the government's ongoing obligations to citizens and creditors. This balance decreased by approximately \$1.9 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 2011 the Town, based on its actuarial valuation, reported an accrual of \$10.1 million for its portion of the liability that was not paid. This represents an increase of \$3.2 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 million and higher than budgeted collection of revenues of approximately \$541,000.

Condensed financial data for fiscal years 2011 and 2010 is presented below:

	<b>FY2011</b>	<b>FY2010</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 24,650,401	\$ 22,139,405
Capital assets.....	68,420,988	67,913,621
Total assets.....	<u>93,071,389</u>	<u>90,053,026</u>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	4,496,301	3,666,676
Noncurrent liabilities (excluding debt).....	10,398,411	7,684,929
Current debt.....	1,474,328	3,410,302
Noncurrent debt.....	<u>13,403,994</u>	<u>11,632,852</u>
Total liabilities.....	<u>29,773,034</u>	<u>26,394,759</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	54,601,696	54,134,914
Restricted.....	7,488,133	6,720,378
Unrestricted.....	1,208,526	-
Total net assets.....	<u>\$ 63,298,355</u>	<u>\$ 60,855,292</u>

	<b>FY2011</b>	<b>FY2010</b>	<b>Increase/ Decrease</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>	
<b>Program revenues:</b>			
Charges for services.....	\$ 3,939,438	\$ 4,054,896	\$ (115,458)
Operating grants and contributions.....	15,283,108	15,166,766	116,342
Capital grants and contributions.....	1,956,834	1,944,425	12,409
<b>General Revenues:</b>			
Real estate and personal property taxes.....	43,606,134	41,926,851	1,679,283
Tax liens.....	26,077	9,854	16,223
Motor vehicle and other excise taxes.....	2,305,255	2,168,217	137,038
Community preservation tax.....	992,107	981,830	10,277
Grants and contributions not restricted to specific programs.....	1,803,153	2,803,878	(1,000,725)
Unrestricted investment income.....	102,462	150,056	(47,594)
Other.....	716,544	959,995	(243,451)
Total revenues.....	<b>70,731,112</b>	<b>70,166,768</b>	<b>564,344</b>
<b>Expenses:</b>			
General government.....	4,323,746	4,404,008	(80,262)
Public safety.....	10,738,455	10,482,586	255,869
Education.....	47,275,114	45,644,565	1,630,549
Public works.....	4,903,562	4,420,824	482,738
Human services.....	929,568	948,156	(18,588)
Culture and recreation.....	1,902,885	2,239,650	(336,765)
Community preservation.....	286,425	389,875	(103,450)
Interest.....	925,853	565,702	360,151
Total expenses.....	<b>71,285,608</b>	<b>69,095,366</b>	<b>2,190,242</b>
<b>Excess (deficiency) before transfers.....</b>	<b>(554,496)</b>	<b>1,071,402</b>	<b>(1,625,898)</b>
<b>Transfers.....</b>	<b>(105,159)</b>	<b>(223,573)</b>	<b>118,414</b>
<b>Change in net assets.....</b>	<b>\$ (659,655)</b>	<b>\$ 847,829</b>	<b>\$ (1,507,484)</b>

## Business-type Activities

The following chart provides a summary of Business-type activities financial data for fiscal year 2011, with comparative fiscal 2010 information.

	<b>FY2011</b>		<b>FY2010</b>
	<b>Business-type</b>		<b>Business-type</b>
	<b>Activities</b>		<b>Activities</b>
	<u>                    </u>		<u>                    </u>
<b>Assets:</b>			
Current assets.....	\$ 10,314,168	\$	16,835,816
Noncurrent assets (excluding capital).....	1,602,215		1,845,003
Capital assets.....	<u>55,611,205</u>		<u>55,222,846</u>
Total assets.....	<b>67,527,588</b>		<b>73,903,665</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	1,346,871		877,402
Noncurrent liabilities (excluding debt).....	1,856,872		1,725,938
Current debt.....	3,117,684		8,994,149
Noncurrent debt.....	<u>28,998,628</u>		<u>22,041,458</u>
Total liabilities.....	<b>35,320,055</b>		<b>33,638,947</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt.....	25,231,111		25,397,531
Unrestricted.....	15,346,008		14,867,187
Total net assets.....	<u>\$ 40,577,119</u>	\$	<u>40,264,718</u>
<b>Program revenues:</b>			
Charges for services.....	\$ 7,793,818	\$	7,570,875
Operating grants and contributions.....	35,300		334,046
Capital grants and contributions.....	<u>1,309,128</u>		<u>243,041</u>
Total revenues.....	<b>9,138,246</b>		<b>8,147,962</b>
<b>Expenses:</b>			
Water.....	2,606,437		3,356,155
Sewer.....	3,390,595		2,727,459
Transfer station.....	971,757		966,933
Widows Walk golf course.....	990,937		1,085,893
Waterways.....	<u>971,278</u>		<u>911,562</u>
Total expenses.....	<b>8,931,004</b>		<b>9,048,002</b>
<b>Excess (deficiency) before transfers.....</b>	<b>207,242</b>		<b>(900,040)</b>
<b>Transfers.....</b>	<u><b>105,159</b></u>		<u><b>249,446</b></u>
<b>Change in net assets.....</b>	<u><b>\$ 312,401</b></u>	\$	<u><b>(650,594)</b></u>

At the end of the current fiscal year, the Town reports \$40.4 million in net assets for its combined business-type activities. Of this balance, \$25.2 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 \$312,000 in net assets reported in connection with the Town’s business-type activities (enterprise funds). The changes by fund are listed in the following table:

	<b>FY2011 Net Assets</b>	<b>FY2010 Net Assets</b>	<b>Change in Net Assets</b>
<b>Net Assets:</b>			
Water.....	\$ 10,733,819	\$ 10,857,391	\$ (123,572)
Sewer.....	25,548,849	25,526,710	22,139
Transfer station.....	(201,028)	(442,144)	241,116
Widows Walk golf course.....	447,024	399,843	47,181
Waterways.....	4,048,455	3,922,918	125,537
<b>Total Net Assets.....</b>	<b>\$ 40,577,119</b>	<b>\$ 40,264,718</b>	<b>\$ 312,401</b>

The Water enterprise fund reported a \$124,000 decrease in net assets. From a budgetary standpoint, the water fund had a positive result of operations of approximately \$900,000. The decrease in net assets is attributable to capital expenses related to well cleaning and repairs that do not meet the capitalization criteria; and the recognition of depreciation expense, which is a non-budgeted expense, exceeding the cost of retiring outstanding debt.

The sewer enterprise fund reported a \$22,000 increase in net assets. From a budgetary standpoint, the sewer operating accounts had a positive result of operations of approximately \$171,000, which was reduced through additional costs for capital related repairs and long-term accruals.

The Transfer Station enterprise fund reported a \$241,000 increase in net assets. This is reflective of the budgetary results of the Transfer station’s operating fund, as revenues came in approximately \$144,000 over budget and expenditures were approximately \$102,000 under budget.

The Widow’s Walk Golf Course enterprise fund reported a \$47,000 increase in net assets. Revenues for the Golf Course did not meet budgetary projections. However, this was offset by the budgeted debt service payments exceeding the recognized depreciation expense and the capitalization of qualifying budgeted expenses.

The Waterway’s enterprise fund reported a \$126,000 increase in net assets. This is reflective of the budgetary results of the operation as revenues came in over budget relating to slip fees and other revenues.

### **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 *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, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18.6 million, of which \$6.6 million is for the general fund, \$5.3 million is for community preservation fund, \$829,000 is for the affordable housing fund, and \$5.8 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$3.7 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 \$5.3 million, while total fund balance was \$6.6 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 8.7% of total general fund expenditures, while total fund balance represents 11% of that same amount.

The fund balance of the *General Fund* increased by \$1.6 million, which was primarily due to positive budgetary results. General fund revenues exceeded the budget by approximately \$540,000 and expenditures were less than budgeted by approximately \$1 million.

The fund balance in *Mitigation Fund* decreased by approximately \$957,000; this fund was required to be drawn down in accordance with the Town's agreement with the MBTA.

The *Community Preservation Act Fund* had a fund balance at June 30, 2011 of \$5.3 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 \$344,000 in fiscal year 2011. This was the net result of \$1 million in taxes collected, \$300,000 in state matching funds, and \$1.7 million in expenditures on community preservation projects.

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

The \$291,000 increase between the original budget and the final amended budget was due to supplemental appropriations for blizzard costs, snow and ice removal, and unpaid bills from the prior fiscal year. Actual revenues came in over budget by approximately \$541,000. Actual expenditures came in under budget by approximately \$1 million.

### ***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 2011 included the purchase of several properties and historic buildings mainly through the use of Community Preservation funds. Additionally, the Town constructed bike and walking paths, made road improvements, and upgraded its equipment and vehicles. Capital additions totaled approximately \$3.6 million.

Outstanding governmental long-term debt, as of June 30, 2011, totaled \$14.9 million, of which approximately \$12.1 million relates to various School construction projects, and \$1.4 million relates to construction of seawalls leaving a balance of approximately \$1.4 million for various projects.

The enterprise funds have \$19.6 million in sewer debt, \$5.2 million in water debt, \$657 thousand in transfer station debt, \$2 million in Widow's Walk golf course debt and \$4.1 million in waterways debt.

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***

**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 19,632,764	\$ 7,985,756	\$ 27,618,520
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	922,532	-	922,532
Tax liens.....	925,920	61,547	987,467
Motor vehicle and other excise taxes.....	189,521	-	189,521
User fees.....	-	1,304,181	1,304,181
Departmental and other.....	179,641	-	179,641
Special assessments.....	47,034	550,552	597,586
Intergovernmental.....	2,304,527	355,234	2,659,761
Tax foreclosures.....	448,462	-	448,462
Inventory.....	-	56,898	56,898
<b>NONCURRENT:</b>			
Special assessments.....	-	8,369,586	8,369,586
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	20,115,311	6,372,534	26,487,845
Depreciable.....	48,305,677	49,238,671	97,544,348
<b>TOTAL ASSETS.....</b>	<b>93,071,389</b>	<b>75,897,174</b>	<b>168,968,563</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,505,721	609,944	2,115,665
Accrued liabilities.....	1,253,032	-	1,253,032
Tax refunds payable.....	25,000	-	25,000
Accrued interest.....	153,934	381,623	535,557
Abandoned property.....	41,961	-	41,961
Other liabilities.....	118,553	135,432	253,985
Capital lease obligations.....	-	51,972	51,972
Landfill closure.....	-	75,000	75,000
Compensated absences.....	1,398,100	92,900	1,491,000
Notes payable.....	-	394,959	394,959
Bonds payable.....	1,474,328	2,722,725	4,197,053
<b>NONCURRENT:</b>			
Capital lease obligations.....	-	65,027	65,027
Landfill closure.....	-	1,291,000	1,291,000
Compensated absences.....	338,816	34,581	373,397
Other postemployment benefits.....	10,059,595	466,264	10,525,859
Bonds payable.....	13,403,994	28,998,628	42,402,622
<b>TOTAL LIABILITIES.....</b>	<b>29,773,034</b>	<b>35,320,055</b>	<b>65,093,089</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	54,601,696	25,231,111	79,832,807
Restricted for:			
Permanent funds:			
Expendable.....	373,256	-	373,256
Nonexpendable.....	27,051	-	27,051
Grants and Gifts.....	7,087,826	-	7,087,826
Unrestricted.....	1,208,526	15,346,008	16,554,534
<b>TOTAL NET ASSETS.....</b>	<b>\$ 63,298,355</b>	<b>\$ 40,577,119</b>	<b>\$ 103,875,474</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

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.....	\$ 4,323,746	\$ 809,439	\$ 614,089	\$ -	\$ (2,900,218)
Public safety.....	10,738,455	641,295	72,555	-	(10,024,605)
Education.....	47,275,114	1,975,725	14,502,147	-	(30,797,242)
Public works.....	4,903,562	21,373	46,279	1,656,927	(3,178,983)
Human services.....	929,568	99,507	28,384	-	(801,677)
Culture and recreation.....	1,902,885	392,099	19,654	-	(1,491,132)
Community preservation.....	286,425	-	-	299,907	13,482
Interest.....	925,853	-	-	-	(925,853)
<b>Total Governmental Activities.....</b>	<b>71,285,608</b>	<b>3,939,438</b>	<b>15,283,108</b>	<b>1,956,834</b>	<b>(50,106,228)</b>
<i>Business-Type Activities:</i>					
Water.....	2,606,437	2,709,682	-	-	103,245
Sewer.....	3,390,595	1,643,983	-	1,281,828	(464,784)
Transfer Station.....	971,757	1,231,388	-	-	259,631
Golf.....	990,937	1,090,684	-	-	99,747
Waterways.....	971,278	1,118,081	35,300	27,300	209,403
<b>Total Business-Type Activities.....</b>	<b>8,931,004</b>	<b>7,793,818</b>	<b>35,300</b>	<b>1,309,128</b>	<b>207,242</b>
<b>Total Primary Government.....</b>	<b>\$ 80,216,612</b>	<b>\$ 11,733,256</b>	<b>\$ 15,318,408</b>	<b>\$ 3,265,962</b>	<b>\$ (49,898,986)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page..... \$	<b><u>(50,106,228)</u></b>	<b><u>207,242</u></b>	<b><u>\$(49,898,986)</u></b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	43,606,134	-	43,606,134
Tax liens.....	26,077	-	26,077
Motor vehicle and other excise taxes.....	2,305,255	-	2,305,255
Community preservation tax.....	992,107	-	992,107
Penalties and interest on taxes.....	465,049	-	465,049
Grants and contributions not restricted to specific programs.....	1,803,153	-	1,803,153
Unrestricted investment income.....	102,462	-	102,462
Gain on sale of capital assets.....	32,277	-	32,277
Miscellaneous.....	219,218	-	219,218
<i>Transfers, net</i> .....	<u>(105,159)</u>	<u>105,159</u>	<u>-</u>
Total general revenues and transfers.....	<u>49,446,573</u>	<u>105,159</u>	<u>49,551,732</u>
Change in net assets.....	(659,655)	312,401	(347,254)
<i>Net Assets:</i>			
Beginning of year.....	<u>63,958,010</u>	<u>40,264,718</u>	<u>104,222,728</u>
End of year..... \$	<u><u>63,298,355</u></u>	<u><u>40,577,119</u></u>	<u><u>\$ 103,875,474</u></u>

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2011

<b>ASSETS</b>	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments.....	\$ 8,211,915	\$ 5,063,216	\$ 828,555	\$ 5,529,078	\$ 19,632,764
Receivables, net of 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
<b>TOTAL ASSETS.....</b>	<b>\$ 10,958,698</b>	<b>\$ 5,393,564</b>	<b>\$ 828,555</b>	<b>\$ 7,469,584</b>	<b>\$ 24,650,401</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
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
<b>TOTAL LIABILITIES.....</b>	<b>4,334,344</b>	<b>85,020</b>	<b>-</b>	<b>1,654,215</b>	<b>6,073,579</b>
<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
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>6,624,354</b>	<b>5,308,544</b>	<b>828,555</b>	<b>5,815,369</b>	<b>18,576,822</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 10,958,698</b>	<b>\$ 5,393,564</b>	<b>\$ 828,555</b>	<b>\$ 7,469,584</b>	<b>\$ 24,650,401</b>

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances.....		\$ 18,576,822
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		68,420,988
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		3,129,312
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(153,934)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(14,878,322)	
Postemployment benefits.....	(10,059,595)	
Compensated absences.....	(1,736,916)	
Net effect of reporting long-term liabilities.....		(26,674,833)
Net assets of governmental activities.....		\$ 63,298,355

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	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 and other.....	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>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1,405,257</b>	<b>-</b>	<b>(343,521)</b>	<b>(22,894)</b>	<b>(672,570)</b>	<b>366,272</b>
<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
Transfers in.....	751,667	-	-	-	940,000	1,691,667
Transfers out.....	(751,332)	(956,953)	-	-	(88,541)	(1,796,826)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>148,979</b>	<b>(956,953)</b>	<b>-</b>	<b>-</b>	<b>4,096,929</b>	<b>3,288,955</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,554,236</b>	<b>(956,953)</b>	<b>(343,521)</b>	<b>(22,894)</b>	<b>3,424,359</b>	<b>3,655,227</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS REVISED...</b>	<b>5,070,118</b>	<b>956,953</b>	<b>5,652,065</b>	<b>851,449</b>	<b>2,391,010</b>	<b>14,921,595</b>
<b>FUND BALANCES AT 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>

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, 2011

Net change in fund balances - total governmental funds.....		\$ 3,655,227
<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.....	3,643,219	
Depreciation expense.....	<u>(3,135,851)</u>	
Net effect of reporting capital assets.....		507,368
<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>		
		403,243
<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 assets. 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.....	(3,245,470)	
Debt service principal payments.....	<u>1,463,858</u>	
Net effect of reporting long-term debt.....		(1,781,612)
<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.....	(93,646)	
Net change in accrued interest on long-term debt.....	(153,934)	
Net change in postemployment benefit accrual.....	(3,196,301)	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,443,881)</u>
Change in net assets of governmental activities.....		\$ <u><u>(659,655)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	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..... \$	3,825,165	\$ 2,227,462	\$ 391,964	\$ 256,358	\$ 1,284,807	\$ 7,985,756
Receivables, net of allowance for uncollectibles:						
User fees.....	872,481	431,700	-	-	-	1,304,181
Water and sewer liens.....	23,659	37,888	-	-	-	61,547
Special assessments.....	-	550,552	-	-	-	550,552
Intergovernmental.....	-	355,234	-	-	-	355,234
Inventory.....	-	-	-	56,898	-	56,898
Total current assets.....	<u>4,721,305</u>	<u>3,602,836</u>	<u>391,964</u>	<u>313,256</u>	<u>1,284,807</u>	<u>10,314,168</u>
<b>NONCURRENT:</b>						
Receivables, net of allowance for uncollectibles:						
Intergovernmental.....	-	1,602,215	-	-	-	1,602,215
Special assessments.....	-	8,369,586	-	-	-	8,369,586
Capital assets, net of accumulated depreciation:						
Nondepreciable.....	1,964,954	295,080	-	-	4,112,500	6,372,534
Depreciable.....	10,085,668	32,115,722	1,563,153	2,512,750	2,961,378	49,238,671
Total noncurrent assets.....	<u>12,050,622</u>	<u>42,382,603</u>	<u>1,563,153</u>	<u>2,512,750</u>	<u>7,073,878</u>	<u>65,583,006</u>
<b>TOTAL ASSETS.....</b>	<u><b>16,771,927</b></u>	<u><b>45,985,439</b></u>	<u><b>1,955,117</b></u>	<u><b>2,826,006</b></u>	<u><b>8,358,685</b></u>	<u><b>75,897,174</b></u>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	517,214	17,150	50,544	14,910	10,126	609,944
Accrued interest.....	57,516	240,838	8,475	24,542	50,252	381,623
Other liabilities.....	-	-	-	135,432	-	135,432
Capital lease obligations.....	-	-	-	51,972	-	51,972
Landfill closure.....	-	-	75,000	-	-	75,000
Compensated absences.....	30,900	33,100	12,600	-	16,300	92,900
Notes payable.....	-	394,959	-	-	-	394,959
Bonds payable.....	410,721	1,596,515	57,000	310,000	348,489	2,722,725
Total current liabilities.....	<u>1,016,351</u>	<u>2,282,562</u>	<u>203,619</u>	<u>536,856</u>	<u>425,167</u>	<u>4,464,555</u>
<b>NONCURRENT:</b>						
Capital lease obligations.....	-	-	-	65,027	-	65,027
Landfill closure.....	-	-	1,291,000	-	-	1,291,000
Compensated absences.....	7,147	12,578	6,704	-	8,152	34,581
Other postemployment benefits.....	191,086	101,346	54,822	47,099	71,911	466,264
Bonds payable.....	4,823,524	18,040,104	600,000	1,730,000	3,805,000	28,998,628
Total noncurrent liabilities.....	<u>5,021,757</u>	<u>18,154,028</u>	<u>1,952,526</u>	<u>1,842,126</u>	<u>3,885,063</u>	<u>30,855,500</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>6,038,108</b></u>	<u><b>20,436,590</b></u>	<u><b>2,156,145</b></u>	<u><b>2,378,982</b></u>	<u><b>4,310,230</b></u>	<u><b>35,320,055</b></u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt.....	8,199,496	12,573,719	909,653	355,751	3,192,492	25,231,111
Unrestricted.....	2,534,323	12,975,130	(1,110,681)	91,273	855,963	15,346,008
<b>TOTAL NET ASSETS (DEFICITS)..... \$</b>	<u><b>10,733,819</b></u>	<u><b>25,548,849</b></u>	<u><b>(201,028)</b></u>	<u><b>447,024</b></u>	<u><b>4,048,455</b></u>	<u><b>40,577,119</b></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>OPERATING REVENUES:</b>						
Charges for services .....	\$ 2,684,992	\$ 1,267,285	\$ 1,229,017	\$ 1,090,082	\$ 898,408	\$ 7,169,784
Penalties and interest.....	17,942	371,837	-	-	-	389,779
Other.....	-	-	1,500	-	216,350	217,850
<b>TOTAL OPERATING REVENUES .....</b>	<b>2,702,934</b>	<b>1,639,122</b>	<b>1,230,517</b>	<b>1,090,082</b>	<b>1,114,758</b>	<b>7,777,413</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration .....	2,040,086	1,509,895	882,090	667,459	434,779	5,534,309
Depreciation.....	446,305	876,878	67,228	221,186	335,269	1,946,866
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,486,391</b>	<b>2,386,773</b>	<b>949,318</b>	<b>888,645</b>	<b>770,048</b>	<b>7,481,175</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>216,543</b>	<b>(747,651)</b>	<b>281,199</b>	<b>201,437</b>	<b>344,710</b>	<b>296,238</b>
				1,043,504		
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income/(loss).....	6,748	4,861	871	602	3,323	16,405
Interest expense.....	(120,046)	(1,003,822)	(22,439)	(102,292)	(201,230)	(1,449,829)
Intergovernmental.....	-	428,222	-	-	32,300	460,522
Capital contributions.....	-	853,606	-	-	30,300	883,906
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(113,298)</b>	<b>282,867</b>	<b>(21,568)</b>	<b>(101,690)</b>	<b>(135,307)</b>	<b>(88,996)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>103,245</b>	<b>(464,784)</b>	<b>259,631</b>	<b>99,747</b>	<b>209,403</b>	<b>207,242</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	651,332	100,000	-	-	751,332
Transfers out.....	(226,817)	(164,409)	(118,515)	(52,567)	(83,865)	(646,173)
<b>TOTAL TRANSFERS.....</b>	<b>(226,817)</b>	<b>486,923</b>	<b>(18,515)</b>	<b>(52,567)</b>	<b>(83,865)</b>	<b>105,159</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(123,572)</b>	<b>22,139</b>	<b>241,116</b>	<b>47,180</b>	<b>125,538</b>	<b>312,401</b>
<b>NET ASSETS (DEFICITS) AT BEGINNING OF YEAR.....</b>	<b>10,857,391</b>	<b>25,526,710</b>	<b>(442,144)</b>	<b>399,844</b>	<b>3,922,917</b>	<b>40,264,718</b>
<b>NET ASSETS (DEFICITS) AT END OF YEAR.....</b>	<b>\$ 10,733,819</b>	<b>\$ 25,548,849</b>	<b>\$ (201,028)</b>	<b>\$ 447,024</b>	<b>\$ 4,048,455</b>	<b>\$ 40,577,119</b>

See notes to basic financial statements.

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

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.....	\$ 2,700,219	\$ 1,965,546	\$ 1,230,517	\$ 1,090,082	\$ 1,114,758	\$ 8,101,122
Payments to vendors.....	(1,401,607)	(1,083,829)	(769,810)	(441,658)	(140,426)	(3,837,330)
Payments to employees.....	(711,211)	(432,034)	(198,025)	(187,240)	(299,326)	(1,827,836)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>587,401</b>	<b>449,683</b>	<b>262,682</b>	<b>461,184</b>	<b>675,006</b>	<b>2,435,956</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	651,332	100,000	-	-	751,332
Transfers out.....	(226,817)	(164,409)	(118,515)	(52,567)	(83,865)	(646,173)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(226,817)</b>	<b>486,923</b>	<b>(18,515)</b>	<b>(52,567)</b>	<b>(83,865)</b>	<b>105,159</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes.....	4,147,000	1,819,000	-	-	903,489	6,869,489
Acquisition and construction of capital assets.....	(1,466,425)	(274,345)	-	(56,459)	(172,754)	(1,969,983)
Principal payments on bonds and notes.....	(1,200,755)	(2,827,543)	(37,000)	(300,000)	(1,204,000)	(5,569,298)
Interest expense.....	(62,530)	(447,228)	(13,964)	(77,750)	(150,978)	(752,450)
Capital contributions.....	-	853,606	-	-	30,300	883,906
Capital lease payments.....	-	-	-	(17,306)	-	(17,306)
Intergovernmental grants.....	-	-	-	-	32,300	32,300
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>1,417,290</b>	<b>(876,510)</b>	<b>(50,964)</b>	<b>(451,515)</b>	<b>(561,643)</b>	<b>(523,342)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income/(loss).....	6,748	4,861	871	602	3,323	16,405
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>6,748</b>	<b>4,861</b>	<b>871</b>	<b>602</b>	<b>3,323</b>	<b>16,405</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>1,784,622</b>	<b>64,957</b>	<b>194,074</b>	<b>(42,296)</b>	<b>32,821</b>	<b>2,034,178</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>2,040,543</b>	<b>2,162,505</b>	<b>197,890</b>	<b>298,654</b>	<b>1,251,986</b>	<b>5,951,578</b>
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....</b>	<b>\$ 3,825,165</b>	<b>\$ 2,227,462</b>	<b>\$ 391,964</b>	<b>\$ 256,358</b>	<b>\$ 1,284,807</b>	<b>\$ 7,985,756</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 216,543	\$ (747,651)	\$ 281,199	\$ 201,437	\$ 344,710	\$ 296,238
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	446,305	876,878	67,228	221,186	335,269	1,946,866
Changes in assets and liabilities:						
Water and sewer liens.....	4,948	687	-	-	-	5,635
User fees.....	(7,663)	(42,129)	-	-	-	(49,792)
Special assessments.....	-	367,866	-	-	-	367,866
Inventory.....	-	-	-	(1,700)	-	(1,700)
Warrants payable.....	(143,592)	(39,056)	(45,908)	(110,137)	(26,883)	(365,576)
Other postemployment benefits.....	60,715	32,200	17,419	14,965	22,848	148,147
Accrued liabilities.....	-	-	-	135,433	-	135,433
Landfill closure.....	-	-	(59,000)	-	-	(59,000)
Accrued compensated absences.....	10,145	888	1,744	-	(938)	11,839
<b>Total adjustments.....</b>	<b>370,858</b>	<b>1,197,334</b>	<b>(18,517)</b>	<b>259,747</b>	<b>330,296</b>	<b>2,139,718</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 587,401</b>	<b>\$ 449,683</b>	<b>\$ 262,682</b>	<b>\$ 461,184</b>	<b>\$ 675,006</b>	<b>\$ 2,435,956</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Intergovernmental subsidy of debt service.....	-	535,221	-	-	-	535,221

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents..... \$	344,006	\$ 510,889
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	64,058
<b>TOTAL ASSETS</b> .....	<b>344,006</b>	<b>574,947</b>
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	480,889
Other liabilities.....	-	30,000
Deferred revenue.....	-	64,058
<b>TOTAL LIABILITIES</b> .....	<b>-</b>	<b>574,947</b>
<b>NET ASSETS</b>		
Held in trust for other purposes..... \$	<u>344,006</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Net investment income (loss):	
Interest.....	\$ <u>459</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>16,725</u>
CHANGE IN NET ASSETS.....	(16,266)
NET ASSETS AT BEGINNING OF YEAR.....	<u>360,272</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>344,006</u></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 assets and the statement of changes in net assets) 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 *mitigation fund* is used to account for funds received from the Massachusetts Bay Transportation Authority (MBTA) in relation to a mitigation agreement between the Town and the MBTA, in which the MBTA has been allowed to operate a railway transportation service through the Town.

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.

#### *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 Assessor's 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. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets 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.

I. 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 assets. 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.

J. 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.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have 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.

#### *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.

“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.

#### L. 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 assets. 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.

### M. 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).

### N. 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.

### O. 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.

### P. Individual Fund Deficits

The Town did not have any funds that were in deficits at year end.

### Q. 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 \$24,955,927 and the bank balance totaled \$25,639,524. Of the bank balance, \$1,774,420 was covered by Federal Depository Insurance, \$531,394 was covered by the Depositors Insurance Fund, \$2,656,777 was collateralized, and \$20,676,933 was uninsured and uncollateralized.

#### Investments

As of June 30, 2011, the Town's investments consisted solely of its investment with MMDT in the amount of \$3,517,488. 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 does not have an investment policy addressing custodial credit risk. However, as of June 30, 2011, 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit Risk

The Town has not adopted a formal policy related to credit risk. 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 places no limit on the amount that may be invested in any one issuer.

**NOTE 3 – RECEIVABLES**

At June 30, 2011, receivables for the individual major governmental funds and non-major, 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...	\$ 986,827	\$ (64,295)	\$ 922,532
Tax liens.....	925,920	-	925,920
Tax foreclosures.....	448,462		448,462
Motor vehicle and other excise taxes.....	502,149	(312,628)	189,521
Departmental and other.....	809,056	(629,415)	179,641
Special assessments.....	47,034	-	47,034
Intergovernmental.....	2,304,527	-	2,304,527
Total.....	<u>\$ 6,023,975</u>	<u>\$ (1,006,338)</u>	<u>\$ 5,017,637</u>

At June 30, 2011, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,304,181	\$ -	\$ 1,304,181
Water and sewer liens.....	61,547	-	61,547
Special assessments.....	550,552	-	550,552
Intergovernmental.....	355,234	-	355,234
Total.....	<u>\$ 2,271,514</u>	<u>\$ -</u>	<u>\$ 2,271,514</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....	\$ 497,534	\$ -	\$ -	\$ 497,534
Tax liens.....	908,725	17,195	-	925,920
Motor vehicle and other excise taxes.....	189,521	-	-	189,521
Departmental and other.....	166,228	13,413	-	179,641
Special assessments.....	31,633	-	15,401	47,034
Intergovernmental.....	-	-	841,200	841,200
Tax foreclosures.....	448,462	-	-	448,462
Total.....	<u>\$ 2,242,103</u>	<u>\$ 30,608</u>	<u>\$ 856,601</u>	<u>\$ 3,129,312</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,883,907	\$ 929,686	\$ -	\$ 18,813,593
Construction in progress.....	1,274,838	1,210,052	(1,183,172)	1,301,718
Total capital assets not being depreciated.....	<u>19,158,745</u>	<u>2,139,738</u>	<u>(1,183,172)</u>	<u>20,115,311</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,794,212	1,265,915	-	6,060,127
Buildings and building improvements.....	39,526,922	350,000	-	39,876,922
Machinery and equipment.....	10,212,983	649,293	(201,904)	10,660,372
Infrastructure.....	19,258,206	252,800	-	19,511,006
Vehicles.....	3,219,129	168,645	(141,108)	3,246,666
Total capital assets being depreciated.....	<u>77,011,452</u>	<u>2,686,653</u>	<u>(343,012)</u>	<u>79,355,093</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(468,657)	(252,843)	-	(721,500)
Buildings and building improvements.....	(9,116,078)	(1,226,501)	-	(10,342,579)
Machinery and equipment.....	(7,720,704)	(554,327)	201,904	(8,073,127)
Infrastructure.....	(8,670,448)	(752,861)	-	(9,423,309)
Vehicles.....	(2,280,690)	(349,319)	141,108	(2,488,901)
Total accumulated depreciation.....	<u>(28,256,577)</u>	<u>(3,135,851)</u>	<u>343,012</u>	<u>(31,049,416)</u>
Total capital assets being depreciated, net.....	<u>48,754,875</u>	<u>(449,198)</u>	<u>-</u>	<u>48,305,677</u>
Total governmental activities capital assets, net.....	<u>\$ 67,913,620</u>	<u>\$ 1,690,540</u>	<u>\$ (1,183,172)</u>	<u>\$ 68,420,988</u>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 198,984	\$ 1,904,516	\$ (138,546)	\$ 1,964,954
Total capital assets not being depreciated.....	198,984	1,904,516	(138,546)	1,964,954
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	9,500	-	-	9,500
Machinery and equipment.....	232,339	-	-	232,339
Vehicles.....	192,901	128,992	-	321,893
Infrastructure.....	20,196,435	-	-	20,196,435
Total capital assets being depreciated.....	20,631,175	128,992	-	20,760,167
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,019)	(241)	-	(2,260)
Machinery and equipment.....	(161,696)	(11,180)	-	(172,876)
Vehicles.....	(142,445)	(24,790)	-	(167,235)
Infrastructure.....	(9,922,034)	(410,094)	-	(10,332,128)
Total accumulated depreciation.....	(10,228,194)	(446,305)	-	(10,674,499)
Total capital assets being depreciated, net.....	10,402,981	(317,313)	-	10,085,668
Total business-type activities capital assets, net.....	\$ 10,601,965	\$ 1,587,203	\$ (138,546)	\$ 12,050,622

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 588,602	\$ 60,547	\$ (354,068)	\$ 295,081
Total capital assets not being depreciated.....	<u>588,602</u>	<u>60,547</u>	<u>(354,068)</u>	<u>295,081</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	20,200	-	-	20,200
Machinery and equipment.....	352,000	-	-	352,000
Vehicles.....	203,100	-	-	203,100
Infrastructure.....	<u>42,178,554</u>	<u>504,571</u>	<u>-</u>	<u>42,683,125</u>
Total capital assets being depreciated.....	<u>42,753,854</u>	<u>504,571</u>	<u>-</u>	<u>43,258,425</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,525)	(1,010)	-	(3,535)
Machinery and equipment.....	(63,360)	(14,080)	-	(77,440)
Vehicles.....	(184,109)	(5,799)	-	(189,908)
Infrastructure.....	<u>(10,015,832)</u>	<u>(855,989)</u>	<u>-</u>	<u>(10,871,821)</u>
Total accumulated depreciation.....	<u>(10,265,826)</u>	<u>(876,878)</u>	<u>-</u>	<u>(11,142,704)</u>
Total capital assets being depreciated, net.....	<u>32,488,028</u>	<u>(372,307)</u>	<u>-</u>	<u>32,115,721</u>
Total business-type activities capital assets, net.....	<u>\$ 33,076,630</u>	<u>\$ (311,760)</u>	<u>\$ (354,068)</u>	<u>\$ 32,410,802</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Transfer Station:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 1,992,967	\$ -	\$ -	\$ 1,992,967
Machinery and equipment.....	685,641	-	-	685,641
Vehicles.....	<u>17,585</u>	<u>-</u>	<u>-</u>	<u>17,585</u>
Total capital assets being depreciated.....	<u>2,696,193</u>	<u>-</u>	<u>-</u>	<u>2,696,193</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(512,857)	(50,374)	-	(563,231)
Machinery and equipment.....	(535,778)	(16,565)	-	(552,343)
Vehicles.....	<u>(17,177)</u>	<u>(289)</u>	<u>-</u>	<u>(17,466)</u>
Total accumulated depreciation.....	<u>(1,065,812)</u>	<u>(67,228)</u>	<u>-</u>	<u>(1,133,040)</u>
Total capital assets being depreciated, net.....	<u>1,630,381</u>	<u>(67,228)</u>	<u>-</u>	<u>1,563,153</u>
Total business-type activities capital assets, net.....	<u>\$ 1,630,381</u>	<u>\$ (67,228)</u>	<u>\$ -</u>	<u>\$ 1,563,153</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.....	1,805,185	56,460	(31,023)	1,830,622
	<u>5,898,189</u>	<u>56,460</u>	<u>(31,023)</u>	<u>5,923,626</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(316,629)	(120,744)	-	(437,373)
Buildings and building improvements.....	(1,316,376)	(23,197)	-	(1,339,573)
Machinery and equipment.....	(1,587,708)	(77,245)	31,023	(1,633,930)
	<u>(3,220,713)</u>	<u>(221,186)</u>	<u>31,023</u>	<u>(3,410,876)</u>
Total capital assets being depreciated, net.....	<u>2,677,476</u>	<u>(164,726)</u>	<u>-</u>	<u>2,512,750</u>
Total business-type activities capital assets, net.....	<u>\$ 2,677,476</u>	<u>\$ (164,726)</u>	<u>\$ -</u>	<u>\$ 2,512,750</u>

	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
	<u>4,112,500</u>	<u>-</u>	<u>-</u>	<u>4,112,500</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	758,289	158,633	-	916,922
Buildings and building improvements.....	756,722	-	-	756,722
Machinery and equipment.....	4,604,523	14,121	(15,931)	4,602,713
	<u>6,119,534</u>	<u>172,754</u>	<u>(15,931)</u>	<u>6,276,357</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(40,863)	(142,045)	-	(182,908)
Buildings and building improvements.....	(211,771)	(12,726)	-	(224,497)
Machinery and equipment.....	(2,743,007)	(180,498)	15,931	(2,907,574)
	<u>(2,995,641)</u>	<u>(335,269)</u>	<u>15,931</u>	<u>(3,314,979)</u>
Total capital assets being depreciated, net.....	<u>3,123,893</u>	<u>(162,515)</u>	<u>-</u>	<u>2,961,378</u>
Total business-type activities capital assets, net.....	<u>\$ 7,236,393</u>	<u>\$ (162,515)</u>	<u>\$ -</u>	<u>\$ 7,073,878</u>

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

**Governmental Activities:**

General government.....	\$	109,494
Public safety.....		243,217
Education.....		1,437,109
Public works.....		1,066,416
Human services.....		15,083
Culture and recreation.....		<u>264,532</u>

Total depreciation expense - governmental activities..... \$ 3,135,851

**Business-Type Activities:**

Water.....	\$	446,305
Sewer.....		876,878
Transfer Station.....		67,228
Widow's Walk Golf Course.....		221,186
Waterways.....		<u>335,269</u>

Total depreciation expense - business-type activities..... \$ 1,946,866

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:				
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Transfer Station Enterprise Fund	Total
General Fund.....	\$ -	\$ -	\$ 651,332	\$ 100,000	\$ 751,332
Mitigation Fund.....	16,953	940,000	-	-	956,953
Nonmajor Governmental Funds....	88,541	-	-	-	88,541
Water Enterprise Fund.....	226,817	-	-	-	226,817
Sewer Enterprise Fund.....	164,409	-	-	-	164,409
Transfer Station Fund.....	118,515	-	-	-	118,515
Golf Enterprise Fund.....	52,567	-	-	-	52,567
Waterways Enterprise Fund.....	<u>83,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,865</u>
Total.....	<u>\$ 751,667</u>	<u>\$ 940,000</u>	<u>\$ 651,332</u>	<u>\$ 100,000</u>	<u>\$ 2,442,999</u>

Transfers represent amounts voted to fund the fiscal year 2011 operating budget, reimbursements of indirect costs of the enterprise funds and general fund debt service and capital subsidies to the water, sewer, and transfer station enterprise funds.

**NOTE 6 – LEASES**

The Town has entered into lease agreements to finance the acquisition of equipment and golf carts for the Widows Walk Golf Course, an enterprise fund of the Town. There are six lease agreements that qualify as capital leases for accounting purposes and, therefore, 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.....	\$ 314,472
Less: accumulated depreciation.....	<u>(196,979)</u>
Total.....	<u>\$ 117,493</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2011:

<u>Fiscal Years Ending June 30</u>	<u>Business-Type Activities</u>
2012.....	\$ 57,071
2013.....	33,352
2014.....	22,107
2015.....	11,172
2016.....	<u>7,911</u>
Total minimum lease payments.....	131,613
Less: amounts representing interest.....	<u>(14,614)</u>
Present value of minimum lease payments.....	<u>\$ 116,999</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, 2011, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
<b>Governmental Funds</b>							
BAN	Municipal Purpose.....	1.25	03/18/11	\$ 1,946,444	\$ -	\$ 1,946,444	\$ -
BAN	Municipal Purpose.....	1.50	03/18/11	-	320,000	320,000	-
Total Governmental.....				<u>\$ 1,946,444</u>	<u>\$ 320,000</u>	<u>\$ 2,266,444</u>	<u>\$ -</u>
Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
<b>Enterprise Funds</b>							
BAN	Sewer.....	1.25	03/18/11	\$ 1,452,679	\$ -	\$ 1,452,679	\$ -
BAN	Infiltration & Inflow System.....	1.50	03/18/11	-	114,000	114,000	-
BAN	Temporary Sewer Loans (Interim Loan).....	0.28	12/31/11	-	394,959	-	394,959
Sub-Total sewer.....				<u>1,452,679</u>	<u>508,959</u>	<u>1,566,679</u>	<u>394,959</u>
BAN	Water Mains and Equipments.....	1.25	03/18/11	1,222,000	-	1,222,000	-
BAN	Water Mains.....	1.50	03/18/11	-	1,001,700	1,001,700	-
Sub-Total water.....				<u>1,222,000</u>	<u>1,001,700</u>	<u>2,223,700</u>	<u>-</u>
BAN	Transfer Station Loader.....	1.25	03/18/11	150,000	-	150,000	-
BAN	Marine Park Recreational Facility.....	1.25	03/18/11	929,000	-	929,000	-
Total Enterprise.....				<u>\$ 3,753,679</u>	<u>\$ 1,510,659</u>	<u>\$ 4,869,379</u>	<u>\$ 394,959</u>

The Massachusetts Water Pollution Abatement Trust (MWPAT) interim loan was dated to come due in fiscal year 2012. However, as of the report date, the interim loan was not permanently financed by the MWPAT.

**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, 2011, and the debt service requirements are as follows:

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

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
General Obligation Bonds of 2000.....	4.00 - 5.00	\$ 61,710	\$ -	\$ 6,858	\$ 54,852
General Obligation Bonds of 2005.....	3.00 - 5.00	9,270,000	-	707,000	8,563,000
General Obligation Bonds of 2008.....	3.00 - 5.00	3,765,000	-	750,000	3,015,000
General Obligation Bonds of 2011.....	3.00 - 5.00	-	3,245,470	-	3,245,470
Total Governmental Bonds Payable.....		\$ 13,096,710	\$ 3,245,470	\$ 1,463,858	\$ 14,878,322

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

**GOVERNMENTAL FUNDS, DEBT SERVICE PAYMENTS**

Fiscal Year	Principal	Interest	Total
2012.....	\$ 1,474,328	\$ 578,428	\$ 2,052,756
2013.....	1,413,858	532,200	1,946,058
2014.....	1,355,858	472,905	1,828,763
2015.....	1,176,856	418,419	1,595,275
2016.....	1,131,856	367,168	1,499,024
2017.....	1,086,856	320,997	1,407,853
2018.....	976,855	279,250	1,256,105
2019.....	876,855	240,764	1,117,619
2020.....	830,000	205,793	1,035,793
2021.....	815,000	171,793	986,793
2022.....	810,000	138,333	948,333
2023.....	810,000	106,266	916,266
2024.....	810,000	74,074	884,074
2025.....	805,000	41,770	846,770
2026.....	220,000	20,060	240,060
2027.....	60,000	11,250	71,250
2028.....	60,000	9,000	69,000
2029.....	55,000	6,600	61,600
2030.....	55,000	4,400	59,400
2031.....	55,000	2,200	57,200
Total.....	\$ 14,878,322	\$ 4,001,670	\$ 18,879,992

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 \$1,844,983 and interest costs for \$1,915,055. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$20,933,397. The principal subsidies are guaranteed and therefore a \$1,844,983 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2011. 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 2011 principal and interest subsidies totaled \$219,465 and \$315,756, 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. In fiscal year 2011, the MSBA prefunded a portion of the State's share of the future debt service through a lump sum payment of \$509,661. Remaining future reimbursements from MSBA are anticipated to total approximately \$464,000 which has been recorded as an intergovernmental receivable.

### Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
MWPAT CW-02-22A.....	2.00	\$ 1,093,399	\$ -	\$ 68,356	\$ 1,025,043
MWPAT CW-04-38.....	2.00	3,219,412	-	172,451	3,046,961
MWPAT CW-04-38-A.....	2.00	880,254	-	47,152	833,102
MWPAT Pool 10.....	2.50 - 5.25	7,704,491	-	772,537	6,931,954
MWPAT CW-02-22.....	0.00	3,934,372	-	216,854	3,717,518
General Obligation Bonds of 2005.....	3.00 - 5.00	2,275,000	-	153,000	2,122,000
General Obligation Bonds of 2008.....	3.00 - 5.00	700,000	-	50,000	650,000
General Obligation Bonds of 2011.....	3.00 - 5.00	-	1,310,041	-	1,310,041
Sub-Total sewer bonds payable.....		19,806,928	1,310,041	1,480,350	19,636,619
General Obligation Bonds of 2005.....	3.00 - 5.00	1,031,000	-	128,000	903,000
General Obligation Bonds of 2008.....	3.00 - 5.00	35,000	-	5,000	30,000
General Obligation Bonds of 2011.....	3.00 - 5.00	-	4,147,000	-	4,147,000
Sub-Total water bonds payable.....		1,066,000	4,147,000	133,000	5,080,000
Unamortized Premium on Bonds.....		-	154,245	-	154,245
Total water bonds payable.....		1,066,000	4,301,245	133,000	5,234,245
General Obligation Bonds of 2005.....	3.00 - 5.00	544,000	-	37,000	507,000
General Obligation Bonds of 2011.....	3.00 - 5.00	-	150,000	-	150,000
Sub-Total transfer station bonds payable.....		544,000	150,000	37,000	657,000
General Obligation Bonds of 2004.....	2.00 - 4.00	2,340,000	-	300,000	2,040,000
Sub-Total widow's walk golf course bonds payable.....		2,340,000	-	300,000	2,040,000
General Obligation Bonds of 2005.....	3.00 - 5.00	3,075,000	-	220,000	2,855,000
General Obligation Bonds of 2008.....	3.00 - 5.00	450,000	-	55,000	395,000
General Obligation Bonds of 2011.....	3.00 - 5.00	-	903,489	-	903,489
Sub-Total waterway's bonds payable.....		3,525,000	903,489	275,000	4,153,489
Total Enterprise Bonds Payable.....		\$ 27,281,928	\$ 6,664,775	\$ 2,225,350	\$ 31,721,353

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>
2012.....	\$ 1,596,515	\$ 711,770	\$ 2,308,285
2013.....	1,298,985	1,005,387	2,304,372
2014.....	1,645,050	624,906	2,269,956
2015.....	1,688,004	564,044	2,252,048
2016.....	1,730,518	486,966	2,217,484
2017.....	1,776,255	412,060	2,188,315
2018.....	1,822,694	317,847	2,140,541
2019.....	1,862,882	255,022	2,117,904
2020.....	1,088,548	196,285	1,284,833
2021.....	1,076,058	155,067	1,231,125
2022.....	957,450	117,493	1,074,943
2023.....	976,649	82,719	1,059,368
2024.....	982,011	47,448	1,029,459
2025.....	498,565	30,487	529,052
2026.....	356,436	16,264	372,700
2027.....	60,000	11,050	71,050
2028.....	55,000	8,800	63,800
2029.....	55,000	6,600	61,600
2030.....	55,000	4,400	59,400
2031.....	55,000	2,200	57,200
Total.....	\$ <u>19,636,620</u>	\$ <u>5,056,815</u>	\$ <u>24,693,435</u>

**WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 395,000	\$ 193,477	\$ 588,477
2013.....	388,000	182,237	570,237
2014.....	381,000	168,025	549,025
2015.....	351,000	155,310	506,310
2016.....	296,000	141,295	437,295
2017.....	286,000	129,480	415,480
2018.....	281,000	118,052	399,052
2019.....	276,000	106,812	382,812
2020.....	261,000	95,772	356,772
2021.....	261,000	83,132	344,132
2022.....	231,000	70,492	301,492
2023.....	231,000	62,863	293,863
2024.....	231,000	54,966	285,966
2025.....	226,000	46,768	272,768
2026.....	170,000	38,550	208,550
2027.....	170,000	32,175	202,175
2028.....	165,000	25,800	190,800
2029.....	160,000	19,200	179,200
2030.....	160,000	12,800	172,800
2031.....	160,000	6,400	166,400
Total.....	\$ <u>5,080,000</u>	\$ <u>1,743,606</u>	\$ <u>6,823,606</u>

**ANSFER STATION ENTERPRISE FUND, DEBT SERVICE PAYMEN**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 57,000	\$ 26,142	\$ 83,142
2013.....	57,000	24,417	81,417
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	1,530	37,530
Total.....	\$ <u>657,000</u>	\$ <u>183,963</u>	\$ <u>840,963</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 310,000	\$ 68,975	\$ 378,975
2013.....	320,000	59,125	379,125
2014.....	330,000	48,563	378,563
2015.....	345,000	36,300	381,300
2016.....	360,000	22,200	382,200
2017.....	<u>375,000</u>	<u>7,500</u>	<u>382,500</u>
Total.....	\$ <u>2,040,000</u>	\$ <u>242,663</u>	\$ <u>2,282,663</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 348,489	\$ 164,758	\$ 513,247
2013.....	335,000	153,116	488,116
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.....	<u>40,000</u>	<u>1,400</u>	<u>41,400</u>
Total.....	\$ <u>4,153,489</u>	\$ <u>1,143,743</u>	\$ <u>5,297,232</u>

At June 30, 2011, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
General.....	\$ 7,695,915
Water.....	463,000
Sewer.....	8,019,536
Waterways.....	<u>1,824,945</u>
Total.....	\$ <u>18,003,396</u>

In May 2010, the Town authorized borrowing \$1,165,000 for Wampatuck School repairs, subject to the approval of the school projects by the Massachusetts School Building Authority. The Town has received approval from the Massachusetts School Building Authority for grants associated with the Wampatuck School repairs project.

### Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds and Notes.....	\$ 13,096,710	\$ 3,245,470	\$ (1,463,858)	\$ 14,878,322	\$ 1,474,328
Compensated Absences.....	1,643,270	915,281	(821,635)	1,736,916	1,398,100
Postemployment Benefits.....	6,863,294	4,897,326	(1,701,025)	10,059,595	-
Total governmental activity long-term liabilities.....	<u>\$ 21,603,274</u>	<u>\$ 9,058,077</u>	<u>\$ (3,986,518)</u>	<u>\$ 26,674,833</u>	<u>\$ 2,872,428</u>
<b>Business-Type Activities:</b>					
Compensated Absences.....	\$ 115,642	\$ 69,660	\$ (57,821)	\$ 127,481	\$ 92,900
Landfill Closure.....	1,425,000	-	(134,000)	1,291,000	75,000
Postemployment Benefits.....	318,117	182,180	(34,033)	466,264	-
Long-Term Bonds and Notes.....	27,281,928	6,664,775	(2,225,350)	31,721,353	2,722,725
Capital Lease.....	134,305	-	(17,306)	116,999	-
Total business-type activity long-term liabilities.....	<u>\$ 29,274,992</u>	<u>\$ 6,916,615</u>	<u>\$ (2,468,510)</u>	<u>\$ 33,723,097</u>	<u>\$ 2,890,625</u>

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

### **NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

In fiscal year 2011, the Town implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with GASB Statement No. 54, the stabilization fund has been reported in the general fund, and accordingly, the general fund beginning balance increased by \$2,220,032 and the revised balance totals \$5,070,118.

GASB 54 provides for 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, GASB 54 has provided 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, 2011, 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.....	-	5,308,544	-	-	5,308,544
Affordable Housing.....	-	-	828,555	-	828,555
Town revolving funds.....	-	-	-	3,059,066	3,059,066
Town grant funds.....	-	-	-	141,406	141,406
School lunch.....	-	-	-	125,755	125,755
School revolving funds.....	-	-	-	853,853	853,853
School grant funds.....	-	-	-	640,313	640,313
Town capital projects.....	-	-	-	40,023	40,023
School capital projects.....	-	-	-	554,646	554,646
Future Year Debt service.....	86,767	-	-	-	86,767
Permanent Trust funds.....	-	-	-	373,256	373,256
Assigned to:					
General government.....	387,537	-	-	-	387,537
Public safety.....	234,226	-	-	-	234,226
Education.....	581,253	-	-	-	581,253
Public works.....	8,104	-	-	-	8,104
Human services.....	24,543	-	-	-	24,543
Culture and recreation.....	3,875	-	-	-	3,875
Employee benefits.....	21,248	-	-	-	21,248
Unassigned.....	5,276,801	-	-	-	5,276,801
<b>TOTAL FUND BALANCES (DEFICIT).....</b>	<b>\$ 6,624,354</b>	<b>\$ 5,308,544</b>	<b>\$ 828,555</b>	<b>\$ 5,815,369</b>	<b>\$ 18,576,822</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 is \$2,084,461 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 even 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 \$6,755,000 for the fiscal year ended June 30, 2011, 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, 2011, 2010, and 2009 were \$3,118,030, \$2,758,350, and \$2,668,512, 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 June 30, 2011, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	458
Current active members.....	<u>678</u>
Total.....	<u><u>1,136</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 2011, the Town contributed \$1.7 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.....	\$ 5,100,217
Interest on net OPEB Obligation.....	287,256
Adjustment to the ARC.....	<u>(307,967)</u>
Annual OPEB cost (expense).....	5,079,506
Contributions made.....	<u>(1,735,058)</u>
Increase/Decrease in net OPEB obligation.....	3,344,448
Net OPEB obligation - beginning of year.....	<u>7,181,411</u>
Net OPEB obligation - end of year.....	<u><u>\$ 10,525,859</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>
6/30/2011	\$ 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>
7/1/2010	\$ -	\$ 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 trend. 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 \$75,000 per year for post-closure care costs and has recorded a liability of \$1,366,000 in the governmental activities funds 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 2011 were approximately \$295,000.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$18 million including approximately \$8 million in sewer projects and \$1.8 million in waterways projects.

**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, 2011, 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

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

During fiscal year 2011, the following GASB pronouncements were implemented:

GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statement changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.

GASB Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future Implementation of GASB Pronouncements:

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management is currently assessing the impact that the implementation of this pronouncement will have on the basic financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management is currently assessing the impact that the implementation of this pronouncement will have on the basic financial statements.

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact 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, 2011

	Budgeted Amounts						
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 43,081,647	\$ 43,081,647	\$ 43,081,647	\$ 43,116,682	\$ -	\$ 35,035
Tax liens.....	-	-	-	-	-	-	0
Motor vehicle and other excise taxes.....	-	2,125,131	2,125,131	2,125,131	2,283,729	-	158,598
Penalties and interest on taxes.....	-	367,174	367,174	367,174	417,449	-	50,275
Fees and rentals.....	-	139,063	139,063	139,063	197,399	-	58,336
Licenses and permits.....	-	333,647	333,647	333,647	462,641	-	128,994
Fines and forfeitures.....	-	85,884	85,884	85,884	103,033	-	17,149
Intergovernmental.....	-	6,664,072	6,664,072	6,664,072	6,760,878	-	96,806
Departmental and other.....	-	1,136,816	1,136,816	1,136,816	1,166,732	-	29,916
Investment income.....	-	89,063	89,063	89,063	54,656	-	(34,407)
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>54,022,497</b>	<b>54,022,497</b>	<b>54,022,497</b>	<b>54,563,199</b>	<b>-</b>	<b>540,702</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government.....	205,843	2,399,100	2,604,943	2,680,783	2,183,454	387,537	109,792
Public safety.....	143,611	7,415,454	7,559,065	7,485,472	7,161,440	234,226	89,806
Education.....	814,209	27,913,448	28,727,657	28,727,657	27,997,022	581,253	149,382
Public works.....	7,247	2,899,394	2,906,641	3,226,511	3,085,705	8,104	132,702
Human services.....	27,440	450,747	478,187	493,900	410,181	24,543	59,176
Culture and recreation.....	8,460	1,077,103	1,085,563	1,085,563	1,030,778	3,875	50,910
Pension benefits.....	-	3,206,124	3,206,124	3,206,124	3,198,908	-	7,216
Employee benefits.....	12,802	6,170,724	6,183,526	6,174,526	5,801,170	21,248	352,108
State and county charges.....	-	568,260	568,260	568,260	520,678	-	47,582
<b>Debt service:</b>							
Principal.....	-	1,501,858	1,501,858	1,463,858	1,463,858	-	-
Interest.....	-	774,336	774,336	774,336	771,919	-	2,417
<b>TOTAL EXPENDITURES.....</b>	<b>1,219,612</b>	<b>54,376,548</b>	<b>55,596,160</b>	<b>55,886,990</b>	<b>53,625,113</b>	<b>1,260,786</b>	<b>1,001,091</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,219,612)</b>	<b>(354,051)</b>	<b>(1,573,663)</b>	<b>(1,864,493)</b>	<b>938,086</b>	<b>(1,260,786)</b>	<b>1,541,793</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Premium from issuance of bonds.....	-	-	-	-	148,644	-	148,644
Transfers in.....	-	729,231	729,231	867,546	889,982	-	22,436
Transfers out.....	-	(761,550)	(761,549)	(761,549)	(761,549)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(32,319)</b>	<b>(32,318)</b>	<b>105,997</b>	<b>277,077</b>	<b>-</b>	<b>171,080</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,219,612)</b>	<b>(386,370)</b>	<b>(1,605,981)</b>	<b>(1,758,496)</b>	<b>1,215,163</b>	<b>(1,260,786)</b>	<b>1,712,873</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>2,697,039</b>	<b>2,697,039</b>	<b>2,697,039</b>	<b>2,697,039</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (1,219,612)</b>	<b>\$ 2,310,669</b>	<b>\$ 1,091,058</b>	<b>\$ 938,543</b>	<b>\$ 3,912,202</b>	<b>\$ (1,260,786)</b>	<b>\$ 1,712,873</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)
01/01/11	\$ 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, 2011, is approximately 6.37%.

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
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**

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**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)
7/1/2010	\$ -	\$ 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
6/30/2011	\$ 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, 2010
Actuarial cost method.....	Entry age normal
Amortization method.....	Amortization payments increasing at 4.00%
Remaining amortization period.....	28 years as of July 1, 2010
Actuarial Assumptions:	
Investment rate of return.....	4.00%, pay-as-you-go scenario
Projected salary increases.....	2.50%
Medical/drug cost trend rate.....	8% in 2011 reaching the ultimate rate of 5% in 2014

Plan Membership:

Current retirees, beneficiaries, and dependents.....	458
Current active members.....	<u>678</u>
Total.....	<u><u>1,136</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 2011 approved budget for the General Fund includes \$55.1 million in current year appropriations and other amounts to be raised and \$1.2 million in encumbrances and appropriations carried over from previous fiscal years.

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, 2011, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,215,163
<u>Perspective difference:</u>	
Funds recored in the General Fund for GAAP:	
Stabilization Fund.....	(117,571)
Workers' Compensation Fund.....	148,008
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(25,000)
Net change in recording receivables.....	333,636
Recognition of revenue for on-behalf payments.....	6,754,581
Recognition of expenditures for on-behalf payments.....	<u>(6,754,581)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 1,554,236</u>

C. Appropriation Deficits

None of the Town’s expenditures exceeded appropriations for fiscal year 2011.

**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, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year, level dollar for ERI liability for certain units.
Remaining Amortization Period.....	19 years remaining as of January 1, 2011, open
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 based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 20% of market value.

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.....	3,088
Inactive participants.....	2,115
Disabled.....	354
Active participants.....	<u>5,775</u>
Total.....	<u><u>11,332</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.