

TOWN OF SCITUATE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF SCITUATE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS

Independent Auditors' Report.....1

Management's Discussion and Analysis3

Basic Financial Statements11

 Statement of net assets13

 Statement of activities14

 Governmental funds – balance sheet16

 Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets17

 Governmental funds – statement of revenues, expenditures and changes in fund balances18

 Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....19

 Proprietary funds – statement of net assets20

 Proprietary funds – statement of revenues, expenses and changes in fund net assets21

 Proprietary funds – statement of cash flows22

 Fiduciary funds – statement of fiduciary net assets23

 Fiduciary funds – statement of changes in fiduciary net assets24

 Notes to basic financial statements25

Required Supplementary Information.....55

 General fund budgetary comparison schedule56

 Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....57

 Retirement system schedules.....58

 Retirement system schedule of funding progress59

 Retirement system schedule of employer contributions60

 Other postemployment benefits plan schedules.....61

 Other postemployment benefit plan funding progress and employer contributions.....62

 Other postemployment benefit plan actuarial methods and assumptions63

Notes to required supplementary information.....64



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
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, 2012, 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, 2012, 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 21, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

March 21, 2013

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, 2012. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis is part of these requirements.

Overview of the Financial Statements

This discussion and analysis 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.

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 \$65 million at the close of fiscal year.

Governmental net assets of \$56 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 \$1.4 million during fiscal year 2012. This was primarily related to the acquisition of capital assets exceeding depreciation expense recorded against capital assets.

An additional portion of the net assets \$8.6 million (13%) represents resources that are subject to external restrictions on how they may be used. This balance was up by approximately \$1.1 million mainly due to the recognition of revenue related to the Community Preservation Act. The remaining balance of *unrestricted net assets* \$414,000 (1%) may be used to meet the government's ongoing obligations to citizens and creditors. This balance decreased by approximately \$795,000, 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 2012 the Town, based on its

actuarial valuation, reported an accrual of \$13.3 million for its portion of the liability that was not paid. This represents an increase of \$3.3 million over the prior fiscal year. Offsetting this increase in OPEB liability, the Town's General Fund reported expenditures less than appropriations by approximately \$2.6 million and higher than budgeted collection of revenues of approximately \$635,000. Condensed financial data for fiscal years 2012 and 2011 is presented below:

	<u>FY2012 Governmental Activities</u>	<u>FY2011 Governmental Activities</u>	<u>Increase/ Decrease</u>
Assets:			
Current assets.....	\$ 27,735,527	\$ 24,650,401	\$ 3,085,126
Capital assets.....	<u>70,233,210</u>	<u>68,420,988</u>	<u>1,812,222</u>
Total assets.....	97,968,737	93,071,389	4,897,348
Liabilities:			
Current liabilities (excluding debt).....	4,066,838	4,496,301	(429,463)
Noncurrent liabilities (excluding debt).....	13,673,076	10,398,411	3,274,665
Current debt.....	1,414,319	1,474,328	(60,009)
Noncurrent debt.....	<u>13,849,157</u>	<u>13,403,994</u>	<u>445,163</u>
Total liabilities.....	33,003,390	29,773,034	3,230,356
Net Assets:			
Invested in capital assets, net of related debt.....	55,977,544	54,601,696	1,375,848
Restricted.....	8,573,833	7,488,133	1,085,700
Unrestricted.....	<u>413,970</u>	<u>1,208,526</u>	<u>(794,556)</u>
Total net assets.....	\$ 64,965,347	\$ 63,298,355	\$ 1,666,992
Program revenues:			
Charges for services.....	\$ 4,727,587	\$ 3,939,438	\$ 788,149
Operating grants and contributions.....	16,542,324	15,283,108	1,259,216
Capital grants and contributions.....	1,612,713	1,956,834	(344,121)
General Revenues:			
Real estate and personal property taxes.....	46,582,135	43,606,134	2,976,001
Tax liens.....	32,255	26,077	6,178
Motor vehicle and other excise taxes.....	2,328,915	2,305,255	23,660
Community preservation tax.....	1,070,846	992,107	78,739
Grants and contributions not restricted to specific programs.....	1,799,495	1,803,153	(3,658)
Unrestricted investment income.....	74,257	102,462	(28,205)
Other.....	<u>852,317</u>	<u>716,544</u>	<u>135,773</u>
Total revenues.....	75,622,844	70,731,112	4,891,732
Expenses:			
General government.....	4,256,315	4,323,746	(67,431)
Public safety.....	11,473,602	10,738,455	735,147
Education.....	50,586,444	47,275,114	3,311,330
Public works.....	4,193,275	4,903,562	(710,287)
Human services.....	948,776	929,568	19,208
Culture and recreation.....	1,953,509	1,902,885	50,624
Community preservation.....	59,513	286,425	(226,912)
Interest.....	<u>415,187</u>	<u>925,853</u>	<u>(510,666)</u>
Total expenses.....	73,886,621	71,285,608	2,601,013
Excess (deficiency) before transfers.....	1,736,223	(554,496)	2,290,719
Transfers.....	(69,231)	(105,159)	35,928
Change in net assets.....	\$ 1,666,992	\$ (659,655)	\$ 2,326,647

Business-type Activities

The following chart provides a summary of Business-type activities financial data for fiscal year 2012, with comparative fiscal 2011 information.

	FY2012		FY2011		Increase/ Decrease
	Business-type		Business-type		
	Activities		Activities		
Assets:					
Current assets.....	\$ 12,952,609	\$	10,314,168	\$	2,638,441
Noncurrent assets (excluding capital).....	9,118,085		9,971,801		(853,716)
Capital assets.....	58,675,537		55,611,205		3,064,332
Total assets.....	80,746,231		75,897,174		4,849,057
Liabilities:					
Current liabilities (excluding debt).....	2,141,072		1,346,871		794,201
Noncurrent liabilities (excluding debt).....	1,920,461		1,856,872		63,589
Current debt.....	7,853,000		3,117,684		4,735,316
Noncurrent debt.....	28,029,774		28,998,628		(968,854)
Total liabilities.....	39,944,307		35,320,055		4,624,252
Net Assets:					
Invested in capital assets, net of related debt.....	26,572,988		25,231,111		1,341,877
Unrestricted.....	14,228,936		15,346,008		(1,117,072)
Total net assets.....	\$ 40,801,924	\$	40,577,119	\$	224,805
Program revenues:					
Charges for services.....	\$ 7,971,694	\$	8,022,867	\$	(51,173)
Operating grants and contributions.....	16,237		35,300		(19,063)
Capital grants and contributions.....	692,556		709,128		(16,572)
Total revenues.....	8,680,487		8,767,295		(86,808)
Expenses:					
Water.....	2,567,621		2,606,437		(38,816)
Sewer.....	2,962,259		3,019,644		(57,385)
Transfer station.....	1,015,410		971,757		43,653
Widows Walk golf course.....	1,045,083		990,937		54,146
Waterways.....	934,540		971,278		(36,738)
Total expenses.....	8,524,913		8,560,053		(35,140)
Excess (deficiency) before transfers.....	155,574		207,242		(51,668)
Transfers.....	69,231		105,159		(35,928)
Change in net assets.....	\$ 224,805	\$	312,401	\$	(87,596)

At the end of the current fiscal year, the Town reports \$40.8 million in net assets for its combined business-type activities. Of this balance, \$26.6 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 \$225,000 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:

	FY2012 Net Assets		FY2011 Net Assets		Change in Net Assets
Net Assets:					
Water.....	\$ 10,568,839	\$	10,733,819	\$	(164,980)
Sewer.....	25,384,627		25,548,849		(164,222)
Transfer station.....	137,161		(201,028)		338,189
Widows Walk golf course.....	616,287		447,024		169,263
Waterways.....	4,095,010		4,048,455		46,555
Total Net Assets.....	\$ 40,801,924	\$	40,577,119	\$	224,805

The water enterprise fund reported a decrease in net assets of \$165,000. This was the result of an \$82,000 budgetary surplus and a net decrease of \$247,000 from the effect of recording the fund’s full accrual activity.

The sewer enterprise fund reported a decrease in net assets of \$164,000. The fund budgeted \$722,000 of fiscal year 2011 net assets to balance the fiscal year 2012 budget. The actual budgetary decrease in net assets was only \$533,000. The effect of recording the fund’s full accrual activity resulted in an increase in net assets of \$369,000.

The sewer enterprise issued debt through the MWPAT and constructed capital assets as the debt proceeds were received. This did not have an impact on net assets.

The Transfer Station enterprise fund reported a \$338,000 increase in net assets. This was the net result of a budgetary surplus of \$300,000, a \$54,000 decrease in the landfill closure liability and an \$18,000 increase in the OPEB liability.

The Widow’s Walk Golf Course enterprise fund reported a \$169,000 increase in net assets. From a budgetary perspective, the golf course had a small \$18,000 deficit for fiscal year 2012 compared to the \$86,000 deficit budgeted. The other changes in net assets were an increase from the acquisition of \$52,000 in capital assets funded through the operating budget, an increase from the budgeted debt principal payments exceeding depreciation by \$164,000 and a decrease from a \$15,000 increase in the OPEB liability.

The Waterway’s enterprise fund reported a \$47,000 increase in net assets. This was the result of a \$16,000 budgetary surplus compared to the \$103,000 budgeted deficit and a net increase of \$31,000 from the effect of recording the fund’s full accrual activity.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$22.4 million, of which \$8.5 million is for the general fund, \$6.4 million is for community preservation fund, \$820,000 is for the affordable housing fund, and \$6.7 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$3.8 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 \$6.9 million, while total fund balance was \$8.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the *General Fund* increased by \$1.9 million, which was primarily due to positive budgetary results. General fund revenues exceeded the budget by approximately \$635,000 and expenditures were less than budgeted by approximately \$2.6 million. Within the general fund in the fund financial statements, the Town also reports the activity of the Stabilization Fund and the Worker's Compensation Trust Fund which reported year end balances of approximately \$3 million and \$260,000, respectively.

The *Community Preservation Act Fund* had a fund balance at June 30, 2012 of \$6.4 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The Community Preservation Act's fund balance increased by \$1.1 million in fiscal year 2012. This was the net result of \$1 million in taxes collected, \$729,000 in state matching funds, and \$769,000 in expenditures on community preservation projects.

The *Affordable Housing Fund* had a fund balance at June 30, 2012 of \$820,000. This fund reported only investment income and \$11,000 in expenditures which represent the activity of the Town's affordable housing program, which assists qualifying homeowners with down payment programs.

General Fund Budgetary Highlights

The initial fiscal year 2012 operating budget consisted of \$57.5 million in appropriations and \$1.3 million in articles and encumbrances carried over from prior years. The increase between the original budget and the final amended budget was primarily due to supplemental appropriations to use \$492,000 of available funds (free cash) to fund the stabilization fund, toward the purchase of an ambulance and to increase the budget for the school department; and to raise taxes to fund veteran's services and unpaid bills from the prior fiscal year. The final budget included the use of free cash (available fund balance) totaling \$784,000. Actual revenues came in over budget by approximately \$635,000, and actual expenditures came in under budget by approximately \$2.6 million, of this balance, the Town reserved \$1.6 million in articles and encumbrances for spending in subsequent fiscal years.

Capital Asset and Debt Administration

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

The Town's major capital additions for fiscal year 2012 included a new sewer extension which is reported within the sewer enterprise fund, and ongoing improvements to the Wampatuck School building which is reported within the governmental funds. The sewer extension project was funded through a low interest loan program with the Massachusetts Water Pollution Abatement Trust. Additionally, the Town purchased a new fire truck, made several sidewalk improvements, and created walking paths. Within the general government, total capital improvements totaled \$5 million.

The Town had \$1,859,021 in governmental BAN's outstanding as of June 30, 2012 which were permanently financed through the issuance of long-term bonds subsequent to year end. The BAN's have been classified as long-term debt in the Town's financial statements.

Outstanding governmental long-term debt, as of June 30, 2012, totaled \$15.3 million, of which approximately \$11.9 million relates to various School construction projects, and \$1.1 million relates to construction of seawalls leaving a balance of approximately \$2.2 million for other various projects.

The enterprise funds reported \$24 million in sewer debt, \$5.4 million in water debt, \$600 thousand in transfer station debt, \$1.7 million in Widow's Walk golf course debt and \$3.9 million in waterways debt. Approximately \$1.6 million of the sewer debt is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust.

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

Requests for Information

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

Basic Financial Statements

This page intentionally left blank.

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 24,382,862	\$ 7,104,402	\$ 31,487,264
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	862,511	-	862,511
Tax liens.....	956,217	79,510	1,035,727
Motor vehicle and other excise taxes.....	171,694	-	171,694
User fees.....	-	1,461,048	1,461,048
Departmental and other.....	367,700	-	367,700
Special assessments.....	38,579	550,000	588,579
Intergovernmental.....	723,745	3,711,957	4,435,702
Tax foreclosures.....	232,219	-	232,219
Inventory.....	-	45,692	45,692
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	1,560,438	1,560,438
Special assessments.....	-	7,557,647	7,557,647
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	20,823,311	7,878,408	28,701,719
Depreciable.....	49,409,899	50,797,129	100,207,028
TOTAL ASSETS.....	97,968,737	80,746,231	178,714,968
LIABILITIES			
CURRENT:			
Warrants payable.....	2,008,616	1,198,575	3,207,191
Accrued liabilities.....	554,888	-	554,888
Tax refunds payable.....	15,000	-	15,000
Accrued interest.....	7,874	636,943	644,817
Abandoned property.....	42,409	-	42,409
Other liabilities.....	-	114,995	114,995
Capital lease obligations.....	-	30,559	30,559
Landfill closure.....	-	73,000	73,000
Compensated absences.....	1,438,051	87,000	1,525,051
Notes payable.....	461	5,439,000	5,439,461
Bonds payable.....	1,413,858	2,414,000	3,827,858
NONCURRENT:			
Capital lease obligations.....	-	34,469	34,469
Landfill closure.....	-	1,239,000	1,239,000
Compensated absences.....	329,823	28,531	358,354
Other postemployment benefits.....	13,343,253	618,461	13,961,714
Bonds payable.....	13,849,157	28,029,774	41,878,931
TOTAL LIABILITIES.....	33,003,390	39,944,307	72,947,697
NET ASSETS			
Invested in capital assets, net of related debt.....	55,977,544	26,572,988	82,550,532
Restricted for:			
Permanent funds:			
Expendable.....	492,004	-	492,004
Nonexpendable.....	27,051	-	27,051
Grants and Gifts.....	8,054,778	-	8,054,778
Unrestricted.....	413,970	14,228,936	14,642,906
TOTAL NET ASSETS.....	\$ 64,965,347	\$ 40,801,924	\$ 105,767,271

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,256,315	\$ 757,116	\$ 552,823	\$ 25,019	\$ (2,921,357)
Public safety.....	11,473,602	1,248,356	86,467	-	(10,138,779)
Education.....	50,586,444	2,068,233	15,186,943	858,554	(32,472,714)
Public works.....	4,193,275	132,668	663,111	-	(3,397,496)
Human services.....	948,776	92,178	33,444	-	(823,154)
Culture and recreation.....	1,953,509	429,036	19,536	-	(1,504,937)
Community preservation.....	59,513	-	-	729,140	669,627
Interest.....	415,187	-	-	-	(415,187)
Total Governmental Activities.....	73,886,621	4,727,587	16,542,324	1,612,713	(51,003,997)
<i>Business-Type Activities:</i>					
Water.....	2,567,621	2,618,625	-	-	51,004
Sewer.....	2,962,259	1,682,559	-	673,903	(605,797)
Transfer Station.....	1,015,410	1,373,639	-	-	358,229
Golf.....	1,045,083	1,262,340	-	-	217,257
Waterways.....	934,540	1,034,531	16,237	18,653	134,881
Total Business-Type Activities.....	8,524,913	7,971,694	16,237	692,556	155,574
Total Primary Government.....	\$ 82,411,534	\$ 12,699,281	\$ 16,558,561	\$ 2,305,269	\$ (50,848,423)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page..... \$	<u>(51,003,997)</u>	<u>155,574</u>	<u>(50,848,423)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	46,582,135	-	46,582,135
Tax liens.....	32,255	-	32,255
Motor vehicle and other excise taxes.....	2,328,915	-	2,328,915
Community preservation tax.....	1,070,846	-	1,070,846
Penalties and interest on taxes.....	535,272	-	535,272
Grants and contributions not restricted to specific programs.....	1,799,495	-	1,799,495
Unrestricted investment income.....	74,257	-	74,257
Gain on sale of capital assets.....	32,690	-	32,690
Miscellaneous.....	284,355	-	284,355
<i>Transfers, net</i>	<u>(69,231)</u>	<u>69,231</u>	<u>-</u>
Total general revenues and transfers.....	<u>52,670,989</u>	<u>69,231</u>	<u>52,740,220</u>
Change in net assets.....	1,666,992	224,805	1,891,797
<i>Net Assets:</i>			
Beginning of year.....	<u>63,298,355</u>	<u>40,577,119</u>	<u>103,875,474</u>
End of year..... \$	<u><u>64,965,347</u></u>	<u><u>40,801,924</u></u>	<u><u>105,767,271</u></u>

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

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

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 22,416,993
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		70,233,210
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		2,697,160
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(7,874)
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.....	(15,263,015)	
Postemployment benefits.....	(13,343,253)	
Compensated absences.....	(1,767,874)	
Net effect of reporting long-term liabilities.....		(30,374,142)
Net assets of governmental activities.....		\$ 64,965,347

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

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

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, 2012

Net change in fund balances - total governmental funds.....	\$	3,840,171
<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.....		4,979,559
Depreciation expense.....		<u>(3,167,337)</u>
Net effect of reporting capital assets.....		1,812,222
<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>		
		(432,152)
<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>		
Debt service principal payments.....		<u>1,474,328</u>
Net effect of reporting long-term debt.....		(384,693)
<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.....		(30,958)
Net change in accrued interest on long-term debt.....		146,060
Net change in postemployment benefit accrual.....		<u>(3,283,658)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,168,556)</u>
Change in net assets of governmental activities.....	\$	<u><u>1,666,992</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
ASSETS						
CURRENT:						
Cash and cash equivalents.....\$	2,533,538	2,356,175	691,991	216,880	1,305,818	7,104,402
Receivables, net of allowance for uncollectibles:						
User fees.....	992,637	468,411	-	-	-	1,461,048
Water and sewer liens.....	28,407	51,103	-	-	-	79,510
Special assessments.....	-	550,000	-	-	-	550,000
Intergovernmental.....	-	3,711,957	-	-	-	3,711,957
Inventory.....	-	-	-	45,692	-	45,692
Total current assets.....	<u>3,554,582</u>	<u>7,137,646</u>	<u>691,991</u>	<u>262,572</u>	<u>1,305,818</u>	<u>12,952,609</u>
NONCURRENT:						
Receivables, net of allowance for uncollectibles:						
Intergovernmental.....	-	1,560,438	-	-	-	1,560,438
Special assessments.....	-	7,557,647	-	-	-	7,557,647
Capital assets, net of accumulated depreciation:						
Nondepreciable.....	414,300	3,351,608	-	-	4,112,500	7,878,408
Depreciable.....	12,803,212	31,408,509	1,506,990	2,367,200	2,711,218	50,797,129
Total noncurrent assets.....	<u>13,217,512</u>	<u>43,878,202</u>	<u>1,506,990</u>	<u>2,367,200</u>	<u>6,823,718</u>	<u>67,793,622</u>
TOTAL ASSETS.....	<u>16,772,094</u>	<u>51,015,848</u>	<u>2,198,981</u>	<u>2,629,772</u>	<u>8,129,536</u>	<u>80,746,231</u>
LIABILITIES						
CURRENT:						
Warrants payable.....	501,131	615,487	48,752	19,547	13,658	1,198,575
Accrued interest.....	54,366	506,119	7,933	21,442	47,083	636,943
Other liabilities.....	-	-	-	114,995	-	114,995
Capital lease obligations.....	-	-	-	30,559	-	30,559
Landfill closure.....	-	-	73,000	-	-	73,000
Compensated absences.....	34,600	22,600	13,300	-	16,500	87,000
Notes payable.....	-	5,389,000	-	-	50,000	5,439,000
Bonds payable.....	403,015	1,298,985	57,000	320,000	335,000	2,414,000
Total current liabilities.....	<u>993,112</u>	<u>7,832,191</u>	<u>199,985</u>	<u>506,543</u>	<u>462,241</u>	<u>9,994,072</u>
NONCURRENT:						
Capital lease obligations.....	-	-	-	34,469	-	34,469
Landfill closure.....	-	-	1,239,000	-	-	1,239,000
Compensated absences.....	9,181	5,331	7,118	-	6,901	28,531
Other postemployment benefits.....	253,460	134,427	72,717	62,473	95,384	618,461
Bonds payable.....	4,947,502	17,659,272	543,000	1,410,000	3,470,000	28,029,774
Total noncurrent liabilities.....	<u>5,210,143</u>	<u>17,799,030</u>	<u>1,861,835</u>	<u>1,506,942</u>	<u>3,572,285</u>	<u>29,950,235</u>
TOTAL LIABILITIES.....	<u>6,203,255</u>	<u>25,631,221</u>	<u>2,061,820</u>	<u>2,013,485</u>	<u>4,034,526</u>	<u>39,944,307</u>
NET ASSETS						
Invested in capital assets, net of related debt.....	8,507,413	13,340,938	910,490	572,172	3,241,975	26,572,988
Unrestricted.....	2,061,426	12,043,689	(773,329)	44,115	853,035	14,228,936
TOTAL NET ASSETS (DEFICITS).....	<u>\$ 10,568,839</u>	<u>\$ 25,384,627</u>	<u>\$ 137,161</u>	<u>\$ 616,287</u>	<u>\$ 4,095,010</u>	<u>\$ 40,801,924</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
OPERATING REVENUES:						
Charges for services	\$ 2,594,734	\$ 1,326,034	\$ 1,372,245	\$ 1,261,984	\$ 886,823	\$ 7,441,820
Penalties and interest.....	17,673	352,641	-	-	-	370,314
Other.....	-	-	-	-	144,712	144,712
TOTAL OPERATING REVENUES	2,612,407	1,678,675	1,372,245	1,261,984	1,031,535	7,956,846
OPERATING EXPENSES:						
Cost of services and administration	1,920,672	1,082,169	923,756	781,203	450,615	5,158,415
Depreciation.....	472,342	874,192	66,054	198,005	322,336	1,932,929
TOTAL OPERATING EXPENSES	2,393,014	1,956,361	989,810	979,208	772,951	7,091,344
OPERATING INCOME (LOSS).....	219,393	(277,686)	382,435	282,776	258,584	865,502
NONOPERATING REVENUES (EXPENSES):						
Investment income/(loss).....	6,218	3,884	1,394	356	2,996	14,848
Interest expense.....	(174,607)	(1,005,898)	(25,600)	(65,875)	(161,589)	(1,433,569)
Intergovernmental.....	-	572,582	-	-	28,460	601,042
Capital contributions.....	-	101,321	-	-	6,430	107,751
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(168,389)	(328,111)	(24,206)	(65,519)	(123,703)	(709,928)
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	51,004	(605,797)	358,229	217,257	134,881	155,574
TRANSFERS:						
Transfers in.....	-	630,948	100,000	-	-	730,948
Transfers out.....	(215,984)	(189,373)	(120,040)	(47,994)	(88,326)	(661,717)
TOTAL TRANSFERS.....	(215,984)	441,575	(20,040)	(47,994)	(88,326)	69,231
CHANGE IN NET ASSETS.....	(164,980)	(164,222)	338,189	169,263	46,555	224,805
NET ASSETS (DEFICITS) AT BEGINNING OF YEAR.....	10,733,819	25,548,849	(201,028)	447,024	4,048,455	40,577,119
NET ASSETS (DEFICITS) AT END OF YEAR.....	\$ 10,568,839	\$ 25,384,627	\$ 137,161	\$ 616,287	\$ 4,095,010	\$ 40,801,924

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

Business-type Activities - Enterprise Funds						
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 2,487,504	\$ 2,441,240	\$ 1,372,245	\$ 1,261,984	\$ 1,031,535	\$ 8,594,508
Payments to vendors.....	(917,397)	(651,310)	(753,825)	(595,949)	(138,171)	(3,056,652)
Payments to employees.....	(672,235)	(415,525)	(206,714)	(174,474)	(286,490)	(1,755,438)
NET CASH FROM OPERATING ACTIVITIES.....	897,872	1,374,405	411,706	491,561	606,874	3,782,418
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	-	630,948	100,000	-	-	730,948
Transfers out.....	(215,984)	(189,373)	(120,040)	(47,994)	(88,326)	(661,717)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(215,984)	441,575	(20,040)	(47,994)	(88,326)	69,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds and notes.....	526,993	3,022,358	-	-	50,000	3,599,351
Acquisition and construction of capital assets.....	(1,918,248)	(2,625,170)	(9,891)	(52,455)	(72,176)	(4,677,940)
Principal payments on bonds and notes.....	(395,000)	(1,748,706)	(57,000)	(310,000)	(348,489)	(2,859,195)
Interest expense.....	(193,478)	(487,245)	(26,142)	(68,975)	(164,758)	(940,598)
Capital contributions.....	-	101,321	-	-	6,430	107,751
Capital lease payments.....	-	-	-	(51,971)	-	(51,971)
Intergovernmental grants.....	-	46,291	-	-	28,460	74,751
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,979,733)	(1,691,151)	(93,033)	(483,401)	(500,533)	(4,747,851)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income/(loss).....	6,218	3,884	1,394	356	2,996	14,848
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,291,627)	128,713	300,027	(39,478)	21,011	(881,354)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,825,165	2,227,462	391,964	256,358	1,284,807	7,985,756
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....	\$ 2,533,538	\$ 2,356,175	\$ 691,991	\$ 216,880	\$ 1,305,818	\$ 7,104,402
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 219,393	\$ (277,686)	\$ 382,435	\$ 282,776	\$ 258,584	\$ 865,502
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	472,342	874,192	66,054	198,005	322,336	1,932,929
Changes in assets and liabilities:						
Water and sewer liens.....	(4,747)	(13,215)	-	-	-	(17,962)
User fees.....	(120,156)	(36,711)	-	-	-	(156,867)
Special assessments.....	-	812,491	-	-	-	812,491
Inventory.....	-	-	-	11,206	-	11,206
Warrants payable.....	262,932	-	(1,792)	4,637	3,532	269,309
Other postemployment benefits.....	62,374	33,081	17,895	15,374	23,473	152,197
Accrued liabilities.....	-	-	-	(20,437)	-	(20,437)
Landfill closure.....	-	-	(54,000)	-	-	(54,000)
Accrued compensated absences.....	5,734	(17,747)	1,114	-	(1,051)	(11,950)
Total adjustments.....	678,479	1,652,091	29,271	208,785	348,290	2,916,916
NET CASH FROM OPERATING ACTIVITIES.....	\$ 897,872	\$ 1,374,405	\$ 411,706	\$ 491,561	\$ 606,874	\$ 3,782,418
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Amortization of debt premium.....	\$ 15,721	\$ -	\$ -	\$ -	\$ -	\$ 15,721
Intergovernmental subsidy of debt service.....	\$ -	\$ 496,140	\$ -	\$ -	\$ -	\$ 496,140

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 275,391	\$ 751,927
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	85,211
TOTAL ASSETS	<u>275,391</u>	<u>837,138</u>
LIABILITIES		
Warrants payable.....	-	28,908
Liabilities due depositors.....	-	693,019
Other liabilities.....	-	30,000
Deferred revenue.....	-	85,211
TOTAL LIABILITIES	<u>-</u>	<u>837,138</u>
NET ASSETS		
Held in trust for other purposes.....	<u>\$ 275,391</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Net investment income (loss):	
Interest.....	\$ <u>156</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>68,771</u>
CHANGE IN NET ASSETS.....	(68,615)
NET ASSETS AT BEGINNING OF YEAR.....	<u>344,006</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>275,391</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 *community preservation fund* is used to account for funds received in accordance with the Massachusetts Community Preservation Act (the "CPA"). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. These funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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 1st 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 1st, November 1st, February 1st and May 1st 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 which is an approved article at Town Meeting.

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

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

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 \$32,514,582 and the bank balance totaled \$29,695,537. Of the bank balance, \$1,760,310 was covered by Federal Depository Insurance, \$631,663 was covered by the Depositors Insurance Fund, \$2,720,252 was collateralized, and \$24,583,312 was uninsured and uncollateralized.

Investments

As of June 30, 2012, the Town's investments consisted solely of its investment with MMDT in the amount of \$3,527,183. 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, 2012, 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, 2012, receivables for the individual major governmental funds, nonmajor governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 926,806	\$ (64,295)	\$ 862,511
Tax liens.....	956,217	-	956,217
Motor vehicle and other excise taxes.....	484,322	(312,628)	171,694
Departmental and other.....	997,115	(629,415)	367,700
Special assessments.....	38,579	-	38,579
Intergovernmental.....	723,745	-	723,745
 Total.....	 \$ 4,126,784	 \$ (1,006,338)	 \$ 3,120,446

At June 30, 2012, receivables for the enterprise funds consist of the following:

	Gross Amount	for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,461,048	\$ -	\$ 1,461,048
Water and sewer liens.....	79,510	-	79,510
Special assessments.....	550,000	-	550,000
Intergovernmental.....	3,711,957	-	3,711,957
 Total.....	 \$ 5,802,515	 \$ -	 \$ 5,802,515

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....	\$ 738,683	\$ 12,422	\$ -	\$ 751,105
Tax liens.....	939,049	17,168	-	956,217
Motor vehicle and other excise taxes.....	171,694	-	-	171,694
Departmental and other.....	249,063	-	-	249,063
Special assessments.....	25,027	-	13,552	38,579
Intergovernmental.....	-	-	298,283	298,283
Tax foreclosures.....	232,219	-	-	232,219
 Total.....	 \$ 2,355,735	 \$ 29,590	 \$ 311,835	 \$ 2,697,160

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 18,813,593	\$ -	\$ -	\$ 18,813,593
Construction in progress.....	1,301,718	1,813,203	(1,105,203)	2,009,718
Total capital assets not being depreciated.....	<u>20,115,311</u>	<u>1,813,203</u>	<u>(1,105,203)</u>	<u>20,823,311</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,060,127	17,095	-	6,077,222
Buildings and building improvements.....	39,876,922	2,462,620	-	42,339,542
Machinery and equipment.....	10,660,372	389,249	(13,714)	11,035,907
Infrastructure.....	19,511,006	1,162,987	-	20,673,993
Vehicles.....	3,246,666	239,607	(217,508)	3,268,765
Total capital assets being depreciated.....	<u>79,355,093</u>	<u>4,271,559</u>	<u>(231,222)</u>	<u>83,395,430</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(721,500)	(554,327)	-	(1,275,827)
Buildings and building improvements.....	(10,342,579)	(252,843)	-	(10,595,422)
Machinery and equipment.....	(8,073,127)	(1,257,987)	13,714	(9,317,400)
Infrastructure.....	(9,423,309)	(752,861)	-	(10,176,170)
Vehicles.....	(2,488,901)	(349,319)	217,508	(2,620,712)
Total accumulated depreciation.....	<u>(31,049,416)</u>	<u>(3,167,337)</u>	<u>231,222</u>	<u>(33,985,531)</u>
Total capital assets being depreciated, net.....	<u>48,305,677</u>	<u>1,104,222</u>	<u>-</u>	<u>49,409,899</u>
Total governmental activities capital assets, net.....	<u>\$ 68,420,988</u>	<u>\$ 2,917,425</u>	<u>\$ (1,105,203)</u>	<u>\$ 70,233,210</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,964,954	\$ 368,996	\$ (1,919,650)	\$ 414,300
Total capital assets not being depreciated.....	<u>1,964,954</u>	<u>368,996</u>	<u>(1,919,650)</u>	<u>414,300</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	9,500	-	-	9,500
Machinery and equipment.....	232,339	24,282	-	256,621
Vehicles.....	321,893	-	-	321,893
Infrastructure.....	20,196,435	3,165,603	-	23,362,038
Total capital assets being depreciated.....	<u>20,760,167</u>	<u>3,189,885</u>	<u>-</u>	<u>23,950,052</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,260)	(238)	-	(2,498)
Machinery and equipment.....	(172,876)	(9,919)	-	(182,795)
Vehicles.....	(167,235)	(27,141)	-	(194,376)
Infrastructure.....	(10,332,128)	(435,044)	-	(10,767,172)
Total accumulated depreciation.....	<u>(10,674,499)</u>	<u>(472,342)</u>	<u>-</u>	<u>(11,146,841)</u>
Total capital assets being depreciated, net.....	<u>10,085,668</u>	<u>2,717,543</u>	<u>-</u>	<u>12,803,211</u>
Total business-type activities capital assets, net.....	<u>\$ 12,050,622</u>	<u>\$ 3,086,539</u>	<u>\$ (1,919,650)</u>	<u>\$ 13,217,511</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 295,081	\$ 3,056,527	\$ -	\$ 3,351,608
Total capital assets not being depreciated.....	295,081	3,056,527	-	3,351,608
<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.....	42,683,125	166,980	-	42,850,105
Total capital assets being depreciated.....	43,258,425	166,980	-	43,425,405
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(3,535)	(1,010)	-	(4,545)
Machinery and equipment.....	(77,440)	(14,080)	-	(91,520)
Vehicles.....	(189,908)	(3,769)	-	(193,677)
Infrastructure.....	(10,871,821)	(855,333)	-	(11,727,154)
Total accumulated depreciation.....	(11,142,704)	(874,192)	-	(12,016,896)
Total capital assets being depreciated, net.....	32,115,721	(707,212)	-	31,408,509
Total business-type activities capital assets, net.....	\$ 32,410,802	\$ 2,349,315	\$ -	\$ 34,760,117
	Beginning Balance	Increases	Decreases	Ending Balance
Transfer Station:				
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 1,992,967	\$ 9,891	\$ -	\$ 2,002,858
Machinery and equipment.....	685,641	-	-	685,641
Vehicles.....	17,585	-	-	17,585
Total capital assets being depreciated.....	2,696,193	9,891	-	2,706,084
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(563,231)	(50,319)	-	(613,550)
Machinery and equipment.....	(552,343)	(15,735)	-	(568,078)
Vehicles.....	(17,466)	-	-	(17,466)
Total accumulated depreciation.....	(1,133,040)	(66,054)	-	(1,199,094)
Total capital assets being depreciated, net.....	1,563,153	(56,163)	-	1,506,990
Total business-type activities capital assets, net.....	\$ 1,563,153	\$ (56,163)	\$ -	\$ 1,506,990

	Beginning Balance	Increases	Decreases	Ending Balance
Widows Walk Golf Course:				
<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.....	1,830,622	52,455	-	1,883,077
Total capital assets being depreciated.....	5,923,626	52,455	-	5,976,081
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(437,373)	(23,322)	-	(460,695)
Buildings and building improvements.....	(1,339,573)	(105,338)	-	(1,444,911)
Machinery and equipment.....	(1,633,930)	(69,345)	-	(1,703,275)
Total accumulated depreciation.....	(3,410,876)	(198,005)	-	(3,608,881)
Total capital assets being depreciated, net.....	2,512,750	(145,550)	-	2,367,200
Total business-type activities capital assets, net.....	\$ 2,512,750	\$ (145,550)	\$ -	\$ 2,367,200
	Beginning Balance	Increases	Decreases	Ending Balance
Waterways:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in progress.....	437,500	-	-	437,500
Total capital assets not being depreciated.....	4,112,500	-	-	4,112,500
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,490,233	62,176	-	2,552,409
Buildings and building improvements.....	560,060	-	-	560,060
Machinery and equipment.....	3,226,064	10,000	(16,888)	3,219,176
Total capital assets being depreciated.....	6,276,357	72,176	(16,888)	6,331,645
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,356,275)	(239,148)	-	(1,595,423)
Buildings and building improvements.....	(1,766,045)	(68,547)	-	(1,834,592)
Machinery and equipment.....	(192,659)	(14,641)	16,888	(190,412)
Total accumulated depreciation.....	(3,314,979)	(322,336)	16,888	(3,620,427)
Total capital assets being depreciated, net.....	2,961,378	(250,160)	-	2,711,218
Total business-type activities capital assets, net.....	\$ 7,073,878	\$ (250,160)	\$ -	\$ 6,823,718

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

Governmental Activities:

General government.....	\$ 117,075
Public safety.....	219,322
Education.....	1,458,708
Public works.....	1,091,135
Human services.....	19,754
Culture and recreation.....	<u>261,343</u>

Total depreciation expense - governmental activities..... \$ 3,167,337

Business-Type Activities:

Water.....	\$ 472,342
Sewer.....	874,192
Transfer Station.....	66,054
Widow's Walk Golf Course.....	198,005
Waterways.....	<u>322,336</u>

Total depreciation expense - business-type activities..... \$ 1,932,929

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Transfer Station Enterprise Fund		
General Fund.....	\$ -	\$ 106,047	\$ 630,948	\$ 100,000	\$	836,995
Nonmajor Governmental Funds....	165,006	-	-	-	-	165,006
Water Enterprise Fund.....	215,984	-	-	-	-	215,984
Sewer Enterprise Fund.....	189,373	-	-	-	-	189,373
Transfer Station Fund.....	120,040	-	-	-	-	120,040
Golf Enterprise Fund.....	47,994	-	-	-	-	47,994
Waterways Enterprise Fund.....	<u>88,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,326</u>
Total.....	<u>\$ 826,723</u>	<u>\$ 106,047</u>	<u>\$ 630,948</u>	<u>\$ 100,000</u>	<u>\$</u>	<u>1,663,718</u>

Transfers represent amounts voted to fund the fiscal year 2012 operating budget, reimbursements of indirect costs of the enterprise funds and general fund debt service, capital subsidies to the water, sewer, and transfer station enterprise funds, and budgeted appropriations to nonmajor governmental funds.

NOTE 6 – LEASES

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

The assets acquired through capital leases are as follows:

<u>Asset:</u>		<u>Business-Type Activities</u>
Machinery and equipment.....	\$	314,472
Less: accumulated depreciation.....		<u>(239,990)</u>
Total.....	\$	<u><u>74,482</u></u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2012:

<u>Fiscal Years Ending June 30</u>		<u>Business-Type Activities</u>
2013.....	\$	33,352
2014.....		22,107
2015.....		11,172
2016.....		<u>7,911</u>
Total minimum lease payments.....		74,542
Less: amounts representing interest.....		<u>(9,514)</u>
Present value of minimum lease payments.....	\$	<u><u>65,028</u></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, 2012, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Governmental Funds							
BAN	Foreshore Protection.....	1.75	11/16/12	\$ -	\$ 500,000	\$ 500,000	\$ -
BAN	Roadway Improvements.....	1.75	11/16/12	-	150,000	150,000	-
BAN	Bobcat/Sidewalk Maintenance.....	1.75	11/16/12	-	90,000	90,000	-
BAN	Departmental Equipment.....	.45	11/16/12	-	430,000	430,000	-
BAN	School Security Equipment.....	1.75	11/16/12	-	300,000	300,000	-
BAN	Wampanoag School.....	.45	11/16/12	-	389,482	389,021	461
Total Governmental.....				\$ -	\$ 1,859,482	\$ 1,859,021	\$ 461
Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Enterprise Funds							
BAN	Infiltration & Inflow System.....	1.75	11/16/12	\$ -	\$ 499,486	\$ 499,486	\$ -
BAN	SCADA Replacement.....	1.25	03/18/11	-	70,000	70,000	-
BAN	Sewer Loans.....	0.28	N/A	394,959	-	394,959	-
BAN	Infiltration & Inflow System.....	0.16	N/A	-	5,389,000	-	5,389,000
Sub-Total sewer.....				394,959	5,958,486	964,445	5,389,000
BAN	Replace Carbon Filter.....	1.75	11/16/12	-	13,000	13,000	-
BAN	Meter Replacement.....	1.75	11/16/12	-	200,000	200,000	-
BAN	Water Mains.....	1.75	11/16/12	-	250,000	250,000	-
BAN	SCADA Upgrade.....	1.75	11/16/12	-	63,993	63,993	-
Sub-Total water.....				-	526,993	526,993	-
BAN	Harbor Maintenance.....	1.75	11/16/12	-	50,000	-	50,000
Sub-Total waterway's.....				-	50,000	-	50,000
Total Enterprise.....				\$ 394,959	\$ 6,535,479	\$ 1,491,438	\$ 5,439,000

The Massachusetts Water Pollution Abatement Trust (MWPAT) interim loan was dated to mature in fiscal year 2012. However, the interim loan was not permanently financed by the MWPAT in fiscal year 2012 and has therefore been classified as short-term debt.

At fiscal year end, the Town had \$1,859,482; \$569,486; \$526,993, and \$50,000 of BANs outstanding in the governmental, sewer, water, and waterways funds, respectively, which were due on November 16, 2012. In fiscal year 2013, the Town retired outstanding BAN's totaling \$1,859,021; \$569,486; and \$526,993 in the governmental, sewer and water funds, respectively through the issuance of long-term debt and retired \$461 and \$50,000 in the governmental and waterways funds, respectively, with available funds and unspent BAN proceeds.;

The BAN's retired through the issuance of long-term debt have been classified as long-term debt in the financial statements.

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, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Fund

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
General Obligation Bonds of 2000.....	4.00 - 5.00	\$ 54,852	\$ -	\$ 6,858	\$ 47,994
General Obligation Bonds of 2005.....	3.00 - 5.00	8,563,000	-	702,000	7,861,000
General Obligation Bonds of 2008.....	3.00 - 5.00	3,015,000	-	295,000	2,720,000
General Obligation Bonds of 2011.....	3.00 - 5.00	3,245,470	-	470,470	2,775,000
General Obligation Bonds of 2012.....	2.00 - 2.75	-	1,859,021	-	1,859,021
Total Governmental Bonds Payable.....		\$ 14,878,322	\$ 1,859,021	\$ 1,474,328	\$ 15,263,015

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 1,413,858	\$ 551,728	\$ 1,965,586
2014.....	1,564,879	509,871	2,074,750
2015.....	1,381,856	451,245	1,833,101
2016.....	1,326,856	395,995	1,722,851
2017.....	1,281,856	345,924	1,627,780
2018.....	1,081,855	301,177	1,383,032
2019.....	976,855	260,141	1,236,996
2020.....	930,000	222,669	1,152,669
2021.....	915,000	186,669	1,101,669
2022.....	910,000	151,209	1,061,209
2023.....	910,000	117,142	1,027,142
2024.....	865,000	83,401	948,401
2025.....	860,000	49,995	909,995
2026.....	275,000	27,186	302,186
2027.....	115,000	17,236	132,236
2028.....	105,000	13,915	118,915
2029.....	100,000	10,559	110,559
2030.....	100,000	7,348	107,348
2031.....	95,000	4,114	99,114
2032.....	40,000	913	40,913
2033.....	15,000	206	15,206
Total.....	\$ 15,263,015	\$ 3,708,643	\$ 18,971,658

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 \$1,602,215 and interest costs for \$1,661,684. Thus, net sewer enterprise loan repayments, including interest, are scheduled to be \$19,548,731. The principal subsidies are guaranteed and therefore a \$1,602,215 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2012. 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 2012 principal and interest subsidies totaled \$242,768 and \$253,372, respectively.

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

The Town is currently making improvements to the Wampatuck School building. The MSBA is reimbursing the Town for a portion of eligible expenditures. The Town received approximately \$845,249 during fiscal year 2012 under this reimbursement program.

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT CW-02-22A.....	2.00	\$ 1,025,043	\$ -	\$ 69,737	\$ 955,306
MWPAT CW-04-38.....	2.00	3,046,961	-	175,935	2,871,026
MWPAT CW-04-38-A.....	2.00	833,102	-	48,104	784,998
MWPAT Pool 10.....	2.50 - 5.25	6,931,954	-	791,513	6,140,441
MWPAT CW-02-22.....	0.00	3,717,518	-	223,185	3,494,333
General Obligation Bonds of 2005.....	3.00 - 5.00	2,122,000	-	153,000	1,969,000
General Obligation Bonds of 2008.....	3.00 - 5.00	650,000	-	50,000	600,000
General Obligation Bonds of 2011.....	3.00 - 5.00	1,310,041	-	85,041	1,225,000
MWPTA CWS-09-06.....	2.00	-	348,667	-	348,667
General Obligation Bonds of 2012.....	2.00 - 2.75	-	569,486	-	569,486
Sub-Total sewer bonds payable.....		<u>19,636,619</u>	<u>918,153</u>	<u>1,596,515</u>	<u>18,958,257</u>
General Obligation Bonds of 2005.....	3.00 - 5.00	903,000	-	128,000	775,000
General Obligation Bonds of 2008.....	3.00 - 5.00	30,000	-	5,000	25,000
General Obligation Bonds of 2011.....	3.00 - 5.00	4,147,000	-	262,000	3,885,000
General Obligation Bonds of 2012.....	2.00 - 2.75	-	526,993	-	526,993
Sub-Total water bonds payable.....		<u>5,080,000</u>	<u>526,993</u>	<u>395,000</u>	<u>5,211,993</u>
Unamortized Premium on Bonds.....		<u>154,245</u>	<u>-</u>	<u>15,721</u>	<u>138,524</u>
Total water bonds payable.....		<u>5,234,245</u>	<u>526,993</u>	<u>410,721</u>	<u>5,350,517</u>

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
General Obligation Bonds of 2005.....	3.00 - 5.00	507,000	-	37,000	470,000
General Obligation Bonds of 2011.....	3.00 - 5.00	150,000	-	20,000	130,000
Sub-Total transfer station bonds payable.....		657,000	-	57,000	600,000
General Obligation Bonds of 2004.....	2.00 - 4.00	2,040,000	-	310,000	1,730,000
Sub-Total widow's walk golf course bonds payable.....		2,040,000	-	310,000	1,730,000
General Obligation Bonds of 2005.....	3.00 - 5.00	2,855,000	-	220,000	2,635,000
General Obligation Bonds of 2008.....	3.00 - 5.00	395,000	-	55,000	340,000
General Obligation Bonds of 2011.....	3.00 - 5.00	903,489	-	73,489	830,000
Sub-Total waterway's bonds payable.....		4,153,489	-	348,489	3,805,000
Total Enterprise Bonds Payable.....		\$ 31,721,353	\$ 1,445,146	\$ 2,722,725	\$ 30,443,774

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 1,298,985	\$ 1,015,567	\$ 2,314,552
2014.....	1,723,640	643,241	2,366,881
2015.....	1,747,414	581,000	2,328,414
2016.....	1,785,242	502,779	2,288,021
2017.....	1,831,299	426,773	2,258,072
2018.....	1,863,065	331,606	2,194,671
2019.....	1,903,587	267,847	2,171,434
2020.....	1,129,594	208,168	1,337,762
2021.....	1,117,453	166,129	1,283,582
2022.....	999,201	127,718	1,126,919
2023.....	1,018,764	92,105	1,110,869
2024.....	1,024,498	55,988	1,080,486
2025.....	541,432	38,174	579,606
2026.....	399,690	23,090	422,780
2027.....	103,652	16,987	120,639
2028.....	99,058	13,827	112,885
2029.....	99,472	10,711	110,183
2030.....	99,895	7,553	107,448
2031.....	95,327	4,405	99,732
2032.....	40,769	1,296	42,065
2033.....	36,220	419	36,639
Total.....	\$ 18,958,257	\$ 4,535,383	\$ 23,493,640

WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 388,000	\$ 187,808	\$ 575,808
2014.....	452,993	178,447	631,440
2015.....	406,000	164,462	570,462
2016.....	351,000	149,347	500,347
2017.....	341,000	136,432	477,432
2018.....	316,000	124,104	440,104
2019.....	311,000	111,989	422,989
2020.....	296,000	100,074	396,074
2021.....	296,000	86,734	382,734
2022.....	266,000	73,395	339,395
2023.....	246,000	65,267	311,267
2024.....	241,000	57,119	298,119
2025.....	236,000	48,720	284,720
2026.....	180,000	40,303	220,303
2027.....	180,000	33,721	213,721
2028.....	175,000	27,132	202,132
2029.....	170,000	20,319	190,319
2030.....	170,000	13,694	183,694
2031.....	170,000	7,050	177,050
2032.....	10,000	399	10,399
2033.....	10,000	137	10,137
Total.....	\$ <u>5,211,993</u>	\$ <u>1,626,653</u>	\$ <u>6,838,646</u>

TRANSFER STATION ENTERPRISE FUND, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>600,000</u>	\$ <u>157,821</u>	\$ <u>757,821</u>

WIDOW'S WALK ENTERPRISE FUND, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.....	375,000	7,500	382,500
Total.....	<u>\$ 1,730,000</u>	<u>\$ 173,688</u>	<u>\$ 1,903,688</u>

WATERWAY'S ENTERPRISE FUND, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	36,192	346,192
2023.....	305,000	24,060	329,060
2024.....	255,000	11,888	266,888
2025.....	40,000	1,400	41,400
Total.....	<u>\$ 3,805,000</u>	<u>\$ 978,986</u>	<u>\$ 4,783,986</u>

At June 30, 2012, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
General.....	\$ 8,542,128
Water.....	328,500
Sewer.....	738,429
Waterways.....	245,000
Total.....	<u>\$ 9,854,057</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 14,878,322	\$ 1,859,021	\$ (1,474,328)	\$ 15,263,015	\$ 1,413,858
Compensated Absences.....	1,736,916	1,429,058	(1,398,100)	1,767,874	1,438,051
Postemployment Benefits.....	<u>10,059,595</u>	<u>5,090,709</u>	<u>(1,807,051)</u>	<u>13,343,253</u>	<u>-</u>
Total governmental activity long-term liabilities.....	<u>\$ 26,674,833</u>	<u>\$ 8,378,788</u>	<u>\$ (4,679,479)</u>	<u>\$ 30,374,142</u>	<u>\$ 2,851,909</u>
Business-Type Activities:					
Compensated Absences.....	\$ 127,481	\$ 80,950	\$ (92,900)	\$ 115,531	\$ 87,000
Landfill Closure.....	1,291,000	155,000	(134,000)	1,312,000	73,000
Postemployment Benefits.....	466,264	235,960	(83,763)	618,461	-
Long-Term Bonds and Notes.....	31,721,353	1,445,146	(2,722,725)	30,443,774	2,414,000
Capital Lease.....	<u>116,999</u>	<u>-</u>	<u>(51,971)</u>	<u>65,028</u>	<u>30,559</u>
Total business-type activity long-term liabilities.....	<u>\$ 33,723,097</u>	<u>\$ 1,917,056</u>	<u>\$ (3,085,359)</u>	<u>\$ 32,554,794</u>	<u>\$ 2,604,559</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

As of June 30, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 27,051	\$ 27,051
Restricted for:					
Community preservation.....	-	6,375,869	-	-	6,375,869
Affordable Housing.....	-	-	820,292	-	820,292
Town revolving funds.....	-	-	-	3,049,239	3,049,239
Town grant funds.....	-	-	-	399,577	399,577
State highway grant funds.....	-	-	-	6,676	6,676
School lunch.....	-	-	-	118,368	118,368
School revolving funds.....	-	-	-	760,774	760,774
School grant funds.....	-	-	-	826,415	826,415
Town capital projects.....	-	-	-	1,170,000	1,170,000
School capital projects.....	-	-	-	689,021	689,021
Future debt service.....	86,767	-	-	-	86,767
Permanent Trust funds.....	-	-	-	492,004	492,004
Committed to:					
General government.....	203,414	-	-	-	203,414
Public safety.....	76	-	-	-	76
Education.....	89,812	-	-	-	89,812
Public works.....	13,767	-	-	-	13,767
Human services.....	20,059	-	-	-	20,059
Assigned to:					
General government.....	131,548	-	-	-	131,548
Public safety.....	46,524	-	-	-	46,524
Education.....	472,585	-	-	-	472,585
Public works.....	564,256	-	-	-	564,256
Culture and recreation.....	10,704	-	-	-	10,704
Employee benefits.....	30,000	-	-	-	30,000
Unassigned.....	6,863,867	-	-	(851,672)	6,012,195
TOTAL FUND BALANCES.....	\$ 8,533,379	\$ 6,375,869	\$ 820,292	\$ 6,687,453	\$ 22,416,993

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

At year end the balance of the general stabilization fund totaled approximately \$3 million and is reported as unassigned fund balance within the general fund.

NOTE 10 – RISK FINANCING

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

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

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

NOTE 11 – PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,007,000 for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010 were \$3,164,536, \$3,118,030, and \$2,758,350, 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, 2012, 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 2012, the Town contributed \$1.9 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.....	\$ 5,368,371
Interest on net OPEB Obligation.....	287,256
Adjustment to the ARC.....	<u>(328,958)</u>
Annual OPEB cost (expense).....	5,326,669
Contributions made.....	<u>(1,890,814)</u>
Increase/Decrease in net OPEB obligation.....	3,435,855
Net OPEB obligation - beginning of year.....	<u>10,525,859</u>
Net OPEB obligation - end of year.....	<u><u>\$ 13,961,714</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>
6/30/2012	\$ 5,368,371	37%	\$ 13,961,714
6/30/2011	5,079,506	34%	10,525,859
6/30/2010	5,317,917	31%	10,525,859
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 trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

NOTE 13 – LANDFILL CLOSURE COSTS

The Town’s landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for thirty years after the landfill cover is installed. The Town presently appropriates approximately \$73,000 per year for post-closure care costs and has recorded a liability of \$1,312,000 in the business-type activities as a result of this activity. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 14 – COMMITMENTS

The Town has entered into a long-term contract with South Eastern Massachusetts Partnership (SEMASS) to provide solid waste disposal services. Total charges are based on a formula of tipping and transport fees with costs rising gradually through fiscal year 2023 when the contract expires. Actual expenditures under this contract for fiscal year 2012 were approximately \$289,000.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

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

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- 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.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, an amendment of GASB *Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB *Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 46,317,186	\$ 46,317,186	\$ 46,422,327	\$ 46,633,693	\$ -	\$ 211,366
Motor vehicle and other excise taxes.....	-	2,283,566	2,283,566	2,283,566	2,329,038	-	45,472
Penalties and interest on taxes.....	-	417,448	417,448	417,448	493,563	-	76,115
Fees and rentals.....	-	197,565	197,565	197,565	204,034	-	6,469
Licenses and permits.....	-	462,641	462,641	462,641	424,545	-	(38,096)
Fines and forfeitures.....	-	103,032	103,032	103,032	80,716	-	(22,316)
Intergovernmental.....	-	6,512,664	6,512,664	6,512,664	6,731,058	-	218,394
Departmental and other.....	-	1,115,773	1,115,773	1,115,773	1,259,250	-	143,477
Investment income.....	-	54,656	54,656	54,656	48,778	-	(5,878)
TOTAL REVENUES.....	-	57,464,531	57,464,531	57,569,672	58,204,675	-	635,003
EXPENDITURES:							
Current:							
General government.....	387,537	2,595,699	2,983,236	2,958,767	2,517,181	334,962	106,624
Public safety.....	234,226	7,616,895	7,851,121	7,885,167	7,800,288	46,600	38,279
Education.....	581,253	29,905,930	30,487,183	30,570,180	29,968,700	562,397	39,083
Public works.....	8,104	3,533,970	3,542,074	3,530,642	2,766,372	578,023	186,247
Human services.....	24,543	467,967	492,510	516,446	455,356	20,059	41,031
Culture and recreation.....	3,875	1,086,199	1,090,074	1,080,074	1,021,747	10,704	47,623
Pension benefits.....	-	3,176,637	3,176,637	3,174,430	3,164,856	-	9,574
Employee benefits.....	21,248	6,566,766	6,588,014	6,431,712	5,879,710	30,000	522,002
State and county charges.....	-	498,028	498,028	498,028	472,015	-	26,013
Debt service:							
Principal.....	-	1,474,328	1,474,328	1,474,328	1,474,328	-	-
Interest.....	-	581,162	581,162	581,162	579,727	-	1,435
TOTAL EXPENDITURES.....	1,260,786	57,503,581	58,764,367	58,700,936	56,100,280	1,582,745	1,017,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,260,786)	(39,050)	(1,299,836)	(1,131,264)	2,104,395	(1,582,745)	1,652,914
OTHER FINANCING SOURCES (USES):							
Premium from issuance of bonds.....	-	-	-	-	18,480	-	18,480
Transfers in.....	-	817,424	817,424	818,569	826,723	-	8,154
Transfers out.....	-	(1,248,281)	(1,248,281)	(1,829,328)	(1,829,328)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(430,857)	(430,857)	(1,010,759)	(984,125)	-	26,634
NET CHANGE IN FUND BALANCE.....	(1,260,786)	(469,907)	(1,730,693)	(2,142,023)	1,120,270	(1,582,745)	1,679,548
BUDGETARY FUND BALANCE, Beginning of year.....	-	3,912,202	3,912,202	3,912,202	3,912,202	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,260,786)	\$ 3,442,295	\$ 2,181,509	\$ 1,770,179	\$ 5,032,472	\$ (1,582,745)	\$ 1,679,548

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, 2012, is approximately 6.75%.

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
2012	\$ 46,850,767	\$ 46,850,767	100%	\$ 3,164,536	6.75%
2011	48,986,967	48,986,967	100%	3,118,030	6.37%
2010	42,708,712	42,708,712	100%	2,758,350	6.46%
2009	41,286,384	41,286,384	100%	2,668,512	6.46%
2008	38,854,868	38,854,868	100%	2,464,168	6.34%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (A)	Liability (AAL) Entry Age Normal (B)	AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 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
6/30/2012	\$ 5,368,371	\$ 1,890,814	35.2%
6/30/2011	5,100,217	1,735,058	34.0%
6/30/2010	5,317,917	1,670,005	31.4%
6/30/2009	5,050,918	1,517,419	30.0%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

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 2012 approved budget for the General Fund includes \$58.8 million in current year appropriations and other amounts to be raised and \$1.3 million in encumbrances and appropriations carried over from previous fiscal years. During the fiscal year, additional appropriations were approved totaling \$518,000.

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, 2012, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,120,270
<u>Perspective difference:</u>	
Funds recorded in the General Fund for GAAP:	
Stabilization Fund.....	925,463
Workers' Compensation Fund.....	77,924
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	10,000
Net change in recording accrued expenditures.....	(27,949)
Net change in recording receivables.....	(196,683)
Recognition of revenue for on-behalf payments.....	7,006,822
Recognition of expenditures for on-behalf payments.....	<u>(7,006,822)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 1,909,025</u>

C. Appropriation Deficits

None of the Town's expenditures exceeded appropriations for fiscal year 2012.

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.