

TOWN OF SCITUATE, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2008

TOWN OF SCITUATE, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Scituate, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the year ended June 30, 2008 which collectively comprise the Town of Scituate, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Scituate, Massachusetts. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 – 10 and the required supplementary information on pages 41 - 42 as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2008 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 and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
October 31, 2008

Management's Discussion and Analysis

As the management of the Town of Scituate, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found on pages 11 – 42.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$106.6 million (*total net assets*). Of this amount, approximately \$19.0 million (*total unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased approximately \$8.4 million, or 8.6%, over the previous year. This increase was due primarily to an increase in business-type net assets of nearly \$7.4 million. The 2008 results of operations in the Town's Sewer fund include unapportioned assessments of approximately \$7.8 million as the Town continues to aggressively convert homeowners to sewage from septic.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$16.1 million. This represents an increase of approximately \$3.0 million over the previous year made up of an increase of approximately \$4.0 million in Non-major funds that was offset by a decrease in General Fund of approximately \$1.3 million. The Non-major fund increase was primarily a result of bond issuances in the current year, while the general fund decrease was due to a planned use of free cash and overlay reserves.
- The accounting treatment for certain items vary greatly between the Statement of Net Assets and the Governmental Fund Balance Sheet, thus the significant differences in equity and fund balance amounts between the two statements noted above. A reconciliation has been provided on page 15 of the accompanying basic financial statements to assist the reader to understand these differences.
- At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$2.1 million, or 2.3%, of total general fund expenditures.
- The Town's total long-term debt increased by approximately \$3.9 million as new borrowings exceeded regular scheduled pay downs of debt during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements (pages 11-12), 2) fund financial statements (pages 13-21), and 3) notes to the financial statements (pages 22-40). This report also contains other supplementary information (pages 41-42) in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, debt service, fringe benefits and culture and recreation. The business-type activities of the Town include water, sewer, golf, waterways and transfer station enterprise funds. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided on pages 15-16 to facilitate this comparison between *governmental funds* and *governmental activities*.

Overview of the Financial Statements (continued)

Fund Financial Statements (continued)

Governmental Funds (continued) The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Stabilization fund, Massachusetts Bay Transportation Authority and Community Preservation Fund. Data from the other three governmental funds are combined into a single, aggregated presentation as Non-major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found on page 41 of this report.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

Proprietary Funds. The Town maintains five types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer enterprises.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, golf, waterways and transfer station enterprises. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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

The basic fiduciary fund financial statements can be found of pages 20-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found of pages 22-40 of this report.

Government-Wide Financial Analysis

Net Assets						
	Governmental activities		Business activities		Total	
<u>Assets</u>	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 23,295,560	\$ 24,815,421	\$ 19,587,001	\$ 14,310,031	\$ 42,882,561	\$ 39,125,452
Capital assets, net	65,644,548	63,894,625	55,460,316	54,467,180	121,104,864	118,361,805
Total assets	88,940,108	88,710,046	75,047,317	68,777,211	163,987,425	157,487,257
<u>Liabilities</u>						
Long term liabilities	15,881,028	12,150,715	31,416,777	31,860,290	47,297,805	44,011,005
Other liabilities	6,326,978	10,847,357	3,726,536	4,401,594	10,053,514	15,248,951
Total liabilities	22,208,006	22,998,072	35,143,313	36,261,884	57,351,319	59,259,956
<u>Net Assets</u>						
Invested in capital assets, net of related debt	49,384,451	49,183,701	35,825,501	29,353,547	85,209,952	78,537,248
Restricted	18,242	496,936	2,405,520	-	2,423,762	496,936
Unrestricted	17,329,409	16,031,337	1,672,984	3,161,780	19,002,393	19,193,117
Net Assets	\$ 66,732,102	\$ 65,711,974	\$ 39,904,005	\$ 32,515,327	#####	\$ 98,227,301

Government-Wide Financial Analysis

Changes in Net Assets

	Governmental activities		Business activities		Total	
<u>Assets</u>	2008	2007	2008	2007	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 4,138,831	\$ 4,113,896	\$ -	\$ -	\$ 4,138,831	\$ 4,113,896
Operating grants and contributions	14,028,181	12,620,858	-	-	14,028,181	12,620,858
Capital grants and contributions	220,938	1,172,340	-	481,262	220,938	1,653,602
General revenues:						
Property taxes	40,030,120	35,745,001	-	-	40,030,120	35,745,001
Intergovernmental	2,654,850	2,512,898	-	-	2,654,850	2,512,898
Other	3,285,013	3,580,651	676,589	166,286	3,961,602	3,746,937
Unapportioned assessments	-	-	7,997,012	-	7,997,012	-
Water	-	-	2,648,106	2,384,411	2,648,106	2,384,411
Sewer	-	-	1,077,791	1,294,322	1,077,791	1,294,322
Golf	-	-	1,257,621	1,251,353	1,257,621	1,251,353
Transfer Station	-	-	888,102	930,776	888,102	930,776
Waterways	-	-	872,831	877,634	872,831	877,634
Total revenues	64,357,933	59,745,644	15,418,052	7,386,044	79,775,985	67,131,688
Expenses						
General government	1,720,578	1,406,392	-	-	1,720,578	1,406,392
Public safety	7,610,879	7,560,671	-	-	7,610,879	7,560,671
Education	33,878,524	28,924,141	-	-	33,878,524	28,924,141
Public works	2,760,936	5,011,328	-	-	2,760,936	5,011,328
Health and human services	663,160	550,253	-	-	663,160	550,253
Culture and recreation	1,634,520	1,421,847	-	-	1,634,520	1,421,847
Pension and other fringe benefits	12,886,060	11,284,278	-	-	12,886,060	11,284,278
State and county	440,570	452,904	-	-	440,570	452,904
Debt service	659,145	675,215	1,297,381	1,405,666	1,956,526	2,080,881
Community preservation	539,094	1,209,176	-	-	539,094	1,209,176
Water	-	-	2,344,598	1,976,123	2,344,598	1,976,123
Sewer	-	-	2,085,716	1,806,479	2,085,716	1,806,479
Golf	-	-	1,016,805	1,059,427	1,016,805	1,059,427
Transfer Station	-	-	1,094,901	1,133,588	1,094,901	1,133,588
Waterways	-	-	734,312	727,078	734,312	727,078
Total expenses	62,793,466	58,496,205	8,573,713	8,108,361	71,367,179	66,604,566
Increase (deficiency) in net assets before transfers	1,564,467	1,249,439	6,844,339	(722,317)	8,408,806	527,122
Transfers	(544,339)	(788,482)	544,339	788,482	-	-
Increase in net assets	1,020,128	460,957	7,388,678	66,165	8,408,806	527,122
Net assets, beginning of year	65,711,974	65,251,017	32,515,327	32,449,162	98,227,301	97,700,179
Net assets, end of year	\$ 66,732,102	\$ 65,711,974	\$ 39,904,005	\$ 32,515,327	#####	\$ 98,227,301

Government-Wide Financial Analysis (continued)

Statement of Net Assets (see page 5) As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$106.6 million at June 30, 2008.

The single largest financial component of net assets reported in the Town's Statement of Net Assets is its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The net of these items is approximately \$85.2 million, or 79.9%, of total net assets at June 30, 2008. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately \$2.4 million, or 2.3%, of the Town's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of approximately \$19.0 million, or 17.8%, of net assets are categorized as *unrestricted net assets*, and may be used to meet the Town's ongoing obligations to citizens and creditors.

At June 20, 2008, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Statement of Activities (see page 6) The government's total net assets increased approximately \$8.4 million, or 8.6%, over the previous year. This increase was due primarily to an increase in business-type net assets of nearly \$7.4 million. The 2008 results of operations in the Town's Sewer fund include unapportioned assessments of approximately \$7.8 million as the Town continues to aggressively convert homeowners to sewage from septic.

Major revenue sources of the Governmental activities consist of Property taxes and intergovernmental revenues, which represented approximately 62.7% and 26.1% of total governmental revenues, respectively. Business-type activities consist of revenues from the operations of Water (approximately 16.6%), Sewer (approximately 6.8%), Golf (approximately 7.9%), Transfer Station (approximately 5.6%) and the Waterways funds (approximately 5.5%). In 2008, included in the Business-type revenues was unapportioned assessments of approximately \$8.0 million, which represented nearly 50.1% of total Business type revenues.

Major expense categories of the Governmental activities consist of Education, which represented nearly 54.0% of total expenses, Pension and other fringe benefits, which represented over 20.5% of total expenses, and Public Safety, which represented approximately 12.1% of total expenses. No other expense categories in Governmental activities represented over ten percent of total expenses. Business-type activities consist of expenses from the operations of Water (approximately 27.3%), Sewer (approximately 24.3%), Golf (approximately 11.9%), Transfer Station (approximately 12.8%), Waterways funds (approximately 8.6%) and Debt service (approximately 15.1%).

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$16.1 million. This represents an increase of approximately \$3.0 million over the previous year made up of an increase of approximately \$4.0 million in Non-major funds that was offset by a decrease in General Fund of approximately \$1.3 million. The Non-major fund increase was primarily a result of bond issuances in the current year, while the general fund decrease was due to a planned use of free cash and overlay reserves.

General fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$0.5 million and total fund balance was approximately \$2.1 million; less than 1% and nearly 3.7% of general fund expenditures respectively.

Stabilization fund has a total fund balance of approximately \$2.2 million. These are unencumbered accumulated financial resources that are subject to appropriation as directed by the Town's legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

Mitigation fund has a total fund balance of approximately \$3.5 million. The fund is used to account for funds received from the Massachusetts Bay Transportation Authority (MBTA) in relation to a mitigation agreement between the Town and the MBTA, in which the MBTA has been allowed to operate a railway transportation service through the Town.

Community Preservation Fund has a total fund balance of approximately \$5.3 million. The fund is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net assets of the water fund amounted to approximately \$11.6 million; net assets of the sewer fund amounted to approximately \$25.8 million, net assets of the golf fund amounted to approximately \$0.2 million, net deficit of the Transfer Station amounted to approximately \$0.6 million and net assets of the Waterways fund amounted to approximately \$2.9 million. Proprietary fund total net assets increased by approximately \$7.4 million from the prior year. This was primarily the result of an increase in the sewer fund of approximately \$7.0 million. Reasons for this increase were discussed previously.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant. The schedule of budgetary information is provided on page 41.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to approximately \$121.1 million (net of accumulated depreciation). The Town's Governmental Capital assets increased by approximately \$4.5 million in 2008 as the result of the construction and purchase of capital assets. This increase was offset by approximately \$2.7 million in depreciation expense and the disposal of assets with a historical cost of approximately \$0.5 million. The Town's Business Capital assets increased by approximately \$2.9 million as a result of the construction and purchase of capital assets. This increase was offset by depreciation expense of approximately \$1.9 million.

Capital Assets (000's)

	Governmental	Business Type	Total
Land	\$ 16,942	\$ 3,675	\$ 20,617
Buildings and improvements	39,233	17,592	56,825
Land improvements and infrastructure	18,676	52,089	70,765
Construction in process	3,285	4,171	7,456
Vehicles and equipment	10,676	2,210	12,886
	88,812	79,737	168,549
Less: Accumulated depreciation	(23,167)	(24,277)	(47,444)
Total capital assets	\$ 65,645	\$ 55,460	\$ 121,105

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

Long-term Debt. At the end of the current fiscal year, the Town had total debt outstanding of approximately \$47.8 million. The entire amount comprises debt backed by the full faith and credit of the government. Of this amount, approximately \$16.3 million represents general obligation bonds of governmental activities and approximately \$31.6 million represents general obligation bonds of business-type activities. The Town's total long-term debt increased by approximately \$3.9 million as total borrowings in 2008 exceeded regular scheduled pay downs of debt.

As of June 20, 2008, the Town is entitled to receive reimbursements for principal pay down of these notes in the amount of approximately \$2.5 million and future interest also in the amount of approximately \$2.9 million from the Massachusetts Water Pollution Abatement Trust (MWPAT).

The Town also has outstanding approximately \$2.7 million of bond anticipation notes payable.

The Town maintains an "Aaa" rating as set by Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a Town may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$212.2 million, which is significantly in excess of the Town's outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in note III.E and F on pages 29-32 of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have been increasing steadily over the past 12 months and this trend is anticipated to continue into calendar 2009.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 96.0 % of the Town's real estate tax base. The Town does not rely heavily on its commercial or industrial real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- Consistent with both State and National indices, the Town's housing market is in a downward trend. Housing prices are approximately 20% lower than their 2005 peaks.

All of the above items were considered when the Town developed its budget for fiscal year 2009.

On March 29, 2008, Town Meeting approved the Town's fiscal year 2009 budget. All of the above items were considered when the Town developed this budget. General Fund appropriations approved were approximately \$53.8 million, and Enterprise fund appropriations approved were approximately \$8.7 million. For the General fund, property taxes of approximately \$40.5 million (net of overlay) make up approximately 75.3% of the appropriation funding sources (this includes debt exclusion overrides of \$1.2 million to fund debt on school construction, computers and books, as well as Sewer debt of .6 million), State aid of approximately \$8.0 million make up approximately 14.9% of the appropriation funding sources, local receipts of approximately \$5.0 million make up approximately 9.3% of the appropriation funding sources and the remainder, approximately .5% is made up of free cash, transfers from special revenue funds, and reimbursements from Enterprise funds for indirect costs. Funding for Enterprise funds is made up primarily from user charges and a subsidy from the General fund.

The Town's tax rate for 2009 is anticipated to be set by December 31, 2008.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, 600 Chief Justice Cushing Way Scituate, Massachusetts 02066.

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	\$ 16,862,392	\$ 5,466,920	\$ 22,329,312
Investments	1,978,283	-	1,978,283
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	969,425	-	969,425
Motor vehicle and boat excise	198,858	-	198,858
User fees	362,189	303,510	665,699
Departmental and other	160,417	-	160,417
Intergovernmental	984,614	3,122,798	4,107,412
Inventory	-	66,172	66,172
Total Current Assets	21,516,178	8,959,400	30,475,578
NONCURRENT:			
Restricted:			
Cash	612,363	-	612,363
Receivables, net of allowance for uncollectibles:			
Property taxes deferred	237,118	-	237,118
Unapportioned assessments	-	10,627,601	10,627,601
Tax liens	929,901	-	929,901
Land	16,942,532	3,675,000	20,617,532
Depreciable capital assets	45,417,288	47,614,049	93,031,337
Construction in process	3,284,728	4,171,267	7,455,995
TOTAL ASSETS	88,940,108	75,047,317	163,987,425
LIABILITIES			
CURRENT:			
Warrants and accounts payable	1,293,542	351,130	1,644,672
Accrued interest	142,710	228,210	370,920
Accrued payroll	560,463	-	560,463
Retainage	46,878	89,482	136,360
Unearned revenue	155,822	96,361	252,183
Planning Board deposits	574,094	-	574,094
Bond anticipation notes payable	1,735,000	924,000	2,659,000
Compensated absences	143,940	14,109	158,049
Municipal landfill	-	75,000	75,000
Current portion of capital lease obligations	-	39,347	39,347
Current portion of long-term debt	1,674,529	1,908,897	3,583,426
Total Current Liabilities	6,326,978	3,726,536	10,053,514
NONCURRENT:			
Bond and note indebtedness	14,585,568	29,671,207	44,256,775
Municipal landfill	-	1,500,000	1,500,000
Compensated absences	1,295,460	126,978	1,422,438
Capital lease obligations	-	118,592	118,592
TOTAL LIABILITIES	22,208,006	35,143,313	57,351,319
NET ASSETS			
Invested in capital assets, net of related debt	49,384,451	35,825,501	85,209,952
Restricted for			
Capital projects	(594,121)	-	(594,121)
Expenditures	-	2,405,520	2,405,520
Perpetual funds			
Expendable	612,363	-	612,363
Unrestricted net assets	17,329,409	1,672,984	19,002,393
NET ASSETS	\$ 66,732,102	\$ 39,904,005	\$ 106,636,107

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

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
<u>Governmental Activities:</u>						
General government	\$ 1,720,578	\$ 957,161	\$ 2,049	\$ -	\$ (761,368)	\$ (761,368)
Public safety	7,610,879	811,929	167,092	-	(6,631,858)	(6,631,858)
Education	33,878,524	1,772,918	7,039,165	-	(25,066,441)	(25,066,441)
Public works	2,760,936	55,561	-	220,938	(2,484,437)	(2,484,437)
Health and human services	663,160	102,085	79,115	-	(481,960)	(481,960)
Culture and recreation	1,634,520	439,177	324,091	-	(871,252)	(871,252)
Pension and fringe benefits	12,886,060	-	5,572,729	-	(7,313,331)	(7,313,331)
State and County charges	440,570	-	-	-	(440,570)	(440,570)
Debt service	659,145	-	-	-	(659,145)	(659,145)
Community preservation	539,094	-	843,940	-	304,846	304,846
Total Governmental Activities	62,793,466	4,138,831	14,028,181	220,938	(44,405,516)	(44,405,516)
<u>Business-Type Activities:</u>						
Water	2,344,598	2,648,106	-	-	303,508	303,508
Sewer	2,085,716	1,077,791	-	-	(1,007,925)	(1,007,925)
Transfer Station	1,094,901	888,102	-	-	(206,799)	(206,799)
Golf	1,016,805	1,257,621	-	-	240,816	240,816
Waterways	734,312	872,831	-	-	138,519	138,519
Debt service	1,297,381	-	-	-	(1,297,381)	(1,297,381)
Total Primary Government	\$ 71,367,179	\$ 10,883,282	\$ 14,028,181	\$ 220,938	\$ (1,829,262)	\$ (46,234,778)
<u>General Revenues:</u>						
Real and personal property taxes				\$	40,030,120	40,030,120
Motor vehicle and other excise					2,282,228	2,282,228
Intergovernmental					2,654,850	3,248,219
Investment income					717,397	800,617
Unapportioned assessments					-	7,997,012
Other					295,176	295,176
Loss on disposal of assets, net					(9,788)	(9,788)
Transfers (net):					(544,339)	-
Total general revenues and transfers					45,425,644	54,643,584
Change in Net Assets					1,020,128	8,408,806
<u>Net Assets:</u>						
Beginning of year					65,711,974	98,227,301
End of year					\$ 66,732,102	\$ 39,904,005
						\$ 106,636,107

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

TOWN OF SCITUATE, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET**

June 30, 2008

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

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

TOWN OF SCITUATE, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT)
Year Ended June 30, 2008**

	General	Stabilization	Mitigation	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes, net	\$ 38,310,697	\$ -	\$ -	\$ 935,660	\$ -	\$ 39,246,357
Motor vehicle and other excises	2,325,182	-	-	-	-	2,325,182
Penalties and interest on taxes	295,176	-	-	-	-	295,176
Intergovernmental	12,965,124	-	-	843,940	2,793,369	16,602,433
Licenses and permits	697,481	-	-	-	-	697,481
Departmental and other	1,244,066	-	-	-	2,034,723	3,278,789
Fines and forfeitures	67,496	-	-	-	-	67,496
Contributions and donations	-	-	-	-	301,536	301,536
Investment income	353,519	71,941	126,862	149,957	15,117	717,396
Miscellaneous	-	-	-	-	26,875	26,875
Total Revenues	56,258,741	71,941	126,862	1,929,557	5,171,620	63,558,721
OTHER FINANCING SOURCES						
Proceeds from general obligation bonds	-	-	-	-	5,338,500	5,338,500
Transfers in	-	181,436	-	-	1,412,579	1,594,015
Total Other Financing Sources	-	181,436	-	-	6,751,079	6,932,515
Total Revenues and Other Financing Sources	56,258,741	253,377	126,862	1,929,557	11,922,699	70,491,236
EXPENDITURES						
General government	2,167,354	-	14,044	-	72,693	2,254,091
Public safety	7,654,797	-	-	-	56,754	7,711,551
Education	27,713,247	-	-	-	6,445,430	34,158,677
Public works	3,026,959	-	-	-	565,443	3,592,402
Culture and recreation	1,112,072	-	-	-	545,081	1,657,153
Health and human services	442,904	-	-	-	211,529	654,433
State and county tax assessments	440,570	-	-	-	-	440,570
Pensions and other fringes	12,812,347	-	-	-	-	12,812,347
Community preservation	-	-	-	539,095	-	539,095
Debt service	1,541,970	-	-	-	-	1,541,970
Total Expenditures	56,912,220	-	14,044	539,095	7,896,930	65,362,289
OTHER FINANCING USES						
Transfers out	693,279	-	1,419,927	-	25,147	2,138,353
Total Expenditures and Other Financing Uses	57,605,499	-	1,433,971	539,095	7,922,077	67,500,642
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES						
	(1,346,758)	253,377	(1,307,109)	1,390,462	4,000,622	2,990,594
FUND BALANCES (DEFICIT), July 1, 2007						
	3,474,087	1,955,276	4,780,559	3,865,629	(1,005,232)	13,070,319
FUND BALANCES, June 30, 2008						
	\$ 2,127,329	\$ 2,208,653	\$ 3,473,450	\$ 5,256,091	\$ 2,995,390	\$ 16,060,913

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

TOWN OF SCITUATE, MASSACHUSETTS

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

June 30, 2008

Total Governmental Fund Balances	\$ 16,060,913
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,644,548
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	2,868,848
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(142,710)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(16,260,097)
Compensated absences	(1,439,400)
	<hr/>
Net Assets of Governmental Activities	<u><u>\$ 66,732,102</u></u>

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

TOWN OF SCITUATE, MASSACHUSETTS

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

Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 2,990,594**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital outlays amounted to \$4,485,386 and depreciation expense totaled \$2,725,675. 1,759,711

The Town disposed capital assets with historical costs of \$458,400 and accumulated depreciation of \$448,612. (9,788)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In 2008, debt borrowings and repayments were \$5,338,500 and \$879,114, respectively. (4,459,386)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in deferred revenue. 808,999

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This represents the difference between the accruals between this year and the prior year. 3,711

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:
Compensated absences (73,713)

Change in Net Assets of Governmental Activities **\$ 1,020,128**

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

TOWN OF SCITUATE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (DEFICIENCY)
June 30, 2008**

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
ASSETS						
Cash and short-term investments	\$ 1,775,591	\$ 1,770,828	\$ 118,295	\$ 338,111	\$ 1,464,095	\$ 5,466,920
Receivables (net of allowance)						
User fees	157,575	145,935	-	-	-	303,510
Intergovernmental - MWPAT subsidy	-	203,210	-	-	-	203,210
Intergovernmental - MWPAT drawdown	-	632,597	-	-	-	632,597
Inventory	-	-	-	66,172	-	66,172
Total Current Assets	1,933,166	2,752,570	118,295	404,283	1,464,095	6,672,409
NONCURRENT ASSETS						
Intergovernmental - MWPAT subsidy	-	2,286,991	-	-	-	2,286,991
Unapportioned assessments	-	10,627,601	-	-	-	10,627,601
Fixed assets (net)	11,196,327	33,635,206	1,627,127	3,050,744	5,950,912	55,460,316
Total Assets	13,129,493	49,302,368	1,745,422	3,455,027	7,415,007	75,047,317
LIABILITIES						
Warrants and accounts payable	144,678	64,962	76,769	32,590	32,129	351,128
Accrued interest	-	142,607	7,985	31,586	46,032	228,210
Retainage	-	89,482	-	-	-	89,482
Bond indebtedness	137,000	1,165,397	37,000	290,000	279,500	1,908,897
Notes payable	-	595,000	-	-	329,000	924,000
Unearned revenues	-	-	-	96,361	-	96,361
Capital leases	-	-	-	39,347	-	39,347
Landfill liability	-	-	75,000	-	-	75,000
Compensated absences	4,816	4,352	3,128	-	1,814	14,110
Total Current Liabilities	286,494	2,061,800	199,882	489,884	688,475	3,726,535
NONCURRENT:						
Bonds and notes payable	1,198,000	21,457,207	581,000	2,635,000	3,800,000	29,671,207
Capital leases	-	-	-	118,592	-	118,592
Landfill liability	-	-	1,500,000	-	-	1,500,000
Compensated absences	43,340	39,164	28,148	-	16,326	126,978
Total Noncurrent Liabilities	1,241,340	21,496,371	2,109,148	2,753,592	3,816,326	31,416,777
TOTAL LIABILITIES	1,527,834	23,558,171	2,309,030	3,243,476	4,504,801	35,143,312
NET ASSETS (DEFICIENCY)						
Retained earnings (deficiency)	882,564	237,684	(1,572,735)	85,807	2,039,664	1,672,984
Retained earnings - restricted	857,768	743,512	-	-	804,240	2,405,520
Investment in capital assets, net of debt	9,861,327	24,763,001	1,009,127	125,744	66,302	35,825,501
Total Net Assets (Deficiency)	\$ 11,601,659	\$ 25,744,197	\$ (563,608)	\$ 211,551	\$ 2,910,206	\$ 39,904,005

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

TOWN OF SCITUATE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended June 30, 2008**

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
OPERATING REVENUES						
Charges for services	\$ 2,648,106	\$ 1,077,791	\$ 888,102	\$ 1,257,621	\$ 872,831	\$ 6,744,451
Other	-	-	-	28,700	217,961	246,661
Total Operating Revenues	2,648,106	1,077,791	888,102	1,286,321	1,090,792	6,991,112
OPERATING EXPENSES						
Operating costs	1,914,050	1,304,802	1,011,847	780,051	397,904	5,408,654
Depreciation	430,547	780,914	83,054	236,755	336,408	1,867,678
Total Operating Expenses	2,344,597	2,085,716	1,094,901	1,016,806	734,312	7,276,332
OPERATING INCOME	303,509	(1,007,925)	(206,799)	269,515	356,480	(285,220)
NONOPERATING REVENUES (EXPENSES):						
Interest income	34,726	14,742	2,786	8,857	22,109	83,220
Interest expense	(38,287)	(974,083)	(25,353)	(103,524)	(156,134)	(1,297,381)
Intergovernmental	-	593,369	-	-	-	593,369
Unapportioned assessments	-	7,750,351	-	-	-	7,750,351
Transfers in (out), net	(19,599)	585,860	92,750	(43,082)	(71,590)	544,339
Total Nonoperating Revenues (Expenses), net	(23,160)	7,970,239	70,183	(137,749)	(205,615)	7,673,898
CHANGE IN NET ASSETS	280,349	6,962,314	(136,616)	131,766	150,865	7,388,678
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	11,321,310	18,781,883	(426,992)	79,785	2,759,341	32,515,327
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 11,601,659</u>	<u>\$ 25,744,197</u>	<u>\$ (563,608)</u>	<u>\$ 211,551</u>	<u>\$ 2,910,206</u>	<u>\$ 39,904,005</u>

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

TOWN OF SCITUATE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from users	\$ 2,606,842	\$ 1,029,997	\$ 888,102	\$ 1,249,560	\$ 872,831	\$ 6,647,332
Other receipts	-	-	-	28,700	217,961	246,661
Purchase of inventory	-	-	-	4,564	-	4,564
Payments to vendors and employees	(1,833,760)	(1,311,079)	(1,084,108)	(769,338)	(379,307)	(5,377,592)
Net Cash Provided by (Used for) Operating Activities	773,082	(281,082)	(196,006)	513,486	711,485	1,520,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers (net)	(19,599)	585,860	92,750	(43,082)	(71,590)	544,339
Net Cash Used for Noncapital Related Financing Activities	(19,599)	585,860	92,750	(43,082)	(71,590)	544,339
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds and notes	-	789,530	-	-	624,970	1,414,500
Acquisition and construction of capital assets	(69,194)	(2,399,871)	-	(13,749)	(332,642)	(2,815,456)
Assessments received	-	1,427,704	-	-	-	1,427,704
Government grants	-	2,390,751	-	-	-	2,390,751
Principal payments on bonds	(77,000)	(1,335,316)	(42,000)	(285,000)	(220,000)	(1,959,316)
Principal payments on capital leases	-	-	-	(36,058)	-	(36,058)
Principal payment on notes	(50,000)	(550,000)	-	-	-	(600,000)
Interest expense	(56,435)	(967,048)	(26,053)	(105,425)	(158,947)	(1,313,908)
	(252,629)	(644,250)	(68,053)	(440,232)	(86,619)	(1,491,783)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	34,726	14,742	2,786	8,857	22,109	83,220
Net Cash Provided by Investing Activities	34,726	14,742	2,786	8,857	22,109	83,220
NET CHANGE IN CASH AND EQUIVALENTS	535,580	(324,730)	(168,533)	39,029	575,385	656,741
CASH AND EQUIVALENTS:						
July 1, 2007	1,240,011	2,095,558	286,818	299,082	888,710	4,810,179
June 30, 2008	\$ 1,775,591	\$ 1,770,828	\$ 118,295	\$ 338,111	\$ 1,464,095	\$ 5,466,920
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 303,509	\$ (1,007,925)	\$ (206,799)	\$ 269,515	\$ 356,480	\$ (285,220)
Depreciation expense	430,547	780,914	83,054	236,755	336,408	1,867,678
Changes in assets and liabilities:						
Receivables	(41,264)	(47,794)	-	-	-	(89,058)
Inventory	-	-	-	4,564	-	4,564
Unearned revenue	-	-	-	(8,061)	-	(8,061)
Accounts payable and accrued expenses	80,290	(6,277)	(72,261)	10,713	18,597	31,062
Net Cash Provided By (Used For) Operating Activities	\$ 773,082	\$ (281,082)	\$ (196,006)	\$ 513,486	\$ 711,485	\$ 1,520,965
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Borrowing under capital leases	-	-	-	45,358	-	-
Contributions of capital assets from General Fund	-	-	-	-	-	-
Purchase of equipment on account	-	-	-	(45,358)	-	-
Increase in fair value of investments	-	-	-	-	-	-
Capital asset trade-ins	-	-	-	-	-	-

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

TOWN OF SCITUATE, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2008

	<u>Private Purpose Trust Funds</u>
ASSETS	
CURRENT:	
Cash and cash equivalents	\$ <u>387,700</u>
Total Assets	<u>387,700</u>
LIABILITIES	
CURRENT:	
Accounts payable and accrued expenses	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS	
Held in trust for other purposes	<u>387,700</u>
Net Assets	\$ <u><u>387,700</u></u>

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

TOWN OF SCITUATE, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008

		Private Purpose Trust Funds
		<hr/>
ADDITIONS:		
Investment income and donations	\$	<u>11,568</u>
Total Additions		<u>11,568</u>
 EXPENDITURES:		
Scholarships and assistance		<u>18,175</u>
Total Deductions		<u>18,175</u>
 CHANGE IN NET ASSETS		(6,607)
 NET ASSETS AT BEGINNING OF YEAR		<u>394,307</u>
 NET ASSETS AT END OF YEAR	\$	<u><u>387,700</u></u>

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

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity - The Town of Scituate is located in Plymouth County, and was incorporated as a town in 1636. An elected five-member Board of Selectmen governs the Town, and a Town Administrator performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities. Water and sewer services, funded almost entirely with user charges are provided via connections installed and maintained by the Town directly.

B. Individual Component Unit Disclosures - Component units, while separate entities, are in substance part of the governmental operations of the Town due to the significance of its operations and financial relationship with the Town. Pursuant to this criteria, the following entities have been excluded from the financial statements:

- Scituate Housing Authority
- Plymouth County Retirement Association

C. Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for Governmental Funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to debt service, compensated absences, claims and judgments, and risk financing, are recorded only when payment is due. Interest associated with the current fiscal period is considered being susceptible to accrual has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Stabilization Fund – is used to account for certain unencumbered accumulated financial resources that are subject to appropriation as directed by the Town’s Legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

Mitigation Fund – is used to account for funds received from the Massachusetts Bay Transportation Authority (MBTA) in relation to a mitigation agreement between the Town and the MBTA, in which the MBTA has been allowed to operate a railway transportation service through the Town.

Community Preservation Fund – is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes.

The government reports the following major proprietary funds:

Enterprise Funds – uses the “economic resources” measurement focus to account for the following specific operations in a manner similar to private business enterprises:

Water – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise Funds (continued)

Golf Course – accounts for the operations of the Town's golf course facility, which is maintained through the collection of user fees.

Waterways – accounts for user fees and costs associated with the protection, tracking, oversight, and usage of waterways surrounding or within the Town's borders. Fees are primarily derived from public marina slips and moorings maintained by the Town.

Transfer Station – accounts for user fees and costs associated with the Town's pay-as-you throw facility for household refuse.

Additionally, the government reports the following fund types:

Private-Purpose Trust Fund – is used to account for resources legally held in trust for use in funding scholarships and energy support for qualified citizens. There is a requirement that a portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected to follow private-sector guidance. As a general rule the *effect* of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Investments for the Town are reported at fair value. The State Treasurer's Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Receivables – All property tax, trade, and intergovernmental receivables are shown net of an allowance for doubtful collections. Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Capital Assets – Capital assets include property, plant, and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

Structures and improvements	40 years
Equipment, furniture, fixtures and vehicles	5 years

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

Compensated Absences – It is the Town's policy to allow employees to accumulate all earned but unused vacation time and to allow sick pay benefits in accordance with union contracts and personnel bylaws which limit the amount of payback upon an employee's termination. The estimated obligation as of June 30, 2008 is recorded as a liability in the Statement of Net Assets. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds. Bond anticipation notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts as other financing uses. Issuance costs are exclusively reported as debt service expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town does participate in a premium based self-insurance group or premium based coverage through conventional carriers to insure for health benefits, and general and personal liability. The Town is self-insured for Workman's compensation and unemployment claims. Uninsured losses are recorded as expenditures when incurred.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as a significant aspect of budgetary control in the Governmental Fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Fund Equity – In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

II. Stewardship, Compliance and Accountability

- A. Budgetary Information** – An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in March. Expenditures may not legally exceed appropriations at the department level. Department heads may not transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head must also approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These adjustments did not impact the overall budget significantly.
- B. Excess of Expenditures Over Appropriations** – During the fiscal year ended, the Town's line item expenditures did not exceed any line item appropriations.
- C. Deficit Fund Equity** – The Town incurred legal deficits in its Capital Projects Fund in the amount of \$594,121. The deficits relate to general construction costs that the Town incurred that have to date been financed with bond anticipation notes. The Town anticipates permanently financing these bond anticipation notes at a future date.

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. Detailed Notes to All Funds

- A. Deposits and Investments** – Cash and equivalents include cash on hand and certificates of deposit with maturities of three months or less. Investments include Certificates of Deposit with maturities of three to seven months.

The Town maintains a separate cash account for all funds. In addition, certificates of deposit are held separately by the Permanent Funds.

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The Town does not maintain any investments subject to these classifications. In addition, GAAP requires disclosures relative to certain risks associated with deposits and investments.

Interest rate risk. Although the Town does not maintain a formal investment policy, the Town manages its exposure to declines in fair market value by limiting the average maturity of its deposits to less than fifteen months.

Credit risk. The Town follows State Statutes. These Statutes require the Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a U.S. obligation. During the fiscal year, the Town limited its investments to certificates of deposit, money market accounts, bank deposits and the State Treasurer's investment pool.

Concentration of credit risk The Town does not maintain balances in any single investment that would represent more than 5% of the Town's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2008, the carrying amount of the Town's deposits was \$13,297,779 and the bank balance was \$13,297,534. Of the Town's bank balance, \$2,003,361 was covered by either federal depository insurance or by the depositors' insurance fund. The remainder was uninsured and uncollateralized.

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

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

A. Deposits and Investments (continued)

At June 30, 2008, the Town's investments consist of the following investments whose cost approximates fair value:

<u>Investments:</u>	<u>Fair Value</u>	<u>To maturity < 1 year</u>
Certificates of deposit	\$ 3,865,095	\$ 3,865,095
	<u>3,865,095</u>	<u>\$ 3,865,095</u>
<u>Other investments:</u>		
State Treasurer's Investment Pool	590,273	
Money markets	7,554,448	
Total investments	<u>\$ 12,009,816</u>	
Deposits	<u>\$ 13,297,779</u>	

Following is a reconciliation of investments and cash and equivalents as summarized above to the balance as recorded in the combined balance sheet:

	<u>Investments</u>	<u>Cash and Equivalents</u>
As presented above	\$ 12,009,816	\$ 13,297,779

Reclass: Short-term investments reported in the combined balance sheet as cash and short-term investments; As follows:

Money Market investments	(7,554,448)	7,554,448
Certificates of Deposit (Short-term)	(1,886,812)	1,886,812
State Treasurer's Investment Pool	<u>(590,273)</u>	<u>590,273</u>
Totals	<u>\$ 1,978,283</u>	<u>\$ 23,329,312</u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 16,942,532	\$ -	\$ -	\$ 16,942,532
Construction in progress	3,255,778	2,154,286	(2,125,336)	3,284,728
Total capital assets not being depreciated	20,198,310	2,154,286	(2,125,336)	20,227,260
Capital assets being depreciated:				
Land improvements and infrastructure	17,714,586	961,061	-	18,675,647
Buildings and improvements	37,286,162	1,946,455	-	39,232,617
Vehicles and equipment	9,585,628	1,548,920	(458,400)	10,676,148
Total capital assets being depreciated	64,586,376	4,456,436	(458,400)	68,584,412
Less accumulated depreciation for:				
Land improvements and infrastructure	(7,587,918)	(793,899)	-	(8,381,817)
Buildings and improvements	(6,333,196)	(1,147,544)	-	(7,480,740)
Vehicles and equipment	(6,968,947)	(784,232)	448,612	(7,304,567)
Total accumulated depreciation	(20,890,061)	(2,725,675)	448,612	(23,167,124)
Total capital assets being depreciated, net	43,696,315	1,730,761	(9,788)	45,417,288
Governmental activities capital assets, net	\$ 63,894,625	\$ 3,885,047	\$ (2,135,124)	\$ 65,644,548

Depreciation expense was charged to functions/programs as follows:

General government	\$ 16,830
Public safety	289,468
Education	1,326,046
Public works	874,575
Health and human services	8,725
Culture and recreation	210,031
	<u>\$ 2,725,675</u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

B. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in progress	2,145,848	2,554,550	(529,131)	4,171,267
Total capital assets not being depreciated	5,820,848	2,554,550	(529,131)	7,846,267
Capital assets being depreciated:				
Land improvements and infrastructure	56,445,545	568,637	(4,924,900)	52,089,282
Buildings and improvements	12,320,384	-	5,271,376	17,591,760
Vehicles and equipment	2,360,705	266,951	(417,263)	2,210,393
Total capital assets being depreciated	71,126,634	835,588	(70,787)	71,891,435
Less accumulated depreciation for:				
Land improvements and infrastructure	(17,661,732)	(247,437)	-	(17,909,169)
Buildings and improvements	(3,297,573)	(1,470,125)	-	(4,767,698)
Vehicles and equipment	(1,520,997)	(150,309)	70,787	(1,600,519)
Total accumulated depreciation	(22,480,302)	(1,867,871)	70,787	(24,277,386)
Total capital assets being depreciated, net	48,646,332	(1,032,283)	-	47,614,049
Business activities capital assets, net	\$ 54,467,180	\$ 1,522,267	\$ (529,131)	\$ 55,460,316

Depreciation expense was charged to functions/programs as follows:

Water	\$ 430,547
Sewer	780,914
Transfer Station	83,054
Golf	236,948
Waterways	336,408
	<u>\$ 1,867,871</u>

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. Detailed Notes to All Funds (continued)

C. Receivables

Presentation Breakdown – Receivables as of year-end for the government's individual major, proprietary and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Stabilization</u>	<u>Non major</u>	<u>Total Governmental</u>	<u>Proprietary</u>	<u>Total all funds</u>
Property taxes	\$ 1,256,262	\$ -	\$ -	\$ 1,256,262	\$ -	\$ 1,256,262
Tax liens / foreclosures	929,901	-	12,303	942,204	-	942,204
Excise	506,481	-	-	506,481	-	506,481
User fees	619,439	-	-	619,439	303,510	922,949
Departmental	49,615	-	-	49,615	-	49,615
Intergovernmental	-	-	984,614	984,614	3,122,798	4,107,412
Other	79,558	-	49,835	129,393	10,627,601	10,756,994
	<u>3,441,256</u>	<u>-</u>	<u>1,046,752</u>	<u>4,488,008</u>	<u>14,053,909</u>	<u>18,541,917</u>
Gross receivables						
Allowance for uncollectible accounts	(614,592)	-	-	(614,592)	-	(614,592)
Net receivables	<u>\$ 2,826,664</u>	<u>\$ -</u>	<u>\$ 1,046,752</u>	<u>\$ 3,873,416</u>	<u>\$ 14,053,909</u>	<u>\$ 17,927,325</u>

Governmental Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in Governmental Funds amounted to \$2,868,848.

MWPAT Loan Subsidies – The Town has entered into a number of loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,675,000 and interest costs of \$3,340,689 until maturity of these agreements. In addition, in accordance with these agreements, the Town has available to draw down, as of June 30, 2008, \$632,597. GAAP requires the recognition of gross debt relative to these agreements, therefore the principal amount of \$2,490,201 and draw down amount of \$632,597 have been reflected as receivables in the Sewer Enterprise fund.

Betterments – The Town reflects receivables of \$10,627,601 in its Enterprise Fund that represents amounts anticipated to be billed in the future for sewer betterments that the Town has funded through bond issuances.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

D. **Inter fund Receivables, Payables and Transfers** – Interfund transfers during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 693,279
Non major Governmental	1,412,578	25,147
Stabilization	181,436	-
MBTA	-	1,419,927
Business-Type	<u>544,339</u>	<u>-</u>
Totals	<u>\$ 2,138,353</u>	<u>\$ 2,138,353</u>

E. **Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of a revenue or tax anticipation notes (RAN or TAN).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of a bond anticipation note (BAN), state aid anticipation note (SAAN) or grant anticipation note (GAN). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds or grant reimbursement. Temporary notes outstanding at June 30, 2008, recorded in the Governmental and Proprietary Funds are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirement</u>	<u>June 30, 2008</u>
BAN	4.00%	Matured	\$ 7,655,530	\$ -	\$ (7,655,530)	\$ -
BAN	6.00%	Matured	100,000	-	(100,000)	-
BAN	3.00%	6/19/09	-	2,330,000	-	2,330,000
BAN	4.00%	6/19/09	-	329,000	-	329,000
			<u>\$ 7,755,530</u>	<u>\$ 2,659,000</u>	<u>\$ (7,755,530)</u>	<u>\$ 2,659,000</u>

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

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs. During the year ended June 30, 2008, the following reflects the activity in the long-term liability accounts:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
<i>Governmental Activities:</i>				
Compensated absences	\$ 1,365,687	\$ 73,713	\$ -	\$ 1,439,400
Bond indebtedness	11,800,711	4,459,386	-	16,260,097
Total Governmental	<u>\$ 13,166,398</u>	<u>\$ 4,533,099</u>	<u>\$ -</u>	<u>\$ 17,699,497</u>
<i>Business-type Activities:</i>				
Compensated absences	\$ 132,983	\$ 8,104	\$ -	\$ 141,087
Municipal landfill	1,650,000	-	(75,000)	1,575,000
Bond indebtedness	32,174,920	1,414,500	(2,009,316)	31,580,104
Total Business-type	<u>\$ 33,957,903</u>	<u>\$ 8,104</u>	<u>\$ (2,539,366)</u>	<u>\$ 33,296,191</u>

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The following is a computation of the legal debt margin as of June 30, 2008:

Equalized Valuation –	
Real Estate and Personal Property	\$ 4,243,304,810
Debt Limit – 5% of Equalized Valuation	212,165,241
Total Debt (including authorized and unissued)	\$ 58,008,964
Less: Debt exempt from Limit	(1,335,000) (56,673,964)
Legal Debt Margin	<u>\$ 155,491,277</u>

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

Bond Debt Issued - The following is a summary of outstanding long-term debt obligations of Governmental Activities as of June 30, 2008:

Description of Issue	Number of Sub-Issues	Interest Rate	Outstanding June 30, 2007	Issuances	Maturities	Outstanding June 30, 2008
<i>Governmental Activities:</i>						
<i>Inside the debt limit:</i>						
State House Serial Note - March 2004	1	3.00%	\$ 155,000	\$ -	\$ (80,000)	\$ 75,000
General Obligation - March 2005	3	3.00 - 5.00%	1,921,000	-	(177,000)	1,744,000
General Obligation - September 2005	1	3.50 - 5.00%	9,470,000	-	(530,000)	8,940,000
General Obligation - June 2008	9	3.00 - 5.00%	-	5,338,500	-	5,338,500
Notes Payable - MWPAAT	3	2.00 - 5.00%	254,711	-	(92,114)	162,597
Total Governmental Activities			\$ 11,800,711	\$ 5,338,500	\$ (879,114)	\$ 16,260,097

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

Bond Debt Issued - The following is a summary of outstanding long-term debt obligations of Business-Type activities as of June 30, 2008:

Description of Issue	Number of Sub-Issues	Interest Rate	Outstanding June 30, 2007	Issuances	Maturities	Outstanding June 30, 2008
<i>Business-Type</i>						
<i>Inside the debt limit:</i>						
General Obligation - March 2005	3	3.00 - 5.00%	\$ 2,737,000	\$ -	\$ (154,000)	\$ 2,583,000
General Obligation - June 2008	2	3.00 - 5.00%	-	800,000	-	800,000
Notes Payable - MWPAT	8	2.00 - 5.50%	20,420,920	-	(1,181,316)	19,239,604
Total - Sewer			23,157,920	800,000	(1,335,316)	22,622,604
General Obligation - March 2005	1	3.00 - 5.00%	3,735,000	-	(220,000)	3,515,000
General Obligation - June 2008	3	3.00 - 5.00%	-	564,500	-	564,500
Total - Waterways			3,735,000	564,500	(220,000)	4,079,500
<i>Outside the debt limit:</i>						
General Obligation - March 2005	4	3.00 - 5.00%	1,412,000	-	(127,000)	1,285,000
General Obligation - June 2008	1	3.00 - 5.00%	-	50,000	-	50,000
Total - Water			1,412,000	50,000	(127,000)	1,335,000
General Obligation - March 2005	2	3.00 - 5.00%	660,000	-	(42,000)	618,000
Total - Transfer Station			660,000	-	(42,000)	618,000
General Obligation - May 2003	1	2.00 - 4.00%	3,210,000	-	(285,000)	2,925,000
Total - Golf			3,210,000	-	(285,000)	2,925,000
Total Business-type Activities			\$ 32,174,920	\$ 1,414,500	\$ (2,009,316)	\$ 31,580,104

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

III. Detailed Notes to All Funds (continued)

F. Long-Term Debt

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

Year Ending June 30	Governmental Activities				Business-type Activities							
	Principal	Interest	Subsidy		Total	Principal		Interest		Total		
			Subsidy	Net Amount		Balance	Subsidy	Net Amount	Balance			
2009	\$ 1,674,529	\$ 612,888	\$ (3,295)	\$ 609,593	\$ 2,284,122	\$ 2,112,897	\$ (203,210)	\$ 1,909,687	\$ 1,174,380	\$ (369,871)	\$ 804,509	\$ 2,714,196
2010	1,488,858	561,610	(2,970)	558,640	2,047,498	2,168,518	(222,542)	1,945,976	1,116,055	(321,551)	794,504	2,740,480
2011	1,463,858	511,498	(2,618)	508,880	1,972,738	2,226,248	(219,466)	2,006,782	1,039,839	(313,136)	726,703	2,733,485
2012	1,003,858	462,228	(2,267)	459,961	1,463,819	2,267,390	(242,768)	2,024,622	921,541	(251,105)	670,436	2,695,058
2013	1,003,857	429,463	(8,160)	421,303	1,425,160	1,979,920	(41,777)	1,938,143	1,192,535	(450,416)	742,119	2,680,262
2014 - 2018	4,233,281	1,527,953	(6,067)	1,521,886	5,755,167	11,558,480	(1,162,106)	10,396,374	2,936,624	(954,226)	1,982,398	12,378,772
2019 - 2023	3,741,856	731,992	(172)	731,820	4,473,676	7,242,074	(373,220)	6,868,854	957,044	(242,644)	714,400	7,583,254
2024 - 2026	1,650,000	89,010	-	89,010	1,739,010	2,024,577	(25,112)	1,999,465	66,834	-	66,834	2,066,299
Total	\$ 16,260,097	\$ 4,926,642	\$ (25,549)	\$ 4,901,093	\$ 21,161,190	\$ 31,580,104	\$ (2,490,201)	\$ 29,089,903	\$ 9,404,852	\$ (2,902,949)	\$ 6,501,903	\$ 35,591,806

Capital lease obligations (Business-type Activities):

Year Ending June 30	Minimum Lease Obligation	
	Principal	Interest
2009	\$ 39,347	\$ 7,653
2010	41,563	5,437
2011	43,227	3,098
2012	29,549	916
2013	4,253	36
Total	\$ 157,939	\$ 17,140

Authorized and Unissued Debt - At June 30, 2008, the Town had authorized and unissued debt as follows:

Project	Amount
Water	\$ 1,195,100
General	2,110,773
Waterways	2,203,945
Sewer	4,658,945
Total authorized and unissued	\$ 10,168,763

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED YEAR ENDED JUNE 30, 2008

III. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

MWPAT Loan Subsidies – As previously discussed under III. C., the Town has entered into a number of loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,490,201 and interest costs of \$2,928,498 until maturity of these agreements. Thus total net loan repayments including interest are scheduled to be \$35,591,806. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements under business type activities. In addition, a receivable has also been reflected for the principal amount of the subsidy under business type activities as well as a receivable for those funds not yet drawn upon but still included as debt.

Overlapping Debt – The Town's is responsible for a proportionate share of debt of other governmental units which provide services within the Town's boundaries. The following table lists those entities along with the amount assessed to the Town during 2008:

<u>Related Entity</u>	<u>Annually Assessed</u>
Massachusetts Bay Transportation Authority	\$ 115,096
Plymouth County	68,557
South Shore Regional Vocational Technical School District	<u>604,692</u>
	<u>\$ 788,345</u>

IV. Other Information

A. Retirement System

System Description – The Town contributes to the Plymouth County Retirement Association (PCRA), an agency multiple-employer defined benefit pension plan for the Town and other governmental agencies within Plymouth County. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. PCRA issues a publicly available financial report which is available at the Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the PCRA. The members of the PCRA do not participate in the Social Security System. Benefits paid under the PCRA, referred to as "retirement allowances," include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion, funded by the Town.

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$5,572,729 for the year ended June 30, 2008 and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED YEAR ENDED JUNE 30, 2008

IV. Other Information (continued)

A. Retirement System (continued)

Contribution Requirements and Contributions Made – The PCRA's funding policies have been established by Chapter 32 of the Massachusetts General Laws. The annuity portion of the retirement allowance is funded by employees who contribute a percentage of their regular compensation. Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. Additionally, employees hired after January 1979 contribute an additional 2% on earnings in excess of \$30,000.

The Pension Reform Act of 1987 was enacted by the State Legislature in January 1988. The Act amends Chapter 32 of the General Laws and requires amortization of the unfunded pension liability over a forty-year period. The law also permits each retirement board to waive the \$30,000 pay cap for employees hired after 1978 and, accordingly, the Board of Directors of the PCRA voted to waive the pay cap effective January 1, 1990. Beginning July 1, 1994, the employer contribution is determined using various funding schedules derived under Section 22D. These include at a minimum, the employer normal cost plus the amortization of the original unfunded actuarial liability.

In accordance with Massachusetts General Laws, employer contributions to the PCRA have historically been determined on a pay-as-you-go basis. GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method.

The employer contribution to the PCRA for the year ended June 30, 2008 was approximately 17.16% of the covered payroll. Contributions to the PCRA for the years ended June 30, 2008, 2007, and 2006 were \$2,464,168, \$2,153,248, and \$1,929,160, respectively. This equaled 100 percent of the required contribution each year.

- B. Risk Financing** – The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town participates in a health insurance risk pool trust administered by Plymouth County, a municipal corporation that obtains health insurance for member governments at costs eligible to larger groups. Plymouth County offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by Plymouth County. The Town is obligated to pay Plymouth County its required premiums and, in the event Plymouth County is terminated, its pro-rata share of a deficit, should one exist. The Town is self-insured for Workman's compensation and unemployment benefits.

- C. Post Employment Benefits** – In addition to providing pension benefits, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. These benefits are provided through various health maintenance organizations. Benefits paid by the Town are on a pay-as-you-go basis. There is no actuarial valuation available as of June 30, 2008, which would permit an estimation of the unfunded past service cost liability, future costs of current participants in the system and annual amounts needed to fund such costs. The cost to fund these benefits for the years ended June 30, 2008, 2007, and 2006 were approximately \$1,000,000.

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED YEAR ENDED JUNE 30, 2008

IV. Other Information (continued)

- D. Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2008, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2008.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial. In addition, the Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

V. Implementation of New GASB Pronouncements

In June 2004, the GASB issued GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (GASB 45). GASB 45 establishes standards for the measurement, recognition and display of “other postemployment benefits” expenses/expenditures and related liabilities and/or assets, note disclosures and, if applicable, required supplementary information in the Town’s financial reports. Other postemployment benefits may include such items as postemployment healthcare and life insurance. GASB 45 is effective for periods beginning after December 15, 2006 for *phase 1 governments* (those with total annual revenues of \$100 million or more); after December 15, 2007 for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008 for *phase 3 governments* (those with total annual revenues of less than \$10 million). The Town will adopt GASB 45 for the fiscal year ending June 30, 2009.

In November 2006, the GASB issued GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. GASB 49 is effective for periods beginning after December 15, 2007. The Town will adopt GASB 49 for the fiscal year ending June 30, 2009.

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). The objective of GASB 51 is to establish accounting and financial reporting requirements for intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software, and reduce inconsistencies in current reporting practices, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments. GASB 51 is effective for periods beginning after June 15, 2009. The Town will adopt GASB 51 for the fiscal year ending June 30, 2010.

The Town is currently evaluating whether the adoptions of these GASB pronouncements will have a material impact on its financial statements.

TOWN OF SCITUATE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual			Variances
	Original	Final	Budgetary	Encumbrances	Adjusted	favorable
	Budget	Budget	Amounts		Actual	(unfavorable)
REVENUES						
Real estate and personal property taxes, net	\$ 38,897,665	\$ 38,897,665	\$ 38,605,873	\$ -	\$ 38,605,873	\$ (291,792)
Intergovernmental	7,298,983	7,298,983	7,392,395	-	7,392,395	93,412
Motor vehicle and other excises	2,336,044	2,336,044	2,325,182	-	2,325,182	(10,862)
Licenses and permits	580,033	580,033	697,481	-	697,481	117,448
Departmental and other revenue	1,571,720	1,571,720	1,244,066	-	1,244,066	(327,654)
Fines and forfeitures	73,586	73,586	67,496	-	67,496	(6,090)
Investment income	602,728	602,728	353,519	-	353,519	(249,209)
Total Revenues	51,360,759	51,360,759	50,686,012	-	50,686,012	(674,747)
EXPENDITURES						
General government	2,510,957	2,446,095	2,167,354	197,590	2,364,944	81,151
Public safety	7,903,740	7,913,440	7,654,797	76,193	7,730,990	182,450
Education	28,638,054	28,638,054	27,713,247	641,365	28,354,612	283,442
Public works	3,551,625	3,510,657	3,026,959	425,182	3,452,141	58,516
Culture and recreation	1,162,291	1,164,263	1,112,072	20,814	1,132,886	31,377
Health and human services	496,454	495,194	442,904	21,490	464,394	30,800
State and county tax assessments	487,978	487,978	440,570	-	440,570	47,408
Pensions and fringe benefits	7,331,722	7,255,954	7,239,618	-	7,239,618	16,336
Debt service	1,534,883	1,585,458	1,541,970	-	1,541,970	43,488
Total Expenditures	53,617,704	53,497,093	51,339,491	1,382,634	52,722,125	774,968
OTHER FINANCING SOURCES (USES)						
Transfers out	(412,089)	(412,089)	(693,279)	-	(693,279)	(281,190)
Total Other Financing Sources (Uses)	(412,089)	(412,089)	(693,279)	-	(693,279)	(281,190)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(2,669,034)	(2,548,423)	(1,346,758)	\$ (1,382,634)	\$ (2,729,392)	\$ (180,969)
BUDGETARY FUND BALANCES, July 1, 2007	3,474,087	3,474,087	3,474,087			
BUDGETARY FUND BALANCES, June 30, 2008	\$ 805,053	\$ 925,664	\$ 2,127,329			

TOWN OF SCITUATE, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

I. Budgetary Basis of Accounting

An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in March. Expenditures may not legally exceed appropriations at the department level. Department heads may not transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head must also approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These adjustments did not impact the overall budget significantly.

The Town's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. Primary differences include the recognition grossing up of revenues and expenditures to reflect On Behalf Teacher's Retirement paid by the Commonwealth. A reconciliation is provided below.

Revenues on a GAAP basis	\$ 56,258,741
On Behalf Teacher's receipts	(5,572,729)
Revenues on a Budgetary basis	\$ 50,686,012
Expenditures on a GAAP basis	\$ 56,912,220
On Behalf Teacher's expenditures	(5,572,729)
Expenditures on a Budgetary basis	\$ 51,339,491