
ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

TOWN OF SCITUATE, MASSACHUSETTS

**Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2010**

TOWN OF SCITUATE, MASSACHUSETTS

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2010

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Assets	16
Statement of Net Assets (Deficit) – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets	20
Statement of Net Changes in Fiduciary Net Assets	21
NOTES TO THE FINANCIAL STATEMENTS	22-40
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Funding Progress – Plymouth County Retirement Association and Other Post Employment Benefits	41
Schedules of Contribution Funding – Plymouth County Retirement Association and Other Post Employment Benefits	41
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	42
Notes to Required Supplementary Information	43

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 (the "Town"), as of and for the year ended June 30, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's managements. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 10, funding and contribution progress for pension and other post employment benefits on page 41, and budgetary comparison information on pages 42 - 43 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Roselli, Clark and Associates
Certified Public Accountants
February 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of 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, 2010. 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 to 43 in this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$103.9 million (*total net assets*). Of this amount, approximately \$4.7 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 slightly, (less than 1%) over the prior year as an increase in the governmental net assets of over \$0.8 million was offset by a decrease in the Business type net assets of over \$0.6 million.
- At June 30, 2010, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$14.6 million. This represents a decrease of approximately \$0.8 million, or 5.5% from the prior year. There were a number of factors that contributed to this net decrease:
- The accounting treatment for certain items vary between the Statement of Net Assets and the Governmental Fund Balance Sheet, thus the differences in equity and fund balance amounts between the two statements noted above. Reconciliations have been provided on page 14 and 16 of the accompanying basic financial statements to assist the reader in understanding these differences.
- At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$2.4 million, or 3.9%, of total 2010 general fund expenditures.
- The Town's total long-term debt decreased by nearly \$3.7 million to approximately \$40.4 million in 2010. This was completely due to regular scheduled maturities as the Town did not enter into any new permanent financings during the year.

Overview of the Financial Statements

This discussion and analysis is 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, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of 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 and 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 14 and 16 to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains eight 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, Affordable Housing and Community Preservation Fund. Data from the other three governmental funds are combined into a single, aggregated presentation as Nonmajor Governmental 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 42 of this report.

The basic governmental fund financial statements can be found on pages 13 – 16 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, sewer, golf, waterways and transfer station 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 to 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 and 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 to 40 of this report.

Government-Wide Financial Analysis

Statement of Net Assets (see Exhibit I on page 9). 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 \$103.9 million at June 30, 2010.

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 \$90.4 million, or 86.9%, of total net assets at June 30, 2010. 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 \$8.8 million, or 8.5%, of the Town's net assets represent resources that are subject to external restriction on how they may be used. The remaining balance of approximately \$4.8 million, or 4.6%, 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, 2010, 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 Exhibit II on page 10). The government's total net assets increased slightly, (less than 1%) over the prior year as an increase in the governmental net assets of over \$0.8 million was offset by a decrease in the Business type net assets of over \$0.6 million.

Major revenue sources of the governmental activities include property taxes and operating grants, which represented approximately 61.0% and 22.8% of total 2010 governmental revenues, respectively (62.3% and 22.8% in the prior year). Business-type activities consist of revenues from the operations of water (approximately 30.6%), sewer (approximately 19.7%), golf (approximately 15.1%), transfer station (approximately 13.4%) and the waterways funds (approximately 12.4%).

Education expenses, which represent the single largest governmental activity, represented over 66.6% of 2010 total expenses (64.8% in the prior year). Public safety expenses represented approximately 15.1% of 2010 total expenses (15.0% in the prior year). No other expense categories in governmental activities represented over ten percent of total 2010 or 2009 expenses.

Business-type activities consist of expenses from the operations of water (approximately 37.1%), sewer (approximately 30.1%), golf (approximately 12.0%), transfer station (approximately 10.7%), waterways funds (approximately 10.1%).

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 \$14.6 million. There were a number of factors that contributed to this net decrease:

- The fund balance in the *General Fund* increased by approximately \$2.1 million. This was primarily due to a one-time grant received from the Massachusetts School Building Authority of nearly \$1.0 million. The grant represented an award for construction projects the Town completed five years prior. The Town was not expecting these funds. In addition, the Town experienced significant savings through its appropriation line items by restricting spending at year-end and turning funds back to surplus.
- The fund balance in the *Mitigation Fund* decreased over \$1.8 million; this was primarily attributable to a transfer to the general fund that was used to purchase property.
- The fund balances in the *Community Preservation Fund* decreased by almost \$0.7 million; this was primarily due to transfers to *Affordable Housing* to fund construction.
- The fund balance in *Nonmajor governmental funds* decreased nearly \$0.5 million as expenditures exceeded revenues and other financing sources (i.e., proceeds from temporary and permanent financings) in 2010.

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 June 30, 2010, net assets of the water fund amounted to approximately \$10.9 million; net assets of the sewer fund amounted to approximately \$25.5 million; net assets of the golf fund amounted to approximately \$0.4 million; net assets of the waterways fund amounted to approximately \$3.9 million; and the net deficit of the transfer station

amounted to approximately \$0.4 million. The Proprietary fund total net assets decreased by approximately \$0.7 million from the prior year.

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 42.

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, 2010, amounts to approximately \$123.1 million, net of accumulated depreciation. In 2010, the Town recorded net capital additions of \$7.9 million and depreciation expense of \$4.9 million.

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

Long-term Debt. At the June 30, 2010, the Town had total bond indebtedness outstanding of approximately \$40.4 million. The entire amount comprises debt backed by the full faith and credit of the government. Of this amount, approximately \$13.1 million represents general obligation bonds of governmental activities and approximately \$27.3 million represents general obligation bonds of business-type activities. The Town's total bond indebtedness outstanding decreased by approximately \$3.7 million in 2010 as the Town made regular scheduled pay downs of debt. There were no new bond issuances in 2010.

As of June 20, 2010, the Town is entitled to receive reimbursements for principal pay down of these notes in the amount of approximately \$2.1 million and future interest also in the amount of approximately \$2.3 million from the MWPAT.

In addition to permanent bond indebtedness, the Town has approximately \$5.7 million in bond anticipation notes payable outstanding at June 30, 2010. These temporary borrowings are scheduled to mature in March 2011.

The Town maintains an "Aa3" 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 \$192.6 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in note III.E and F on pages 32 to 35 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 begun to stabilize over the past 12 months. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound can not be reasonably estimated at this time.

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 95.4 % 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% to 25% lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. However, the extent, timing or certainty of any housing rebound can not be reasonably estimated at this time.

All of the above items were considered when the Town developed its budget for fiscal year 2011.

On April 12, 2010, Town Meeting approved the Town's fiscal year 2011 budget. All of the above items were considered when the Town developed this budget. General Fund appropriations approved were approximately \$54.4 million, and Enterprise fund appropriations approved were approximately \$10.3 million. For the General fund, property taxes of approximately \$43.1 million (net of overlay) make up approximately 79.2% of the appropriation funding sources (this includes debt exclusion overrides of \$1.1 million to fund debt on school construction, computers and books, as well as Sewer debt of \$0.6 million), State aid of approximately \$6.7 million make up approximately 12.3% of the appropriation funding sources. The remainder is funded from local receipts transfers from special revenue funds and prior year appropriations, 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 2011 was set on November 17, 2010.

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.

**EXHIBIT I
GOVERNMENT-WIDE FINANCIAL ANALYSIS**

NET ASSETS

	Governmental activities		Business-type activities		Total	
	restated		restated		restated	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current and other assets	\$ 22,139,405	\$ 22,586,772	\$ 18,680,821	\$ 20,524,054	\$ 40,820,226	\$ 43,110,826
Capital assets, net	67,913,621	64,425,043	55,222,844	55,569,351	123,136,465	119,994,394
Total Assets	90,053,026	87,011,815	73,903,665	76,093,405	163,956,691	163,105,220
<u>Liabilities</u>						
Long term liabilities	21,603,273	19,742,890	29,274,992	31,273,864	50,878,265	51,016,754
Other liabilities	4,791,483	4,458,484	4,363,955	3,904,228	9,155,438	8,362,712
Total Liabilities	26,394,756	24,201,374	33,638,947	35,178,092	60,033,703	59,379,466
<u>Net Assets</u>						
Invested in capital assets, net of related debt	54,816,911	49,839,475	35,539,137	35,437,109	90,356,048	85,276,584
Restricted	8,814,140	11,682,072	-	-	8,814,140	11,682,072
Unrestricted	27,219	1,288,894	4,725,581	5,478,204	4,752,800	6,767,098
Total Net Assets	\$ 63,658,270	a \$ 62,810,441	\$ 40,264,718	a \$ 40,915,313	\$ 103,922,988	a \$ 103,725,754

a As restated; see footnote VI

EXHIBIT II
GOVERNMENT-WIDE FINANCIAL ANALYSIS

CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2010	restated 2009	2010	restated 2009	2010	restated 2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,818,296	\$ 4,490,403	\$ -	\$ -	\$ 4,818,296	\$ 4,490,403
Operating grants and contributions	15,955,756	15,276,240	132,208	-	16,087,964	15,276,240
Capital grants and contributions	2,346,192	367,699	571,042	611,006	2,917,234	978,705
General revenues:						
Property taxes	42,750,176	41,719,348	-	-	42,750,176	41,719,348
Intergovernmental	1,738,954	2,278,639	-	-	1,738,954	2,278,639
Other	2,485,126	2,886,366	21,578	-	2,506,704	2,886,366
Water	-	-	2,489,921	2,893,896	2,489,921	2,893,896
Sewer	-	-	1,602,906	2,385,755	1,602,906	2,385,755
Golf	-	-	1,229,438	1,272,009	1,229,438	1,272,009
Transfer Station	-	-	1,093,206	1,050,712	1,093,206	1,050,712
Waterways	-	-	1,007,672	955,841	1,007,672	955,841
Total revenues	70,094,500	67,018,695	8,147,971	9,169,219	78,242,471	76,187,914
Expenses:						
General government	3,246,946	3,787,065	-	-	3,246,946	3,787,065
Public safety	11,084,521	10,588,636	-	-	11,084,521	10,588,636
Education	44,988,566	45,865,884	-	-	44,988,566	45,865,884
Public works	5,249,424	6,278,142	-	-	5,249,424	6,278,142
Health and human services	646,098	1,109,657	-	-	646,098	1,109,657
Culture and recreation	3,215,979	2,544,847	-	-	3,215,979	2,544,847
Debt service	565,702	648,429	-	-	565,702	648,429
Water	-	-	3,356,155	2,623,876	3,356,155	2,623,876
Sewer	-	-	2,727,459	2,898,587	2,727,459	2,898,587
Golf	-	-	1,085,893	1,058,485	1,085,893	1,058,485
Transfer Station	-	-	966,933	1,173,451	966,933	1,173,451
Waterways	-	-	911,562	859,709	911,562	859,709
Total expenses	68,997,235	70,822,660	9,048,002	8,614,108	78,045,237	79,436,768
Change in net assets before transfers	1,097,265	(3,803,965)	(900,031)	555,111	197,234	(3,248,854)
Transfers	(249,436)	(274,219)	249,436	274,219	-	-
Increase in net assets	847,829	(4,078,184)	(650,595)	829,330	197,234	(3,248,854)
Net assets - beginning of year	a 62,810,441	a 66,888,625	a 40,915,313	a 40,085,983	a 103,725,754	a 106,974,608
Net assets - end of year	<u>\$ 63,658,270</u>	<u>\$ 62,810,441</u>	<u>\$ 40,264,718</u>	<u>\$ 40,915,313</u>	<u>\$103,922,988</u>	<u>\$103,725,754</u>

a As restated; see footnote VI

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT:			
Cash and cash equivalents	\$ 17,244,240	\$ 5,951,578	\$ 23,195,818
Restricted cash and equivalents	402,398	-	402,398
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	720,655	-	720,655
Departmental and other	2,009,035	1,322,143	3,331,178
Betterments	-	9,287,431	9,287,431
Intergovernmental	1,763,077	2,064,469	3,827,546
Inventory	-	55,200	55,200
Land	17,883,907	3,675,000	21,558,907
Construction in process	1,274,838	1,225,086	2,499,924
Depreciable capital assets, net of accumulated depreciation	48,754,876	50,322,758	99,077,634
TOTAL ASSETS	<u>90,053,026</u>	<u>73,903,665</u>	<u>163,956,691</u>
LIABILITIES			
CURRENT:			
Warrants and accounts payable	1,534,594	463,357	1,997,951
Accrued payroll	1,158,899	-	1,158,899
Retainage	-	42,811	42,811
Unearned revenue	-	101,939	101,939
Other liabilities	151,546	2,169	153,715
Bond anticipation notes payable	1,946,444	3,753,679	5,700,123
Noncurrent liabilities:			
Due in one year	2,285,493	2,415,127	4,700,620
Due in more than one year	19,317,781	26,859,865	46,177,646
TOTAL LIABILITIES	<u>26,394,756</u>	<u>33,638,947</u>	<u>60,033,703</u>
NET ASSETS			
Invested in capital assets, net of related debt	54,816,911	35,539,137	90,356,048
Restricted	8,814,140	-	8,814,140
Unrestricted net assets	27,219	4,725,581	4,752,800
NET ASSETS	<u>\$ 63,658,270</u>	<u>\$ 40,264,718</u>	<u>\$ 103,922,988</u>

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

TOWN OF SCITUATE, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	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	\$ 3,246,946	\$ 663,889	\$ -	\$ (2,134,025)	\$ -	\$ (2,134,025)
Public safety	11,084,521	1,385,721	-	(9,572,024)	-	(9,572,024)
Education	44,988,566	2,107,151	-	(27,888,318)	-	(27,888,318)
Public works	5,249,424	10,910	1,969,430	(3,153,653)	-	(3,153,653)
Health and human services	646,098	62,228	-	(398,027)	-	(398,027)
Culture and recreation	3,215,979	588,397	376,762	(2,165,243)	-	(2,165,243)
Debt service	565,702	-	-	(565,702)	-	(565,702)
Total Governmental Activities	68,997,235	4,818,296	2,346,192	(45,876,991)	-	(45,876,991)
<u>Business-Type Activities:</u>						
Water	3,356,155	2,489,921	-	-	(866,234)	(866,234)
Sewer	2,727,459	1,602,906	-	-	(803,002)	(803,002)
Transfer Station	966,933	1,093,206	321,551	-	126,273	126,273
Golf	1,085,893	1,229,438	-	-	143,545	143,545
Waterways	911,562	1,007,672	249,491	-	477,809	477,809
Total Primary Government	\$ 78,045,237	\$ 12,241,439	\$ 2,917,234	(45,876,991)	(921,609)	(46,798,600)
<u>General Revenues:</u>						
Real and personal property taxes				42,750,176	-	42,750,176
Penalties and interest on taxes				367,174	-	367,174
Motor vehicle and other excise				2,145,931	-	2,145,931
Intergovernmental				1,738,954	-	1,738,954
Investment income				188,874	21,578	210,452
Loss on disposal of assets, net				(216,853)	-	(216,853)
Transfers (net):				(249,436)	249,436	-
Total general revenues and transfers				46,724,820	271,014	46,995,834
Change in Net Assets				847,829	(650,595)	197,234
<u>Net Assets:</u>						
Beginning of year				62,653,917	40,733,835	103,387,752
Prior period restatement (see footnote VII)				156,524	181,478	338,002
End of year				\$ 63,658,270	\$ 40,264,718	\$ 103,922,988

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

TOWN OF SCITUATE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 5,042,938	\$ 2,202,032	\$ 956,953	\$ 5,433,281	\$ 851,449	\$ 2,757,587	\$ 17,244,240
Receivables, net of allowance for uncollectibles:							
Real estate and personal property taxes	665,030	-	-	55,635	-	-	720,655
Other	2,009,035	-	-	-	-	-	2,009,035
Due from Commonwealth - Grants	980,000	-	-	-	-	783,077	1,763,077
Due from other funds	-	-	-	-	-	-	-
Cash - restricted	-	-	-	-	-	402,398	402,398
Total Assets	\$ 8,697,003	\$ 2,202,032	\$ 956,953	\$ 5,488,906	\$ 851,449	\$ 3,943,062	\$ 22,139,405

LIABILITIES AND FUND BALANCES

LIABILITIES:							
Warrants and accounts payable	\$ 1,043,848	\$ -	\$ -	\$ 76,185	\$ -	\$ 414,561	\$ 1,534,594
Accrued payroll and withholdings	1,158,899	-	-	-	-	-	1,158,899
Deferred revenues	2,674,065	-	-	52,002	-	-	2,726,067
Unearned revenues	103,622	-	-	8,394	-	-	112,016
Other	39,530	-	-	-	-	-	39,530
Bond anticipation notes payable	-	-	-	-	-	1,946,444	1,946,444
Total Liabilities	5,019,964	-	-	136,581	-	2,361,005	7,517,550

FUND BALANCES (DEFICIT):

Reserved for:							
Encumbrances	1,076,184	-	-	-	-	-	1,076,184
Expenditures	885,300	-	-	-	-	-	885,300
Stabilization	-	2,202,032	-	-	-	-	2,202,032
MBTA	-	-	956,953	-	-	-	956,953
Community preservation	-	-	-	5,352,325	-	-	5,352,325
Affordable housing	-	-	-	-	851,449	-	851,449
Unreserved:							
Undesignated, reported in:							
General fund	1,715,555	-	-	-	-	-	1,715,555
Special revenue funds	-	-	-	-	-	2,841,657	2,841,657
Capital projects funds deficit	-	-	-	-	-	(1,661,998)	(1,661,998)
Permanent funds	-	-	-	-	-	402,398	402,398
Total Fund Balances	3,677,039	2,202,032	956,953	5,352,325	851,449	1,582,057	14,621,855
Total Liabilities and Fund Balances	\$ 8,697,003	\$ 2,202,032	\$ 956,953	\$ 5,488,906	\$ 851,449	\$ 3,943,062	\$ 22,139,405

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, 2010

Total Governmental Fund Balances	\$ 14,621,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,913,621
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	2,726,067
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	(13,096,710)
Other post employment benefits	(6,863,294)
Compensated absences	<u>(1,643,270)</u>
Net Assets of Governmental Activities	<u><u>\$ 63,658,269</u></u>

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
YEAR ENDED JUNE 30, 2010

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

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, 2010**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (843,864)**

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 \$6,680,329 and depreciation expense totaled \$2,974,898. The net amount is reflected here as a reconciling item. 3,705,431

The Town disposed capital assets with historical costs of \$609,065 and accumulated depreciation of \$392,212. (216,853)

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. During the year there were repayments of \$1,488,858; there were no new debt issuances. 1,488,858

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 based on the two methodologies. (63,686)

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. 127,183

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	137,078
Other post employment benefits	<u>(3,486,318)</u>

Change in Net Assets of Governmental Activities **\$ 847,829**

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

TOWN OF SCITUATE, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2010

ASSETS	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Combined Total
CURRENT ASSETS:						
Cash and short-term investments	\$ 2,040,543	\$ 2,162,505	\$ 197,890	\$ 298,654	\$ 1,251,986	\$ 5,951,578
Receivables, net of allowance for uncollectibles:						
User fees	893,425	428,718	-	-	-	1,322,143
Intergovernmental	-	219,466	-	-	-	219,466
Inventory	-	-	-	55,200	-	55,200
Total Current Assets	2,933,968	2,810,689	197,890	353,854	1,251,986	7,548,387
NONCURRENT ASSETS:						
Intergovernmental	-	1,845,003	-	-	-	1,845,003
Unapportioned assessments	-	9,287,431	-	-	-	9,287,431
Land	-	-	-	-	3,675,000	3,675,000
Construction in process	198,984	588,602	-	-	437,500	1,225,086
Capital assets, net of accumulated depreciation	10,402,980	32,488,029	1,630,381	2,677,475	3,123,893	50,322,758
Total Assets	13,535,932	47,019,754	1,828,271	3,031,329	8,488,379	73,903,665
LIABILITIES						
CURRENT LIABILITIES:						
Warrants and accounts payable	199,538	109,420	96,452	20,938	37,009	463,357
Bond indebtedness	133,000	1,480,350	37,000	300,000	275,000	2,225,350
Notes payable	1,222,000	1,452,679	150,000	-	929,000	3,753,679
Other liabilities	32,730	10,081	-	104,108	-	146,919
Capital lease obligations	-	-	-	56,956	-	56,956
Landfill liability	-	-	75,000	-	-	75,000
Compensated absences	13,951	22,395	8,780	-	12,695	57,821
Total Current Liabilities	1,601,219	3,074,925	367,232	482,002	1,253,704	6,779,082
NONCURRENT:						
Bonds and notes payable	933,000	18,326,578	507,000	2,040,000	3,250,000	25,056,578
Capital lease obligations	-	-	-	77,349	-	77,349
Landfill liability	-	-	1,350,000	-	-	1,350,000
Other post employment benefits	130,371	69,146	37,403	32,134	49,063	318,117
Compensated absences	13,951	22,395	8,780	-	12,695	57,821
Total Noncurrent Liabilities	1,077,322	18,418,119	1,903,183	2,149,483	3,311,758	26,859,865
Total Liabilities	2,678,541	21,493,044	2,270,415	2,631,485	4,565,462	33,638,947
NET ASSETS (DEFICIT)						
Retained earnings (deficiency) - unrestricted	2,543,427	2,357,786	(1,378,525)	62,369	1,140,524	4,725,581
Investment in capital assets, net of debt	8,313,964	23,168,924	936,381	337,475	2,782,393	35,539,137
Total Net Assets (Deficit)	\$ 10,857,391	\$ 25,526,710	\$ (442,144)	\$ 399,844	\$ 3,922,917	\$ 40,264,718

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, 2010

	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Combined Total
OPERATING REVENUES						
Charges for services	\$ 2,489,921	\$ 1,602,906	\$ 1,093,206	\$ 1,093,873	\$ 864,507	\$ 7,144,413
Other	-	-	-	135,565	143,155	278,720
Total Operating Revenues	2,489,921	1,602,906	1,093,206	1,229,438	1,007,662	7,423,133
OPERATING EXPENSES						
Operating costs	2,877,674	1,147,076	878,377	793,141	473,484	6,169,752
Depreciation	438,431	864,606	73,328	229,092	328,044	1,933,501
Total Operating Expenses	3,316,105	2,011,682	951,705	1,022,233	801,528	8,103,253
OPERATING INCOME (LOSS)	(826,184)	(408,776)	141,501	207,205	206,134	(680,120)
NONOPERATING REVENUES (EXPENSES):						
Intergovernmental	-	321,551	-	-	249,491	571,042
Donations	-	-	-	-	132,208	132,208
Interest income	8,974	6,805	332	1,495	3,972	21,578
Interest expense	(40,050)	(715,777)	(15,228)	(63,660)	(110,034)	(944,749)
Transfers in (out), net	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
Total Nonoperating Revenues (Expenses), net	(213,212)	128,419	17,021	(102,311)	199,608	29,525
CHANGE IN NET ASSETS	(1,039,396)	(280,357)	158,522	104,894	405,742	(650,595)
NET ASSETS (DEFICIT) - Beginning of year	11,689,543	25,774,478	(582,262)	310,761	3,541,315	40,733,835
Prior period restatement (see footnote VI)	207,244	32,589	(18,404)	(15,811)	(24,140)	181,478
NET ASSETS (DEFICIT) - End of year	<u>\$ 10,857,391</u>	<u>\$ 25,526,710</u>	<u>\$ (442,144)</u>	<u>\$ 399,844</u>	<u>\$ 3,922,917</u>	<u>\$ 40,264,718</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, 2010

	Water	Sewer	Transfer Station	Golf	Waterways	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from users	\$ 2,285,288	\$ 1,553,764	\$ 1,093,206	\$ 1,093,873	\$ 864,507	\$ 6,890,638
Other receipts	-	-	-	131,640	143,155	274,795
Payments to vendors and employees	(2,819,848)	(1,078,533)	(927,156)	(758,958)	(421,383)	(6,005,878)
Net Cash Provided by (Used in) Operating Activities	(534,560)	475,231	166,050	466,555	586,279	1,159,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers - net	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
Net Cash (Used in) Provided by Noncapital Related Financing Activities	(182,136)	515,840	31,917	(40,146)	(76,029)	249,446
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds and notes	-	-	150,000	-	600,000	750,000
Acquisition and construction of capital assets	(207,511)	(537,805)	(146,500)	-	(669,322)	(1,561,138)
Assessments received	-	789,357	-	-	-	789,357
Government grants	-	544,093	-	-	249,491	793,584
Donations	-	-	-	-	132,208	132,208
Principal payments on notes	-	(12,321)	-	-	-	(12,321)
Principal payments on bonds	(132,000)	(1,446,281)	(37,000)	(295,000)	(275,000)	(2,185,281)
Principal payments on capital leases	-	-	-	(51,141)	-	(51,141)
Interest expense	(54,870)	(837,548)	(22,843)	(93,313)	(153,792)	(1,162,366)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(394,381)	(1,500,505)	(56,343)	(439,454)	(116,415)	(2,507,098)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	8,974	6,805	332	1,495	3,972	21,578
Net Cash Provided by Investing Activities	8,974	6,805	332	1,495	3,972	21,578
NET CHANGE IN CASH AND EQUIVALENTS	(1,102,103)	(502,629)	141,956	(11,550)	397,807	(1,076,519)
CASH AND EQUIVALENTS:						
Beginning of year	3,142,646	2,665,134	55,934	310,204	854,179	7,028,097
End of year	<u>\$ 2,040,543</u>	<u>\$ 2,162,505</u>	<u>\$ 197,890</u>	<u>\$ 298,654</u>	<u>\$ 1,251,986</u>	<u>\$ 5,951,578</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ (826,184)	\$ (408,776)	\$ 141,501	\$ 207,205	\$ 206,134	\$ (680,120)
Depreciation expense	438,431	864,606	73,328	229,092	328,044	1,933,501
Changes in assets and liabilities:						
Receivables	(204,633)	(48,792)	-	-	-	(253,425)
Inventory	-	-	-	7,760	-	7,760
Unearned revenue	-	-	-	(3,925)	-	(3,925)
Accounts payable and accrued expenses	57,826	68,193	(48,779)	26,423	52,101	155,764
Net Cash Provided By (Used For) Operating Activities	<u>\$ (534,560)</u>	<u>\$ 475,231</u>	<u>\$ 166,050</u>	<u>\$ 466,555</u>	<u>\$ 586,279</u>	<u>\$ 1,159,555</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Borrowing under capital leases	\$ -	\$ -	\$ -	\$ 19,915	\$ -	\$ -
Purchase of equipment on account	-	-	-	19,915	-	-

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, 2010**

	Private Purpose Trust Funds	Agency
	<u> </u>	<u> </u>
ASSETS		
CURRENT:		
Cash and cash equivalents	\$ 360,272	\$ 594,278
Receivables	-	29,142
	<u> </u>	<u> </u>
Total Assets	<u>360,272</u>	<u>623,420</u>
LIABILITIES		
CURRENT:		
Planning board deposits	-	564,278
Student activity accounts		30,000
Accounts payable and accrued expenses	-	29,142
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>623,420</u>
NET ASSETS		
Held in trust for other purposes	<u>360,272</u>	<u>-</u>
Net Assets	<u><u>\$ 360,272</u></u>	<u><u>\$ -</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, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Investment income and donations	<u>\$ 1,542</u>
Total Additions	<u>1,542</u>
EXPENDITURES:	
Scholarships and assistance	<u>15,750</u>
Total Deductions	<u>15,750</u>
CHANGE IN NET ASSETS	(14,208)
NET ASSETS - Beginning of year	<u>374,480</u>
NET ASSETS - End of year	<u><u>\$ 360,272</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, 2010

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Scituate, Massachusetts (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 governmental entities. The following is a summary of the more significant policies and practices used by the Town:

- A. Reporting Entity** – The Town 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, which are 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 their operations and financial relationship with the Town. Pursuant to this criteria there are no entities classified as component units in this report.
- 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 on these statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 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. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

- 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 sixty (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 income associated with the current fiscal period is considered being susceptible to accrual and so has been recognized as revenues 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.

Affordable Housing Fund – is used to account for funds associated with the Town’s affordable housing program, which assists qualifying homeowners with down payment programs. This is a new major fund in fiscal year 2010.

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

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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.

Widow’s Walk 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.

Agency Fund – is used to account for funds in which the Town legally acts as an agent; these include Student Activities, Police and Fire detail, and Planning Board deposits.

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.

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 (30) 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 (14) 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 the Government-Wide and Government 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 in excess of \$5,000 and an estimated useful life in excess of two (2) 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.

The Town’s property, plant and equipment 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

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, 2010 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 Governmental 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 Government 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 participates 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 – The Town employs encumbrance accounting as a significant aspect of budgetary control in the Governmental Fund types. Encumbrance accounting reserves that portion of an applicable appropriation that the Town is contractually bound through purchase orders, contracts and/or other commitments for expenditure of funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities.

Fund Equity – In the Governmental 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.

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. A comparison of budget and actual balance may be reviewed on page 41 of these financial statements.
- 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 a legal deficit in its Capital Projects Fund in the amount of \$1,661,998. The deficit relates to general construction costs the Town incurred that have been financed with bond anticipation notes to date. The Town anticipates permanently financing these bond anticipation notes at a future date.

III. Detailed Notes to All Funds

A. Deposits and Investments

Deposits – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Certificates of deposit with original maturities greater than three months are classified as investments.

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 (90) 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 cash, cash equivalents and 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. At June 30, 2010, \$4,168,096 of Town deposits in bank accounts, money markets and certificates of deposit was covered by either federal depository insurance or by the depositors' insurance programs. The remainder \$18,677,561 was uninsured and uncollateralized.

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

At June 30, 2010, the Town classified \$2,010,780 in investments in the State Treasurer's Investment Pool, \$2,088,542 in certificates of deposit with maturities of less than three months and \$10,466,997 in money markets as cash equivalents.

B. Receivables

Receivables as of year-end for the individual major governmental and non major funds are as follows:

Property taxes	\$ 730,983
Tax liens and foreclosures	1,145,882
Excise	492,196
Ambulance	679,359
Due from the Commonwealth of Massachusetts	1,763,077
Agency	29,142
Other	<u>272,714</u>
Gross receivables	5,113,353
Allowance for uncollectible accounts	<u>(620,586)</u>
Net receivables	\$ <u>4,492,767</u>

Receivables as of year-end for the enterprise funds are as follows:

Water use charges	\$ 893,425
Sewer use charges	428,718
Due from the MWPAT	2,064,469
Unapportioned assessments	<u>9,287,431</u>
Gross receivables	12,674,043
Allowance for uncollectible accounts	<u>—</u>
Net receivables	\$ <u>12,674,043</u>

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 \$2,064,469 and interest costs of \$2,230,811 until maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore the principal amount of \$2,064,469 has been reflected as receivables in the Sewer Enterprise fund.

Betterments – The Town reflects receivables of \$9,287,431 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.

Massachusetts School Business Authority – The Town applied for and was awarded \$980,000 in reimbursements for school construction it had incurred during 2005. The Town had previously funded such construction through bond issuances. The lump-sum amount awarded was received subsequent to year-end in December, 2010 and thus has been reported as a receivable in the General Fund.

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL-TYPE ACTIVITIES:</u>				
Capital assets not being depreciated:				
Land	\$ 16,942,532	\$ 941,375	\$ -	\$ 17,883,907
Construction in process	1,697,788	928,578	(1,351,528)	1,274,838
Total capital assets not being depreciated	<u>18,640,320</u>	<u>1,869,953</u>	<u>(1,351,528)</u>	<u>19,158,745</u>
Capital assets being depreciated:				
Land improvements	4,630,185	164,027	-	4,794,212
Buildings and improvements	37,084,409	2,442,513	-	39,526,922
Infrastructure	16,973,063	2,285,143	-	19,258,206
Machinery and equipment	9,182,413	1,030,570	-	10,212,983
Vehicles	2,979,480	239,649	-	3,219,129
Total capital assets being depreciated	<u>70,849,550</u>	<u>6,161,902</u>	<u>-</u>	<u>77,011,452</u>
Less accumulated depreciation for:				
Land improvements	(311,584)	(157,073)	-	(468,657)
Buildings and improvements	(8,015,299)	(1,100,779)	-	(9,116,078)
Infrastructure	(7,908,489)	(761,959)	-	(8,670,448)
Machinery and equipment	(7,075,181)	(645,523)	-	(7,720,704)
Vehicles	(1,971,126)	(309,564)	-	(2,280,690)
Total accumulated depreciation	<u>(25,281,679)</u>	<u>(2,974,898)</u>	<u>-</u>	<u>(28,256,577)</u>
Total capital assets being depreciated, net	<u>45,567,871</u>	<u>3,187,004</u>	<u>-</u>	<u>48,754,875</u>
Governmental activities capital assets, net	<u>\$ 64,208,191</u>	<u>\$ 5,056,957</u>	<u>\$ (1,351,528)</u>	<u>\$ 67,913,620</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets not being depreciated:				
Land	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in process	-	1,225,086	-	1,225,086
Total capital assets not being depreciated	<u>3,675,000</u>	<u>1,225,086</u>	<u>-</u>	<u>4,900,086</u>
Capital assets being depreciated:				
Land improvements	3,617,506	299,360	-	3,916,866
Buildings and improvements	3,465,844	247,972	-	3,713,816
Infrastructure	62,374,991	-	-	62,374,991
Machinery and equipment	7,031,974	647,651	-	7,679,625
Vehicles	365,595	47,991	-	413,586
Total capital assets being depreciated	<u>76,855,910</u>	<u>1,242,974</u>	<u>-</u>	<u>78,098,884</u>
Less accumulated depreciation for:				
Land improvements	(313,936)	(43,556)	-	(357,492)
Buildings and improvements	(1,866,890)	(178,658)	-	(2,045,548)
Infrastructure	(18,690,366)	(1,247,500)	-	(19,937,866)
Machinery and equipment	(4,655,033)	(436,516)	-	(5,091,549)
Vehicles	(316,461)	(27,270)	-	(343,731)
Total accumulated depreciation	<u>(25,842,686)</u>	<u>(1,933,500)</u>	<u>-</u>	<u>(27,776,186)</u>
Total capital assets being depreciated, net	<u>51,013,224</u>	<u>(690,526)</u>	<u>-</u>	<u>50,322,698</u>
Business activities capital assets, net	<u>\$ 54,688,224</u>	<u>\$ 534,560</u>	<u>\$ -</u>	<u>\$ 55,222,784</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental-type Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 67,237	Water	\$ 438,431
Public safety	257,346	Sewer	864,606
Education	1,436,159	Transfer station	73,327
Public works	959,715	Golf	229,092
Health and human services	11,725	Waterways	328,044
Culture and recreation	242,716		
	<u>\$ 2,974,898</u>		<u>\$ 1,933,500</u>

Capital asset activity for the year ended June 30, 2010, for the Town's Business-type Activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Construction in process	-	198,984	-	198,984
Total capital assets not being depreciated	-	198,984	-	198,984
Capital assets being depreciated:				
Buildings and improvements	9,500	-	-	9,500
Infrastructure	20,196,415	-	-	20,196,415
Machinery and equipment	232,339	-	-	232,339
Vehicles	163,755	29,146	-	192,901
Total capital assets being depreciated	20,602,009	29,146	-	20,631,155
Less accumulated depreciation for:				
Buildings and improvements	(1,781)	(238)	-	(2,019)
Infrastructure	(9,518,106)	(403,928)	-	(9,922,034)
Machinery and equipment	(148,485)	(13,211)	-	(161,696)
Vehicles	(121,391)	(21,054)	-	(142,445)
Total accumulated depreciation	(9,789,763)	(438,431)	-	(10,228,194)
Total Water capital assets being depreciated, net	10,812,246	(409,285)	-	10,402,961
<i>Business-type Activities: Sewer</i>				
Capital assets not being depreciated:				
Construction in process	-	588,602	-	588,602
Total capital assets not being depreciated	-	588,602	-	588,602
Capital assets being depreciated:				
Buildings and improvements	20,200	-	-	20,200
Infrastructure	42,178,576	-	-	42,178,576
Machinery and equipment	352,000	-	-	352,000
Vehicles	184,255	18,845	-	203,100
Total capital assets being depreciated	42,735,031	18,845	-	42,753,876
Less accumulated depreciation for:				
Buildings and improvements	(1,515)	(1,010)	-	(2,525)
Infrastructure	(9,172,260)	(843,572)	-	(10,015,832)
Machinery and equipment	(49,280)	(14,080)	-	(63,360)
Vehicles	(178,165)	(5,944)	-	(184,109)
Total accumulated depreciation	(9,401,220)	(864,606)	-	(10,265,826)
Total Sewer capital assets being depreciated, net	33,333,811	(845,761)	-	32,488,050
<i>Business-type Activities: Transfer Station</i>				
Capital assets being depreciated:				
Buildings and improvements	1,992,971	-	-	1,992,971
Machinery and equipment	539,141	146,500	-	685,641
Vehicles	17,585	-	-	17,585
Total capital assets being depreciated	2,549,697	146,500	-	2,696,197
Less accumulated depreciation for:				
Buildings and improvements	(463,033)	(49,824)	-	(512,857)
Machinery and equipment	(512,547)	(23,231)	-	(535,778)
Vehicles	(16,905)	(272)	-	(17,177)
Total accumulated depreciation	(992,485)	(73,327)	-	(1,065,812)
Total Transfer Station capital assets being depreciated, net	1,557,212	73,173	-	1,630,385
<i>Business-type Activities: Widow's Walk Golf Course</i>				
Capital assets being depreciated:				
Land improvements	3,160,144	-	-	3,160,144
Buildings and improvements	932,856	-	-	932,856
Machinery and equipment	1,780,619	24,566	-	1,805,185
Total capital assets being depreciated	5,873,619	24,566	-	5,898,185
Less accumulated depreciation for:				
Land improvements	(293,308)	(23,321)	-	(316,629)
Buildings and improvements	(1,211,038)	(105,338)	-	(1,316,376)
Machinery and equipment	(1,487,275)	(100,433)	-	(1,587,708)
Total accumulated depreciation	(2,991,621)	(229,092)	-	(3,220,713)
Total Widow's Walk Golf Course capital assets being depreciated, net	2,881,998	(204,526)	-	2,677,472
<i>Business-type Activities: Waterways</i>				
Capital assets not being depreciated:				
Land	3,675,000	-	-	3,675,000
Construction in process	-	437,500	-	437,500
Total capital assets not being depreciated	3,675,000	437,500	-	4,112,500
Capital assets being depreciated:				
Land improvements	457,362	299,360	-	756,722
Buildings and improvements	510,317	247,972	-	758,289
Machinery and equipment	4,127,875	476,385	-	4,604,460
Total capital assets being depreciated	5,095,554	1,023,917	-	6,119,471
Less accumulated depreciation for:				
Land improvements	(20,628)	(20,235)	-	(40,863)
Buildings and improvements	(189,523)	(22,248)	-	(211,771)
Machinery and equipment	(2,457,446)	(285,561)	-	(2,743,007)
Total accumulated depreciation	(2,667,597)	(328,044)	-	(2,995,641)
Total Waterways capital assets being depreciated, net	2,427,957	695,873	-	3,123,830
Total Business-type activities - capital assets, net	\$ 54,688,224	\$ 534,560	\$ -	\$ 55,222,784

D. Interfund Receivables, Payables and Transfers – Interfund transfers (net) during the year were as follows:

	Transfers In	Transfers Out
General	\$ 2,400,709	\$ 762,197
Nonmajor Governmental	5,500	27,873
Stabilization	9,415	–
Community Preservation	–	700,000
Affordable Housing	700,000	–
Mitigation	–	1,875,000
Business-Type	<u>249,446</u>	<u>–</u>
Totals	<u>\$ 3,365,070</u>	<u>\$ 3,365,070</u>

Transfers were made to supplement appropriation line items, indirect costs and subsidies from the General Fund.

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 tax anticipation notes (“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, 2010, recorded in the Governmental and Proprietary Funds are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2009	Additions	Retirements	June 30, 2010
BAN	1.00%	Matured	\$ 4,182,000	\$ –	\$ (4,182,000)	\$ –
BAN	2.49%	Matured	329,000	–	(329,000)	–
BAN	2.00%	Matured	570,000	–	(570,000)	–
BAN	1.25%	3/18/11	<u>–</u>	<u>5,700,123</u>	<u>–</u>	<u>5,700,123</u>
			<u>\$ 5,081,000</u>	<u>\$ 5,700,123</u>	<u>\$ (5,081,000)</u>	<u>\$ 5,700,123</u>

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

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2010:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>					
General obligation bonds	3.0 - 5.0%	\$ 14,517,000	\$ -	\$ (1,482,000)	\$ 13,035,000
Massachusetts Water Resources Authority notes	2.0 - 5.0%	68,568	-	(6,858)	61,710
Total Governmental Activities		\$ 14,585,568	\$ -	\$ (1,488,858)	\$ 13,096,710
<u>Business-type Activities - Water</u>					
General obligation bonds	3.0 - 5.0%	1,198,000	-	(132,000)	1,066,000
Total Water		1,198,000	-	(132,000)	1,066,000
<u>Business-type Activities - Sewer</u>					
General obligation bonds	3.0 - 5.0%	3,179,000	-	(204,000)	2,975,000
Massachusetts Water Resources Authority note	2.0 - 5.0%	18,074,207	-	(1,242,281)	16,831,926
Total Sewer		21,253,207	-	(1,446,281)	19,806,926
<u>Business-type Activities - Transfer Station</u>					
General obligation bond	3.0 - 5.0%	581,000	-	(37,000)	544,000
Total Transfer Station		581,000	-	(37,000)	544,000
<u>Business-type Activities - Widow's Walk Golf Course</u>					
General obligation bond	2.0 - 4.0%	2,635,000	-	(295,000)	2,340,000
Total Widow's Walk Golf Course		2,635,000	-	(295,000)	2,340,000
<u>Business-type Activities - Waterways</u>					
General obligation bonds	3.0 - 5.0%	3,800,000	-	(275,000)	3,525,000
Total Waterways		3,800,000	-	(275,000)	3,525,000
Total Business-type Activities		\$ 29,467,207	\$ -	\$ (2,185,281)	\$ 27,281,926
Total Bond and Note Debt					\$ 40,378,636

During the year ended June 30, 2010, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bond and note debt	\$ 14,585,568	\$ -	\$ (1,488,858)	\$ 13,096,710	\$ 1,463,858
Compensated absences	1,780,347	753,097	(890,174)	1,643,270	821,635
Other post employment benefits, net	3,376,975	5,082,348	(1,596,029)	6,863,294	-
Total Governmental Activities	\$ 19,742,890	\$ 5,835,445	\$ (3,975,061)	\$ 21,603,274	\$ 2,285,493
<u>Business-type Activities - Water</u>					
Bond and note debt	\$ 1,198,000	\$ -	\$ (132,000)	\$ 1,066,000	\$ 133,000
Compensated absences	50,172	2,816	(25,086)	27,902	13,951
Other post employment benefits, net	64,147	96,541	(30,317)	130,371	-
Total Business-type Activities: Water	1,312,319	99,357	(187,403)	1,224,273	146,951
<u>Business-type Activities - Sewer</u>					
Bond and note debt	21,253,207	-	(1,446,281)	19,806,926	1,480,350
Compensated absences	42,946	23,317	(21,473)	44,790	22,395
Other post employment benefits, net	34,022	51,203	(16,080)	69,145	-
Total Business-type Activities: Sewer	21,330,175	74,520	(1,483,834)	19,920,861	1,502,745
<u>Business-type Activities - Transfer Station</u>					
Bond and note debt	581,000	-	(37,000)	544,000	37,000
Compensated absences	23,462	5,829	(11,731)	17,560	8,780
Landfill	1,500,000	-	(75,000)	1,425,000	75,000
Other post employment benefits, net	18,404	27,697	(8,698)	37,403	-
Total Business-type Activities: Transfer Station	2,122,866	33,526	(132,429)	2,023,963	120,780
<u>Business-type Activities - Widow's Walk Golf Course</u>					
Bond and note debt	2,635,000	-	(295,000)	2,340,000	300,000
Capital lease	166,190	19,915	(51,800)	134,305	56,956
Other post employment benefits, net	15,811	23,796	(7,473)	32,134	-
Total Business-type Activities: Widow's Walk Golf Course	2,817,001	43,711	(354,273)	2,506,439	356,956
<u>Business-type Activities - Waterways</u>					
Bond and note debt	3,800,000	-	(275,000)	3,525,000	275,000
Compensated absences	23,846	13,467	(11,923)	25,390	12,695
Other post employment benefits, net	24,140	36,331	(11,409)	49,062	-
Total Business-type Activities: Waterways	3,847,986	49,798	(298,332)	3,599,452	287,695
Total Business-type Activities: All	\$ 31,430,347	\$ 300,912	\$ (2,456,271)	\$ 29,274,988	\$ 2,415,127
Total Long-term Obligations	\$ 51,173,237	\$ 6,136,357	\$ (6,431,332)	\$ 50,878,262	\$ 4,700,620

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

Bonded Debt (Governmental Activities)

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 1,463,858	\$ -	\$ 1,463,858	\$ 511,498	\$ (2,618)	\$ 508,880	\$ 1,972,738
2012	1,003,858	-	1,003,858	462,228	(2,267)	459,961	1,463,819
2013	1,003,857	-	1,003,857	429,463	(8,160)	421,303	1,425,160
2014	995,857	-	995,857	382,469	(1,915)	380,554	1,376,411
2015	826,856	-	826,856	338,781	(1,564)	337,217	1,164,073
2016 - 2020	3,917,424	-	3,917,424	1,189,585	(2,760)	1,186,825	5,104,249
2021 - 2025	3,725,000	-	3,725,000	431,560	-	431,560	4,156,560
2026	160,000	-	160,000	6,560	-	6,560	166,560
Total	\$ 13,096,710	\$ -	\$ 13,096,710	\$ 3,752,144	\$ (19,284)	\$ 3,732,860	\$ 16,829,570

Bonded Debt (Business-Type Activities)

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 2,225,350	\$ (219,466)	\$ 2,005,884	\$ 1,039,513	\$ (313,136)	\$ 726,377	\$ 2,732,261
2012	2,266,474	(242,768)	2,023,706	921,233	(251,105)	670,128	2,693,834
2013	1,978,985	(41,777)	1,937,208	1,192,245	(450,416)	741,829	2,679,037
2014	2,338,050	(228,452)	2,109,598	782,577	(238,599)	543,978	2,653,576
2015	2,360,001	(224,464)	2,135,537	694,483	(225,716)	468,767	2,604,304
2016 - 2020	10,315,895	(1,010,003)	9,305,892	1,999,471	(640,622)	1,358,849	10,664,741
2021 - 2025	5,500,735	(97,519)	5,403,216	479,106	(91,933)	387,173	5,790,389
2026	296,436	-	296,436	2,964	-	2,964	299,400
Total	\$ 27,281,926	\$ (2,064,449)	\$ 25,217,477	\$ 7,111,592	\$ (2,211,527)	\$ 4,900,065	\$ 30,117,542

Capital lease obligations (Business-Type Activities - Widow's Walk Golf Course)

Year Ending June 30	Minimum Lease		
	Principal	Interest	Obligation
2010	\$ 56,956	\$ 5,779	\$ 62,735
2011	44,031	2,842	46,873
2012	19,535	1,165	20,700
2013	10,117	314	10,431
2014	3,666	46	3,712
Total	\$ 134,305	\$ 10,146	\$ 144,451

Authorized and Unissued Debt - At June 30, 2010, the Town had authorized and unissued debt as follows:

Project	Amount
General	\$ 335,000
Transfer Station	25,000
Water	1,193,000
Sewer	7,096,341
Waterways	280,000
Total authorized and unissued	\$ 8,929,341

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

Business-type Activities: Water

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 133,000	\$ -	\$ 133,000	\$ 41,745	\$ -	\$ 41,745	\$ 174,745
2012	133,000	-	133,000	37,756	-	37,756	170,756
2013	133,000	-	133,000	33,506	-	33,506	166,506
2014	131,000	-	131,000	26,942	-	26,942	157,942
2015	106,000	-	106,000	21,729	-	21,729	127,729
2016 - 2020	220,000	-	220,000	69,103	-	69,103	289,103
2021 - 2025	210,000	-	210,000	26,722	-	26,722	236,722
2026	-	-	-	-	-	-	-
Total	\$ 1,066,000	\$ -	\$ 1,066,000	\$ 257,503	\$ -	\$ 257,503	\$ 1,323,503

Business-type Activities: Sewer

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 1,480,350	\$ (219,466)	\$ 1,260,884	\$ 758,888	\$ (313,136)	\$ 445,752	\$ 1,706,636
2012	1,511,474	(242,768)	1,268,706	662,731	(251,105)	411,626	1,680,332
2013	1,223,985	(41,777)	1,182,208	958,624	(450,416)	508,208	1,690,416
2014	1,575,050	(228,452)	1,346,598	580,394	(238,599)	341,795	1,688,393
2015	1,618,001	(224,464)	1,393,537	521,631	(225,716)	295,915	1,689,452
2016 - 2020	7,935,895	(1,010,003)	6,925,892	1,498,120	(640,622)	857,498	7,783,390
2021 - 2025	4,165,735	(97,519)	4,068,216	332,913	(91,933)	240,980	4,309,196
2026	296,436	-	296,436	2,964	-	2,964	299,400
Total	\$ 19,806,926	\$ (2,064,449)	\$ 17,742,477	\$ 5,316,265	\$ (2,211,527)	\$ 3,104,738	\$ 20,847,215

Business-type Activities: Transfer Station

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 37,000	\$ -	\$ 37,000	\$ 21,733	\$ -	\$ 21,733	\$ 58,733
2012	37,000	-	37,000	20,624	-	20,624	57,624
2013	37,000	-	37,000	19,468	-	19,468	56,468
2014	37,000	-	37,000	17,616	-	17,616	54,616
2015	36,000	-	36,000	16,138	-	16,138	52,138
2016 - 2020	180,000	-	180,000	59,085	-	59,085	239,085
2021 - 2025	180,000	-	180,000	22,716	-	22,716	202,716
2026	-	-	-	-	-	-	-
Total	\$ 544,000	\$ -	\$ 544,000	\$ 177,380	\$ -	\$ 177,380	\$ 721,380

Business-type Activities: Widow's Walk Golf Course

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	\$ 300,000	\$ -	\$ 300,000	\$ 77,750	\$ -	\$ 77,750	\$ 377,750
2012	310,000	-	310,000	68,975	-	68,975	378,975
2013	320,000	-	320,000	59,125	-	59,125	379,125
2014	330,000	-	330,000	48,563	-	48,563	378,563
2015	345,000	-	345,000	36,300	-	36,300	381,300
2016 - 2020	735,000	-	735,000	29,700	-	29,700	764,700
2021 - 2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
Total	\$ 2,340,000	\$ -	\$ 2,340,000	\$ 320,413	\$ -	\$ 320,413	\$ 2,660,413

Business-type Activities: Waterways

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2011	275,000	-	275,000	139,397	-	139,397	414,397
2012	275,000	-	275,000	131,147	-	131,147	406,147
2013	265,000	-	265,000	121,522	-	121,522	386,522
2014	265,000	-	265,000	109,062	-	109,062	374,062
2015	255,000	-	255,000	98,685	-	98,685	353,685
2016 - 2020	1,245,000	-	1,245,000	343,463	-	343,463	1,588,463
2021 - 2025	945,000	-	945,000	96,755	-	96,755	1,041,755
2026	-	-	-	-	-	-	-
Total	3,525,000	-	3,525,000	1,040,031	-	1,040,031	4,565,031

IV. Other Information

A. Retirement System

System Description – The Town contributes to the Plymouth County Retirement Association (“PCRA” or the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Plymouth County Retirement Association (the “Board”).

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information. The report may be obtained by writing to the Board at Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Funding Policy – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,758,350, \$2,668,512, and \$2,464,168. These contributions were equal to the required contribution for each year as set by the Board. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers’ Retirement System

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 \$6,553,328 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. 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

* The AOPEBC was charged to the following functional programs: General Government \$160,067; Public Safety \$905,864; Education \$3,650,831; Public Works \$202,230; Health and Human Services \$43,836; and Culture and Recreation \$119,519. In the Business-Type Funds, the following activities were charged Water \$96,541, Sewer \$51,203, Transfer Station \$27,697, Golf \$23,796 and Waterways \$36,331.

Funding Status and Funding Progress – The funded status of the Plan at July 1, 2008 for the most recent actuarial valuation performed as of July 1, 2008, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$49,580,009	\$49,580,009	0.0%	\$35,820,651	138.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation dated July 1, 2008 are as follows:

Funding interest rate:	4.0%
2008 medical/drug trend rate	10% / 11%
Ultimate medical/drug trend rate:	5% / 5%
Year ultimate medical/drug trend rate reached:	2013 / 2014
Actuarial cost method	Entry Age Normal
Remaining amortization period:	28 years as of June 30, 2010

E. 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, 2010, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2010.

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.

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.

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for thirty (30) years after the landfill cover is installed. The Town presently appropriates \$75,000 per year for post-closure care costs and has recorded a liability of \$1,475,000 in the governmental activities fund as result of this activity.

V. Implementation of New GASB Pronouncements

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, which was effective for the Town beginning on July 1, 2009. The objective of GASB 51 was 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. The adoption of GASB 51 did not have a material impact on the Town's financial position or its results from operations.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for the Town beginning on July 1, 2009. GASB 53 was intended to improve how state and local governments report information about derivative instruments (financial arrangements used by governments to manage specific risks or make investments) in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of GASB 53 did not have a material impact on the Town's financial position or its results from operations.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The Town will adopt GASB 54 for the fiscal year ended June 30, 2011. The Town is currently

evaluating whether the adoption of GASB 54 will have a material impact on its financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The Town does not expect that the adoption of GASB 59 will have a material effect on its financial statements.

VI. Restatement of Prior Year Balances

The following restatements were made to the prior year ending balances in order to conform to the current year presentation:

	<u>Water</u>	<u>Sewer</u>	<u>Transfer Station</u>	<u>Widow's Walk Golf</u>	<u>Waterways</u>
As previously recorded	\$ 11,689,543	\$ 25,774,478	\$ (582,262)	\$ 310,761	\$ 3,541,315
Record other post employment benefits	(64,147)	(34,022)	(18,404)	(15,811)	(24,140)
Record unbilled receivables	<u>271,391</u>	<u>66,611</u>	<u>-</u>	<u>-</u>	<u>-</u>
As restated	<u>\$ 11,896,787</u>	<u>\$ 25,807,067</u>	<u>\$ (600,666)</u>	<u>\$ 294,950</u>	<u>\$ 3,517,175</u>

	<u>Governmental Activities</u>	<u>Business Activities</u>
As previously recorded	62,653,917	40,733,835
Reclassify other post employment benefits	156,524	(156,524)
Record unbilled receivables	<u>-</u>	<u>338,002</u>
As restated	<u>\$ 62,810,441</u>	<u>\$ 40,915,313</u>

TOWN OF SCITUATE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2010	\$ 673,709,456	\$ 1,132,847,379	\$ 459,137,923	40.5%	\$ 227,507,647	201.8%
1/1/2009	\$ 579,877,224	\$ 1,159,210,636	\$ 579,333,412	50.0%	\$ 264,541,078	219.0%
1/1/2008	\$ 683,819,938	\$ 1,056,020,215	\$ 372,200,277	35.2%	\$ 252,682,832	147.3%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2008	\$ -	\$ 49,580,009	\$ 49,580,009	0.0%	\$ 35,820,651	138.4%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Plymouth Regional Retirement Association			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2009	\$ 42,708,372	\$ 42,708,372	100.0%	2,758,350	6.5%
2008	\$ 41,286,383	\$ 41,286,383	100.0%	2,668,612	6.5%
2007	\$ 38,854,868	\$ 38,854,868	100.0%	2,464,168	6.3%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2010	\$ 5,317,917	\$ 1,670,005	31.4%
2009	\$ 5,050,918	\$ 1,517,419	30.0%

See accompanying independent auditor's report.

TOWN OF SCITUATE, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Adjusted Actual	Variances favorable (unfavorable)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes, net	\$ 41,818,318	\$ 41,818,318	\$ 42,007,719	\$ -	\$ 42,007,719	\$ 189,401
Intergovernmental	7,061,708	7,061,708	8,012,301	-	8,012,301	950,593
Motor vehicle and other excises	2,047,697	2,047,697	2,125,130	-	2,125,130	77,433
Departmental and other revenue	1,924,187	1,924,187	1,887,562	-	1,887,562	(36,625)
Penalties and interest	413,014	413,014	367,174	-	367,174	(45,840)
Investment income	189,754	189,754	122,506	-	122,506	(67,248)
Total Revenues	53,454,678	53,454,678	54,522,392	-	54,522,392	1,067,714
EXPENDITURES						
General government	4,352,050	4,352,050	4,067,542	205,843	4,273,385	78,665
Public safety	7,509,269	7,509,269	7,154,119	143,611	7,297,730	211,539
Education	28,348,914	28,348,914	27,516,210	814,209	28,330,419	18,495
Public works	3,116,635	3,116,635	2,980,636	7,247	2,987,883	128,752
Culture and recreation	1,199,711	1,199,711	1,126,507	8,460	1,134,967	64,744
Health and human services	476,100	476,100	382,153	27,440	409,593	66,507
State and county tax assessments	523,756	523,756	547,726	-	547,726	(23,970)
Pensions and fringe benefits	8,270,952	8,270,952	8,134,072	12,802	8,146,874	124,078
Debt service	2,190,282	2,190,282	2,181,743	-	2,181,743	8,539
Total Expenditures	55,987,669	55,987,669	54,090,708	1,219,612	55,310,320	677,349
OTHER FINANCING SOURCES (USES)						
Transfers (net)	1,613,092	1,613,092	1,638,512	-	1,638,512	25,420
Total Other Financing Sources (Uses)	1,613,092	1,613,092	1,638,512	-	1,638,512	25,420
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE	(919,899)	(919,899)	2,070,196	\$ (1,219,612)	\$ 850,584	\$ 1,770,483
BUDGETARY FUND BALANCES, July 1, 2009	1,606,843	1,606,843	1,606,843			
BUDGETARY FUND BALANCES, June 30, 2010	\$ 686,944	\$ 686,944	\$ 3,677,039			
Budgetary deficit funded from:						
Deficits	(33,887)	(33,887)				
Prior year encumbrances	897,988	897,988				
Debt reserve	10,591	10,591				
Miscellaneous	45,207	45,207				
	\$ 919,899	\$ 919,899				

See accompanying independent auditor's report.

TOWN OF SCITUATE, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

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 of Massachusetts. Reconciliation is provided below.

Revenues on a GAAP basis	\$ 61,075,720
On Behalf Teacher's receipts	<u>(6,553,328)</u>
Revenues on a Budgetary basis	\$ <u>54,522,392</u>
Expenditures on a GAAP basis	\$ 60,644,036
On Behalf Teacher's expenditures	<u>(6,553,328)</u>
Expenditures on a Budgetary basis	\$ <u>54,090,708</u>