

OFFICIAL STATEMENT DATED NOVEMBER 7, 2012

Rating: See "Rating" herein.
Standard & Poor's Rating Group: AA+

New Issue

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

TOWN OF SCITUATE, MASSACHUSETTS
\$6,687,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2012 BONDS

DATED
Date of Delivery

DUE
November 15
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof, with the exception of two \$1,000 denominations maturing in 2013. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable November 15 of the years in which the Bonds mature. Interest on the Bonds will be payable May 15 and November 15, commencing May 15, 2013. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as stated herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Scituate, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due November 15	Principal Amount	Interest Rate	Yield	Cusip 809095	Due November 15	Principal Amount	Interest Rate	Yield	Cusip 809095
2013	\$ 607,000	2.00 %	0.25 %	UN0	2023	\$ 230,000	2.00 %	1.65 %	UY6
2014	560,000	2.00	0.35	UP5	2024	235,000	2.00	1.70	UZ3
2015	550,000	2.00	0.45	UQ3	2025	235,000	2.00	1.75	VA7
2016	550,000	2.00	0.55	UR1	2026	240,000	2.15	1.80	VB5
2017	430,000	2.00	0.80	US9	2027	230,000	2.125	1.90	VC3
2018	345,000	3.00	1.00	UT7	2028	235,000	2.125	2.00	VD1
2019	350,000	2.00	1.10	UU4	2029	240,000	2.375	2.15	VE9
2020	345,000	2.00	1.25	UV2	2030	225,000	2.50	2.30	VF6
2021	330,000	2.00	1.40	UW0	2031	230,000	2.50	2.40	VG4
2022	315,000	2.00	1.60	UX8	2032	205,000	2.75	2.50	VH2

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Scituate, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about November 15, 2012, against payment to the Town in federal funds.

RAYMOND JAMES & ASSOCIATES, INC.

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The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice. Neither the delivery of this Preliminary Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Preliminary Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Wednesday, November 7, 2012, 11:00 A.M. (Eastern Standard Time).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Scituate, Massachusetts.

Issue: \$6,687,000 General Obligation Municipal Purpose Loan of 2012 Bonds; see "THE BONDS Book-Entry Transfer System" herein.

Official Statement Dated: November 7, 2012.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially November 15, 2013 through November 15, 2032 as detailed herein.

Purpose and Authority: Bond proceeds will be used to finance and refinance capital projects of the Town, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as stated herein.

Security: The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

Credit Rating: Standard & Poor's Rating Group has assigned a rating of AA+ on the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$75,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts.

Legal Opinion: Edwards Wildman Palmer LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about November 15, 2012, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. Pamela Avitabile, Treasurer, Town of Scituate, Massachusetts Telephone (781) 545-8720 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

NOTICE OF SALE

TOWN OF SCITUATE, MASSACHUSETTS

\$6,687,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2012 BONDS

The Town of Scituate, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Standard Time, Wednesday, November 7, 2012, for the purchase of the following described General Obligation Municipal Purpose Loan of 2012 Bonds of the Town (the "Bonds"):

\$6,687,000 General Obligation Municipal Purpose Loan of 2012 Bonds payable November 15 of the years and in the amounts as follows:

<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount*</u>
2013	\$ 592,000	2023	** \$ 235,000
2014	550,000	2024	** 235,000
2015	540,000	2025	** 240,000
2016	540,000	2026	** 245,000
2017	415,000	2027	** 240,000
2018	340,000	2028	** 240,000
2019	345,000	2029	** 245,000
2020	340,000	2030	** 235,000
2021	335,000	2031	** 240,000
2022	320,000	2032	** 215,000

*Preliminary, subject to change.

**Callable maturities. May be combined into one or two Term bonds as set forth below.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on November 15 of the years in which the Bonds mature. Interest will be payable on May 15 and November 15, commencing May 15, 2013.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with the exception of two \$1,000 denominations maturing in 2013, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds maturing in the years 2013 through 2022 will not be subject to redemption prior to maturity. The Bonds maturing on and after November 15, 2023 shall be subject to redemption prior to maturity, at the option of the Town, on or after November 15, 2022, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

For Bonds maturing on November 15, 2023, and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory

redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on November 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par and accrued interest to date of delivery plus **a premium of at least \$75,000** will be considered.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

The Town reserves the right to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof, as necessary to structure the debt service on the rescue pumper portion and ESCO portion of the Bonds to be issued for each purpose to be as close to equal on an annual basis as practicable throughout its amortization schedule after taking into account the coupon rates and any premium to be received by the Town. The final aggregate principal amount of the Bonds will not change. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the annual principal amounts of the Bonds to be issued. The final annual principal amounts will be communicated to the successful bidder as soon as possible, but not later than 4:00 P.M. on the date of the sale of the Bonds.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Pamela Avitabile, Treasurer, Town of Scituate, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

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

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Scituate has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Rating Group for a rating on the Bonds. Any such fee paid to Standard & Poor's Rating Group would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated November 1, 2012, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town's Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated November 1, 2012.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

Additional information concerning the Town of Scituate and the Bonds is contained in the Preliminary Official Statement dated November 1, 2012, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of November 7, 2012 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

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

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about November 15, 2012 for settlement in federal funds.

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

November 1, 2012

OFFICIAL STATEMENT

TOWN OF SCITUATE, MASSACHUSETTS

\$6,687,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2012 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Scituate, Massachusetts (the "Town") in connection with the sale of \$6,687,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2012 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on May 15 and November 15 of each year until maturity, commencing May 15, 2013, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated November 1, 2012. The Bonds shall mature on November 15 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of two \$1,000 denominations maturing in 2013. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to November 15, 2022 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after November 15, 2023 shall be subject to redemption prior to maturity, at the option of the Town, on or after November 15, 2022, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on November 15 of the first year which has been combined to form such Term Bonds and continuing on November 15 in each year thereafter until the stated maturity date of any such Term Bonds. The amount redeemed or paid at maturity in any years shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated November 1, 2012 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than sixty (60) days nor less than thirty (30) days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an

Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

Purpose	This Issue	Total Authorization	BAN's Outstanding	Statutory References (M.G.L.)	Dates of Authorization
Foreshore Protection	\$ 500,000	\$ 500,000	\$ 500,000 (2)	Ch.44, s.7(33)	4/11/11, art. 3A
Security - Equipment Schools	300,000	300,000	300,000 (2)	Ch.44, s.7(9)	4/11/11, art. 3B
Roadway Improvements	150,000	150,000	150,000 (2)	Ch.44, s.7(6)	4/11/11, art. 3C
Rescue Pumper	430,000	430,000	430,000 (2)	Ch.44, s.7(9)	4/11/11, art. 3D
Ambulance Replacement	175,000	175,000		Ch.44, s.7(9)	4/11/11, art. 3E
Bobcat/DPW Sidewalk Main	90,000	90,000	90,000 (2)	Ch.44, s.7(9)	4/11/11, art. 3F
Wampanoag School	389,021	2,415,000 (1)	389,482 (3)	Ch.44, s.7(3A)	5/17/10, 6/19/10 & 10/25/11, art. 2 & 4
Wampanoag School	85,000	85,000 (1)		Ch.44, s.7(3A)	10/25/11, art. 4
School Technology	285,000	285,000		Ch.44, s.7(28)	4/9/12, art. 4D
ESCO	2,700,000	5,900,000		Ch.44, s.7(3B)	4/9/12, art. 4H
Road Improvements	158,000	158,000		Ch.44, s.7(5)	4/9/12, art. 7
Inflow & Infiltration	16,145	885,000 (1)	16,145 (2)	Ch.44, s.7(1)	3/31/97, art. 4G
Inflow & Infiltration	286,000	400,000	286,000 (2)	Ch.44, s.7(1)	4/12/10, art. 4E
I&I Analysis	197,341	197,341	197,341 (2)	Ch.44, s.7(1)	4/11/11, art. 3L
SCADA Replacement	70,000	70,000	70,000 (2)	Ch.44, s.7(9)	4/11/11, art. 3M
Replace Carbon Filter	13,000	105,000	13,000 (2)	Ch.44, s.8(7C)	3/29/08, art. 4F
Meter Replacement	200,000	200,000	200,000 (2)	Ch.44, s.8(7A)	4/13/09, art. 4J
Water Mains	250,000	250,000	250,000 (2)	Ch.44, s.8	4/11/11, art. 3N
SCADA Upgrade	63,993	63,993	63,993 (2)	Ch.44, s.7(9)	4/11/11, art. 3O
Water Main Replacement	100,000	100,000		Ch.44, s.8	4/9/12, art. 4P
Water Back-up Generator	128,500	128,500		Ch.44, s.7(9)	4/9/12, art. 4R
Water Backhoe	100,000	100,000		Ch.44, s.7(9)	4/9/12, art. 4S
	<u>\$ 6,687,000</u>		<u>\$ 2,955,961 (4)</u>		

(1) The Town has voted to exempt these authorizations from the limitations of Proposition 2 ½.

(2) This issue will retire a like amount of bond anticipation notes maturing on November 16, 2012.

(3) This issue, along with \$461 of revenue funds, will be used to retire a like amount of bond anticipation notes maturing on November 16, 2012.

(4) The Town has an additional \$50,000 bond anticipation notes maturing on November 16, 2012, which will be paid with unspent proceeds.

Principal Maturities by Purpose

<u>Fiscal Year</u>	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
2014	\$ 412,021	\$ 64,486	\$ 130,493	\$ 607,000
2015	405,000	45,000	110,000	560,000
2016	400,000	40,000	110,000	550,000
2017	400,000	40,000	110,000	550,000
2018	315,000	25,000	90,000	430,000
2019	275,000	25,000	45,000	345,000
2020	280,000	25,000	45,000	350,000
2021	275,000	25,000	45,000	345,000
2022	260,000	25,000	45,000	330,000
2023	265,000	25,000	25,000	315,000
2024	195,000	25,000	10,000	230,000
2025	200,000	25,000	10,000	235,000
2026	200,000	25,000	10,000	235,000
2027	205,000	25,000	10,000	240,000
2028	195,000	25,000	10,000	230,000
2029	200,000	25,000	10,000	235,000
2030	205,000	25,000	10,000	240,000
2031	195,000	20,000	10,000	225,000
2032	200,000	20,000	10,000	230,000
2033	180,000	15,000	10,000	205,000
Total	<u>\$ 5,262,021</u>	<u>\$ 569,486</u>	<u>\$ 855,493</u>	<u>\$ 6,687,000</u>

Tax Exemption

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

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

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or

similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

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

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

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

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

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

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "INDEBTEDNESS - TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority, MBTA or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority "MWRA" if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority "MSBA", or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

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

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Rating

Standard & Poor's Rating Group has assigned a rating of AA+ on the Bonds. The rating reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Scituate, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

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

THE TOWN OF SCITUATE

General

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

Local Government

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

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

Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Expiration of Term</u>
Selectmen	Joseph P. Norton, Chair	Elected - 3-year term	2013
	Anthony Vegnani	Elected - 3-year term	2014
	John F. Danehey	Elected - 3-year term	2013
	Richard Murray	Elected – 3-year term	2015
	Shawn Harris	Elected – 3-year term	2014
Town Administrator	Patricia A. Vinchesi	Appointed	Indefinite
Asst. Treasurer/Collector	Pamela Avitabile	Appointed	2016
Accountant	Meg LaMay	Appointed	2015
Town Clerk	Kathleen Curran	Elected - 3 year term	2015
Town Counsel	Murphy, Hesse, Toomey & Lehane	Indefinite	Indefinite

Municipal Services

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

Water - The Department of Public Works Water Division is responsible for the construction, operation and maintenance of Scituate's municipal water system. The Water Division supervisor is responsible for the daily operations of the Water Division, which provides for the water service needs of nearly 100% of the population. Scituate's water supply is obtained from six gravel packed wells along with a reservoir. The Water Department is self supporting including debt service.

Sewer Facilities- The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with eight pump stations. Sewer service is available to 33 percent of all residential properties in Scituate and to the business districts of Scituate Harbor & Greenbush. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, quarterly, a minimum and an excess meter reading. In response to a consent decree, construction was completed on an upgrade and expansion to the Town's wastewater treatment facility at a cost of approximately \$15,117,000. This improvement has the potential to allow 2,000 to 3,000 additional homeowners to hook up into the new facility, which will effectively sewer 70% of the entire Town. To complete new tie ins, funds in the amount of \$2,000,000 and \$13,544,000 were appropriated at a March, 2000 and March, 2002 Annual Town Meeting respectively for the design and construction of the Sanitary Sewer System to the Greenbush/Reservoir and First, Second and Third Cliff areas of the Town. As of May 2009, these projects were completed at a total cost of \$14,444,853. At the March, 2009 Annual Town Meeting \$6,400,000 was appropriated to extend the sewer system into the Musquashicut Pond Area of North Scituate of which approximately 80% is complete. The borrowing under taken by the Town to fund these projects are to be re-paid through betterment assessments to the abutters (residential, businesses and commercial properties) benefiting from the extension of the sanitary service system to their area. In the past two years, the Town has implemented an aggressive infrastructure

upgrade, and expansion program for water, and sewer funded by users. The Sewer operation is self supporting including debt service.

Safety Services - The Scituate Police Department carries out investigative, enforcement, support and educational functions in order to promote the safety and general welfare of the citizens of the Town. The Department consists of a chief, three Lieutenants, four Sergeants, one Detective, 1 K9 Officer, one Community Service Officer, one DARE Officer, one Traffic Enforcement Officer, nineteen Patrol Officer, and five Dispatchers. Equipment consists of nine patrol cars, two unmarked cars, and one Animal Control vehicle.

The Town of Scituate has three fire stations. At the present time, the department has a chief, deputy chief, four captains, four lieutenants and 37 full-time fire fighters. They handle their own dispatching and have four full-time dispatchers and one part-time dispatcher. The Safety Services Department is also responsible for the Town's advanced life support ambulance service and emergency medical and rescue operation.

Library Services - The municipal library was completed and occupied in 1978 and the construction cost was fully funded by the federal government. The library offers a variety of services and programs to Scituate residents in all age groups. Traditional library services are enhanced by modern technologies and innovative information systems. The library is centrally located and serves as a convenient meeting place for community groups. The Board of Library Trustees is responsible for establishing policies governing the operation of the library.

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

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

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

Education

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

	Average Annual Enrollments (1)				
	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Pre-K	72	68	78	73	78
Grades K/6	1,877	1,885	1,859	1,813	1,764
Grades 7/8	462	476	515	523	567
Grades 9/12	823	839	830	863	873
Ungraded	<u>13</u>	<u>9</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total	3,247	3,277	3,286	3,276	3,286

(1) As of October 1 each school year.

	<u>Projected Annual Enrollments</u>	
	<u>2013/14</u>	<u>2014/15</u>
Pre-K	75	70
Grades K/6	1,750	1,740
Grades 7/8	540	520
Grades 9/12	870	850
Ungraded	<u>5</u>	<u>4</u>
Total	3,240	3,184

Source: Superintendent of Schools.

Population Trends

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
18,266	19,317	18,002	17,316	16,744

Source: Town Clerk.

Age, Income and Wealth Levels

	<u>Scituate</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2000	40.7	36.5	35.3
1990	36.9	33.6	32.9
Median Family Income:			
2000	\$ 86,058	\$ 61,664	\$ 50,046
1990	59,168	44,367	35,225
Per Capita Income:			
2000	\$ 33,940	\$ 25,952	\$ 21,587
1990	11,203	17,224	14,420

Source: U.S. Bureau of the Census.

Largest Employers

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

Building Permits

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

<u>Fiscal Year</u>	<u>New Construction</u>		<u>Additions/Alterations</u>		<u>Total</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2012	37	\$10,597,458 (1)	661	\$14,867,844	698	\$25,465,302
2011	14	4,161,100	543	18,144,658	557	22,305,758
2010	29	9,460,130	478	4,042,831	507	13,502,961
2009	60	10,689,900	493	10,478,800	553	21,168,700
2008	16	5,598,500	614	15,685,996	630	21,284,496

Source: Building Commissioner.

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

Economic Development

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

- Riverway Condominiums – 26 units approved – majority occupied, 85% complete
- Village at South River – 14 condominium units and 16 slip marina approved – marina and 5 condos are complete, an additional 4 have received building permits, 60% complete
- Stockbridge Woods – 74 rental units approved, site work has started
- Tilden Estates – 15 lot subdivision approved, 10 homes permitted, 3 received c/o's – 60% complete
- 277/283 Chief Justice Cushing Highway – 2 lot common driveway, site work is in process – 30% complete
- 556/562 First Parish Rd. – 40 condominiums approved, 25 permitted, 19 completed – 50% complete
- 17 New Driftway – New ice business with redevelopment of former paint store as dance studio and restaurant – 95% complete

PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the following fiscal years:

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>
Gross Amount to be Raised:					
Appropriations	\$ 71,405,054	\$ 66,820,371	\$ 65,190,058	\$ 64,554,908	\$ 61,556,233
Other Local Expenditures	28,385	33,203	84,589	299,981	295,287
State & County Charges	498,028	568,260	523,756	500,684	487,978
Overlay Reserve	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total Gross Amount to be Raised	<u>72,181,467</u>	<u>67,671,834</u>	<u>66,048,403</u>	<u>65,605,573</u>	<u>62,589,498</u>
Offsets:					
Estimated Receipts - State	6,541,049	6,689,275	7,087,410	8,040,099	7,331,771
Estimated Receipts - Local	17,561,858	15,179,413	16,064,798	15,959,681	14,747,229
Appropriated:					
Free Cash	936,232	376,826	-	92,918	215,000
Other Available Funds	470,001	2,094,674	842,287	512,591	672,228
Free Cash & Other Revenue Used to Reduce the Tax Rate	-	-	-	200,000	500,000
Total Offsets	<u>25,509,140</u>	<u>24,340,188</u>	<u>23,994,495</u>	<u>24,805,289</u>	<u>23,466,228</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 46,672,324</u>	<u>\$ 43,334,646</u>	<u>\$ 42,053,907</u>	<u>\$ 40,800,284</u>	<u>\$ 39,123,270</u>
Property Valuation	\$ 3,782,198,290	\$ 3,851,701,910	\$ 3,940,605,320	\$ 4,174,489,410	\$ 4,243,304,810
Tax Rate per \$1,000 (1)	\$ 12.34	\$ 11.25	\$ 10.56	\$ 9.68	\$ 9.22

Source: Board of Assessors.

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

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

Valuations and Tax Levies

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

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

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

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

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

Fiscal Year	Assessed Valuations (1)			Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2012	\$ 3,742,889,490	\$ 39,308,800	\$ 3,782,198,290	\$ 4,326,753,800	87.4 %
2011	3,808,943,800	42,758,110	3,851,701,910	4,326,753,800	89.0
2010	3,940,605,320	41,772,270	3,982,377,590	4,575,033,600	87.0
2009	4,174,489,410	40,416,000	4,214,905,410	4,575,033,600	92.1
2008	4,209,528,500	33,776,310	4,243,304,810	4,327,989,400	98.0

(1) Source: Board of Assessors.

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

Classification of Property

Type	Fiscal 2012		Fiscal 2011		Fiscal 2010	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 3,610,700,846	95.5 %	\$ 3,675,696,207	95.4 %	\$ 3,804,980,088	95.5 %
Commercial	127,007,544	3.4	127,662,193	3.3	130,039,832	3.3
Industrial	5,181,100	0.1	5,585,400	0.1	5,585,400	0.1
Personal	39,308,800	1.0	42,758,110	1.1	41,772,270	1.0
Total	<u>\$ 3,782,198,290</u>	<u>100.0 %</u>	<u>\$ 3,851,701,910</u>	<u>100.0 %</u>	<u>\$ 3,982,377,590</u>	<u>100.0 %</u>

Source: Massachusetts Department of Revenue.

Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based upon assessed valuations for preliminary fiscal 2012, all of whom are current in their tax payments:

<u>Name</u>	<u>Type of Business</u>	<u>Total Assessed Valuation for Fiscal 2012</u>	<u>Fiscal 2012 Tax Levy</u>	<u>% of Total Net Levy</u>
Columbia Gas of Massachusetts	Utility	\$ 8,947,930	\$ 54,135	0.23 %
National Grid	Utility	8,656,640	52,373	0.22
Verizon New England Inc.	Utility	8,220,800	49,736	0.21
Abbott P M/Chamberlain Mng Co.	Real Estate	7,921,400	47,924	0.20
Kent Village Associations	Sub. Housing	5,778,800	34,962	0.15
HCRI Massachusetts Prop, Inc. Tr	Nursing Home	4,283,000	25,912	0.11
Hatherly Country Club	Country Club	3,822,880	23,128	0.10
Suburban Realty Trust	Real Estate	3,764,300	22,773	0.10
Diftway Medical LLC	Medical Building	2,796,900	22,159	0.09
Herring Brook LTD Partnership	Real Estate	3,412,800	22,144	0.09
Total		<u>\$ 57,605,450</u>	<u>\$ 355,247</u>	<u>1.49 %</u>

Abatements and Overlay

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

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

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Allowance</u>		<u>Exemptions/ Abatements Granted thru Fiscal Year</u>	<u>Overlay Excess (Deficit)</u>
		<u>Dollar Amount</u>	<u>Percent of Levy</u>		
2012	\$46,672,324	\$250,000	0.6%	\$249,523	\$476
2011	43,334,646	250,000	0.6	115,758	134,242
2010	42,053,907	250,000	0.6	152,088	97,915
2009	40,800,384	250,000	0.6	249,897	103
2008	39,123,270	250,000	0.6	171,750	78,250

Source: Board of Assessors.

Tax Collections

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at June 30 (2,3)</u>
2012	\$46,672,324	\$250,000	\$46,422,324	96.9%
2011	43,334,646	250,000	43,084,646	98.4
2010	42,053,907	250,000	41,803,907	97.5
2009	40,800,284	250,000	40,550,284	97.9
2008	39,123,270	250,000	38,873,270	97.4

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

(1) Net after deduction of overlay for abatements.

(2) I.e., at the end of the fiscal year for which levied.

(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

Tax Titles and Possessions

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

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

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

Taxes Outstanding

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

<u>As of 6/30</u>	<u>Aggregate Overdue Property Taxes at FY-End (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2012	\$608,096	\$1,034,052	\$232,219
2011	686,600	986,591	448,462
2010	736,429	1,036,811	162,378
2009	871,218	855,808	159,058
2008	911,125	763,405	237,476

Source: Town Accountant.

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

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

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

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

Pledged Taxes

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

Unused Levy Capacity (1)

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

	For Fiscal Year				
	2012	2011	2010	2009	2008
Primary Levy Ceiling (2)	\$ 94,554,957	\$ 96,292,548	\$ 99,559,440	\$ 105,372,635	\$ 106,082,620
Prior Fiscal Year Levy Limit	41,613,580	40,315,308	38,999,766	37,583,047	33,546,920
2.5% Levy Growth	1,040,340	1,007,883	974,994	939,576	838,673
Current Fiscal Year New Growth (3)	296,981	290,389	340,548	477,143	455,725
Current Fiscal Year Override	2,200,000	-	-	-	2,741,729
Growth Levy Limit	45,150,901	41,613,580	40,315,308	38,999,766	37,583,047
Current Fiscal Year Debt Exclusion	1,540,358	1,748,238	1,778,026	1,818,013	1,569,639
Tax Levy Limit	46,691,259	43,361,818	42,093,334	40,817,779	39,152,686
Tax Levy	46,672,327	43,331,646	42,053,907	40,800,284	39,123,270
Unused Levy Capacity (4)	18,932	30,172	39,427	17,495	29,416
Unused Primary Levy Capacity (5)	\$ 49,404,056	\$ 54,678,968	\$ 59,244,132	\$ 66,372,869	\$ 68,499,573

- (1) Source: Massachusetts Department of Revenue.
- (2) 2.5% of assessed valuation.
- (3) Allowed increase for new valuations - certified by the Department of Revenue.
- (4) Tax Levy Limit less Tax Levy.
- (5) Primary Levy Ceiling less Growth Levy Limit.

Initiative Petitions

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

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must

be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION"). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provision of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town adopted the Community Preservation Act in March of 2002, and has used the funds strategically to enhance the quality, and character of the community. It has also created an Affordable Housing Trust to provide a variety in housing stock. The table below shows the amounts surcharged by the Town. In fiscal year 2010, the Town received \$376,762 in state matching funds. In fiscal year 2011, the Town also received \$299,907 in state matching funds. In fiscal year 2012, the Town received \$299,740 in state matching funds.

<u>Fiscal Year</u>	<u>Surcharge</u>
2012	\$1,059,948
2011	1,021,115
2010	1,000,167
2009	968,068
2008	937,589

TOWN FINANCES

The Budget and Appropriation Process

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

In 2009, the Town engaged a new Town Administrator with 25 years of municipal management experience who had just recently been Deputy Executive Director of the Springfield Finance Control Board. The Town Administrator established a financial team to overhaul the budget process to increase financial stability, and reserves.

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

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

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

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

Operating Budget Trends

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

	Appropriated Fiscal 2013	Appropriated Fiscal 2012	Appropriated Fiscal 2011	Appropriated Fiscal 2010	Appropriated Fiscal 2009
General Government	\$ 2,824,180	\$ 2,460,699	\$ 2,367,954	\$ 2,220,164	\$ 2,219,965
Public Safety	7,706,517	7,441,895	7,378,216	7,511,789	7,504,996
Public Works	3,588,949	2,974,370	2,914,394	2,883,299	2,969,143
Human Services	546,901	467,967	451,985	455,415	433,330
Education	30,654,667	28,198,530	27,863,448	28,222,543	28,565,477
Recreation	1,102,105	1,086,199	1,077,103	1,192,009	1,173,513
Debt Service	2,047,600	2,055,490	2,276,194	2,228,460	2,307,447
Pensions and Benefits	9,901,681	9,728,420	9,376,848	8,271,952	7,774,878
Total	<u>\$ 58,372,600</u>	<u>\$ 54,413,570</u>	<u>\$ 53,706,142</u>	<u>\$ 52,985,631</u>	<u>\$ 52,948,749</u>

Source: Town Accountant.

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since its passage, the Town has complied with the Act and appropriations for education have equaled or exceeded the minimum required level. In fiscal 2010, the appropriation exceeded the minimum amount by \$3,838,756.

Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION - Tax Limitations," above.

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

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

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teachers' summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

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

<u>Fiscal Year</u>	<u>Aid to Education</u>	<u>Other</u>	<u>Total State Aid</u>
2012	\$4,854,210	\$1,780,728	\$6,634,938
2011	4,806,334	1,842,293	6,648,627
2010	5,104,541	1,957,167	7,032,301
2009	5,208,715 (1)	2,574,020	7,234,964
2008	4,529,951	2,786,260	7,316,211

Source: Town Accountant.

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

The fiscal 2012 budget was balanced at the Annual Town Meeting with no use of Free Cash. The budget also incorporated a five year rolling capital plan, and approvals for borrowing \$2,276,334 were authorized. The Town projected a 4% reduction in local aid. The Legislative budget passed resulted in an increase of \$119,345. The Town's certified Free Cash on June 30, 2011 was \$1,528,822. At the October 25, 2011 Special Town Meeting, \$532,000 of Free Cash was allocated and over \$500,000 was placed into the Town's Stabilization Fund.

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

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

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

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

Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. The following table presents a five-year history of motor vehicle excise tax collections of the Town:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2012	\$2,287,903
2011	2,277,636
2010	2,083,548
2009	2,153,869
2008	1,885,097

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

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

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

On July 1, 1999, the Town placed water services on an enterprise fund basis, which are provided to nearly 100 percent of the Town, on an enterprise basis. The Town has a planned upgrade program in place for water system infrastructure improvements while keeping the fund self supporting, and has a policy of increasing rates 5% each year. Charges for water usage are billed quarterly. As of July 1, 2011, for residential water consumption, the rates are \$0.67 per 100 cubic feet up to the first 1200 cubic feet. The next 1,800 cubic feet are billed at a rate of \$2.92 per 100 cubic feet. All usage in excess of 3,000 cubic feet is billed at a rate of \$4.25 per cubic 100 feet. Water rates are expected to increase by November 1, 2012.

Sewer Rates and Services: The Sewer Division of the Department of Public Works is responsible for the operations and maintenance of the Scituate Wastewater Treatment Plant (WWTP) and 24 miles of sewers, which make up the Scituate Sewer Collection System. This serves 30% of the community. The WWTP was operational in November 1967 and was originally designated to treat an average daily flow of 1.6 million gallons per day (mgd). The WWTP was designated as a secondary treatment plant utilizing the extended aeration mode of the activated sludge (microorganisms) process.

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

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

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

Since the closure of the landfill the sludge generated (over 1,100 wet tons/yr.) by the belt filter presses in the dewatering building has been hauled off site by a contractor for beneficial reuse.

The sewer rate is \$4.60 per 100 cubic feet for all consumption with a minimum allowance for 1,250 cubic feet at a rate of \$57.35. The Town has a comprehensive plan for sewer expansion funded by users, and sewer rates have been increased to fund upgrade expansions.

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

Annual Audits

The Town of Scituate is audited annually by Powers & Sullivan, Certified Public Accountant, of Wakefield, Massachusetts. A copy of the fiscal 2011 audit is attached hereto as Appendix A. A similar audit for fiscal 2012 is currently underway is expected to be completed by November, 2012.

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

Financial Statements

Set forth on the following pages is a Governmental Funds Balance Sheets for fiscal years ending June 30, 2012 (draft), June 30, 2011, June 30, 2010 and June 30, 2009, and a Statement of Revenues, Expenditures and changes in Fund Balance for fiscal year ended June 30, 2012 (draft) through June 30, 2007. Said statements were extracted from the Town's audited financials, with the exception of the fiscal 2012 information which were extracted from draft financials, therefore are subject to revision and change.

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

	General Fund	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 10,627,797	\$ 6,229,477	\$ 820,292	\$ 6,710,447	\$ 24,388,013
Receivables, net of allowance for uncollectibles					
Real estate and personal property taxes	850,089	12,422	-	-	862,511
Tax liens	939,049	17,168	-	-	956,217
Motor vehicle and other excise taxes	171,694	-	-	-	171,694
Departmental and other	249,063	-	-	118,637	367,700
Special assessments	25,027	-	-	13,552	38,579
Intergovernmental	-	233,000	-	490,745	723,745
Tax foreclosures	232,219	-	-	-	232,219
Total assets	<u>\$ 13,094,938</u>	<u>\$ 6,492,067</u>	<u>\$ 820,292</u>	<u>\$ 7,333,381</u>	<u>\$ 27,740,678</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	1,588,376	86,608	-	333,632	2,008,616
Accrued liabilities	554,888	-	-	-	554,888
Tax refunds payable	15,000	-	-	-	15,000
Abandoned property	42,409	-	-	-	42,409
Deferred revenues	2,355,735	29,590	-	311,835	2,697,160
Notes payable	-	-	-	1,859,482	1,859,482
Total liabilities	<u>4,556,408</u>	<u>116,198</u>	<u>-</u>	<u>2,504,949</u>	<u>7,177,555</u>
FUND BALANCES					
Nonspendable	-	-	-	27,051	27,051
Restricted	86,767	6,375,869	820,292	5,653,053	12,935,981
Committed	327,128	-	-	-	327,128
Assigned	1,255,617	-	-	-	1,255,617
Unassigned	6,869,018	-	-	(851,672)	6,017,346
Total fund balances	<u>8,538,530</u>	<u>6,375,869</u>	<u>820,292</u>	<u>4,828,432</u>	<u>20,563,123</u>
Total liabilities and fund balances	<u>\$13,094,938</u>	<u>\$6,492,067</u>	<u>\$820,292</u>	<u>7,333,381</u>	<u>\$27,740,678</u>

(1) Extracted from the draft financial statements of the Town, subject to revision and change.

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

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

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

TOWN OF SCITUATE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010 (1)

	General Fund	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	-	-	55,625	-	-	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	<u>\$ 8,697,003</u>	<u>\$ 2,202,032</u>	<u>\$ 956,953</u>	<u>\$ 5,488,906</u>	<u>\$ 851,449</u>	<u>\$ 3,943,062</u>	<u>\$ 22,139,405</u>
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	<u>5,019,964</u>	<u>-</u>	<u>-</u>	<u>136,581</u>	<u>-</u>	<u>2,361,005</u>	<u>7,517,550</u>
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 project funds deficit	-	-	-	-	-	(1,661,998)	(1,661,998)
Permanent funds	-	-	-	-	-	402,398	402,398
Total fund balances	<u>3,677,039</u>	<u>2,202,032</u>	<u>956,953</u>	<u>5,352,325</u>	<u>851,449</u>	<u>1,582,057</u>	<u>14,621,855</u>
Total liabilities and fund balances	<u>\$8,697,003</u>	<u>\$2,202,032</u>	<u>\$956,953</u>	<u>\$5,488,906</u>	<u>\$851,449</u>	<u>3,943,062</u>	<u>\$22,139,405</u>

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

TOWN OF SCITUATE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009 (1)

	General Fund	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 3,748,277	\$ 2,176,804	\$ 2,820,451	\$ 6,035,130	\$ 700,017	\$ 3,751,206	\$ 19,231,885
Receivables, net of allowance for uncollectibles							-
Real estate and personal property taxes	871,218	-	-	-	-	-	871,218
Property tax deferrals	279,193	-	-	-	-	-	279,193
Other	1,578,421	-	-	-	-	60,920	1,639,341
Due from Commonwealth - Grants	-	-	-	-	-	589,519	589,519
Due from other funds	12,731	-	-	-	-	(12,731)	-
Cash - restricted	-	-	-	-	-	515,985	515,985
Total assets	<u>\$ 6,489,840</u>	<u>\$ 2,176,804</u>	<u>\$ 2,820,451</u>	<u>\$ 6,035,130</u>	<u>\$ 700,017</u>	<u>\$ 4,904,899</u>	<u>\$ 23,127,141</u>
LIABILITIES							
Warrants and accounts payable	\$ 869,267	\$ -	\$ -	\$ -	\$ -	\$ 612,147	\$ 1,481,414
Accrued payroll and withholdings	503,240	-	-	-	-	-	503,240
Planning deposits	540,368	-	-	-	-	-	540,368
Deferred revenues	2,728,832	-	-	-	-	60,921	2,789,753
Unearned revenues	204,606	-	-	-	-	-	204,606
Other	36,684	-	-	-	-	40,357	77,041
Bond anticipation notes payable	-	-	-	-	-	2,065,000	2,065,000
Total liabilities	<u>4,882,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,778,425</u>	<u>7,661,422</u>
FUND BALANCES (DEFICIT)							
Reserved for:							
Encumbrances	897,986	-	-	-	-	-	897,986
Expenditures	81,947	-	-	-	-	-	81,947
Stabilization	-	2,176,904	-	-	-	-	2,176,904
MBTA	-	-	2,820,451	-	-	-	2,820,451
Community preservation	-	-	-	6,035,130	-	-	6,035,130
Affordable housing	-	-	-	-	700,017	-	700,017
Unreserved:							
Undesignated: reported in:							
General fund	626,910	-	-	-	-	-	626,910
Special revenue funds	-	-	-	-	-	2,325,982	2,325,982
Capital project funds	-	-	-	-	-	(1,415,510)	(1,415,510)
Permanent funds	-	-	-	-	-	1,216,002	1,216,002
Total fund balances	<u>1,606,843</u>	<u>2,176,904</u>	<u>2,820,451</u>	<u>6,035,130</u>	<u>700,017</u>	<u>2,126,474</u>	<u>15,465,819</u>
Total liabilities and fund balances	<u>\$6,489,840</u>	<u>\$2,176,904</u>	<u>\$2,820,451</u>	<u>\$6,035,130</u>	<u>\$700,017</u>	<u>4,904,899</u>	<u>\$23,127,241</u>

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

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

	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds	\$ 46,526,693	\$ -	\$ -	\$ -	\$46,526,693
Motor vehicle and other excise taxes	2,329,038	-	-	-	2,329,038
Penalties and interest	493,563	4,993	-	-	498,556
Fees	204,034	-	-	-	204,034
Licenses and permits	424,545	-	-	290,630	715,175
Fines and forfeitures	80,716	-	-	-	80,716
Intergovernmental	13,658,197	729,140	-	5,766,210	20,153,547
Departmental and other	1,259,250	-	-	2,989,047	4,248,297
Community preservation surtax	-	1,084,819	-	-	1,084,819
Contributions	-	-	-	122,159	122,159
Investment income	57,000	17,687	2,280	14,995	91,962
Total Revenues	\$ 65,033,036	\$ 1,836,639	\$ 2,280	\$ 9,183,041	\$ 76,054,996
EXPENDITURES:					
Current:					
General government	2,517,181	-	10,543	800,203	3,327,927
Public safety	7,800,288	-	-	508,775	8,309,063
Education	29,996,649	-	-	7,053,663	37,050,312
Public works	2,766,372	-	-	1,245,724	4,012,096
Human services	455,356	-	-	98,833	554,189
Culture and recreation	1,021,747	-	-	403,821	1,425,568
Community preservation	-	769,314	-	-	769,314
Pension benefits	10,166,527	-	-	-	10,166,527
Employee benefits	5,876,878	-	-	-	5,876,878
State and county charges	472,015	-	-	-	472,015
Debt service:					
Principal	1,474,328	-	-	-	1,474,328
Interest	579,727	-	-	-	579,727
Total Expenditures	63,127,068	769,314	10,543	10,111,019	74,017,944
Excess (Deficiency) of Revenues Over Expenditures	1,905,968	1,067,325	(8,263)	(927,978)	2,037,052
Other Financing Sources (Uses):					
Premium from issuance of bonds and notes	18,480	-	-	-	18,480
Transfer in	826,723	-	-	106,047	932,770
Transfer out	(836,995)	-	-	(165,006)	(1,002,001)
Total Expenditures and Other Financing Uses	8,208	-	-	(58,959)	(50,751)
Net Change in Fund Balances	1,914,176	1,067,325	(8,263)	(986,937)	1,986,301
Fund Balances - Beginning of Year	6,624,354	5,308,544	828,555	5,815,369	18,576,822
Fund Balances - End of Year	\$ 8,538,530	\$ 6,375,869	\$ 820,292	\$ 4,828,432	\$ 20,563,123

(1) Extracted from Town's Draft Financial Statements, subject to change.

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

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

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

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

	General	Stabilization	Mitigation	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
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 & Recreation	1,126,507	-	-	-	553,731	546,441	2,226,679
Health and Human Services	382,153	-	-	-	-	110,072	492,225
State & County Tax Assessments	547,726	-	-	-	-	-	547,726
Pensions and Other Fringes	14,687,400	-	-	-	-	-	14,687,400
Community Preservation	-	-	-	1,386,130	-	-	1,386,130
Debt Service	2,181,743	-	-	-	-	-	2,181,743
Total Expenditures	60,644,036	-	-	1,386,130	553,731	8,385,560	70,969,457
OTHER FINANCING SOURCES (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
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses							
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

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

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

	June 30,		
	2009	2008	2007
REVENUES:			
Real and Personal Property Taxes	\$ 40,825,496	\$ 38,310,697	\$ 34,753,273
Motor Vehicle & Boat Excise	2,153,281	2,325,182	2,336,044
Intergovernmental	13,243,802	12,965,124	11,513,287
Penalties & Interest	413,014	295,176	231,409
Licenses & Permits	490,717	697,481	580,033
Fines & Forfeitures	80,288	67,496	73,586
Investment Income	195,319	353,519	602,728
Departmental & Other	1,674,943	1,244,066	1,290,744
Total Revenues	59,076,860	56,258,741	51,381,104
EXPENDITURES:			
General Government	2,172,367	2,167,354	1,905,915
Public Safety	7,448,340	7,654,797	7,236,775
Education	28,287,299	27,713,247	24,806,299
Public Works	3,245,690	3,026,959	2,556,666
Human Services	440,492	442,904	-
Culture & Recreation	1,156,707	1,112,072	1,343,887
Pension & Fringe Benefits	13,813,269	12,812,347	11,249,825
State & County Assessments	519,199	440,570	452,904
Debt Service	2,338,486	1,541,970	1,511,477
Total Expenditures	59,421,849	56,912,220	51,063,748
Excess (Deficiency) of Revenues Over Expenditures	(344,989)	(653,479)	317,356
OTHER FINANCING SOURCES (USES):			
Premium on Sale of bonds	-	-	-
Operating Transfers In	-	-	510,993
Operating Transfers Out	175,407	693,279	(1,129,332)
Total Other Financing Sources (Uses)	175,407	693,279	(618,339)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(520,486)	(1,346,758)	(300,983)
Prior Year Adjustment - Golf Course	-	-	-
Fund Equity, Beginning of Year	2,127,239	3,474,087	3,775,070
FUND EQUITY, END OF YEAR	\$ 1,606,753	\$ 2,127,329	\$ 3,474,087

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

Undesignated General Fund Balances and Free Cash

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

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

<u>Year</u>	<u>Undesignated/Unassigned General Fund Balance As of June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2012	\$6,869,018 (2,3)	\$2,246,463 (est.)
2011	5,276,801 (2)	1,528,192
2010	1,715,555	976,826
2009	626,910	293,677
2008	534,398	(189,322)
2007	1,187,179	302,274

(1) Source: Audited Financial Statements.

(2) Unassigned Fund Balance.

(3) Extracted from draft financial statements, subject to revision and change.

Stabilization Fund

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

<u>Year</u>	<u>Stabilization Fund as of June 30,</u>
2012	\$ 3,009,312
2011	2,084,463
2010	2,202,033
2009	2,176,804
2008	2,208,653

MBTA Mitigation Fund

On March 26, 2002, the Town entered into a mitigation settlement agreement with the Massachusetts Bay Transportation Authority (MBTA) concerning the construction of commuter rail service on the existing right-of-way, known as the "Greenbush Corridor" through the towns of Braintree, Weymouth, Hingham, Cohasset and Scituate, all in Massachusetts. The project begins at the connection with the existing MBTA Old Colony Main Line in East Braintree, and extends 18 miles easterly along the former New York, New Haven & Hartford Railroad Greenbush Branch to the terminus in the Greenbush section of Scituate. As part of the settlement, the MBTA provided the Town of Scituate with \$7,200,000 which was held by the Town Treasurer and was spent at the direction of the Board of Selectmen, subject to MBTA approval, for designated purposes, including land acquisition (\$3,000,000), streetscape improvements (\$2,500,000), historic resources (\$1,000,000), recreation (\$490,000), ombudsman (\$150,000) and shore walk protection (\$60,000). As of June 30, 2012, the balance in the fund was \$0.

Tax Increment Financing for Development Districts

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

Investment of Town Funds

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

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

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

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

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

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

Debt Limits

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

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

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

Types of Obligations

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

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

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above.

The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

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

Revenue Anticipation Note Borrowing

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

**Direct Debt Summary
As of June 30, 2012**

Long-Term Indebtedness		
General Obligation Bonds:		
Water (2)	\$ 19,302,765	
School	11,225,000	
General (3)	8,291,000	
Sewers & Drains	3,794,000	
Total (4)		\$ 42,612,765
This Issue of New Money Bonds		6,687,000
Short-term Debt		
Bond Anticipation Notes	\$ 3,005,961	
Less:		
To Be Retired with Bond Proceeds	(2,955,500)	
To Be Retired with Revenue Funds	(50,461)	
Total Short Term Debt		-
Total Direct Debt		\$ 49,299,765

- (1) Excludes overlapping debt, lease and installment purchase obligations, unfunded pension liability, and other post employment benefits liability.
- (2) Outside the Town's general debt limit, subject to a separate debt limit equal to 10% of the Town's equalized valuation.
- (3) \$2,225,000 is outside the Town's general debt limit.
- (4) \$9,319,655 is exempt from the provisions of Proposition 2 ½.

Debt Ratios

	As of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Long Term Debt Outstanding (1)	\$42,612,765	\$46,445,430	\$40,378,638	\$44,052,776	\$47,840,201
Debt per Capita	\$2,201.07	\$2,399.04	\$2,085.67	\$2,275.45	\$2,471.08
Percent of Assessed Valuation (2)	1.11%	1.21%	1.01%	1.05%	1.13%
Percent of Equalized Valuation (3)	0.98%	1.07%	0.88%	0.96%	1.11%
Debt per Capita as a Percent of per Capita Income	6.49%	7.07%	6.15%	6.70%	7.28%

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

**Outstanding Bonded Debt (1)
Principal Payment by Purpose
As of June 30, 2012**

Fiscal Year	Water (2)	School	General (3)	Sewers & Drains	Total (4)
2013	\$ 1,410,844	\$ 895,000	\$ 1,229,000	\$ 278,000	\$ 3,812,844
2014	1,769,012	895,000	1,181,000	273,000	4,118,012
2015	1,782,268	825,000	1,071,000	273,000	3,951,268
2016	1,770,096	825,000	1,041,000	273,000	3,909,096
2017	1,806,154	825,000	1,011,000	273,000	3,915,154
2018	1,852,920	820,000	516,000	273,000	3,461,920
2019	1,888,442	815,000	421,000	273,000	3,397,442
2020	1,097,595	815,000	376,000	268,000	2,556,595
2021	1,085,456	805,000	356,000	268,000	2,514,456
2022	937,201	805,000	351,000	268,000	2,361,201
2023	956,764	805,000	346,000	268,000	2,375,764
2024	972,498	805,000	296,000	258,000	2,331,498
2025	534,432	800,000	81,000	208,000	1,623,432
2026	484,691	215,000	5,000	60,000	764,691
2027	188,652	55,000	5,000	60,000	308,652
2028	184,058	55,000	5,000	55,000	299,058
2029	179,472	55,000	-	55,000	289,472
2030	179,895	55,000	-	55,000	289,895
2031	180,327	55,000	-	55,000	290,327
2032	20,769	-	-	-	20,769
2033	21,220	-	-	-	21,220
	<u>\$ 19,302,765</u>	<u>\$ 11,225,000</u>	<u>\$ 8,291,000</u>	<u>\$ 3,794,000</u>	<u>\$ 42,612,765</u>

- (1) Excludes overlapping debt, lease and installment purchase obligations, unfunded pension liability and other post employment benefits liability.
- (2) Outside the Town's general debt limit, subject to a separate debt limit equal to 10% of the Town's equalized valuation.
- (3) \$2,225,000 is outside the Town's general debt limit.
- (4) \$9,319,655 is exempt from the provisions of Proposition 2 ½.

Annual Debt Service as of June 30, 2012 (1)

Fiscal Year	Outstanding (2)		MWPAT Subsidy	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest			
2013	\$ 3,812,844	\$ 1,960,589	\$ (500,350)	\$ 5,273,083	8.9 %
2014	4,118,012	1,481,751	(468,964)	5,130,800	18.6
2015	3,951,268	1,326,586	(451,744)	4,826,109	27.9
2016	3,909,096	1,154,985	(427,013)	4,637,068	37.1
2017	3,915,154	992,231	(403,504)	4,503,881	46.2
2018	3,461,920	822,086	(371,170)	3,912,837	54.4
2019	3,397,442	694,584	(343,375)	3,748,650	62.3
2020	2,556,595	574,879	(108,323)	3,023,150	68.3
2021	2,514,456	471,457	(88,231)	2,897,681	74.2
2022	2,361,201	372,935	(40,429)	2,693,707	79.8
2023	2,375,764	284,512	(35,680)	2,624,596	85.4
2024	2,331,498	195,121	(25,112)	2,501,507	90.8
2025	1,623,432	125,286	-	1,748,718	94.6
2026	764,691	77,845	-	842,535	96.4
2027	308,652	57,076	-	365,728	97.2
2028	299,058	45,824	-	344,882	97.9
2029	289,472	34,239	-	323,711	98.5
2030	289,895	23,045	-	312,940	99.2
2031	290,327	11,843	-	302,170	99.9
2032	20,769	632	-	21,401	100.0
2033	21,220	212	-	21,432	100.0
Total	\$ 42,612,765	\$ 10,707,718	\$ (3,263,896)	\$ 50,056,587	

- (1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post employment benefits liability.
- (2) Principal totaling \$9,319,656 and interest totaling \$2,548,194 is exempt from the provisions of Proposition 2 1/2.

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately \$6,072,096, of authorized unissued debt, as follows:

Purpose	Amount
Dredging	\$ 195,000
Marine Park Recreational Facility	280,000
Highway Improvement	423,149
Sewer Extension	711,000
Departmental Equipment	25,000
Departmental Equipment	60,000
Additional Sewer Extension	27,429
School Repairs	775,518
Energy Savings (ESCO)	3,200,000
Facilities Design/Engineering/Service	375,000
Total	<u>\$ 6,072,096</u>

Overlapping Debt

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

	Outstanding Bonded Debt as of 6/30/12	Scituate's Estimated Share %	Fiscal 2013 Dollar Assessment (1)
Plymouth County (2)	\$3,575,000	6.76%	\$78,070
Massachusetts Bay Transportation Authority (3)	\$5,769,214,580	N/A	\$117,909
South Shore Regional Vocational- Technical School District (4)	\$485,000	5.52%	\$510,381

- (1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: Treasurer, Plymouth County. County expenses are assessed upon the cities and towns within the County in proportion to their valuations of taxable property as last equalized by the State Commissioner of Revenue. Assessment shown is based on the most recent equalized valuation.
- (3) Source: Massachusetts Bay Transportation Authority (the "MBTA"). Debt as of June, 30, 2012. The MBTA was created in 1964 to finance and operate mass transportation facilities within the Greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA is also authorized to issue bonds for the purpose of refunding bonds. Under the MBTA's enabling act, debt service as well as other operating expenses of the MBTA are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the Authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.
- (4) Source: Treasurer, South Shore Regional Vocational-Technical School District. Assessment is for fiscal year 2010. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.

Contracts

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

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

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

The Town has entered in contract with International Golf Maintenance of Champions Gate, Florida 33896, to maintain its golf course, for the following sums: August 1, 2004-December 31, 2004, \$171,138; January 1, 2005 to December 31, 2005, \$427,425; January 1, 2006 to December 31, 2006, \$435,973, and utilized the options for years 2007 and 2008 for the following sums: January 1, 2007 to December 31, 2007, \$435,973; and January 1, 2008 to December 31, 2008, \$444,693, March 1, 2009 to December 31, 2009, \$370,578, January 1, 2010 to December 31, 2010 \$453,587, January 2011 to December 31, 2011, \$462,659, January 1, 2012 – December 31, 2012, \$462,659. Performance reviews will take place each November 1 to determine satisfaction and subsequent release of annual retainage. The Town also contracts annually with SEMASS Partnership solid waste disposal at \$91.50 per ton in fiscal 2010, \$93.50 per ton in fiscal 2011 and \$91.43 per ton in fiscal 2012, which includes all hauling costs. The annual cost incurred were \$306,259 in fiscal 2008, \$297,498 in fiscal 2009, \$294,166 in fiscal 2010, \$302,963 in fiscal 2011 and \$300,000 in fiscal 2012.

RETIREMENT SYSTEM

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not

later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

Plymouth County Retirement System

The Town participates in the contributory retirement system of Plymouth County that is partially funded by employee contributions. The Town meets its share of costs primarily on a pay-as-you-go basis by contributing annually the amount determined by the State Division of Insurance. This contribution is a legal obligation of the Town and is required to be included in its annual tax levy. The Town also maintains a noncontributory retirement plan for certain eligible veterans who were employed in public service before July 1, 1939.

As of January 1, 2011, the total unfunded pension benefit obligation of the Plymouth County System was \$520,716,602, as follows:

Total pension benefit obligation	\$1,187,447,414
Assets at market value	645,076,352
Unfunded pension benefit obligation	<u>\$ 520,716,602</u>
The Town's estimated share at its participation rate of 6.75%	<u>\$ 46,850,767</u>

Effective July 1, 1991, the System elected to fully fund the accrued actuarial liability under Chapter 32, Section 22 of the Massachusetts General Laws. Under provisions of this law, participating employers are assessed their share of the retirement cost based on the entry age normal actuarial cost method.

The System assesses participating employers for their share of pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employee Retirement Administration Commission (PERAC) and is based in part on the previous year's benefit payout.

The annual contributions of the Town to the Retirement System budgeted for fiscal year 2013 and for the last five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Contributory</u>
2013 (budget)	\$3,444,211
2012	3,118,030
2011	3,118,030
2010	2,758,350
2009	2,668,612
2008	2,464,168

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

Other Post-Employment Benefits

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

Fiscal Year	Benefit Costs
2012	\$ 1,530,639
2011	1,525,504
2010	1,314,867
2009	1,261,833
2008	1,243,781
2007	1,152,124

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town hired USI Consulting Group which performed the actuarial valuation of its post-employment benefit liability. The Town's estimated unfunded actuarial accrued liability is approximately \$53,916,330 and the Town's annual required contribution ('ARC') is approximately \$5,100,918. At the April 11, 2011 Annual Town Meeting the Town created an OPEB fund with an initial contribution of \$14,983. The OPEB contribution will be included in the annual fixed costs expenditures and will be a minimum of 2% of pension costs. At June 30, 2012 the OPEB Trust Fund balance was \$65,016.

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 632 full and part-time employees, including those in the School Department. Approximately 96 percent belong to unions or other collective bargaining groups as shown below:

Employee by Category	Represented by	Number of Employees	Contract Expires (4)
General Government			
Police	International Brotherhood of Police Officers (IBPO)	27	6/30/2013
Firefighters	International Association of Fire Fighters (IAFF)	50	6/30/2013
Clerical Workers	SEIU 888 (1)	38	6/30/2013
Public Works	Laborers District Council	38	6/30/2012
Administrators and Managers	SEIU 888 (2)	21	6/30/2013
Total General Government Professionals		174	
School			
Teachers	Scituate Teachers Assoc./Mass. Teachers Assoc.	283	8/31/2016
Custodians	AFSCME Local 1700 (3)	24	6/30/2012
Administration and Clerical	SEIU/Local 888	15	6/30/2012
Bus Workers	AFSCME Local 1700 (3)	18	6/30/2012
Aides and Tutors	SEIU/Local 888	76	8/31/2012
Cafeteria Workers	SEIU/Local 888	17	8/31/2012
Total School		433	
Total		607	

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

LITIGATION

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

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

November 7, 2012

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TOWN OF SCITUATE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF SCITUATE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Scituate, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scituate, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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

Powers & Sullivan LLC

March 6, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Scituate, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Governmental Activities

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

Governmental net assets of \$54.6 million (86%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Invested in capital assets, net of related debt, increased by approximately \$467,000 during fiscal year 2011. This was primarily related to the acquisition of capital assets exceeding depreciation expense recorded against capital assets.

An additional portion of the net assets \$7.5 million (12%) represents resources that are subject to external restrictions on how they may be used. This balance was up by approximately \$768,000 mainly due to the recognition of grant revenues from Chapter 90, the state highway grant program. The remaining balance of *unrestricted net assets* \$1.2 million (2%) may be used to meet the government's ongoing obligations to citizens and creditors. This balance decreased by approximately \$1.9 million, partially due to the increase in the liability relating to GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits*

Other Than Pensions. This requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. In fiscal 2011 the Town, based on its actuarial valuation, reported an accrual of \$10.1 million for its portion of the liability that was not paid. This represents an increase of \$3.2 million over the prior fiscal year. Offsetting this increase in OPEB liability, the Town's General Fund reported expenditures less than appropriations by approximately \$1 million and higher than budgeted collection of revenues of approximately \$541,000.

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

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

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

Business-type Activities

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

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

At the end of the current fiscal year, the Town reports \$40.4 million in net assets for its combined business-type activities. Of this balance, \$25.2 million reflects the Town's investment in capital assets of the enterprise funds less debt outstanding related to the construction of those assets.

There was a net increase of \$312,000 in net assets reported in connection with the Town's business-type activities (enterprise funds). The changes by fund are listed in the following table:

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

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

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

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

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

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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18.6 million, of which \$6.6 million is for the general fund, \$5.3 million is for community preservation fund, \$829,000 is for the affordable housing fund, and \$5.8 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$3.7 million in fund balances from the prior year.

The *general fund* is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.3 million, while total fund balance was \$6.6 million. As a measure of the general fund's

liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.7% of total general fund expenditures, while total fund balance represents 11% of that same amount.

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

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

The *Community Preservation Act Fund* had a fund balance at June 30, 2011 of \$5.3 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The Community Preservation Act's fund balance increased \$344,000 in fiscal year 2011. This was the net result of \$1 million in taxes collected, \$300,000 in state matching funds, and \$1.7 million in expenditures on community preservation projects.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

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

The Town's major capital additions for fiscal year 2011 included the purchase of several properties and historic buildings mainly through the use of Community Preservation funds. Additionally, the Town constructed bike and walking paths, made road improvements, and upgraded its equipment and vehicles. Capital additions totaled approximately \$3.6 million.

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

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

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

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

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

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

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

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

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

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

See notes to basic financial statements.

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

JUNE 30, 2011

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....	\$	3,655,227
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		3,643,219
Depreciation expense.....		<u>(3,135,851)</u>
Net effect of reporting capital assets.....		507,368
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		403,243
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....		(3,245,470)
Debt service principal payments.....		<u>1,463,858</u>
Net effect of reporting long-term debt.....		(1,781,612)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(93,646)
Net change in accrued interest on long-term debt.....		(153,934)
Net change in postemployment benefit accrual.....		(3,196,301)
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,443,881)</u>
Change in net assets of governmental activities.....	\$	<u><u>(659,655)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

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

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

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

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

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

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Net investment income (loss):	
Interest.....	\$ <u>459</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>16,725</u>
CHANGE IN NET ASSETS.....	(16,266)
NET ASSETS AT BEGINNING OF YEAR.....	<u>360,272</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>344,006</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

The *agency fund* is used to account for assets held in a purely custodial capacity by the Town.

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

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

User Fees

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

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

Departmental and Other

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

Special Assessments

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

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

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

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

Net assets have been “restricted for” the following:

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Individual Fund Deficits

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Scituate's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$24,955,927 and the bank balance totaled \$25,639,524. Of the bank balance, \$1,774,420 was covered by Federal Depository Insurance, \$531,394 was covered by the Depositors Insurance Fund, \$2,656,777 was collateralized, and \$20,676,933 was uninsured and uncollateralized.

Investments

As of June 30, 2011, the Town's investments consisted solely of its investment with MMDT in the amount of \$3,517,488. This investment is not rated.

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town does not have an investment policy addressing custodial credit risk. However, as of June 30, 2011, the Town does not have custodial credit risk for its investments since MMDT deposits are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Investments are limited to the MMDT Cash Fund whose assets are managed to maintain a dollar-weighted average portfolio maturity of 90 days or less. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to credit risk. During the fiscal year the Town limited its investments to certificates of deposits, money market accounts, bank deposits and the MMDT. The MMDT funds are unrated.

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer.

NOTE 3 – RECEIVABLES

At June 30, 2011, receivables for the individual major governmental funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 986,827	\$ (64,295)	\$ 922,532
Tax liens.....	925,920	-	925,920
Tax foreclosures.....	448,462		448,462
Motor vehicle and other excise taxes.....	502,149	(312,628)	189,521
Departmental and other.....	809,056	(629,415)	179,641
Special assessments.....	47,034	-	47,034
Intergovernmental.....	2,304,527	-	2,304,527
Total.....	<u>\$ 6,023,975</u>	<u>\$ (1,006,338)</u>	<u>\$ 5,017,637</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,304,181	\$ -	\$ 1,304,181
Water and sewer liens.....	61,547	-	61,547
Special assessments.....	550,552	-	550,552
Intergovernmental.....	355,234	-	355,234
Total.....	<u>\$ 2,271,514</u>	<u>\$ -</u>	<u>\$ 2,271,514</u>

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

	General Fund	Community Preservation Funds	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes....	\$ 497,534	\$ -	\$ -	\$ 497,534
Tax liens.....	908,725	17,195	-	925,920
Motor vehicle and other excise taxes.....	189,521	-	-	189,521
Departmental and other.....	166,228	13,413	-	179,641
Special assessments.....	31,633	-	15,401	47,034
Intergovernmental.....	-	-	841,200	841,200
Tax foreclosures.....	448,462	-	-	448,462
Total.....	<u>\$ 2,242,103</u>	<u>\$ 30,608</u>	<u>\$ 856,601</u>	<u>\$ 3,129,312</u>

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities

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

Business-Type Activities

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

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 588,602	\$ 60,547	\$ (354,068)	\$ 295,081
Total capital assets not being depreciated.....	<u>588,602</u>	<u>60,547</u>	<u>(354,068)</u>	<u>295,081</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	20,200	-	-	20,200
Machinery and equipment.....	352,000	-	-	352,000
Vehicles.....	203,100	-	-	203,100
Infrastructure.....	<u>42,178,554</u>	<u>504,571</u>	<u>-</u>	<u>42,683,125</u>
Total capital assets being depreciated.....	<u>42,753,854</u>	<u>504,571</u>	<u>-</u>	<u>43,258,425</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,525)	(1,010)	-	(3,535)
Machinery and equipment.....	(63,360)	(14,080)	-	(77,440)
Vehicles.....	(184,109)	(5,799)	-	(189,908)
Infrastructure.....	<u>(10,015,832)</u>	<u>(855,989)</u>	<u>-</u>	<u>(10,871,821)</u>
Total accumulated depreciation.....	<u>(10,265,826)</u>	<u>(876,878)</u>	<u>-</u>	<u>(11,142,704)</u>
Total capital assets being depreciated, net.....	<u>32,488,028</u>	<u>(372,307)</u>	<u>-</u>	<u>32,115,721</u>
Total business-type activities capital assets, net.....	<u>\$ 33,076,630</u>	<u>\$ (311,760)</u>	<u>\$ (354,068)</u>	<u>\$ 32,410,802</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Transfer Station:				
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 1,992,967	\$ -	\$ -	\$ 1,992,967
Machinery and equipment.....	685,641	-	-	685,641
Vehicles.....	<u>17,585</u>	<u>-</u>	<u>-</u>	<u>17,585</u>
Total capital assets being depreciated.....	<u>2,696,193</u>	<u>-</u>	<u>-</u>	<u>2,696,193</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(512,857)	(50,374)	-	(563,231)
Machinery and equipment.....	(535,778)	(16,565)	-	(552,343)
Vehicles.....	<u>(17,177)</u>	<u>(289)</u>	<u>-</u>	<u>(17,466)</u>
Total accumulated depreciation.....	<u>(1,065,812)</u>	<u>(67,228)</u>	<u>-</u>	<u>(1,133,040)</u>
Total capital assets being depreciated, net.....	<u>1,630,381</u>	<u>(67,228)</u>	<u>-</u>	<u>1,563,153</u>
Total business-type activities capital assets, net.....	<u>\$ 1,630,381</u>	<u>\$ (67,228)</u>	<u>\$ -</u>	<u>\$ 1,563,153</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Widows Walk Golf Course:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 3,160,144	\$ -	\$ -	\$ 3,160,144
Buildings and building improvements.....	932,860	-	-	932,860
Machinery and equipment.....	1,805,185	56,460	(31,023)	1,830,622
	<u>5,898,189</u>	<u>56,460</u>	<u>(31,023)</u>	<u>5,923,626</u>
Total capital assets being depreciated.....				
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(316,629)	(120,744)	-	(437,373)
Buildings and building improvements.....	(1,316,376)	(23,197)	-	(1,339,573)
Machinery and equipment.....	(1,587,708)	(77,245)	31,023	(1,633,930)
	<u>(3,220,713)</u>	<u>(221,186)</u>	<u>31,023</u>	<u>(3,410,876)</u>
Total capital assets being depreciated, net.....	<u>2,677,476</u>	<u>(164,726)</u>	<u>-</u>	<u>2,512,750</u>
Total business-type activities capital assets, net.....	<u>\$ 2,677,476</u>	<u>\$ (164,726)</u>	<u>\$ -</u>	<u>\$ 2,512,750</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Waterways:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in progress.....	437,500	-	-	437,500
	<u>4,112,500</u>	<u>-</u>	<u>-</u>	<u>4,112,500</u>
Total capital assets not being depreciated.....				
<u>Capital assets being depreciated:</u>				
Land improvements.....	758,289	158,633	-	916,922
Buildings and building improvements.....	756,722	-	-	756,722
Machinery and equipment.....	4,604,523	14,121	(15,931)	4,602,713
	<u>6,119,534</u>	<u>172,754</u>	<u>(15,931)</u>	<u>6,276,357</u>
Total capital assets being depreciated.....				
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(40,863)	(142,045)	-	(182,908)
Buildings and building improvements.....	(211,771)	(12,726)	-	(224,497)
Machinery and equipment.....	(2,743,007)	(180,498)	15,931	(2,907,574)
	<u>(2,995,641)</u>	<u>(335,269)</u>	<u>15,931</u>	<u>(3,314,979)</u>
Total capital assets being depreciated, net.....	<u>3,123,893</u>	<u>(162,515)</u>	<u>-</u>	<u>2,961,378</u>
Total business-type activities capital assets, net.....	<u>\$ 7,236,393</u>	<u>\$ (162,515)</u>	<u>\$ -</u>	<u>\$ 7,073,878</u>

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

Governmental Activities:

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

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

Business-Type Activities:

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

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

NOTE 5 – INTERFUND TRANSFERS

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

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

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

NOTE 6 – LEASES

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

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 314,472
Less: accumulated depreciation.....	<u>(196,979)</u>
Total.....	<u>\$ 117,493</u>

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

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

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2011, are as follows:

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

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

NOTE 8 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Fund

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

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

GOVERNMENTAL FUNDS, DEBT SERVICE PAYMENTS

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

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,844,983 and interest costs for \$1,915,055. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$20,933,397. The principal subsidies are guaranteed and therefore a \$1,844,983 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2011. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in

the accompanying basic financial statements. The fiscal year 2011 principal and interest subsidies totaled \$219,465 and \$315,756, respectively.

In prior years the Town participated in MSBA's Construction Assistance Program whereby the MSBA has reimbursed the Town annually for the State's share of the debt service related to approved School construction projects. In fiscal year 2011, the MSBA prefunded a portion of the State's share of the future debt service through a lump sum payment of \$509,661. Remaining future reimbursements from MSBA are anticipated to total approximately \$464,000 which has been recorded as an intergovernmental receivable.

Bonds and Notes Payable Schedule – Enterprise Funds

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

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

SEWER ENTERPRISE FUND, DEBT SERVICE PAYMENTS

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

WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS

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

ANSFER STATION ENTERPRISE FUND, DEBT SERVICE PAYMEN

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 57,000	\$ 26,142	\$ 83,142
2013.....	57,000	24,417	81,417
2014.....	57,000	21,967	78,967
2015.....	51,000	19,887	70,887
2016.....	51,000	17,847	68,847
2017.....	51,000	15,807	66,807
2018.....	51,000	13,766	64,766
2019.....	51,000	11,727	62,727
2020.....	51,000	9,687	60,687
2021.....	36,000	7,497	43,497
2022.....	36,000	6,057	42,057
2023.....	36,000	4,572	40,572
2024.....	36,000	3,060	39,060
2025.....	36,000	1,530	37,530
Total.....	\$ <u>657,000</u>	\$ <u>183,963</u>	\$ <u>840,963</u>

MIDOW'S WALK ENTERPRISE FUND, DEBT SERVICE PAYMENTS

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

WATERWAY'S ENTERPRISE FUND, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 348,489	\$ 164,758	\$ 513,247
2013.....	335,000	153,116	488,116
2014.....	335,000	138,554	473,554
2015.....	325,000	126,079	451,079
2016.....	325,000	113,254	438,254
2017.....	325,000	100,429	425,429
2018.....	315,000	87,516	402,516
2019.....	315,000	74,916	389,916
2020.....	310,000	62,316	372,316
2021.....	310,000	49,266	359,266
2022.....	310,000	36,191	346,191
2023.....	305,000	24,060	329,060
2024.....	255,000	11,888	266,888
2025.....	<u>40,000</u>	<u>1,400</u>	<u>41,400</u>
Total.....	\$ <u>4,153,489</u>	\$ <u>1,143,743</u>	\$ <u>5,297,232</u>

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

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

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

Changes in Long-Term Liabilities

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

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

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or that are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

As of June 30, 2011, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 27,051	\$ 27,051
Restricted for:					
Community preservation.....	-	5,308,544	-	-	5,308,544
Affordable Housing.....	-	-	828,555	-	828,555
Town revolving funds.....	-	-	-	3,059,066	3,059,066
Town grant funds.....	-	-	-	141,406	141,406
School lunch.....	-	-	-	125,755	125,755
School revolving funds.....	-	-	-	853,853	853,853
School grant funds.....	-	-	-	640,313	640,313
Town capital projects.....	-	-	-	40,023	40,023
School capital projects.....	-	-	-	554,646	554,646
Future Year Debt service.....	86,767	-	-	-	86,767
Permanent Trust funds.....	-	-	-	373,256	373,256
Assigned to:					
General government.....	387,537	-	-	-	387,537
Public safety.....	234,226	-	-	-	234,226
Education.....	581,253	-	-	-	581,253
Public works.....	8,104	-	-	-	8,104
Human services.....	24,543	-	-	-	24,543
Culture and recreation.....	3,875	-	-	-	3,875
Employee benefits.....	21,248	-	-	-	21,248
Unassigned.....	5,276,801	-	-	-	5,276,801
TOTAL FUND BALANCES (DEFICIT).....	\$ 6,624,354	\$ 5,308,544	\$ 828,555	\$ 5,815,369	\$ 18,576,822

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

the Town has established a general stabilization fund.

At year end the balance of the general stabilization fund is \$2,084,461 and is reported as unassigned fund balance within the general fund.

NOTE 10 – RISK FINANCING

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

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

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

NOTE 11 – PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,755,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,118,030, \$2,758,350, and \$2,668,512, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

At June 30, 2011, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	458
Current active members.....	<u>678</u>
Total.....	<u><u>1,136</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For fiscal year 2011, the Town contributed \$1.7 million to the plan.

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

Annual Required Contribution.....	\$ 5,100,217
Interest on net OPEB Obligation.....	287,256
Adjustment to the ARC.....	<u>(307,967)</u>
Annual OPEB cost (expense).....	5,079,506
Contributions made.....	<u>(1,735,058)</u>
Increase/Decrease in net OPEB obligation.....	3,344,448
Net OPEB obligation - beginning of year.....	<u>7,181,411</u>
Net OPEB obligation - end of year.....	<u><u>\$ 10,525,859</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 5,079,506	34%	\$ 10,525,859
6/30/2010	5,317,917	31%	7,181,411
6/30/2009	5,050,918	30%	3,533,499

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

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

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

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

NOTE 13 – LANDFILL CLOSURE COSTS

The Town’s landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for thirty years after the landfill cover is installed. The Town presently appropriates \$75,000 per year for post-closure care costs and has recorded a liability of \$1,366,000 in the governmental activities funds as a result of this activity. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 14 – COMMITMENTS

The Town has entered into a long-term contract with South Eastern Massachusetts Partnership (SEMASS) to provide solid waste disposal services. Total charges are based on a formula of tipping and transport fees with costs rising gradually through fiscal year 2023 when the contract expires. Actual expenditures under this contract for fiscal year 2011 were approximately \$295,000.

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

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

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

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

Future Implementation of GASB Pronouncements:

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

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

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

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

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

FISCAL YEAR ENDED JUNE 30, 2011

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

See notes to basic financial statements.

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

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

The Town's share of the UAAL, as of June 30, 2011, is approximately 6.37%.

See notes to required supplementary information.

PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions	Total Percentage Contributed
6/30/2011	\$ 5,100,217	\$ 1,735,058	34.0%
6/30/2010	5,317,917	1,670,005	31.4%
6/30/2009	5,050,918	1,517,419	30.0%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

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

Plan Membership:

Current retirees, beneficiaries, and dependents.....	458
Current active members.....	<u>678</u>
Total.....	<u><u>1,136</u></u>

See notes to required supplementary information.

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

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

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

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

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

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2011 approved budget for the General Fund includes \$55.1 million in current year appropriations and other amounts to be raised and \$1.2 million in encumbrances and appropriations carried over from previous fiscal years.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2011, is presented below:

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

C. Appropriation Deficits

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

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year, level dollar for ERI liability for certain units.
Remaining Amortization Period.....	19 years remaining as of January 1, 2011, open
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 20% of market value.

Actuarial Assumptions:

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

Plan Membership:

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

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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(Date of Delivery)

Pamela Avitabile, Treasurer
Town of Scituate
Scituate, Massachusetts

\$6,687,000
Town of Scituate, Massachusetts
General Obligation Municipal Purpose Loan of 2012 Bonds
Dated November 15, 2012

We have acted as bond counsel to the Town of Scituate, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon

be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Wildman Palmer LLP

AM 17549415.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Scituate, Massachusetts (the “Issuer”) in connection with the issuance of its \$6,687,000 General Obligation Municipal Purpose Loan of 2012 Bonds dated November 15, 2012 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated November 7, 2012 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November 15, 2012

TOWN OF SCITUATE,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

AM 17550954.1