

***TOWN OF SCITUATE, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2013***

TOWN OF SCITUATE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Scituate, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scituate, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Scituate, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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, 2013, and the respective

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 on our consideration of the Town of Scituate, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Scituate, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

March 7, 2014

***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, 2013. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis is part of these requirements.

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

This discussion and analysis is 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 position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

## **Government-wide Financial Analysis**

### **Governmental Activities**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$63.3 million at the close of fiscal year.

Governmental net position of \$56.6 million (89%) 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. Net investment in capital assets increased by approximately \$583,000 during fiscal year 2013. This was primarily the result of the acquisition of capital assets exceeding the depreciation expense recorded against capital assets.

An additional portion of the net position \$8.8 million (14%) represents resources that are subject to external restrictions on how they may be used. This balance was up by approximately \$248,000 mainly due to the recognition of revenue related to the Community Preservation Act. The remaining balance of *unrestricted net position* reported a deficit position of \$2.1 million (-3%). This balance decreased by approximately \$2.5 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 2013 the Town, based on its actuarial valuation, reported an accrual of \$17.1 million for its portion of the liability that was not paid. This represents an increase of \$3.8 million over the prior fiscal year. Offsetting this increase in OPEB liability, the Town's General Fund reported expenditures less than appropriations

by approximately \$1.9 million and higher than budgeted collection of revenues of approximately \$408,000. Condensed financial data for fiscal years 2013 and 2012 is presented below:

	<b>FY2013 Governmental Activities</b>	<b>FY2012 Governmental Activities</b>	<b>Increase/ Decrease</b>
<b>Assets:</b>			
Current assets.....	\$ 32,457,083	\$ 27,735,527	\$ 4,721,556
Capital assets.....	70,444,791	70,233,210	211,581
Total assets.....	<u>102,901,874</u>	<u>97,968,737</u>	<u>4,933,137</u>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	4,641,107	4,066,838	574,269
Noncurrent liabilities (excluding debt).....	17,474,843	13,673,076	3,801,767
Current debt.....	1,992,879	1,414,319	578,560
Noncurrent debt.....	<u>15,484,278</u>	<u>13,849,157</u>	<u>1,635,121</u>
Total liabilities.....	<u>39,593,107</u>	<u>33,003,390</u>	<u>6,589,717</u>
<b>Net Position:</b>			
Net investment in capital assets.....	56,560,454	55,977,544	582,910
Restricted.....	8,821,398	8,573,833	247,565
Unrestricted.....	<u>(2,073,085)</u>	<u>413,970</u>	<u>(2,487,055)</u>
Total net position.....	<u>\$ 63,308,767</u>	<u>\$ 64,965,347</u>	<u>\$ (1,656,580)</u>
<b>Program revenues:</b>			
Charges for services.....	\$ 5,100,500	\$ 4,727,587	\$ 372,913
Operating grants and contributions.....	15,220,665	16,542,324	(1,321,659)
Capital grants and contributions.....	958,424	1,612,713	(654,289)
<b>General Revenues:</b>			
Real estate and personal property taxes.....	47,975,280	46,582,135	1,393,145
Tax liens.....	27,344	32,255	(4,911)
Motor vehicle and other excise taxes.....	2,530,107	2,328,915	201,192
Community preservation tax.....	1,105,543	1,070,846	34,697
Penalties and interest on taxes.....	447,439		
Grants and contributions not restricted to specific programs.....	1,806,527	1,799,495	7,032
Unrestricted investment income.....	55,527	74,257	(18,730)
Miscellaneous.....	<u>576,098</u>	<u>852,317</u>	<u>(276,219)</u>
Total revenues.....	<u>75,803,454</u>	<u>75,622,844</u>	<u>180,610</u>
<b>Expenses:</b>			
General government.....	3,791,027	4,256,315	(465,288)
Public safety.....	11,893,978	11,473,602	420,376
Education.....	51,771,927	50,586,444	1,185,483
Public works.....	6,166,961	4,193,275	1,973,686
Human services.....	1,125,471	948,776	176,695
Culture and recreation.....	2,015,558	1,953,509	62,049
Community preservation.....	2,480	59,513	(57,033)
Interest.....	<u>651,163</u>	<u>415,187</u>	<u>235,976</u>
Total expenses.....	<u>77,418,565</u>	<u>73,886,621</u>	<u>3,531,944</u>
<b>Excess (deficiency) before transfers.....</b>	<b>(1,615,111)</b>	<b>1,736,223</b>	<b>(3,351,334)</b>
<b>Transfers.....</b>	<b><u>(41,469)</u></b>	<b><u>(69,231)</u></b>	<b><u>27,762</u></b>
<b>Change in net position.....</b>	<b>\$ <u>(1,656,580)</u></b>	<b>\$ <u>1,666,992</u></b>	<b>\$ <u>(3,323,572)</u></b>

Current assets increased as a result of the issuance of debt during the fiscal year, which caused a \$4.5 million increase in the cash balance at year end. The increase in noncurrent liabilities (excluding debt) is the result of a \$3.8 million increase in the OPEB liability. General government expenses decreased due to \$412,000 of lower operating expenses for flood mitigation, Pier 44, Greenbush Village and MBTA Streetscape, all of which the Town classifies as general government. The increase in public works expenses is the result of increased expenses of \$525,000 for storm cleanup, \$245,000 for equipment rentals, \$316,000 for wind turbine operating expenses and \$188,000 for engineering services.

### Business-type Activities

The following chart provides a summary of Business-type activities financial data for fiscal year 2013, with comparative fiscal 2012 information.

	<b>FY2013</b>		<b>FY2012</b>		<b>Increase/ Decrease</b>
	<b>Business-type</b>		<b>Business-type</b>		
	<b>Activities</b>		<b>Activities</b>		<b>Decrease</b>
<b>Assets:</b>					
Current assets.....	\$ 10,128,983	\$	12,952,609	\$	(2,823,626)
Noncurrent assets (excluding capital).....	8,257,816		9,118,085		(860,269)
Capital assets.....	60,096,194		58,675,537		1,420,657
Total assets.....	<b>78,482,993</b>		<b>80,746,231</b>		<b>(2,263,238)</b>
<b>Liabilities:</b>					
Current liabilities (excluding debt).....	1,324,176		2,141,072		(816,896)
Noncurrent liabilities (excluding debt).....	2,048,273		1,920,461		127,812
Current debt.....	3,500,366		7,853,000		(4,352,634)
Noncurrent debt.....	30,557,908		28,029,774		2,528,134
Total liabilities.....	<b>37,430,723</b>		<b>39,944,307</b>		<b>(2,513,584)</b>
<b>Net Position:</b>					
Net invested in capital assets.....	27,524,735		26,572,988		951,747
Unrestricted.....	13,527,535		14,228,936		(701,401)
Total net position.....	<b>\$ 41,052,270</b>	\$	<b>40,801,924</b>	\$	<b>250,346</b>
<b>Program revenues:</b>					
Charges for services.....	\$ 8,297,174	\$	7,971,694	\$	325,480
Operating grants and contributions.....	1,725		16,237		(14,512)
Capital grants and contributions.....	188,126		692,556		(504,430)
Total revenues.....	<b>8,487,025</b>		<b>8,680,487</b>		<b>(193,462)</b>
<b>Expenses:</b>					
Water.....	2,638,627		2,567,621		71,006
Sewer.....	2,735,738		2,962,259		(226,521)
Transfer station.....	958,265		1,015,410		(57,145)
Widows Walk golf course.....	1,083,881		1,045,083		38,798
Waterways.....	861,637		934,540		(72,903)
Total expenses.....	<b>8,278,148</b>		<b>8,524,913</b>		<b>(246,765)</b>
<b>Excess (deficiency) before transfers.....</b>	<b>208,877</b>		<b>155,574</b>		<b>53,303</b>
<b>Transfers.....</b>	<b>41,469</b>		<b>69,231</b>		<b>(27,762)</b>
<b>Change in net position.....</b>	<b>\$ 250,346</b>	\$	<b>224,805</b>	\$	<b>25,541</b>

At the end of the current fiscal year, the Town reports \$41.1 million in net position for its combined business-type activities. Of this balance, \$27.5 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 \$250,000 in net position reported in connection with the Town's business-type activities (enterprise funds). The changes by fund are listed in the following table:

	<b>FY2013 Net Position</b>	<b>FY2012 Net Position</b>	<b>Change in Net Position</b>
<b>Net Position:</b>			
Water.....	\$ 10,722,668	\$ 10,568,839	\$ 153,829
Sewer.....	25,065,662	25,384,627	(318,965)
Transfer station.....	378,950	137,161	241,789
Widows Walk golf course.....	727,460	616,287	111,173
Waterways.....	<u>4,157,530</u>	<u>4,095,010</u>	<u>62,520</u>
 Total Net Position.....	 <u>\$ 41,052,270</u>	 <u>\$ 40,801,924</u>	 <u>\$ 250,346</u>

The water enterprise fund reported a slight increase in net position of \$154,000 (1%). Enterprise funds are budgeted to recoup 100% of the operating costs, so a 1% increase is reasonable.

The sewer enterprise fund reported a decrease in net position of \$319,000 (1%). This slight decrease was due to lower subsidy payment on Massachusetts Water Pollution Abatement Trust (MWPAT) debt.

The transfer station fund reported an increase of \$242,000 in net position. This increase was due to favorable budgetary results where revenues came in higher than budgeted and expenditures were less than budgeted.

The Widow's Walk golf course fund reported an \$111,000 (18%) increase in net position. This increase was due to expenses being lower than budgeted.

The waterway's enterprise fund reported a \$63,000 (2%) increase in net position. This slight increase was due to the decreased expenditures related to the marina expansion and dredging projects which began in 2012 and ended in 2013.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26.3 million, of which \$9.4 million is for the general fund, \$7.3 million is for community preservation fund, \$993,000 is for the affordable housing fund, and \$8.6 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$3.9 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 \$7 million, while total fund balance was \$9.4 million. As a measure of the general fund's

liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the *general fund* increased by \$834,000, which was primarily due to positive budgetary results. General fund revenues exceeded the budget by approximately \$408,000 and expenditures were less than budgeted by approximately \$1.9 million. Within the general fund in the fund financial statements, the Town also reports the activity of the Stabilization Fund and the Worker's Compensation Trust Fund which reported year end balances of approximately \$2.2 million and \$370,000, respectively.

The *Community Preservation Act Fund* had a fund balance at June 30, 2013 of \$7.3 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 by \$917,000 in fiscal year 2013. This was the net result of \$1.1 million in taxes collected, \$382,000 in state matching funds, and \$597,000 in expenditures on community preservation projects.

The *Affordable Housing Fund* had a fund balance at June 30, 2013 of \$993,000. This fund reported \$188,000 of revenue related to the sale of a foreclosed home, investment income and \$18,000 in expenditures which represent the activity of the Town's affordable housing program. This program assists qualifying homeowners with down payment programs.

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

The initial fiscal year 2013 operating budget consisted of \$60.2 million in appropriations and \$1.6 million in articles and encumbrances carried over from prior years. The increase between the original budget and the final amended budget was primarily due to supplemental appropriations to use \$2.5 million of available funds (free cash) to fund the feasibility study at Gates Middle School, complete security measures at the public schools, police and fire overtime, to create a capital stabilization fund and to cover costs associated with unprecedented weather events during fiscal year 2013. The final budget included the use of free cash (available fund balance) totaling \$1.5 million. Actual revenues came in over budget by approximately \$408,000, and actual expenditures came in under budget by approximately \$1.9 million, of this balance, the Town reserved \$2.3 million in articles and encumbrances for spending in subsequent fiscal years.

### ***Capital Asset and Debt Administration***

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

The Town's major capital additions for fiscal year 2013 included sewer infrastructure and water mains in the enterprise funds. The Town also purchased a new ambulance, made sidewalk improvements, and made security upgrades in the schools. Within the governmental activities, capital improvements totaled \$3.5 million.

The Town had \$225,000 in governmental BAN's and \$311,000 in business-type BAN's outstanding as of June 30, 2013.

Outstanding governmental long-term debt, as of June 30, 2013, totaled \$17.3 million, of which approximately \$11.4 million relates to various school construction projects, and \$859,000 relates to construction of seawalls leaving a balance of approximately \$5 million for other various projects.

The enterprise funds reported \$23 million in sewer debt, \$5.3 million in water debt, \$543,000 in transfer station debt, \$1.4 million in Widow's Walk golf course debt and \$3.5 million in waterways debt. Approximately \$1.6 million of the sewer debt is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust.

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

### ***Requests for Information***

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

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 28,932,132	\$ 6,856,686	\$ 35,788,818
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	933,769	-	933,769
Tax liens.....	1,211,568	92,729	1,304,297
Motor vehicle and other excise taxes.....	231,595	-	231,595
User fees.....	-	1,717,438	1,717,438
Departmental and other.....	200,919	-	200,919
Special assessments.....	76,947	518,000	594,947
Intergovernmental.....	627,040	888,716	1,515,756
Tax foreclosures.....	243,113	-	243,113
Inventory.....	-	55,414	55,414
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	1,331,985	1,331,985
Special assessments.....	-	6,925,831	6,925,831
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	19,655,009	9,945,330	29,600,339
Depreciable.....	50,789,782	50,150,864	100,940,646
<b>TOTAL ASSETS.....</b>	<b>102,901,874</b>	<b>78,482,993</b>	<b>181,384,867</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,683,665	658,974	2,342,639
Accrued liabilities.....	1,102,214	-	1,102,214
Tax refunds payable.....	31,000	-	31,000
Accrued interest.....	170,239	373,649	543,888
Abandoned property.....	50,243	-	50,243
Other liabilities.....	174,446	99,903	274,349
Capital lease obligations.....	-	29,150	29,150
Landfill closure.....	-	69,000	69,000
Compensated absences.....	1,429,300	93,500	1,522,800
Notes payable.....	225,000	311,000	536,000
Bonds payable.....	1,767,879	3,189,366	4,957,245
<b>NONCURRENT:</b>			
Capital lease obligations.....	-	41,567	41,567
Landfill closure.....	-	1,181,000	1,181,000
Compensated absences.....	325,314	30,824	356,138
Other postemployment benefits.....	17,149,529	794,882	17,944,411
Bonds payable.....	15,484,278	30,557,908	46,042,186
<b>TOTAL LIABILITIES.....</b>	<b>39,593,107</b>	<b>37,430,723</b>	<b>77,023,830</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	56,560,454	27,524,735	84,085,189
Restricted for:			
Permanent funds:			
Expendable.....	430,117	-	430,117
Nonexpendable.....	27,051	-	27,051
Grants and Gifts.....	8,364,230	-	8,364,230
Unrestricted.....	(2,073,085)	13,527,535	11,454,450
<b>TOTAL NET POSITION.....</b>	<b>\$ 63,308,767</b>	<b>\$ 41,052,270</b>	<b>\$ 104,361,037</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,791,027	\$ 685,283	\$ 343,187	\$ -	\$ (2,762,557)
Public safety.....	11,893,978	1,436,056	146,289	-	(10,311,633)
Education.....	51,771,927	1,989,005	14,616,774	14,008	(35,152,140)
Public works.....	6,166,961	497,826	66,000	562,853	(5,040,282)
Human services.....	1,125,471	83,797	37,028	-	(1,004,646)
Culture and recreation.....	2,015,558	408,533	11,387	-	(1,595,638)
Community preservation.....	2,480	-	-	381,563	379,083
Interest.....	651,163	-	-	-	(651,163)
<b>Total Governmental Activities.....</b>	<b>77,418,565</b>	<b>5,100,500</b>	<b>15,220,665</b>	<b>958,424</b>	<b>(56,138,976)</b>
<i>Business-Type Activities:</i>					
Water.....	2,638,627	3,031,977	-	-	393,350
Sewer.....	2,735,738	1,778,510	-	188,126	(769,102)
Transfer Station.....	958,265	1,228,419	-	-	270,154
Golf.....	1,083,881	1,244,651	-	-	160,770
Waterways.....	861,637	1,013,617	1,725	-	153,705
<b>Total Business-Type Activities.....</b>	<b>8,278,148</b>	<b>8,297,174</b>	<b>1,725</b>	<b>188,126</b>	<b>208,877</b>
<b>Total Primary Government.....</b>	<b>\$ 85,696,713</b>	<b>\$ 13,397,674</b>	<b>\$ 15,222,390</b>	<b>\$ 1,146,550</b>	<b>\$ (55,930,099)</b>

(Continued)

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b><u>(56,138,976)</u></b>	<b><u>208,877</u></b>	<b><u>(55,930,099)</u></b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	47,975,280	-	47,975,280.00
Tax liens.....	27,344	-	27,344.00
Motor vehicle and other excise taxes.....	2,530,107	-	2,530,107.00
Community preservation tax.....	1,105,543	-	1,105,543.00
Penalties and interest on taxes.....	447,439	-	447,439.00
Grants and contributions not restricted to specific programs.....	1,806,527	-	1,806,527.00
Unrestricted investment income.....	55,527	-	55,527.00
Miscellaneous.....	576,098	-	576,098.00
<i>Transfers, net</i> .....	<u>(41,469)</u>	<u>41,469</u>	<u>-</u>
Total general revenues and transfers.....	<u>54,482,396</u>	<u>41,469</u>	<u>54,523,865</u>
Change in net position.....	(1,656,580)	250,346	(1,406,234)
<i>Net Position:</i>			
Beginning of year.....	<u>64,965,347</u>	<u>40,801,924</u>	<u>105,767,271</u>
End of year..... \$	<u><u>63,308,767</u></u>	<u><u>41,052,270</u></u>	<u><u>104,361,037</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2013

<b>ASSETS</b>	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments.....	\$ 11,312,863	\$ 7,010,690	\$ 992,737	\$ 9,615,842	\$ 28,932,132
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	921,057	12,712	-	-	933,769
Tax liens.....	1,190,189	21,379	-	-	1,211,568
Motor vehicle and other excise taxes.....	231,595	-	-	-	231,595
Departmental and other.....	200,919	-	-	-	200,919
Special assessments.....	65,245	-	-	11,702	76,947
Intergovernmental.....	-	293,000	-	334,040	627,040
Tax foreclosures.....	243,113	-	-	-	243,113
<b>TOTAL ASSETS.....</b>	<b>\$ 14,164,981</b>	<b>\$ 7,337,781</b>	<b>\$ 992,737</b>	<b>\$ 9,961,584</b>	<b>\$ 32,457,083</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 911,550	\$ 10,625	\$ -	\$ 761,490	\$ 1,683,665
Accrued liabilities.....	1,102,214	-	-	-	1,102,214
Tax refunds payable.....	31,000	-	-	-	31,000
Abandoned property.....	50,243	-	-	-	50,243
Deferred revenues.....	2,528,117	34,092	-	345,741	2,907,950
Unearned revenue.....	174,446	-	-	-	174,446
Notes payable.....	-	-	-	225,000	225,000
<b>TOTAL LIABILITIES.....</b>	<b>4,797,570</b>	<b>44,717</b>	<b>-</b>	<b>1,332,231</b>	<b>6,174,518</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	27,051	27,051
Restricted.....	84,518	7,293,064	992,737	8,779,510	17,149,829
Committed.....	959,038	-	-	-	959,038
Assigned.....	1,308,703	-	-	-	1,308,703
Unassigned.....	7,015,152	-	-	(177,208)	6,837,944
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>9,367,411</b>	<b>7,293,064</b>	<b>992,737</b>	<b>8,629,353</b>	<b>26,282,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 14,164,981</b>	<b>\$ 7,337,781</b>	<b>\$ 992,737</b>	<b>\$ 9,961,584</b>	<b>\$ 32,457,083</b>

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....		\$ 26,282,565
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		70,444,791
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		2,907,950
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(170,239)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(17,252,157)	
Postemployment benefits.....	(17,149,529)	
Compensated absences.....	<u>(1,754,614)</u>	
Net effect of reporting long-term liabilities.....		<u>(36,156,300)</u>
Net position of governmental activities.....		<u>\$ 63,308,767</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Community Preservation	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 47,666,579	\$ -	\$ -	\$ -	\$ 47,666,579
Motor vehicle and other excise taxes.....	2,449,218	-	-	-	2,449,218
Penalties and interest.....	348,212	3,753	-	-	351,965
Fees.....	1,338,592	-	-	-	1,338,592
Licenses and permits.....	637,653	-	-	242,790	880,443
Fines and forfeitures.....	95,779	-	-	-	95,779
Intergovernmental.....	14,221,002	381,581	-	3,083,102	17,685,685
Departmental and other.....	267,798	-	188,293	3,286,390	3,742,481
Community Preservation surtax.....	-	1,108,110	-	-	1,108,110
Contributions.....	-	-	-	197,296	197,296
Investment income.....	38,353	20,969	1,792	15,402	76,516
<b>TOTAL REVENUES.....</b>	<b>67,063,186</b>	<b>1,514,413</b>	<b>190,085</b>	<b>6,824,980</b>	<b>75,592,664</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,402,369	-	17,640	351,666	2,771,675
Public safety.....	8,020,373	-	-	384,218	8,404,591
Education.....	31,186,793	-	-	5,174,870	36,361,663
Public works.....	4,157,928	-	-	1,574,861	5,732,789
Human services.....	530,629	-	-	87,804	618,433
Culture and recreation.....	1,081,660	-	-	412,996	1,494,656
Community preservation.....	-	597,218	-	-	597,218
Pension benefits.....	10,963,813	-	-	-	10,963,813
Employee benefits.....	5,730,351	-	-	65,016	5,795,367
State and county charges.....	445,762	-	-	-	445,762
Debt service:					
Principal.....	1,413,858	-	-	-	1,413,858
Interest.....	488,798	-	-	-	488,798
<b>TOTAL EXPENDITURES.....</b>	<b>66,422,334</b>	<b>597,218</b>	<b>17,640</b>	<b>8,051,431</b>	<b>75,088,623</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>640,852</b>	<b>917,195</b>	<b>172,445</b>	<b>(1,226,451)</b>	<b>504,041</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	-	3,403,000	3,403,000
Transfers in.....	940,174	-	-	-	940,174
Transfers out.....	(746,994)	-	-	(234,649)	(981,643)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>193,180</b>	<b>-</b>	<b>-</b>	<b>3,168,351</b>	<b>3,361,531</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>834,032</b>	<b>917,195</b>	<b>172,445</b>	<b>1,941,900</b>	<b>3,865,572</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>8,533,379</b>	<b>6,375,869</b>	<b>820,292</b>	<b>6,687,453</b>	<b>22,416,993</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,367,411</b>	<b>\$ 7,293,064</b>	<b>\$ 992,737</b>	<b>\$ 8,629,353</b>	<b>\$ 26,282,565</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds.....		\$ 3,865,572
<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.....	3,521,008	
Depreciation expense.....	<u>(3,309,427)</u>	
Net effect of reporting capital assets.....		211,581
<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>		
		210,790
<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 position. 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.....	(3,403,000)	
Debt service principal payments.....	<u>1,413,858</u>	
Net effect of reporting long-term debt.....		(1,989,142)
<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.....	13,260	
Net change in accrued interest on long-term debt.....	(162,365)	
Net change in postemployment benefit accrual.....	<u>(3,806,276)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,955,381)</u>
Change in net position of governmental activities.....		\$ <u><u>(1,656,580)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....\$	1,889,547	2,702,985	813,265	146,079	1,304,810	6,856,686
Receivables, net of allowance for uncollectibles:						
User fees.....	1,232,947	484,491	-	-	-	1,717,438
Water and sewer liens.....	35,432	57,297	-	-	-	92,729
Special assessments.....	-	518,000	-	-	-	518,000
Intergovernmental.....	-	888,716	-	-	-	888,716
Inventory.....	-	-	-	55,414	-	55,414
Total current assets.....	<u>3,157,926</u>	<u>4,651,489</u>	<u>813,265</u>	<u>201,493</u>	<u>1,304,810</u>	<u>10,128,983</u>
<b>NONCURRENT:</b>						
Receivables, net of allowance for uncollectibles:						
Intergovernmental.....	-	1,331,985	-	-	-	1,331,985
Special assessments.....	-	6,925,831	-	-	-	6,925,831
Capital assets, net of accumulated depreciation:						
Nondepreciable.....	411,673	5,858,657	-	-	3,675,000	9,945,330
Depreciable.....	12,912,385	30,629,067	1,539,004	2,216,232	2,854,176	50,150,864
Total noncurrent assets.....	<u>13,324,058</u>	<u>44,745,540</u>	<u>1,539,004</u>	<u>2,216,232</u>	<u>6,529,176</u>	<u>68,354,010</u>
<b>TOTAL ASSETS.....</b>	<u><b>16,481,984</b></u>	<u><b>49,397,029</b></u>	<u><b>2,352,269</b></u>	<u><b>2,417,725</b></u>	<u><b>7,833,986</b></u>	<u><b>78,482,993</b></u>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	56,607	516,415	55,635	11,376	18,941	658,974
Accrued interest.....	56,661	249,251	7,141	17,975	42,621	373,649
Other liabilities.....	-	-	-	99,903	-	99,903
Capital lease obligations.....	-	-	-	29,150	-	29,150
Landfill closure.....	-	-	69,000	-	-	69,000
Compensated absences.....	32,700	29,200	16,500	-	15,100	93,500
Notes payable.....	-	311,000	-	-	-	311,000
Bonds payable.....	525,736	1,941,630	57,000	330,000	335,000	3,189,366
Total current liabilities.....	<u>671,704</u>	<u>3,047,496</u>	<u>205,276</u>	<u>488,404</u>	<u>411,662</u>	<u>4,824,542</u>
<b>NONCURRENT:</b>						
Capital lease obligations.....	-	-	-	41,567	-	41,567
Landfill closure.....	-	-	1,181,000	-	-	1,181,000
Compensated absences.....	11,584	4,456	7,583	-	7,201	30,824
Other postemployment benefits.....	325,762	172,773	93,460	80,294	122,593	794,882
Bonds payable.....	4,750,266	21,106,642	486,000	1,080,000	3,135,000	30,557,908
Total noncurrent liabilities.....	<u>5,087,612</u>	<u>21,283,871</u>	<u>1,768,043</u>	<u>1,201,861</u>	<u>3,264,794</u>	<u>32,606,181</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>5,759,316</b></u>	<u><b>24,331,367</b></u>	<u><b>1,973,319</b></u>	<u><b>1,690,265</b></u>	<u><b>3,676,456</b></u>	<u><b>37,430,723</b></u>
<b>NET POSITION</b>						
Net investment in capital assets.....	8,675,704	13,846,900	999,504	735,515	3,267,112	27,524,735
Unrestricted.....	2,046,964	11,218,762	(620,554)	(8,055)	890,418	13,527,535
<b>TOTAL NET POSITION (DEFICITS).....</b>	<u><b>\$ 10,722,668</b></u>	<u><b>\$ 25,065,662</b></u>	<u><b>\$ 378,950</b></u>	<u><b>\$ 727,460</b></u>	<u><b>\$ 4,157,530</b></u>	<u><b>\$ 41,052,270</b></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>OPERATING REVENUES:</b>						
Charges for services .....	\$ 3,010,554	\$ 1,448,559	\$ 1,225,957	\$ 1,244,218	\$ 864,324	\$ 7,793,612
Penalties and interest.....	17,663	323,854	-	-	-	341,517
Other.....	-	-	-	-	146,013	146,013
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,028,217</b>	<b>1,772,413</b>	<b>1,225,957</b>	<b>1,244,218</b>	<b>1,010,337</b>	<b>8,281,142</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration .....	1,979,084	1,063,488	861,183	829,869	408,423	5,142,047
Depreciation.....	493,014	886,855	73,457	186,047	303,690	1,943,063
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,472,098</b>	<b>1,950,343</b>	<b>934,640</b>	<b>1,015,916</b>	<b>712,113</b>	<b>7,085,110</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>556,119</b>	<b>(177,930)</b>	<b>291,317</b>	<b>228,302</b>	<b>298,224</b>	<b>1,196,032</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income/(loss).....	3,760	6,097	2,462	433	3,280	16,032
Interest expense.....	(166,529)	(785,395)	(23,625)	(67,965)	(149,524)	(1,193,038)
Intergovernmental.....	-	188,126	-	-	-	188,126
Capital contributions.....	-	-	-	-	1,725	1,725
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(162,769)</b>	<b>(591,172)</b>	<b>(21,163)</b>	<b>(67,532)</b>	<b>(144,519)</b>	<b>(987,155)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>393,350</b>	<b>(769,102)</b>	<b>270,154</b>	<b>160,770</b>	<b>153,705</b>	<b>208,877</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	646,994	100,000	-	-	746,994
Transfers out.....	(239,521)	(196,857)	(128,365)	(49,597)	(91,185)	(705,525)
<b>TOTAL TRANSFERS.....</b>	<b>(239,521)</b>	<b>450,137</b>	<b>(28,365)</b>	<b>(49,597)</b>	<b>(91,185)</b>	<b>41,469</b>
<b>CHANGE IN NET POSITION.....</b>	<b>153,829</b>	<b>(318,965)</b>	<b>241,789</b>	<b>111,173</b>	<b>62,520</b>	<b>250,346</b>
<b>NET POSITION (DEFICITS) AT BEGINNING OF YEAR....</b>	<b>10,568,839</b>	<b>25,384,627</b>	<b>137,161</b>	<b>616,287</b>	<b>4,095,010</b>	<b>40,801,924</b>
<b>NET POSITION (DEFICITS) AT END OF YEAR..... \$</b>	<b>10,722,668</b>	<b>25,065,662</b>	<b>378,950</b>	<b>727,460</b>	<b>4,157,530</b>	<b>41,052,270</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

Business-type Activities - Enterprise Funds						
	Water	Sewer	Transfer Station	Widow's Walk Golf Course	Waterways	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 2,780,883	\$ 1,750,139	\$ 1,225,957	\$ 1,244,218	\$ 1,010,337	\$ 8,011,534
Payments to vendors.....	(1,469,274)	(603,810)	(688,582)	(674,821)	(136,117)	(3,572,604)
Payments to employees.....	(700,889)	(416,570)	(203,310)	(170,212)	(240,914)	(1,731,895)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>610,720</b>	<b>729,759</b>	<b>334,065</b>	<b>399,185</b>	<b>633,306</b>	<b>2,707,035</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	646,994	100,000	-	-	746,994
Transfers out.....	(239,521)	(196,857)	(128,365)	(49,597)	(91,185)	(705,525)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(239,521)</b>	<b>450,137</b>	<b>(28,365)</b>	<b>(49,597)</b>	<b>(91,185)</b>	<b>41,469</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes.....	328,500	3,050,468	-	-	-	3,378,968
Acquisition and construction of capital assets.....	(780,201)	(2,712,571)	(105,471)	(35,079)	(59,148)	(3,692,470)
Principal payments on bonds and notes.....	(388,000)	(1,257,208)	(57,000)	(320,000)	(335,000)	(2,357,208)
Interest expense.....	(179,249)	(583,688)	(24,417)	(71,432)	(153,986)	(1,012,772)
Capital contributions.....	-	663,816	-	-	1,725	665,541
Capital lease payments.....	-	-	-	5,689	-	5,689
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,018,950)</b>	<b>(839,183)</b>	<b>(186,888)</b>	<b>(420,822)</b>	<b>(546,409)</b>	<b>(3,012,252)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income/(loss).....	3,760	6,097	2,462	433	3,280	16,032
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(643,991)</b>	<b>346,810</b>	<b>121,274</b>	<b>(70,801)</b>	<b>(1,008)</b>	<b>(247,716)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>2,533,538</b>	<b>2,356,175</b>	<b>691,991</b>	<b>216,880</b>	<b>1,305,818</b>	<b>7,104,402</b>
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....</b>	<b>\$ 1,889,547</b>	<b>\$ 2,702,985</b>	<b>\$ 813,265</b>	<b>\$ 146,079</b>	<b>\$ 1,304,810</b>	<b>\$ 6,856,686</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 556,119	\$ (177,930)	\$ 291,317	\$ 228,302	\$ 298,224	\$ 1,196,032
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	493,014	886,855	73,457	186,047	303,690	1,943,063
Changes in assets and liabilities:						
Water and sewer liens.....	(7,024)	(6,194)	-	-	-	(13,218)
User fees.....	(240,310)	(16,080)	-	-	-	(256,390)
Inventory.....	-	-	-	(9,722)	-	(9,722)
Warrants payable.....	(263,884)	(963)	6,883	(8,171)	5,283	(260,852)
Other postemployment benefits.....	72,302	38,346	20,743	17,821	27,209	176,421
Accrued liabilities.....	-	-	-	(15,092)	-	(15,092)
Landfill closure.....	-	-	(62,000)	-	-	(62,000)
Accrued compensated absences.....	503	5,725	3,665	-	(1,100)	8,793
Total adjustments.....	54,601	907,689	42,748	170,883	335,082	1,511,003
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 610,720</b>	<b>\$ 729,759</b>	<b>\$ 334,065</b>	<b>\$ 399,185</b>	<b>\$ 633,306</b>	<b>\$ 2,707,035</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Amortization of debt premium.....	\$ 15,721	\$ -	\$ -	\$ -	\$ -	\$ 15,721
Intergovernmental subsidy of debt service.....	\$ -	\$ 500,352	\$ -	\$ -	\$ -	\$ 500,352

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds	Other Postemployment Benefits Fund
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 252,835	\$ 784,092	\$ 209,220
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	55,518	-
<b>TOTAL ASSETS</b> .....	<u>252,835</u>	<u>839,610</u>	<u>209,220</u>
<b>LIABILITIES</b>			
Warrants payable.....	-	32,696	-
Liabilities due depositors.....	-	796,647	-
Other liabilities.....	-	30,000	-
Deferred revenue.....	-	55,518	-
<b>TOTAL LIABILITIES</b> .....	<u>-</u>	<u>914,861</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for OPEB and other purposes.....	<u>\$ 252,835</u>	<u>\$ -</u>	<u>\$ 209,220</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Other Postemployment Benefits Fund</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer.....	\$ -	\$ 208,900
Net investment income (loss):		
Interest.....	269	320
TOTAL ADDITIONS.....	<u>269</u>	<u>209,220</u>
<u>DEDUCTIONS:</u>		
Educational scholarships.....	<u>22,825</u>	<u>-</u>
CHANGE IN NET POSITION.....	(22,556)	209,220
NET POSITION AT BEGINNING OF YEAR.....	<u>275,391</u>	<u>-</u>
NET POSITION AT END OF YEAR.....	<u>\$ 252,835</u>	<u>\$ 209,220</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 position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

#### *Government-Wide and Fund Financial Statements*

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

#### ***Real Estate Taxes, Personal Property Taxes and Tax Liens***

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

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

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

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

#### ***Motor Vehicle and Other Excise Taxes***

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

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

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

#### ***User Fees***

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

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

#### ***Departmental and Other***

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

#### ***Special Assessments***

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

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

#### ***Intergovernmental***

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

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

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

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

*Governmental Fund Financial Statements*

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

#### H. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

#### I. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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.

#### J. 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 position. 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.

### K. 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.

### L. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

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

Net position has 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.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### M. 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 position. 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.

#### N. 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).

#### O. 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.

## P. 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.

## Q. Individual Fund Deficits

An individual fund deficit exists in the Highway Improvements fund and School Lunch fund. These deficits will be funded through grants and available funds in the future fiscal years.

## R. 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 \$33,500,136 and the bank balance totaled \$34,635,638. Of the bank balance, \$1,750,014 was covered by Federal Depository Insurance, \$6,138,365 was covered by the Depositors Insurance Fund, \$13,473,864 was collateralized, and \$13,273,395 was uninsured and uncollateralized.

### Investments

As of June 30, 2013, the Town's investments consisted solely of its investment with MMDT in the amount of \$3,534,829. 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's investment policy requires the Treasurer to review, on a quarterly basis, the Call Reports and/or the Uniform Bank Performance Report of any institution, conducting business with the Town, receiving a "Yellow" classification or receiving less than three stars on the previous quarter's Veribanc report. As of June 30, 2013, 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's investment policy limits investment maturities to seven years maintaining an average maturity no greater than three years for the portfolio.

### Credit Risk

The Town's investment policy limits investing in corporate debt to a rating of "A" or better by either S&P or Moody's rating services. 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's investment policy allows the treasurer to invest an unlimited amount in MMDT, US Treasury Obligations, US Agency Obligations or bank accounts and CD's with final maturity no greater than one year from date of purchase and they are fully collateralized or covered by FDIC, DIF or SIF insurance. The Treasurer may invest in uninsured or unsecured bank accounts or CD's with a maturity of no greater than one year from the date of purchase, however the uninsured portion at any one institution cannot exceed 5% of the institution's total deposits reflected on the bank's last filed FDIC Call Report and no more than 35% of the Town's funds may be held in uninsured accounts.

**NOTE 3 – RECEIVABLES**

At June 30, 2013, receivables for the individual major governmental funds, nonmajor governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 998,064	\$ (64,295)	\$ 933,769
Tax liens.....	1,211,568	-	1,211,568
Motor vehicle and other excise taxes.....	544,223	(312,628)	231,595
Departmental and other.....	830,334	(629,415)	200,919
Special assessments.....	76,947	-	76,947
Intergovernmental.....	627,040	-	627,040
Total.....	<u>\$ 4,288,176</u>	<u>\$ (1,006,338)</u>	<u>\$ 3,281,838</u>

At June 30, 2013, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,717,438	\$ -	\$ 1,717,438
Water and sewer liens.....	92,729	-	92,729
Special assessments.....	518,000	-	518,000
Intergovernmental.....	888,716	-	888,716
Total.....	<u>\$ 3,216,883</u>	<u>\$ -</u>	<u>\$ 3,216,883</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....	\$ 577,392	\$ 21,379	\$ -	\$ 598,771
Tax liens.....	1,209,853	-	-	1,209,853
Motor vehicle and other excise taxes.....	231,595	-	-	231,595
Departmental and other.....	200,919	12,713	-	213,632
Special assessments.....	65,245	-	11,702	76,947
Intergovernmental.....	-	-	334,039	334,039
Tax foreclosures.....	243,113	-	-	243,113
Total.....	<u>\$ 2,528,117</u>	<u>\$ 34,092</u>	<u>\$ 345,741</u>	<u>\$ 2,907,950</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 18,813,593	\$ 20,000	\$ -	\$ 18,833,593
Construction in progress.....	2,009,717	459,604	(1,647,905)	821,416
Total capital assets not being depreciated.....	<u>20,823,310</u>	<u>479,604</u>	<u>(1,647,905)</u>	<u>19,655,009</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,077,222	593,629	-	6,670,851
Buildings and building improvements.....	42,339,544	383,419	-	42,722,963
Machinery and equipment.....	11,035,907	1,086,609	-	12,122,516
Infrastructure.....	20,673,993	1,742,287	-	22,416,280
Vehicles.....	3,268,765	883,365	-	4,152,130
Total capital assets being depreciated.....	<u>83,395,431</u>	<u>4,689,309</u>	<u>-</u>	<u>88,084,740</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,275,827)	(269,241)	-	(1,545,068)
Buildings and building improvements.....	(10,595,422)	(1,264,185)	-	(11,859,607)
Machinery and equipment.....	(9,317,400)	(587,743)	-	(9,905,143)
Infrastructure.....	(10,176,170)	(824,603)	-	(11,000,773)
Vehicles.....	(2,620,712)	(363,655)	-	(2,984,367)
Total accumulated depreciation.....	<u>(33,985,531)</u>	<u>(3,309,427)</u>	<u>-</u>	<u>(37,294,958)</u>
Total capital assets being depreciated, net.....	<u>49,409,900</u>	<u>1,379,882</u>	<u>-</u>	<u>50,789,782</u>
Total governmental activities capital assets, net.....	<u>\$ 70,233,210</u>	<u>\$ 1,859,486</u>	<u>\$ (1,647,905)</u>	<u>\$ 70,444,791</u>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 414,300	\$ 272,070	\$ (274,697)	\$ 411,673
Total capital assets not being depreciated.....	414,300	272,070	(274,697)	411,673
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	9,500	-	-	9,500
Machinery and equipment.....	256,621	185,947	-	442,568
Vehicles.....	321,893	31,288	-	353,181
Infrastructure.....	23,362,037	384,954	-	23,746,991
Total capital assets being depreciated.....	23,950,051	602,189	-	24,552,240
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(2,498)	(241)	-	(2,739)
Machinery and equipment.....	(182,795)	(20,873)	-	(203,668)
Vehicles.....	(194,376)	(25,158)	-	(219,534)
Infrastructure.....	(10,767,172)	(446,742)	-	(11,213,914)
Total accumulated depreciation.....	(11,146,841)	(493,014)	-	(11,639,855)
Total capital assets being depreciated, net.....	12,803,210	109,175	-	12,912,385
Total business-type activities capital assets, net.....	\$ 13,217,510	\$ 381,245	\$ (274,697)	\$ 13,324,058

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 3,351,607	\$ 2,519,467	\$ (12,417)	\$ 5,858,657
Total capital assets not being depreciated.....	<u>3,351,607</u>	<u>2,519,467</u>	<u>(12,417)</u>	<u>5,858,657</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	20,200	-	-	20,200
Machinery and equipment.....	352,000	12,417	-	364,417
Vehicles.....	203,100	26,237	-	229,337
Infrastructure.....	42,850,105	68,759	-	42,918,864
Total capital assets being depreciated.....	<u>43,425,405</u>	<u>107,413</u>	<u>-</u>	<u>43,532,818</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(4,545)	(1,011)	-	(5,556)
Machinery and equipment.....	(91,520)	(1,320)	-	(92,840)
Vehicles.....	(193,677)	(6,393)	-	(200,070)
Infrastructure.....	(11,727,154)	(878,131)	-	(12,605,285)
Total accumulated depreciation.....	<u>(12,016,896)</u>	<u>(886,855)</u>	<u>-</u>	<u>(12,903,751)</u>
Total capital assets being depreciated, net.....	<u>31,408,509</u>	<u>(779,442)</u>	<u>-</u>	<u>30,629,067</u>
Total business-type activities capital assets, net.....	<u>\$ 34,760,116</u>	<u>\$ 1,740,025</u>	<u>\$ (12,417)</u>	<u>\$ 36,487,724</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Transfer Station:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 2,002,858	\$ -	\$ -	\$ 2,002,858
Machinery and equipment.....	685,641	105,471	-	791,112
Vehicles.....	17,585	-	-	17,585
Total capital assets being depreciated.....	<u>2,706,084</u>	<u>105,471</u>	<u>-</u>	<u>2,811,555</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(613,550)	(50,470)	-	(664,020)
Machinery and equipment.....	(568,078)	(22,987)	-	(591,065)
Vehicles.....	(17,466)	-	-	(17,466)
Total accumulated depreciation.....	<u>(1,199,094)</u>	<u>(73,457)</u>	<u>-</u>	<u>(1,272,551)</u>
Total capital assets being depreciated, net.....	<u>1,506,990</u>	<u>32,014</u>	<u>-</u>	<u>1,539,004</u>
Total business-type activities capital assets, net.....	<u>\$ 1,506,990</u>	<u>\$ 32,014</u>	<u>\$ -</u>	<u>\$ 1,539,004</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Widows Walk Golf Course:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 3,160,144	\$ -	\$ -	\$ 3,160,144
Buildings and building improvements.....	932,860	-	-	932,860
Machinery and equipment.....	1,883,077	35,079	-	1,918,156
Total capital assets being depreciated.....	5,976,081	35,079	-	6,011,160
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(460,695)	(107,866)	-	(568,561)
Buildings and building improvements.....	(1,444,911)	(32,155)	-	(1,477,066)
Machinery and equipment.....	(1,703,275)	(46,026)	-	(1,749,301)
Total accumulated depreciation.....	(3,608,881)	(186,047)	-	(3,794,928)
Total capital assets being depreciated, net.....	2,367,200	(150,968)	-	2,216,232
Total business-type activities capital assets, net.....	\$ 2,367,200	\$ (150,968)	\$ -	\$ 2,216,232
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Waterways:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,675,000	\$ -	\$ -	\$ 3,675,000
Construction in progress.....	437,500	-	(437,500)	-
Total capital assets not being depreciated.....	4,112,500	-	(437,500)	3,675,000
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,552,409	9,149	-	2,561,558
Buildings and building improvements.....	560,060	437,500	-	997,560
Machinery and equipment.....	3,219,176	-	-	3,219,176
Total capital assets being depreciated.....	6,331,645	446,649	-	6,778,294
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,595,423)	(268,883)	-	(1,864,306)
Buildings and building improvements.....	(1,834,593)	(18,195)	-	(1,852,788)
Machinery and equipment.....	(190,412)	(16,612)	-	(207,024)
Total accumulated depreciation.....	(3,620,428)	(303,690)	-	(3,924,118)
Total capital assets being depreciated, net.....	2,711,217	142,959	-	2,854,176
Total business-type activities capital assets, net.....	\$ 6,823,717	\$ 142,959	\$ (437,500)	\$ 6,529,176

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

**Governmental Activities:**

General government.....	\$	122,266
Public safety.....		246,179
Education.....		1,471,470
Public works.....		1,191,607
Human services.....		25,221
Culture and recreation.....		<u>252,684</u>

Total depreciation expense - governmental activities..... \$ 3,309,427

**Business-Type Activities:**

Water.....	\$	493,014
Sewer.....		886,855
Transfer Station.....		73,457
Widow's Walk Golf Course.....		186,047
Waterways.....		<u>303,690</u>

Total depreciation expense - business-type activities..... \$ 1,943,063

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Sewer Enterprise Fund	Transfer Station Enterprise Fund	Total
General Fund.....	\$ -	\$ 646,994	\$ 100,000	\$ 746,994
Nonmajor Governmental Funds....	234,649	-	-	234,649
Water Enterprise Fund.....	239,521	-	-	239,521
Sewer Enterprise Fund.....	196,857	-	-	196,857
Transfer Station Fund.....	128,365	-	-	128,365
Golf Enterprise Fund.....	49,597	-	-	49,597
Waterways Enterprise Fund.....	<u>91,185</u>	<u>-</u>	<u>-</u>	<u>91,185</u>
Total.....	<u>\$ 940,174</u>	<u>\$ 646,994</u>	<u>\$ 100,000</u>	<u>\$ 1,687,168</u>

Transfers represent amounts voted to fund the fiscal year 2013 operating budget, reimbursements of indirect costs of the enterprise funds and general fund debt service, capital subsidies to the water, sewer, and transfer station enterprise funds, and budgeted appropriations to nonmajor governmental funds.

**NOTE 6 – LEASES**

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

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 350,829
Less: accumulated depreciation.....	<u>(279,012)</u>
Total.....	<u>\$ 71,817</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2013:

<u>Fiscal Years Ending June 30</u>	<u>Business-Type Activities</u>
2014.....	\$ 31,557
2015.....	22,627
2016.....	15,524
2017.....	<u>7,729</u>
Total minimum lease payments.....	77,437
Less: amounts representing interest.....	<u>(6,720)</u>
Present value of minimum lease payments.....	<u>\$ 70,717</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, 2013, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
<b>Governmental Funds</b>							
BAN	Facilities Design/Engineering Services.....	.45	09/27/13	\$ -	\$ 225,000	\$ -	\$ 225,000
<b>Enterprise Funds</b>							
BAN	Infiltration & Inflow System.....	0.16	N/A	\$ 5,389,000	\$ -	\$ 5,389,000	\$ -
BAN	Sewer Extension.....	.45	09/27/13	-	311,000	-	311,000
	Total sewer.....			\$ 5,389,000	\$ 311,000	\$ 5,389,000	\$ 311,000

Subsequent to year end the Town reissued the full \$536,000 of BANs outstanding at a rate of 0.60%. The new BAN is due on September 26, 2014.

**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, 2013, and the debt service requirements are as follows:

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
General Obligation Bonds of 2000.....	2019	\$ 123,432	4.00 - 5.00	\$ 47,994	\$ -	\$ 6,858	\$ 41,136
General Obligation Bonds of 2005.....	2025	12,279,000	3.00 - 5.00	7,861,000	-	702,000	7,159,000
General Obligation Bonds of 2008.....	2026	11,491,500	3.00 - 5.00	2,720,000	-	295,000	2,425,000
General Obligation Bonds of 2011.....	2031	3,245,470	3.00 - 5.00	2,775,000	-	410,000	2,365,000
General Obligation Bonds of 2013.....	2033	5,262,021	2.00 - 2.75	1,859,021	3,403,000	-	5,262,021
Total Governmental Bonds Payable.....				\$ 15,263,015	\$ 3,403,000	\$ 1,413,858	\$ 17,252,157

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

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,767,879	\$ 581,671	\$ 2,349,550
2015.....	1,581,856	519,014	2,100,870
2016.....	1,531,856	459,713	1,991,569
2017.....	1,486,856	405,543	1,892,399
2018.....	1,291,855	356,646	1,648,501
2019.....	1,151,855	310,884	1,462,739
2020.....	1,110,000	268,987	1,378,987
2021.....	1,090,000	229,438	1,319,438
2022.....	1,070,000	190,628	1,260,628
2023.....	1,075,000	153,311	1,228,311
2024.....	1,005,000	116,519	1,121,519
2025.....	1,005,000	80,264	1,085,264
2026.....	420,000	54,554	474,554
2027.....	265,000	41,542	306,542
2028.....	255,000	35,015	290,015
2029.....	255,000	28,417	283,417
2030.....	260,000	21,660	281,660
2031.....	250,000	14,588	264,588
2032.....	200,000	7,451	207,451
2033.....	180,000	2,473	182,473
Total.....	\$ <u>17,252,157</u>	\$ <u>3,878,318</u>	\$ <u>21,130,475</u>

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 \$1,560,438 and interest costs for \$1,203,109. Thus, net sewer enterprise loan repayments, including interest, are scheduled to be \$24,975,024. The principal subsidies are guaranteed and therefore a \$1,560,438 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2013. 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 2013 principal and interest subsidies totaled \$41,777 and \$458,575, respectively.

In prior years the Town participated in MSBA's Construction Assistance Program whereby the MSBA has reimbursed the Town annually for the State's share of the debt service related to approved School construction projects. The MSBA has prefunded the State's share of the future debt service through a lump-sum payment which has been reserved by the Town and is being used to offset the annual debt service payments related to the construction projects. The reserved balance at June 30, 2013 is \$701,095.

**Bonds and Notes Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
MWPAT CW-02-22A.....	2024	\$ 1,288,256	2.00	\$ 955,306	\$ -	\$ 71,146	\$ 884,160
MWPAT CW-04-38.....	2026	3,554,137	2.00	2,871,026	-	179,489	2,691,537
MWPAT CW-04-38-A.....	2026	929,694	2.00	784,998	-	49,076	735,922
MWPAT Pool 10.....	2021	11,253,992	2.50 - 5.25	6,140,441	-	488,722	5,651,719
MWPAT CW-02-22.....	2024	4,557,209	0.00	3,494,333	-	232,552	3,261,781
General Obligation Bonds of 2005.....	2025	3,046,000	3.00 - 5.00	1,969,000	-	153,000	1,816,000
General Obligation Bonds of 2008.....	2024	800,000	3.00 - 5.00	600,000	-	50,000	550,000
General Obligation Bonds of 2011.....	2031	1,310,041	3.00 - 5.00	1,225,000	-	75,000	1,150,000
MWPTA CWS-09-06.....	2033	348,667	2.00	348,667	-	-	348,667
General Obligation Bonds of 2013.....	2033	569,486	2.00 - 2.75	569,486	-	-	569,486
MWPAT CW-10-25.....	2033	5,389,000	2.00	-	5,389,000	-	5,389,000
Subtotal sewer bonds payable.....				18,958,257	5,389,000	1,298,985	23,048,272
General Obligation Bonds of 2005.....	2025	1,660,000	3.00 - 5.00	775,000	-	128,000	647,000
General Obligation Bonds of 2008.....	2017	50,000	3.00 - 5.00	25,000	-	5,000	20,000
General Obligation Bonds of 2011.....	2031	4,147,000	3.00 - 5.00	3,885,000	-	255,000	3,630,000
General Obligation Bonds of 2013.....	2033	855,493	2.00 - 2.75	526,993	328,500	-	855,493
Subtotal water bonds payable.....				5,211,993	328,500	388,000	5,152,493
Unamortized Premium on Bonds.....				138,524	-	15,015	123,509
Total water bonds payable.....				5,350,517	328,500	403,015	5,276,002
General Obligation Bonds of 2005.....	2025	746,000	3.00 - 5.00	470,000	-	37,000	433,000
General Obligation Bonds of 2011.....	2020	150,000	3.00 - 5.00	130,000	-	20,000	110,000
Subtotal transfer station bonds payable.....				600,000	-	57,000	543,000
General Obligation Bonds of 2004.....	2017	3,755,000	2.00 - 4.00	1,730,000	-	320,000	1,410,000
Subtotal widow's walk golf course bonds payable.....				1,730,000	-	320,000	1,410,000
General Obligation Bonds of 2005.....	2024	4,175,000	3.00 - 5.00	2,635,000	-	220,000	2,415,000
General Obligation Bonds of 2008.....	2023	564,500	3.00 - 5.00	340,000	-	45,000	295,000
General Obligation Bonds of 2011.....	2025	903,489	3.00 - 5.00	830,000	-	70,000	760,000
Subtotal waterway's bonds payable.....				3,805,000	-	335,000	3,470,000
Total Enterprise Bonds Payable.....				\$ 30,443,774	\$ 5,717,500	\$ 2,414,000	\$ 33,747,274

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>
2014.....	\$ 1,941,630	\$ 712,998	\$ 2,654,628
2015.....	1,970,142	684,418	2,654,560
2016.....	2,012,811	601,744	2,614,555
2017.....	2,063,814	521,188	2,585,002
2018.....	2,100,633	421,371	2,522,004
2019.....	2,146,318	352,858	2,499,176
2020.....	1,377,601	288,326	1,665,927
2021.....	1,370,850	241,324	1,612,174
2022.....	1,258,105	197,849	1,455,954
2023.....	1,283,295	157,058	1,440,353
2024.....	1,294,778	115,651	1,410,429
2025.....	817,587	92,430	910,017
2026.....	681,846	71,823	753,669
2027.....	391,941	60,078	452,019
2028.....	393,612	51,151	444,763
2029.....	400,428	42,143	442,571
2030.....	407,392	32,968	440,360
2031.....	409,507	23,669	433,176
2032.....	361,777	14,274	376,051
2033.....	364,205	6,978	371,183
Total.....	\$ <u>23,048,272</u>	\$ <u>4,690,299</u>	\$ <u>27,738,571</u>

**WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 511,493	\$ 184,532	\$ 696,025
2015.....	461,000	169,412	630,412
2016.....	406,000	153,197	559,197
2017.....	396,000	139,182	535,182
2018.....	371,000	125,755	496,755
2019.....	321,000	112,940	433,940
2020.....	306,000	100,775	406,775
2021.....	306,000	87,235	393,235
2022.....	276,000	73,695	349,695
2023.....	256,000	65,366	321,366
2024.....	241,000	57,119	298,119
2025.....	236,000	48,720	284,720
2026.....	180,000	40,303	220,303
2027.....	180,000	33,720	213,720
2028.....	175,000	27,131	202,131
2029.....	170,000	20,319	190,319
2030.....	170,000	13,694	183,694
2031.....	170,000	7,050	177,050
2032.....	10,000	400	10,400
2033.....	10,000	135	10,135
Total.....	\$ <u>5,152,493</u>	\$ <u>1,460,680</u>	\$ <u>6,613,173</u>

**TRANSFER STATION ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,531	37,531
Total.....	<u>\$ 543,000</u>	<u>\$ 133,405</u>	<u>\$ 676,405</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 330,000	\$ 48,563	\$ 378,563
2015.....	345,000	36,300	381,300
2016.....	360,000	22,200	382,200
2017.....	375,000	7,500	382,500
Total.....	<u>\$ 1,410,000</u>	<u>\$ 114,563</u>	<u>\$ 1,524,563</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.....	40,000	1,400	41,400
Total.....	<u>\$ 3,470,000</u>	<u>\$ 825,869</u>	<u>\$ 4,295,869</u>

At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
General.....	\$ 5,138,667
Sewer.....	738,429
Waterways.....	195,000
<b>Total.....</b>	<b>\$ 6,072,096</b>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 15,263,015	\$ 3,403,000	\$ (1,413,858)	\$ 17,252,157	\$ 1,767,879
Compensated Absences.....	1,767,874	190,769	(204,029)	1,754,614	1,429,300
Postemployment Benefits.....	13,343,253	5,731,182	(1,924,906)	17,149,529	-
<b>Total governmental activity long-term liabilities.....</b>	<b>\$ 30,374,142</b>	<b>\$ 9,324,951</b>	<b>\$ (3,542,793)</b>	<b>\$ 36,156,300</b>	<b>\$ 3,197,179</b>
<b>Business-Type Activities:</b>					
Compensated Absences.....	\$ 115,531	\$ 9,893	\$ (1,100)	\$ 124,324	\$ 93,500
Landfill Closure.....	1,312,000	72,000	(134,000)	1,250,000	69,000
Postemployment Benefits.....	618,461	265,647	(89,226)	794,882	-
Long-Term Bonds.....	30,443,774	5,717,500	(2,414,000)	33,747,274	3,189,366
Capital Lease.....	65,028	45,870	(40,181)	70,717	29,150
<b>Total business-type activity long-term liabilities.....</b>	<b>\$ 32,554,794</b>	<b>\$ 6,110,910</b>	<b>\$ (2,678,507)</b>	<b>\$ 35,987,197</b>	<b>\$ 3,381,016</b>

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

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

As of June 30, 2013, 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.....	-	7,293,064	-	-	7,293,064
Affordable Housing.....	-	-	992,737	-	992,737
Town revolving funds.....	-	-	-	3,464,774	3,464,774
Town grant funds.....	-	-	-	337,344	337,344
School revolving funds.....	-	-	-	636,556	636,556
School grant funds.....	-	-	-	542,899	542,899
Town capital projects.....	-	-	-	3,111,631	3,111,631
School capital projects.....	-	-	-	256,189	256,189
Future debt service.....	84,518	-	-	-	84,518
Permanent Trust funds.....	-	-	-	430,117	430,117
Committed to:					
General government.....	67,377	-	-	-	67,377
Public safety.....	80,183	-	-	-	80,183
Education.....	775,414	-	-	-	775,414
Public works.....	16,820	-	-	-	16,820
Human services.....	19,244	-	-	-	19,244
Assigned to:					
General government.....	169,844	-	-	-	169,844
Public safety.....	20,230	-	-	-	20,230
Education.....	371,992	-	-	-	371,992
Public works.....	675,909	-	-	-	675,909
Human services.....	14,773	-	-	-	14,773
Culture and recreation.....	3,955	-	-	-	3,955
Employee benefits.....	52,000	-	-	-	52,000
Unassigned.....	7,015,152	-	-	(177,208)	6,837,944
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 9,367,411</b>	<b>\$ 7,293,064</b>	<b>\$ 992,737</b>	<b>\$ 8,629,353</b>	<b>\$ 26,282,565</b>

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

from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund.

At year end the balance of the general stabilization fund totaled approximately \$2.2 million and is reported as unassigned fund balance within the general fund.

#### **NOTE 10 – RISK FINANCING**

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

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

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

#### **NOTE 11 – PENSION PLAN**

*Plan Description* - The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,457,000 for the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 were \$3,444,211, \$3,164,536, and \$3,118,030, 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 July 1, 2012, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	508
Current active members.....	<u>726</u>
Total.....	<u><u>1,234</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 2013, the Town contributed \$2 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.....	\$ 5,320,551
Interest on net OPEB Obligation.....	558,469
Adjustment to the ARC.....	<u>117,809</u>
Annual OPEB cost (expense).....	5,996,829
Contributions made.....	<u>(2,014,132)</u>
Increase/Decrease in net OPEB obligation.....	3,982,697
Net OPEB obligation - beginning of year.....	<u>13,961,714</u>
Net OPEB obligation - end of year.....	<u><u>\$ 17,944,411</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>
6/30/2013	\$ 5,996,829	34%	\$ 17,944,411
6/30/2012	5,368,371	37%	13,961,714
6/30/2011	5,079,506	34%	10,525,859
6/30/2010	5,317,917	31%	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>
7/1/2012	\$ -	\$ 65,117,566	\$ 65,117,566	0.00%	N/A	N/A
7/1/2010	-	53,916,330	53,916,330	0.00%	N/A	N/A
7/1/2008	-	49,580,009	49,580,009	0.00%	N/A	N/A

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

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

### NOTE 13 – LANDFILL CLOSURE COSTS

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for thirty years after the landfill cover is installed. The Town presently appropriates approximately \$69,000 per year for post-closure care costs and has recorded a liability of \$1,250,000 in the business-type activities as a result of this activity. Actual costs may change due to inflation, changes in technology, or changes in regulations.

**NOTE 14 – COMMITMENTS**

The Town has entered into a long-term contract with South Eastern Massachusetts Partnership (SEMASS) to provide solid waste disposal services. Total charges are based on a formula of tipping and transport fees with costs rising gradually through fiscal year 2023 when the contract expires. Actual expenditures under this contract for fiscal year 2013 were approximately \$273,000.

**NOTE 15 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

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

During fiscal year 2013, the following GASB pronouncements were implemented:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

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

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68.

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

FISCAL YEAR ENDED JUNE 30, 2013

	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	
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 47,498,977	\$ 47,498,977	\$ 47,862,986	\$ 47,666,579	\$ -	\$ (196,407)
Motor vehicle and other excise taxes.....	-	2,295,191	2,295,191	2,295,191	2,449,218	-	154,027
Penalties and interest on taxes.....	-	417,448	417,448	417,448	348,212	-	(69,236)
Fees and rentals.....	-	1,161,375	1,161,375	1,161,375	1,338,592	-	177,217
Licenses and permits.....	-	424,380	424,380	424,380	637,653	-	213,273
Fines and forfeitures.....	-	80,559	80,559	80,559	95,779	-	15,220
Intergovernmental.....	-	6,763,315	6,763,315	6,763,315	6,764,379	-	1,064
Departmental and other.....	-	138,047	138,047	138,047	267,798	-	129,751
Investment income.....	-	48,000	48,000	48,000	30,989	-	(17,011)
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>58,827,292</b>	<b>58,827,292</b>	<b>59,191,301</b>	<b>59,599,199</b>	<b>-</b>	<b>407,898</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	334,962	2,824,180	3,159,142	3,233,229	2,402,369	237,221	593,639
Public safety.....	46,600	7,816,517	7,863,117	8,180,317	8,020,373	100,413	59,531
Education.....	562,397	30,807,167	31,369,564	32,364,564	31,214,742	1,147,406	2,416
Public works.....	578,023	3,861,449	4,439,472	5,395,051	4,157,928	692,729	544,394
Human services.....	20,059	546,901	566,960	604,019	530,629	34,017	39,373
Culture and recreation.....	10,704	1,102,105	1,112,809	1,110,233	1,081,660	3,955	24,618
Pension benefits.....	-	68,884	68,884	3,507,190	3,507,190	-	-
Employee benefits.....	30,000	9,901,681	9,931,681	6,435,875	5,824,001	52,000	559,874
State and county charges.....	-	491,928	491,928	491,928	445,762	-	46,166
Debt service:							
Principal.....	-	1,413,858	1,413,858	1,413,858	1,413,858	-	-
Interest.....	-	633,742	633,742	633,742	616,900	-	16,842
<b>TOTAL EXPENDITURES.....</b>	<b>1,582,745</b>	<b>59,468,412</b>	<b>61,051,157</b>	<b>63,370,006</b>	<b>59,215,412</b>	<b>2,267,741</b>	<b>1,886,853</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,582,745)</b>	<b>(641,120)</b>	<b>(2,223,865)</b>	<b>(4,178,705)</b>	<b>383,787</b>	<b>(2,267,741)</b>	<b>2,294,751</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Premium from issuance of bonds.....	-	-	-	-	128,102	-	128,102
Transfers in.....	-	841,177	841,177	1,888,625	1,895,674	-	7,049
Transfers out.....	-	(746,994)	(746,994)	(896,994)	(896,994)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>94,183</b>	<b>94,183</b>	<b>991,631</b>	<b>1,126,782</b>	<b>-</b>	<b>135,151</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,582,745)</b>	<b>(546,937)</b>	<b>(2,129,682)</b>	<b>(3,187,074)</b>	<b>1,510,569</b>	<b>(2,267,741)</b>	<b>2,429,902</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>5,032,472</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (1,582,745)</b>	<b>\$ 4,485,535</b>	<b>\$ 2,902,790</b>	<b>\$ 1,845,398</b>	<b>\$ 6,543,041</b>	<b>\$ (2,267,741)</b>	<b>\$ 2,429,902</b>

See notes to basic financial statements.

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

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

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

**PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
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, 2013, is approximately 6.27%.

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	
2013	\$ 54,966,177	\$ 54,966,177	100%	\$ 3,444,211	6.27%	
2012	46,850,767	46,850,767	100%	3,164,536	6.75%	
2011	48,986,967	48,986,967	100%	3,118,030	6.37%	
2010	42,708,712	42,708,712	100%	2,758,350	6.46%	
2009	41,286,384	41,286,384	100%	2,668,512	6.46%	
2008	38,854,868	38,854,868	100%	2,464,168	6.34%	

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

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

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

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**Schedule of Funding Progress**

Actuarial Valuation Date	Value of Assets (A)	Liability (AAL) Entry Age Normal (B)	AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ -	\$ 65,117,566	\$ 65,117,566	0.00%	N/A	N/A
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
6/30/2013	\$ 5,320,551	\$ 2,014,132	37.9%
6/30/2012	5,368,371	1,890,814	35.2%
6/30/2011	5,100,217	1,735,058	34.0%
6/30/2010	5,317,917	1,670,005	31.4%
6/30/2009	5,050,918	1,517,419	30.0%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Cost, Closed
Amortization method.....	Amortization payments increasing at 4.00%
Remaining amortization period.....	30 years as of July 1, 2012
Actuarial Assumptions:	
Investment rate of return.....	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	9% in 2014 grading down 1% per year reaching the ultimate rate of 5% in 2018

Plan Membership:

Current retirees, beneficiaries, and dependents.....	508
Current active members.....	<u>726</u>
Total.....	<u><u>1,234</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 2013 approved budget for the General Fund includes \$60.2 million in current year appropriations and other amounts to be raised and \$1.6 million in encumbrances and appropriations carried over from previous fiscal years. During the fiscal year, additional appropriations were approved totaling \$2.5 million.

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, 2013, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,510,569
<u>Perspective difference:</u>	
Funds recorded in the General Fund for GAAP:	
Stabilization Fund.....	(848,443)
Workers' Compensation Fund.....	143,957
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(16,000)
Net change in recording accrued expenditures.....	27,949
Net change in recording receivables.....	16,000
Recognition of revenue for on-behalf payments.....	7,456,623
Recognition of expenditures for on-behalf payments.....	<u>(7,456,623)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 834,032</u>

**C. Appropriation Deficits**

None of the Town's expenditures exceeded appropriations for fiscal year 2013.

**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, 2013
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year
Remaining Amortization Period.....	21 years remaining as of January 1, 2013
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 determined using a 5 year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

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.....	3,228
Inactive participants.....	2,108
Disabled participants.....	360
Active participants.....	<u>5,729</u>
 Total.....	 <u><u>11,425</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.