

OFFICIAL STATEMENT DATED SEPTEMBER 13, 2005

Moody's Investors Service: Aaa
(MBIA Insured)

New Issue

In the opinion of Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

TOWN OF SCITUATE, MASSACHUSETTS
\$10,000,000 UNLIMITED TAX GENERAL OBLIGATION SCHOOL BONDS

DATED
September 15, 2005

DUE
September 15
(as shown below)

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000 or any integral multiple thereof.

Principal of the Bonds will be paid on September 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on September 15 and March 15, commencing March 15, 2006, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid and binding general obligations of the Town of Scituate, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



MATURITIES, AMOUNTS, RATES, PRICES AND/OR YIELDS, CUSIPS

Due September 15	Principal Amount	Interest Rate	Price or Yield	CUSIP # 809095	Due September 15	Principal Amount	Interest Rate	Price or Yield	CUSIP # 809095
2006	\$ 530,000	4.00 %	2.75 %	RV6	2016	\$ 525,000	3.75 %	3.70 %	SF0
2007	530,000	3.75	2.80	RW4	2017	525,000	3.75	3.80	SG8
2008	530,000	3.50	2.85	RX2	2018	525,000	4.00	3.85	SH6
2009	530,000	3.50	2.90	RY0	2019	525,000	4.00	3.90	SJ2
2010	530,000	4.50	3.00	RZ7	2020	525,000	4.00	3.95	SK9
2011	525,000	3.50	3.15	SA1	2021	525,000	4.00	100	SL7
2012	525,000	3.50	3.25	SB9	2022	525,000	4.00	4.03	SM5
2013	525,000	5.00	3.35	SC7	2023	525,000	4.00	4.07	SN3
2014	525,000	5.00	3.50	SD5	2024	525,000	4.00	4.12	SP8
2015	525,000	5.00	3.60	SE3					

The Bonds are offered subject to the final approving opinion of Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company has acted as Financial Advisor to the Town of Scituate, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to The Depository Trust Company on or about September 21, 2005, against payment in federal reserve funds.

UBS FINANCIAL SERVICES, INC.

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

SUMMARY STATEMENT

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

Date of Sale: Tuesday, September 13, 2005 at 11:00 A.M. Eastern Time.

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

Issuer: Town of Scituate, Massachusetts.

Issue: \$10,000,000 Unlimited Tax General Obligation School Bonds - Book-Entry - See "Book-Entry-Only System" herein.

Preliminary Official Statement Dated: August 31, 2005.

Dated Date of Bonds: September 15, 2005.

Principal Due: Serially on September 15, 2006 through September 15, 2024, as detailed herein.

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

Security: The Bonds are valid and binding general obligations of the Town of Scituate, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

Credit Rating: Moody's Investors Service, Inc. has assigned a rating of "Aaa" (Aa3 underlying) on the Bonds.

Bond Insurance: MBIA Insured.

Basis of Award: Lowest true interest cost (TIC) as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$70,000.**

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

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

Bank Qualification: The Bonds will not be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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

Legal Opinion: Palmer & Dodge LLP, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 21, 2005, against payment in Federal Reserve Funds.

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

Additional information concerning the Town of Scituate and the Bonds is contained in the Preliminary Official Statement dated August 31, 2005. The Preliminary Official Statement is provided for informational purposes only. Such Preliminary Official Statement is deemed final except for the omission of the reoffering price(s), interest rate(s), delivery date, and any other terms of the Bonds depending on such matters. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 100 copies of the Final Official Statement will be available from First Southwest Company for use in reoffering the Bonds.

NOTICE OF SALE

TOWN OF SCITUATE, MASSACHUSETTS
\$10,000,000 UNLIMITED TAX GENERAL OBLIGATION SCHOOL BONDS
BOOK-ENTRY-ONLY

SEALED OR ELECTRONIC (as described below) PROPOSALS will be received by the Treasurer of the Town of Scituate, Massachusetts, until 11:00 a.m. Eastern Time on Tuesday, September 13, 2005, for the purchase of the following described Bonds of the Town ("the Bonds"):

\$10,000,000 UNLIMITED TAX GENERAL OBLIGATION SCHOOL BONDS, payable on September 15 in the years and amounts as follows:

<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>
2006	\$ 530,000	2016	\$ 525,000
2007	530,000	2017	525,000
2008	530,000	2018	525,000
2009	530,000	2019	525,000
2010	530,000	2020	525,000
2011	525,000	2021	525,000
2012	525,000	2022	525,000
2013	525,000	2023	525,000
2014	525,000	2024	525,000
2015	525,000		

The Bonds will be dated September 15, 2005. Principal of the Bonds will be payable on September 15 of the years in which the Bonds mature. Interest will be payable semiannually on September 15 and March 15, commencing March 15, 2006.

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

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

Bonds maturing on or prior to September 15, 2015 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after September 15, 2016 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 15, 2015, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

For Bonds maturing on and after September 15, 2016, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

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

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than three percent. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$70,000.** The bid should reflect the premium required plus accrued interest.

As between proposals, which comply with this Notice, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of September 15, 2005, discounts semiannually all future payments of principal of and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Paul G. Donlan, Treasurer, Town of Scituate, Massachusetts, c/o First Southwest Company, 54 Canal Street, Suite 320 Boston, Massachusetts 02114 or,
- (b) Electronically via PARITY in accordance with this Notice of Sale. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact the Financial Advisor to the Town or Dalcomp at 40 West 23rd Street, Fifth Floor, New York, New York 10010, telephone (212) 404-8102.

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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated August 31, 2005; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds referred to below do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

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

Additional information concerning the Town of Scituate and the Bonds is contained in the Preliminary Official Statement dated August 31, 2005, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only, and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (telephone: 617-619-4400). Within seven business days following award of the Bonds in accordance herewith and receipt of necessary information from the successful bidder, 100 copies of

the Final Official Statement will be available from First Southwest Company to the successful bidder for use in reoffering the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code"). Accordingly, in the opinion of Bond Counsel, a deduction will not be allowed to a financial institution for any of its interest expense allocable to the Bonds.

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

The Bonds in definitive form will be delivered to The Depository Trust Company on or about September 21, 2005, against payment in federal reserve funds.

TOWN OF SCITUATE, MASSACHUSETTS
/s/ Paul G. Donlan, Treasurer

August 31, 2005

OFFICIAL STATEMENT

TOWN OF SCITUATE, MASSACHUSETTS \$10,000,000 UNLIMITED TAX GENERAL OBLIGATION SCHOOL BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Scituate, Massachusetts (the "Town"), in connection with the sale of \$10,000,000 aggregate principal amount of its Unlimited Tax General Obligation School Bonds, referred to herein as the "Bonds." The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

The Bonds are being offered for sale at public bidding on Tuesday, September 13, 2005, and a Notice of Sale dated August 31, 2005, has been furnished to prospective bidders, containing terms and conditions for bidding.

The Bonds will be general obligations of the Town of Scituate for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "Security and Remedies," below.

THE BONDS

Description of the Bonds

The Bonds will be dated September 15, 2005 and will bear interest payable semiannually on September 15 and March 15 of each year until maturity, commencing March 15, 2006, at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated August 31, 2005. The Bonds shall mature on September 15 of the years and in the principal amounts as set forth on the cover page hereof.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof will be evidenced by the book-entry system with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of the beneficial owners. The Town will not be responsible or liable for maintaining, supervising, or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

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

The Bonds are subject to redemption as described below.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to September 15, 2015 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after September 15, 2016 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 15, 2015, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

If the successful bidder designates principal amounts of the Bonds to be combined into one or two Term Bonds (which may be done only for principal amounts in consecutive years and only for the years after 2015, each such Term Bond shall be subject to mandatory redemption commencing on September 15 of the first year which has been combined to form such Term Bond and continuing on September 15 on each year thereafter until the stated maturity date of that Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule on the cover page of this Official Statement. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

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

Book-Entry-Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other Securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond and note certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct

Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other name as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Town subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee or may be requested by an authorized representative of DTC) is the responsibility of the Town or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

Record Date

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

Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, statutory authorizations and dates of Town approval for the current offering of Bonds:

\$10,000,000 School – Authorized pursuant to Chapter 44, Section 7 of the Massachusetts General Laws, as amended, and votes of the Town passed November 9, 1998 (Article 8), February 14, 2000 (Article 1) and March 5, 2005 (Article 2) in the total amounts of \$28,340,000, \$3,000,000 and \$300,319, respectively for renovations to the High School and construction of a new elementary school. On December 5, 1998, the Town voted to exempt the principal and interest on bonds and notes for the school projects from the limitations of Proposition 2 ½.

On March 1, 2005, the Town received an initial school construction grant payment from the Massachusetts School Building Authority in the amount of \$14,683,288 representing approximately 75% of the total grants receivable in connection with the Town's school construction projects. The Town used such grant, together with \$712 of revenue funds, to pay \$14,684,000 bond anticipation notes previously issued for the projects on March 3, 2005. The Town currently has \$16,956,319 bond anticipation notes due September 21, 2005 outstanding with respect to the projects, of which \$6,621,000 was originally issued March 8, 2001, \$10,035,000 was originally issued March 8, 2002 and \$300,319 was originally issued June 16, 2005. The proceeds of the Bonds will be used to pay an equal amount of the bond anticipation notes due September 21, 2005. The Town is issuing \$6,956,319 bond anticipation notes on or about September 21, 2005 for the projects, the proceeds of which notes will be used to pay the balance of the bond anticipation notes due September 21, 2005. The Town expects to receive the balance of the grants upon completion of the final audit of the school projects in fiscal 2006 at or prior to the maturity of the \$6,956,319 notes.

Rating

Moody's Investors Service Inc. has assigned a rating of "Aaa" on the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA Insurance. See Appendix D attached hereto for a discussion of MBIA's bond insurance and rating assigned to the Bonds. Such rating reflects only the rating agency's view and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company serves as financial advisor to the Town of Scituate. The Town has consented to participation by First Southwest Company or any of its affiliates in the public bidding on the Bonds if they so desire.

Security and Remedies

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

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

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

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

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection

with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

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

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Bonds will be rendered by Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of original delivery of the Bonds and will speak only as of such date. The proposed form of the legal opinion is set forth in Appendix B hereto.

Except as to matters expressly set forth in their opinion, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as their opinion.

Tax Exemption

In the opinion of Palmer & Dodge LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that any pending, proposed or future legislation, including amendments to the Code, if enacted into law, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective holders of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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

Bank Eligibility

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, a deduction will not be allowed to a financial institution for any of its interest expense allocable to the Bonds.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and is incorporated by reference in the Bonds.

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

THE TOWN OF SCITUATE

General

The Town of Scituate (the "Town"), which was incorporated in 1636, is in Plymouth County. It is approximately 25 miles southeast of Boston and 18 miles east of Brockton. The Town is bordered by the Atlantic Ocean on the east and north, Marshfield on the south, Norwell on the southwest, Hingham on the west, and Cohasset on the northwest. It is approximately 17 square miles in area and, according to the 2002 Town census, has a population of 19,998 persons. Scituate is a residential community with a substantial summer population. It has 57 miles of tidal shoreline that includes excellent beaches and saltwater recreation areas for boating, fishing and other marine sports. It is one of two communities in the United States that harvests Irish moss (a marine algae) used in brewing, dyeing and making blanc mange. Its harbor is home to approximately 1,300 boats in season and is one of the most sheltered/protected harbors on the East Coast.

Local Government

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

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

Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Expiration of Term</u>
Selectmen	James Pollard, Chairman	Elected - 3-year term	2007
	Richard W. Lane, Vice Chairman	Elected - 3-year term	2006
	Joseph P. Norton	Elected - 3-year term	2007
	Shawn Harris	Elected - 3-year term	2008
	Paul Reidy	Elected - 3-year term	2008
Town Administrator	Richard H. Agnew	Appointed	Indefinite
Treasurer/Collector	Paul G. Donlan	Appointed -3-year term	Indefinite
Accountant	Mary Gallagher	Appointed	Indefinite
Town Clerk	Bernice R. Brown	Elected - 3 year term	2006
Town Counsel	Kopelman & Paige	Indefinite	Indefinite

Municipal Services

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

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

Sewer Facilities - The Town's sewer system is comprised of the North River Water Pollution Treatment Facility and a sanitary sewer collection system with three pump stations. Sewer service is available to 33 percent of all residential properties in Scituate, including the business district at Scituate Harbor which is also connected to the system. The Town discharges its sewage into its own treatment facility. Commercial and residential users are charged, semi-annually, a minimum and an excess meter reading. In response to a consent decree, construction has been completed to upgrade and expand the Town's existing wastewater treatment plant at a cost of approximately \$15,117,000. These improvements will allow 2,000 to 3,000 additional homeowners to hook up into the new facility, which will effectively sewer 60-75% of the entire Town. To complete new tie ins, funds in the amount of \$13,544,000 were appropriated at the March 4, 2002 Annual Town Meeting for the design and the construction of the Sanitary Sewer System in the Green bush Reservoir area of Town and 1st, 2nd and 3rd Cliff areas of the Town. The Greenbush Reservoir Phase I Project is currently under construction for a total bid price of \$7,658,500. As of September 15, 2005 the Town will accept beneficial occupancy of the entire system thus allowing abutters to hook up their homes/businesses. Minor work remains: Putting a wearing surface of bituminous concrete on all the roadways within project area; tying in the filter backwash at the water treatment plant and landscaping of roadway/shoulders and pump stations. All of these projects are anticipated to be completed by October 15, 2005.

The first, second and third Cliffs Phase II Projects is estimated to cost \$5,734,000.00 and is currently under construction with an anticipated completion date of late summer/early fall of 2006.

All borrowings are expected to be repaid through betterment assessments to abutters (residential, businesses and commercial properties) to projects.

Safety Services - The Scituate Police Department consists of a chief, two detectives, five uniformed sergeants, one safety/community services officer, one lieutenant, 20 patrolmen and five dispatchers. Equipment consists of eight patrol cars, two unmarked cars, and one highway safety/education vehicle.

The Town of Scituate has three fire stations. At the present time, the department has a chief, deputy chief, four captains, four lieutenants and 40 full-time fire fighters. They handle their own dispatching and have five full-time dispatchers. The Safety Services Department is also responsible for the Town's advanced life support ambulance service and emergency medical and rescue operation.

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

Recreation - The Town operates a marina comprised of 200 slips with permanent and transient docking facilities for commercial and pleasure boats. The marina is accounted for as an enterprise fund and is completely self-supporting, including debt service. The Town also operates an 18-hole municipal golf course. The course, which opened in June 1997, is also self-supporting, including debt service, and is an enterprise fund as well.

Public Schools - Currently, the public school system of the Town consists of four elementary schools (K-6) with an enrollment of 1,778 students; one intermediate school (7-8) with an enrollment of 498 students; and one senior high school with an enrollment of 859 students. The Town also has a Pre-K program which is housed at the high school with an enrollment of 114 students.

The school system has 261 teachers, 13 administrators, 6 nurses and 201 support personnel. The student/teacher ratio is approximately 23 to 1 at both the elementary and intermediate levels and approximately 23 to 1 at the high school level.

Education

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

	Average Annual Enrollments (1)				
	2001/02	2002/03 (2)	2003/04	2004/2005	2005/06 (3)
Pre-K		59	63	72	114
Grades K/6	1,485	1,518	1,743	1,786	1,778
Grades 7/8	773	758	531	501	498
Grades 9/12	756	780	791	857	859
Ungraded	11	3	4	7	7
Total	3,025	3,118	3,132	3,223	3,256

	Projected Annual Enrollments			
	2005/06	2006/07	2007/08	2008-09 (4)
Pre-K	90	92	94	96
Grades K/6	1,843	1,880	1,918	1,955
Grades 7/8	516	526	537	547
Grades 9/12	947	966	986	1,005
Ungraded	-	-	-	-
Total	3,396	3,464	3,535	3,603

Source: Superintendent of Schools.

(1) As of October 1 each school year.

(2) In 2002-03 and previous years elementary schools were K-5 and the intermediate school was 6-8. A new elementary school was opened in 2003-04 which changed the grade configuration to four K-6 elementary schools and one intermediate school grades 7-8.

(3) As of July 11, 2005.

(4) Projections for 2009-10 no longer available.

Population Trends

	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
	19,360	18,002	17,316	16,744

Source: Town of Scituate Registrar of Voters.

Age, Income and Wealth Levels

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

Source: U.S. Bureau of the Census.

Major Employers

The Town is primarily a residential community and, excluding the Town itself, there are only two significant employers; i.e., Life Care Center, a nursing home employing 135 persons, and Scituate Marketplace, a supermarket employing 120 persons. No other employers have more than 100 employees, although several restaurants, another nursing home and a concrete pipe manufacturer employ between 50 and 99 people. In addition, a private business/residential development worth over \$12,000,000 is under construction in the Harbor area adding 37 condominiums, a number of which are occupied; a 218 seat movie theater and 22,000 square feet of office and retail space. The Town released 190 residential lots for development in the last six months from which it expects \$700,000 in additional tax revenues annually.

Building Permits

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

<u>Calendar Year</u>	<u>New Construction</u>		<u>Additions/Alterations</u>		<u>Total</u>	
	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>
2005 (1)	64	\$15,750,432	159	\$9,325,165	349	\$27,078,234
2004	68	13,218,755	534	19,225,639	622	32,444,394
2003	66	19,358,914	634	18,980,587	700	38,339,510
2002	66	25,928,345	569	14,856,535	635	40,784,880
2001	36	12,104,701	620	15,603,007	656	27,707,708

Source: Town of Scituate Building Inspector.

(1) As of June 30, 2005.

PROPERTY TAXATION

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

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

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

Tax Levy Computation

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

	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001
Gross Amount to be Raised:					
Appropriations	\$ 50,321,731	\$ 49,138,397	\$ 45,425,781	\$ 45,551,318	\$ 46,348,622
Other Local Expenditures	501,041	806,690	1,435,421	925,662	704,574
State & County Charges	522,540	514,906	396,843	452,065	502,475
Overlay Reserve	250,000	250,000	282,421	250,000	300,000
Total Gross Amount to be Raised	51,595,312	50,709,993	47,540,466	47,179,045	47,855,671
Offsets:					
Estimated Receipts - State	5,715,481	5,599,945	6,916,080	7,016,686	6,641,430
Estimated Receipts - Local	12,468,217	12,050,615	10,402,469	9,296,433	9,396,433
Appropriated:					
Free Cash	827,961	256,573	190,103	945,636	945,636
Other Available Funds	323,000	1,370,138	792,639	-	4,046,306
Free Cash & Other Revenue				4,046,206	
Used to Reduce the Tax Rate	500,000	500,000	500,000	400,000	400,000
Total Offsets	19,834,659	19,777,271	18,801,291	21,704,961	21,429,805
Net Amount to be Raised (Tax Levy)	\$ 31,760,653	\$ 30,932,722	\$ 28,739,176	\$ 27,999,450	\$ 26,525,966
Property Valuation	\$ 3,350,279,840	\$ 3,093,272,200	\$ 3,063,878,000	\$ 1,828,834,100	\$ 1,804,487,500
Tax Rate per \$1,000 (1)	\$ 9.48	\$ 10.00	\$ 9.38	\$ 15.31	\$ 14.70

Source: Board of Assessors.

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

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

Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 per cent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. The Town taxes all classes of property at the same rate.

A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

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

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

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

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

Fiscal Year	Assessed Valuations (1)			Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2005	\$ 3,324,597,810	\$ 25,682,030	\$ 3,350,279,840	\$ 3,388,379,600	98.9 %
2004	3,065,153,300	28,118,900	3,093,272,200	2,565,782,500	120.6
2003	3,036,056,500	27,821,500	3,063,878,000	2,565,482,500	119.4
2002	1,804,346,300	24,847,800	1,828,834,100	1,926,402,100	94.9
2001	1,783,905,800	20,581,700	1,804,487,500	1,926,402,100	93.7

(1) Source: Board of Assessors.

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

Classification of Property

Type	Fiscal 2005		Fiscal 2004		Fiscal 2003	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 3,226,317,405	96.3 %	\$ 2,972,015,100	96.1 %	\$ 2,940,148,200	96.0 %
Commercial	92,830,705	2.8	87,724,900	2.8	90,237,900	2.9
Industrial	5,449,700	0.2	5,413,300	0.2	5,670,400	0.2
Personal	25,682,030	0.8	28,118,900	0.9	27,821,500	0.9
Total	\$ 3,350,279,840	100.0 %	\$ 3,093,272,200	100.0 %	\$ 3,063,878,000	100.0 %

Source: Massachusetts Department of Revenue.

Ten Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based upon assessed valuations for fiscal 2005, all of whom are current in their tax payments:

<u>Name</u>	<u>Type of Business</u>	<u>Total Assessed Valuation for Fiscal 2005</u>	<u>Fiscal 2005 Tax Levy</u>	<u>% of Total Net Levy</u>
Abbott, Peter M	Res. Compound	\$ 7,155,600	\$ 69,842	0.22 %
Massachusetts Electric Co	Utility	7,010,990	66,622	0.21
Life Care Ctr of So Shore	Nursing Home	4,636,700	45,253	0.14
Bay State Gas	Utility	4,703,500	44,589	0.14
Kent Village Associations	Sub. Housing	4,336,000	42,310	0.13
First Parish Road Co Inc.	Real Estate	3,928,600	38,360	0.12
Suburban Realty Trust	Real Estate	3,674,700	35,214	0.11
Grabau Russell S & Co. Inc.	Real Estate	3,605,000	35,002	0.11
Verizon New England Inc.	Utility	3,639,400	34,781	0.11
Sealund, Keven and Stone Thomas	Real Estate	3,291,000	31,877	0.10
Total		<u>\$ 45,981,490</u>	<u>\$ 443,849</u>	<u>1.41 %</u>

Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

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

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Allowance</u>		<u>Exemptions/ Abatements Granted thru Fiscal Year</u>	<u>Overlay Excess (Deficit)</u>
		<u>Dollar Amount</u>	<u>Percent of Levy</u>		
2005	\$31,760,653	\$250,000	0.8%	\$188,791	\$61,209
2004	30,932,722	250,000	0.8	166,522	83,478
2003	28,739,176	282,421	1.0	246,252	36,169
2002	27,999,450	250,000	0.9	134,091	115,909
2001	26,525,966	300,000	1.1	87,665	212,335

Source: Board of Assessors.

Tax Collections

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at June 30 (2,3)</u>
2005	\$31,760,653	\$250,000	\$31,510,653	97.7%
2004	30,932,722	250,000	30,682,722	97.8
2003	28,739,176	282,421	28,456,755	96.7
2002	27,999,450	250,000	27,749,450	97.0
2001	26,525,966	300,000	26,225,966	96.3

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

- (1) Net after deduction of overlay for abatements.
- (2) I.e., at the end of the fiscal year for which levied.
- (3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

Tax Titles and Possessions

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

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

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

Taxes Outstanding

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

<u>As of 6/30</u>	<u>Aggregate Overdue Property Taxes at FY-End (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2005	\$900,557	\$297,465	\$156,436
2004	1,093,882	327,300	143,303
2003	1,104,354	276,764	125,666
2002	1,143,017	297,758	191,417
2001	1,198,736	326,960	200,845

Source: Town Accountant.

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

Taxation to Meet Deficits

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

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

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

Property Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition know as "Proposition 2 1/2," was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

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

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

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

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessment on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option." Regional water districts, regional sewerage districts and regional veterans' districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under the statute any state law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town, or if state funding is provided. Similarly, state rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate state appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Unused Levy Capacity (1)

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

	For Fiscal Year				
	2005	2004	2003	2002	2001
Primary Levy Ceiling (2)	\$ 83,756,996	\$ 77,331,805	\$ 76,596,950	\$ 45,720,853	\$ 45,112,188
Prior Fiscal Year Levy Limit	\$ 29,795,947	\$ 27,593,806	\$ 26,242,271	\$ 25,191,545	\$ 24,250,437
2.5% Levy Growth	744,899	689,845	656,057	629,789	606,261
Current Fiscal Year New Growth (3)	482,819	523,296	695,478	420,937	334,847
Current Fiscal Year Override	-	989,000	-	-	-
Growth Levy Limit	31,023,665	29,795,947	27,593,806	26,242,271	25,191,545
Current Fiscal Year Debt Exclusion	747,712	1,139,682	1,186,752	1,767,824	1,339,419
Tax Levy Limit	31,771,377	30,935,629	28,780,558	28,010,095	26,530,964
Tax Levy	31,760,653	30,932,722	28,739,176	27,999,450	26,525,966
Unused Levy Capacity (4)	10,724	2,907	41,382	10,645	4,998
Unused Primary Levy Capacity (5)	\$ 52,733,331	\$ 47,535,858	\$ 49,003,144	\$ 19,478,582	\$ 19,920,643

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Ceiling less Growth Levy Limit.

Pledged Taxes

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

Initiative Petitions

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

TOWN FINANCES

The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in March. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee (or the Board of Selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings, but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation, any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

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

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

Operating Budget Trends

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

	<u>Appropriated Fiscal 2006</u>	<u>Appropriated Fiscal 2005</u>	<u>Appropriated Fiscal 2004</u>	<u>Appropriated Fiscal 2003</u>
General Government	\$ 1,872,552	\$ 2,148,756	\$ 2,009,724	\$ 1,755,570
Public Safety	6,616,820	6,257,853	6,151,752	5,960,113
Public Works	2,484,697	2,511,230	2,472,258	2,404,304
Human Services	380,465	404,019	391,050	425,741
Education	23,668,263	22,932,803	22,104,943	20,762,532
Recreation	882,488	838,563	837,647	825,958
Debt Service	994,210	635,340	1,007,078	1,493,288
Pensions and Benefits	5,873,049	4,998,988	4,596,408	4,008,137
Total	<u>\$ 42,772,544</u>	<u>\$ 40,727,552</u>	<u>\$ 39,570,860</u>	<u>\$ 37,635,643</u>

Source: Town Accountant.

Education Reform

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

Revenues

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

State Distributions

In addition to grants for specified capital purposes (some of which are payable over the life of bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery.

The Town's state aid entitlement is based upon a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. None of the major local aid programs has a termination date under existing law and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimates.

Following are state aid payments received by the Town for the current and last four fiscal years:

<u>Fiscal Year</u>	<u>Aid to Education</u>	<u>Other</u>	<u>Total State Aid</u>
2006	\$3,623,612	\$2,403,556	\$6,027,168 (budgeted)
2005	3,128,441	2,363,072	5,491,513
2004	3,059,303	2,270,647	5,389,950
2003	3,968,237	2,610,732	6,578,969
2002	3,875,113	2,730,375	6,605,488

Source: Town Accountant.

State School Building Assistance Program: Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. It is expected that the Authority will continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for such projects are expected to be paid in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, shall be included in the approved costs of such projects.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. Prior to that date, the Authority is required to engage in a comprehensive review of the school building assistance program, to recommend legislative changes, to adopt new maximum eligible cost and size standards, and to promulgate new regulations. The Authority expects to pay grants for such projects in lump sum payments as project costs are incurred. None of the interest expense incurred on debt issued by municipalities to finance new projects will be included in the approved project costs eligible for reimbursement.

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

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2005	\$2,333,205
2004	2,320,508
2003	1,955,868
2002	2,007,261
2001	2,000,748

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

Water Rates and Services: The Water Division of the Department of Public Works is responsible for the operation and maintenance of the water treatment plant, six water wells, two booster stations, two water storage tanks, four corrosion control stations, three surface water supplies, 300 acres of watershed, 100 miles of water distribution system, 250 fire hydrants, and 7200 water meters.

The Water Division employs a staff of twelve appropriately licensed professional individuals who are responsible for the maintenance and operation of nearly 50 million dollars of assets with an annual operating budget of less than at two million dollars. A population of more than 18,000 - which increases by more than 50% during the summer - consumes an average of 1.8 million gallons of water each day.

On July 1, 1999, the Town placed water services, which are provided to 100 percent of the Town, on an enterprise basis. Charges for water usage are billed quarterly. There is a minimum charge of \$101 per 5,000 cubic feet of water used during a fiscal year. Usage in excess of 5,000 cubic feet, which is determined by water meter readings, is billed based on the \$101 rate.

Sewer Rates and Services: The Sewer Division of the Department of Public Works is responsible for the operations and maintenance of the Scituate Wastewater Treatment Plant (WWTP) and 24 miles of sewers, which make up the Scituate Sewer Collection System. The WWTP was operational in November 1967 and was designated to treat an average daily flow of 1.0 million gallons per day (mgd). The WWTP was designated as a secondary treatment plant utilizing the extended aeration mode of the activated sludge (microorganisms) process.

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

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

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

Since the closure of the landfill the sludge generated (over 1100 wet tons/yr.) by the belt filter presses in the dewatering building has been hauled off site by a contractor for beneficial reuse.

Transfer Station: The Transfer Station Division of the Department of Public Works is responsible for the operation and maintenance of the Transfer Station and Recycling Center. The Transfer Station is operated as a Pay-As-You-Throw facility and will accept only household refuse contained in Pay-As-You-Throw trash bags. These trash bags can be purchased at the Transfer Station or at the below listed local retailers at a cost of \$10.00 for a package of ten 30 gallon bags or \$5.00 for a package of ten 15 gallon bags.

Annual Audits

The Town of Scituate is audited annually by Raymond Kasperowicz, Certified Public Accountant, of Cohasset, Massachusetts. A copy of the fiscal 2004 audit is attached hereto as Appendix A. The annual audit for fiscal year 2005 is being prepared by Rosselli, Clark and Associates Certified Public Accountants, of Woburn, Massachusetts.

Financial Statements

Set forth on the following pages are Combined Balance Sheets - All Fund Types and Account Group for fiscal years ending June 30, 2001, 2002 and Governmental Funds balance sheets for fiscal years ending June 30, 2003 and June 30, 2004 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2000 through 2004.

TOWN OF SCITUATE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
6/30/2004 (1)

	General Fund	Special Revenue	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,204,512	\$ 3,649,195	\$ -	\$ 1,530,807	\$ 11,384,514
Accounts receivable:					-
Property taxes	1,064,487	-	-	-	1,064,487
Allowance for abatements and exemptions	-	-	-	-	-
Tax liens, deferrals, in litigation and foreclosures	659,110	2,183	-	-	661,293
Motor vehicle & boat excise	677,372	-	-	-	677,372
Surcharges	-	-	-	-	-
Apportioned assessments not yet due	82,729	51,863	-	-	134,592
Other departmental	405,319	371,832	-	46,361	823,512
Due from other governments	20,577,675	59,909	-	266,438	20,904,022
Advances / due from other funds	60,502	-	-	-	60,502
Deposits	-	-	-	-	-
Cash & investments - restricted	-	-	2,293,877	7,200,000	9,493,877
Total assets	<u>\$ 29,731,706</u>	<u>\$ 4,134,982</u>	<u>\$ 2,293,877</u>	<u>\$ 9,043,606</u>	<u>\$ 45,204,171</u>
LIABILITIES					
Accounts payable	\$ 1,624,544	\$ 900,704	\$ -	\$ 486,162	\$ 3,011,410
Accrued liabilities:					-
Guaranteed deposits	532,849	-	-	-	532,849
Interest	8,299	-	-	182,309	190,608
Other	-	-	-	54,762	54,762
Due to other governments	-	-	-	-	-
Advances / Due to other funds	-	-	-	12,658	12,658
Deferred revenue	23,033,550	426,380	-	46,361	23,506,291
Total liabilities	<u>25,199,242</u>	<u>1,327,084</u>	<u>-</u>	<u>782,252</u>	<u>27,308,578</u>
FUND EQUITIES					
Reserved for:					
Encumbrances and continuing appropriations	2,989,555	438,668	-	-	3,428,223
Perpetual permanent fund	-	-	-	81,051	81,051
Unreserved:					-
Designated for subsequent year expenditures	-	-	-	-	-
Undesignated: reported in:					-
General fund	1,542,908	-	-	-	1,542,908
Special revenue funds	-	2,369,230	-	-	2,369,230
Capital project funds	-	-	-	512,297	512,297
Stabilization	-	-	2,293,877	-	2,293,877
Permanent funds	-	-	-	7,668,006	7,668,006
Other specific purposes	-	-	-	-	-
Total fund equity	<u>4,532,463</u>	<u>2,807,898</u>	<u>2,293,877</u>	<u>8,261,354</u>	<u>17,895,592</u>
Total liabilities and fund equity	<u>\$29,731,705</u>	<u>\$4,134,982</u>	<u>\$2,293,877</u>	<u>\$9,043,606</u>	<u>\$45,204,170</u>

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

TOWN OF SCITUATE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
6/30/2003 (1)

	General Fund	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,767,309	\$ -	\$ 1,422,998	\$ 7,190,307
Accounts receivable:				-
Property taxes	15,675,618	-	-	15,675,618
Allowance for abatements and exemptions	-	-	-	-
Tax liens, deferrals, in litigation and foreclosures	592,036	-	956	592,992
Motor vehicle & boat excise	726,129	-	-	726,129
Surcharges	-	-	345,720	345,720
Apportioned assessments not yet due	99,066	-	56,435	155,501
Other departmental	353,215	-	41,401	394,616
Due from other governments	20,714,934	-	637,510	21,352,444
Advances / due from other funds	81,516	-	-	81,516
Deposits	1,000	-	-	1,000
Cash & investments - restricted	-	1,873,650	2,457,629	4,331,279
Total assets	<u>\$ 44,010,823</u>	<u>\$ 1,873,650</u>	<u>\$ 4,962,649</u>	<u>\$ 50,847,122</u>
LIABILITIES				
Accounts payable	\$ 819,809	\$ -	\$ 123,588	\$ 943,397
Accrued liabilities:				-
Guaranteed deposits	400,742	-	154,275	555,017
Other	9,051	-	54,646	63,697
Due to other governments	-	-	374	374
Advances / Due to other funds	-	-	19,013	19,013
Deferred revenue	37,864,539	-	444,611	38,309,150
Total liabilities	<u>39,094,141</u>	<u>-</u>	<u>796,507</u>	<u>39,890,648</u>
FUND EQUITIES				
Reserved for:				
Encumbrances and continuing appropriations	3,040,720	-	-	3,040,720
Perpetual permanent fund	-	-	27,051	27,051
Unreserved:				-
Designated for subsequent year expenditures	(301,815)	-	-	(301,815)
Undesignated: reported in:				-
General fund	2,177,777	-	971,983	3,149,760
Stabilization	-	1,873,650	-	1,873,650
Permanent funds	-	-	556,928	556,928
Other specific purposes	-	-	2,610,180	2,610,180
Total fund equity	<u>4,916,682</u>	<u>1,873,650</u>	<u>4,166,142</u>	<u>10,956,474</u>
Total liabilities and fund equity	<u>\$44,010,823</u>	<u>\$1,873,650</u>	<u>\$4,962,649</u>	<u>\$50,847,122</u>

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

TOWN OF SCITUATE, MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS
6/30/2002 (1)

	Governmental Fund Types			Fiduciary	Account	Total (Memorandum only)
	General Funds	Special Revenue Funds	Capital Projects	Proprietary Funds	Trust and Agency	
ASSETS						
Cash and investments (Note 4)	\$ 5,519,934	\$ 2,101,147	\$ 2,886,423	\$ 4,077,808	\$ 2,607,128	\$ 17,192,440
Merchandise Inventory (Note 2e)	-	-	-	29,734	-	29,734
Accounts receivable:						
Property taxes (Note 5)	15,414,733	-	-	-	-	15,414,733
Allowance for abatements and exemptions	(425,995)	-	-	-	-	(425,995)
Tax liens, deferrals, in litigation and foreclosures	723,398	-	-	52,989	-	776,387
Motor vehicle & boat excise	577,727	-	-	-	-	577,727
Water & sewer, net of \$52,988 reserve for bad debts	-	-	-	85,948	-	85,948
Apportioned assessments not yet due	105,670	70,471	-	-	-	176,141
Other departmental	261,526	243,611	-	-	22,776	527,913
Due from other governments	20,080	122,297	-	1,341,984	-	1,484,361
Advances / due from other funds (Note 8)	78,574	-	-	-	-	78,574
Deposits	1,000	-	-	-	-	1,000
Property, plant & equipment, net of accumulated depreciation	-	-	-	29,772,444	-	29,772,444
Construction in progress	-	-	-	1,015,144	-	1,015,144
Capital leases, net of amortization (Note 6)	-	-	-	295,500	-	295,500
Landfill post closure costs (Note 17)	-	-	-	-	-	\$ 1,480,000
Amount to be provided for the retirement of bonds	-	-	-	-	-	384,742
Total assets	<u>\$ 22,276,647</u>	<u>\$ 2,537,526</u>	<u>\$ 2,886,423</u>	<u>\$ 36,671,551</u>	<u>\$ 2,629,904</u>	<u>\$ 68,866,793</u>
LIABILITIES						
Accounts payable	\$ 564,595	\$ 87,389	\$ 489,500	\$ 227,801	-	\$ 1,369,285
Accrued liabilities:						
Guaranteed deposits	-	-	-	-	\$ 476,876	476,876
Other	207,879	-	792,903	25,800	-	1,026,582
Due to other governments	-	-	-	2,776	114	2,890
Advances / Due to other funds (Note 8)	-	-	-	77,503	1,071	78,574
Anticipation notes (Note 9)	-	-	31,905,000	1,650,000	-	33,555,000
Capital lease obligations (Note 6)	-	-	-	144,984	-	144,984
General obligation bonds & notes payable (Notes 10)	-	-	-	21,172,873	-	\$ 384,742
Deferred revenue (Note 11)	16,567,753	314,082	-	85,418	22,947	16,990,200
Estimated landfill closure liability (Note 17)	-	-	-	-	-	1,480,000
Total liabilities	<u>17,340,227</u>	<u>401,471</u>	<u>33,187,403</u>	<u>23,387,155</u>	<u>501,008</u>	<u>76,682,006</u>
FUND EQUITIES						
Reserved for:						
Encumbrances and continuing appropriations	2,677,985	2,136,055	(30,300,980)	2,818,286	370,986	(22,297,668)
Contributed capital	-	-	-	5,111,342	-	5,111,342
Unreserved:						
Designated for subsequent year expenditures	810,500	-	-	-	-	810,500
Undesignated	1,447,935	-	-	5,354,768	1,757,910	8,560,613
Total fund equity (Note 14)	<u>4,936,420</u>	<u>2,136,055</u>	<u>(30,300,980)</u>	<u>13,284,396</u>	<u>2,128,896</u>	<u>(7,815,213)</u>
Total liabilities and fund equity	<u>\$22,276,647</u>	<u>\$2,537,526</u>	<u>\$2,886,423</u>	<u>\$36,671,551</u>	<u>\$2,629,904</u>	<u>\$68,866,793</u>

(1) Extracted from the audited financial statements of the Town.

TOWN OF SCITUATE, MASSACHUSETTS
 COMBINED BALANCE SHEET - ALL FUND TYPES & ACCOUNT GROUPS
 6/30/2001 (1)

	Governmental Fund Types				Fiduciary	Account	Total (Memorandum only)
	General Funds	Special Revenues Funds	Capital Projects	Proprietary Funds	Trust and Agency	Group General Long-Term Obligations	
ASSETS							
Cash and Investments (Note 4)	\$ 6,115,624	\$ 2,187,192	\$ 2,577,856	\$ 1,991,106	\$ 3,167,705		\$ 16,039,483
Merchandise Inventory (Note 2e)				27,990			27,990
Receivables: (Note 5)							
Property taxes	14,675,591						14,675,591
Allowance for abatements and exemptions	(529,486)						(529,486)
Tax liens, deferrals, in litigation and foreclosures	735,442			50,167			785,609
Motor vehicle & boat excise	613,212						613,212
Water & sewer, net of \$38,855 reserve for bad debts				102,213			102,213
Appointed assessments not yet due	124,754	65,391					190,145
Other departmental	208,825				16,393		225,218
Due from other governments	131,930	195,109		1,742,472			2,069,511
Advances/due from other funds (Note 6)	115,604						115,604
Deposits	1,000						1,000
Property & equipment, net of accumulated depreciation				30,132,141			30,132,141
Construction in progress				443,388			443,388
Capital leases, net of amortization (Note 6)				261,936			261,936
Landfill closure & pot-closure costs (Note 15)							-
Amount to be provided for the retirement of bonds						610,908	610,908
Total assets	<u>\$ 22,192,496</u>	<u>\$ 2,447,692</u>	<u>\$ 2,577,856</u>	<u>\$ 34,751,413</u>	<u>\$ 3,184,098</u>	<u>\$ 610,908</u>	<u>\$ 65,764,463</u>
LIABILITIES							
Accounts payable	\$ 415,740	\$ 36,424	\$ 1,304,360	\$ 206,787			\$ 1,963,311
Accrued liabilities:							-
Guaranteed deposits					372,725		372,725
Other	510,999		851,516	220,909			1,583,424
Due to other governments	92,503				187		92,690
Advances/Due to other funds (Note 8)				92,503	23,101		115,604
Anticipation notes (Note 9)		300,000	21,955,000	650,000			22,905,000
Capitol lease obligation (Note 6)				157,205			157,205
General obligation bonds & notes payable (Notes 10)				22,842,069			22,842,069
Deferred revenue	15,581,999	65,391		66,377	16,393		15,730,160
Estimated landfill closure liability						610,908	610,908
Total liabilities	<u>\$ 16,601,241</u>	<u>\$ 401,815</u>	<u>\$ 24,110,876</u>	<u>\$ 24,235,850</u>	<u>\$ 412,406</u>	<u>\$ 610,908</u>	<u>\$ 66,373,096</u>
Fund Equities							
Reserved for:							
Encumbrances and continuing appropriations	2,710,743	100		1,476,536	1,476,536		5,663,915
Contributed capital				57,799,066			57,799,066
Unreserved:							
Designated for subsequent year expenditures	1,165,270						1,165,270
Undesignated	1,715,153	2,045,777	(21,533,020)	3,240,961	2,397,505		(12,133,624)
Total fund equity (Note 12)	<u>5,591,166</u>	<u>2,045,877</u>	<u>(21,533,020)</u>	<u>62,516,563</u>	<u>3,874,041</u>	<u>-</u>	<u>52,494,627</u>
Total liabilities and fund equity	<u>\$ 22,192,496</u>	<u>\$ 2,447,692</u>	<u>\$ 2,577,856</u>	<u>\$ 34,751,413</u>	<u>\$ 3,184,098</u>	<u>\$ 610,908</u>	<u>\$ 65,764,463</u>

(1) Extracted from the audited financial statements of the Town.

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

	Fiscal Year Ended June 30				
	2004	2003	2002	2001	2000
REVENUES:					
Real and Personal Property Taxes	\$ 31,080,758	\$ 28,807,724	\$ 27,960,635	\$ 26,277,993	\$ 24,412,421
Motor Vehicle & Boat Excise	2,363,723	2,218,705	2,038,165	2,039,865	1,896,322
Intergovernmental	8,807,627	9,471,025	9,235,166	9,116,960	5,891,187
Penalties & Interest	275,222	310,711	277,332	204,578	197,817
Charges for Services	-	536,092	490,040	381,089	368,425
User Charges	-	-	-		
Fees	159,483	147,103	122,602	115,155	107,090
Licenses & Permits	577,568	425,707	467,404	322,347	331,326
Fines & Forfeitures	71,552	73,110	69,143	59,239	78,980
Investment Income	107,371	181,692	248,518	703,374	393,346
Departmental & Other	789,070	482,115	205,399	179,900	267,199
Total Revenues	44,232,374	42,653,984	41,114,404	39,400,500	33,944,113
EXPENDITURES:					
General Government	1,712,813	1,731,851	1,627,716	2,187,911	2,126,472
Public Safety	6,061,068	6,186,429	5,708,545	5,724,847	5,384,040
Education	22,544,190	20,398,104	20,234,440	19,496,291	17,911,483
Public Works	2,590,611	2,913,806	3,112,948	3,200,549	2,183,245
Human Services	498,532	382,190	338,655	423,181	334,988
Culture & Recreation	908,705	897,072	872,167	776,105	789,763
Pension & Fringe Benefits	8,194,790	7,141,330	6,409,186	5,602,893	2,935,007
State & County Assessments	497,781	548,296	582,826	592,095	609,267
Debt Service	790,174	929,202	1,150,393	956,115	674,729
Total Expenditures	43,798,664	41,128,280	40,036,876	38,959,987	32,948,994
Excess (Deficiency) of Revenues Over Expenditures	433,710	1,525,704	1,077,528	440,513	1,295,119
OTHER FINANCING SOURCES (USES):					
Premium on Sale of bonds	219,520	257,332	240,218		
Operating Transfers In	373,402	-	888,247	1,071,000	743,500
Operating Transfers Out	(1,410,850)	(1,802,775)	(2,860,737)	(2,945,826)	(1,754,509)
Total Other Financing Sources (Uses)	(817,928)	(1,545,443)	(1,972,490)	(1,874,826)	(1,011,009)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(384,218)	(19,739)	(654,744)	(1,336,702)	309,275
Prior Year Adjustment - Golf Course	-	-	-	-	-
Fund Equity, Beginning of Year	4,916,681	4,936,420	5,591,164	6,927,866	6,618,591
FUND EQUITY, END OF YEAR	\$ 4,532,463	\$ 4,916,681	\$ 4,936,420	\$ 5,591,164	\$ 6,927,866

(1) Extracted from audited financial statements.

Undesignated General Fund Balances and Free Cash

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

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

<u>Year</u>	<u>Undesignated General Fund Balance As of June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2005 (est.)	\$1,618,905	\$630,050 (estimated)
2004	1,542,908	725,976
2003	2,177,777	1,399,184
2002	1,447,935	824,416
2001	1,715,131	972,405

(1) Source: Audited Financial Statements, except for fiscal year 2005.

Stabilization Fund

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

<u>Year</u>	<u>Stabilization Fund as of June 30,</u>
2005	\$ 2,065,446
2004	2,048,877
2003	1,873,650
2002	1,018,189
2001	1,683,194

MBTA Mitigation Fund

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

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or towns' development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Property Tax Limitation" under "PROPERTY TAXATION" above). The Town has not established any such development districts.

Investment of Town Funds

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

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

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

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

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

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

Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board, consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts. Based on the Town's equalized valuation of \$3,388,779,600, its normal debt limit is \$169,419,980 and the double debt limit is \$338,837,960.

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

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

Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of the Municipal Finance Oversight Board consisting of the attorney general, the state treasurer, the state auditor and the director of accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 years and not more than 30 years from their dates and are not subject to the amortization requirements

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

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

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

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

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

Revenue Anticipation Note Borrowing

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

Direct Debt Summary As of September 1, 2005 (1)

Long-Term Indebtedness (2)			
General Obligation Bonds:			
Sewers & Drains	\$ 19,648,691		
Water (3)	2,327,000		
School	1,552,000		
General (4)	5,861,610		
Land Acquisition	4,175,000		
Total (5)		\$	33,564,301
This Issue of Bonds (6)			10,000,000
Temporary Loans			
Bond Anticipation Notes Outstanding (6)(7)			16,956,319
Less: To be Paid with Bond Proceeds			(10,000,000)
BANs Outstanding after This Issue (6)			6,956,319
Total Direct Debt (Subsequent to Delivery of Bonds)		\$	50,520,620

- (1) Excludes overlapping debt, lease and installment purchase obligations and unfunded pension liability.
- (2) Based on the Town's equalized valuation of \$3,388,379,600, the Town's normal General Debt Limit is \$169,418,980 and the Double General Debt Limit will be \$338,837,960. (See "Debt Limits," above).
- (3) Outside the Town's debt limit.
- (4) Comprised of landfill, seawall, vehicles, transfer station, and golf course; \$4,590,142 is outside the debt limit.
- (5) \$2,169,553 is exempt from Proposition 2 ½.
- (6) Exempt from Proposition 2 ½.
- (7) \$16,656,000 Bond Anticipation Notes dated March 3, 2005, and \$300,319 dated June 16, 2005 are both payable September 21, 2005.

Key Debt Ratios

As of June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Long Term Debt Outstanding (1)	\$34,648,694	\$24,622,114	\$18,946,501	\$21,557,615	\$23,451,976
Debt per Capita	\$1,904.30	\$1,353.24	\$1,041.19	\$1,188.99	\$1,302.82
Percent of Assessed Valuation (2)	1.03%	0.80%	0.62%	1.18%	1.30%
Percent of Equalized Valuation (3)	1.02%	0.96%	0.74%	1.12%	1.22%
Debt per Capita as a Percent of per Capita Income	5.61%	3.99%	3.07%	3.50%	3.84%

(1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Source: Massachusetts Department of Revenue - Assessed valuation as of the prior January 1.

(3) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).

Annual Debt Service as of June 30, 2005 (1)

Fiscal Year	Outstanding (2)		MWPAT Subsidy	This Issue		Net Debt Service	Cumulative % Principal Retired
	Principal	Interest		Principal	Interest		
2006	\$ 2,495,393	\$ 1,453,394	\$ (660,524)	\$ -	\$ 201,950	\$ 3,490,213	5.6 %
2007	2,511,744	1,357,620	(646,047)	530,000	393,300	4,146,617	12.4
2008	2,119,164	1,248,612	(621,839)	530,000	372,763	3,648,699	18.3
2009	2,135,237	1,162,677	(600,457)	530,000	353,550	3,581,008	24.3
2010	2,027,580	1,069,230	(570,379)	530,000	335,000	3,391,431	30.0
2011	2,066,586	1,008,621	(557,774)	530,000	313,800	3,361,232	35.8
2012	2,103,510	891,397	(517,909)	525,000	292,688	3,294,685	41.7
2013	1,822,477	1,171,009	(521,308)	525,000	274,313	3,271,490	47.0
2014	2,169,977	752,218	(488,876)	525,000	252,000	3,210,319	53.0
2015	2,093,956	663,228	(470,978)	525,000	225,750	3,036,955	58.9
2016	2,093,218	562,064	(445,532)	525,000	199,500	2,934,250	64.8
2017	2,145,576	464,719	(420,165)	525,000	176,531	2,891,662	70.7
2018	1,813,505	358,172	(387,549)	525,000	156,844	2,465,972	76.0
2019	1,849,034	289,390	(359,330)	525,000	136,500	2,440,595	81.3
2020	1,069,070	221,752	(122,883)	525,000	115,500	1,808,439	84.9
2021	1,047,667	173,871	(101,610)	525,000	94,500	1,739,429	88.4
2022	925,000	129,483	(52,519)	525,000	73,500	1,600,464	91.6
2023	940,000	87,320	(46,621)	525,000	52,500	1,558,199	94.9
2024	940,000	44,150	(32,620)	525,000	31,500	1,508,030	98.2
2025	280,000	11,900	-	525,000	10,500	827,400	100.0
Total	<u>\$ 34,648,694</u>	<u>\$ 13,120,827</u>	<u>\$ (7,624,919)</u>	<u>\$ 10,000,000</u>	<u>\$ 4,062,488</u>	<u>\$ 54,207,089</u>	

(1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$2,289,311 and interest totaling \$1,009,611 are exempt from the provisions of Proposition 2 1/2.

Authorized Unissued Debt and Prospective Financing

Following delivery of the bonds, the Town will have \$17,256,853 of authorized unissued long-term debt, as follows:

Purpose	Amount
Design/Construction/ Renovation of Schools (1)	\$ 6,956,319
Landfill Capping	844,000
Landfill Closure	2,305,117
Watermain	50,000
Stormwater Management	14,816
Water	88,000
School Remodeling	773
Seawall	312,000
Sewer Extension	6,685,808
	\$ 17,256,833

- (1) In March 2005, the Town received an initial school construction grant payments from the Massachusetts School Building Authority in the amount of \$14,683,288 representing approximately 75% of the total grants receivable in connection with the Town's school construction projects. The Town expects to receive the balance of the grants upon completion of the final audit of the school projects in fiscal 2006. On December 5, 1998, the Town voted to exempt the principal and interest on bonds and notes for the school projects from the limitations of Proposition 2 ½.

Overlapping Debt

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

	Outstanding Bonded Debt as of 6/30/05	Scituate's Estimated Share %	Fiscal 2005 Dollar Assessment (1)
Plymouth County (2)	\$5,255,000	6.76%	\$65,234
Massachusetts Bay Transportation Authority (3)	\$3,216,615,000	N/A	\$161,410
South Shore Regional Vocational- Technical School District (4)	\$2,065,000	17.4%	\$451,917

- (1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: Treasurer, Plymouth County. County expenses are assessed upon the cities and towns within the County in proportion to their valuations of taxable property as last equalized by the State Commissioner of Revenue. Assessment shown is based on the most recent equalized valuation.
- (3) Source: Massachusetts Bay Transportation Authority (the "MBTA"). The MBTA was created in 1964 to finance and operate mass transportation facilities within the Greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA is also authorized to issue bonds for the purpose of refunding bonds. Under the MBTA's enabling act, debt service as well as other operating expenses of the MBTA are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the Authority as provided in the enabling act. The aggregate amount of such assessments is not permitted to increase by more than 2.5 percent per year.
- (4) Source: Treasurer, South Shore Regional Vocational-Technical School District. Assessment is for fiscal year 2004. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.

Contracts

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

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

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town is currently a participant of the following contracts:

The Town has entered in contract with International Golf maintenance of Champions Gate, Florida 33896, to maintain its golf course, for the following sums: August 1, 2004-December 31, 2004, \$171,138; January 1, 2005 to December 31, 2005, \$427,425; January 1, 2006 to December 31, 2006, \$435,973, with options for year's 2007, 2008. Performance reviews will take place each November 1 to determine satisfaction and subsequent release of annual retainage. The Town also contracts annually with SEMASS Partnership solid waste disposal at \$77 per ton. The annual cost incurred in fiscal 2004 was \$290,958 and in fiscal 2005 was \$300,212.

RETIREMENT SYSTEM

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under recent legislation, cities and towns that accepted its provisions and that obtained certain state approvals therefor were allowed, within limits, to reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations are required to revise their retirement system funding schedule for eliminating their unfunded pension liability

and were allowed to extend such schedule by one year, provided that in no event were allowed to such funding schedule extend beyond June 30, 2028.

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

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

In addition to pension benefits, cities and towns may provide retired employees with payments for a portion of their health care and life insurance benefits. These benefit payments are generally provided on a pay-as-you-go basis.

Plymouth County Retirement System

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

As of January 1, 2004, the total unfunded pension benefit obligation of the Plymouth County System was \$282,053,648, as follows:

Total pension benefit obligation	\$802,158,453
Assets at market value	520,104,805
Unfunded pension benefit obligation	<u>\$282,053,648</u>
The Town's estimated share at its participation rate of 6.60%	<u>\$18,615,540</u>

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

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

The annual contributions of the Town to the Retirement System projected for fiscal year 2006 and for the last five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Contributory</u>
2006	\$1,939,160
2005	1,698,327
2004	1,640,908
2003	1,513,837
2002	1,469,952
2001	1,328,026

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

COLLECTIVE BARGAINING

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

The Town has approximately 620 full and part-time employees, including those in the School Department. Approximately 97 percent belong to unions or other collective bargaining groups as shown below:

Employee by Category	Represented by	Number of Employees	Contract Expires (5)
General Government			
Police	International Brotherhood of Police Officers	31	6/30/2005
Firemen	Scituate Fire Fighters Union	54	6/30/2005
Clerical Workers	925, AFL-CIO-CLC	26	6/30/2008
Library	925, AFL-CIO-CLC	12	6/30/2008
Public Works	AFL-CIO (1)	34	6/30/2008
Administrators and Managers	SEIU (2)	18	6/30/2005
Total General Government Professionals		<u>175</u>	
School			
Teachers	Scituate Teachers Assoc./Mass. Teachers Assoc.	256	8/31/2008
Custodians	AFSCME (3)	24	6/30/2008
Secretaries	SEIU/Local 925 (2)	14	8/31/2008
Bus Workers	SEIU/Local 254 (2)	19	6/30/2008
Aides and Tutors	AFSCME (3)	95	8/31/2008
Cafeteria Workers	SEIU/Local 925 (2)	19	8/31/2008
Total School		<u>427</u>	
Total		<u>602</u>	

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

LITIGATION

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

TOWN OF SCITUATE, MASSACHUSETTS
/s/ Paul G. Donlan
Town Treasurer

August 31, 2005

TOWN OF SCITUATE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2004**

**TOWN OF SCITUATE, MASSACHUSETTS
 REPORT ON THE EXAMINATION OF THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Selectmen
Town of Scituate
Scituate, Massachusetts

I 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, 2004 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Scituate, Massachusetts. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally-accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Town of 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Accounting Standards*, I have also issued my report dated December 19, 2004 on my consideration of the Town of Scituate's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance - general fund - budget and actual, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Raymond Kasperowicz". The signature is written in a cursive style with a large, looping initial 'R' and a long, sweeping tail on the 'z'.

December 19, 2004

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

As management of the Town of Scituate, we offer readers of these financial statements the narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2004.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Scituate's basic financial statements. These basic financial statements are comprised of 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.

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 business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, pension benefits, employee benefits, interest and state and county charges.

Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004

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 Town finance related legal requirements. All of these 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 statement, 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 present 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 the comparison between *governmental funds* and *governmental activities*.

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

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

Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its golf, sewer, water, transfer facility, and marina 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 statements 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.

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

FINANCIAL HIGHLIGHTS
ASSETS, LIABILITIES, AND NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2004	2003 (restated)	2004	2003
Assets:				
Current Assets	\$ 30,066,331	\$ 10,419,932	\$ 8,737,924	\$ 4,502,469
Noncurrent assets	14,442,181	24,908,954	-	-
Capital assets	<u>56,435,821</u>	<u>58,150,260</u>	<u>45,059,106</u>	<u>43,041,842</u>
Total assets	<u>100,944,333</u>	<u>93,479,146</u>	<u>53,797,030</u>	<u>47,544,311</u>
Liabilities:				
Current liabilities	3,952,610	1,632,185	896,743	736,849
Noncurrent liabilities	1,300,000	1,240,757	119,007	117,157
Current debt	32,200,000	32,220,358	4,810,276	3,825,260
Noncurrent debt	<u>940,042</u>	<u>249,858</u>	<u>21,694,796</u>	<u>16,881,026</u>
Total liabilities	<u>38,392,652</u>	<u>35,343,158</u>	<u>27,520,822</u>	<u>21,560,292</u>
Net Assets:				
Capital assets net of related debt	43,959,721	46,257,719	14,629,158	22,197,750
Restricted	6,253,917	3,067,771	-	-
Unrestricted	<u>12,338,043</u>	<u>8,810,498</u>	<u>11,647,050</u>	<u>3,786,269</u>
Total net assets	<u>\$ 62,551,681</u>	<u>\$ 58,135,988</u>	<u>\$ 26,276,208</u>	<u>\$ 25,984,019</u>

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

FINANCIAL HIGHLIGHTS
REVENUES AND EXPENSES

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2004	2003	2004	2003
Program Revenue				
Charges for services	\$ 3,248,565	\$ 3,617,219	-	-
Water	-	-	\$ 2,076,802	\$ 2,098,808
Golf course	-	-	1,238,851	1,233,302
Sewer	-	-	989,912	999,993
Transfer station	-	-	864,108	710,116
Marina and waterways	-	-	650,702	564,667
Investment income	-	-	458,700	80,976
Operating grants and contributions	10,543,134	11,541,267	623,309	1,077,957
Capital grants and contributions	7,926,000	12,942,511	-	-
General Revenue				
Real and personal property taxes	32,812,874	29,552,594	-	-
Penalties and interest on taxes	275,222	310,711	-	-
Motor vehicle and other excise taxes	2,314,966	2,093,106	-	-
Miscellaneous	-	1,083,232	-	-
Unrestricted investment income	420,338	201,173	-	-
Total revenues	<u>57,541,099</u>	<u>61,341,813</u>	<u>6,902,384</u>	<u>6,765,819</u>
Expenses:				
General government	2,101,065	1,973,819	-	-
Public safety	6,604,773	6,016,304	-	-
Education	26,096,009	23,726,587	-	-
Public works	4,792,896	3,230,956	-	-
Human services	582,649	460,465	-	-
Culture and recreation	2,583,539	1,338,265	-	-
Pension and fringe benefits	8,199,309	7,141,330	-	-
Interest	822,125	774,727	799,102	1,315,033
State and county charges	497,781	548,296	-	-
Operating costs less depreciation:				
Water	-	-	1,464,371	1,763,941
Golf course	-	-	823,872	840,688
Sewer	-	-	1,398,201	1,004,451
Transfer station	-	-	953,980	922,226
Marina and waterways	-	-	384,964	361,867
Depreciation	-	-	1,630,965	1,618,608
Total expenses	<u>52,280,146</u>	<u>45,210,749</u>	<u>7,455,455</u>	<u>7,826,814</u>
Change in net assets, before transfers	5,260,953	16,131,064	(553,071)	(1,060,995)
Transfers	<u>(845,260)</u>	<u>(923,769)</u>	<u>845,260</u>	<u>923,769</u>
Change in net assets	<u>\$ 4,415,693</u>	<u>\$ 15,207,295</u>	<u>\$ 292,189</u>	<u>\$ (137,226)</u>

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$62,551,681 at the close of fiscal year 2004.

Net assets of \$43,959,721 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that are 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.

An additional portion of the net assets of \$6,226,866 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$12,338,043 may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets increased by \$4,415,693 in fiscal 2004 over fiscal 2003 primarily due to \$7,200,000 received from the Massachusetts Bay Transportation Authority in accordance with a mitigation agreement associated with the Greenbush Line commuter rail project in the Town of Scituate. Fiscal 2003's net asset increase of \$14,766,547 was attributable to the commitment of an additional \$12,942,511 from the Massachusetts School Building Assistance Board for reimbursement on new school construction.

Business-type activities assets exceeded liabilities by \$26,276,208 at the close of fiscal year 2004. Net assets of \$14,629,158 reflects its investment in capital assets less any accumulated depreciation and debt used to acquire those assets that are still outstanding. The remaining balance of *unrestricted net assets* of \$11,647,050 may be used to meet ongoing obligations

There was a combined decrease of \$553,071 in net assets before operating transfers for the golf course, waterways, transfer station, water and sewer business-type activities. Before operating transfers, the water enterprise fund generated operating income of \$166,935, an increase of \$375,975 over fiscal year 2003, when extensive work was done cleaning and lining water mains. The waterways enterprise fund generated operating income of \$33,494. All other business-type activities generated losses before transfers ranging from \$491,420 for the sewer enterprise fund to \$34,819 for the golf course. Sewer user rates have been increased 16% in fiscal year 2005 to address this problem.

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Financial Analysis of the Government's Funds

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

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

As of the end of fiscal 2004, governmental funds reported combined ending fund balances of \$17,895,592, an increase of \$6,939,119 from the prior year. The increase is primarily attributable to \$7,200,000 received from the Massachusetts Bay Transportation Authority in accordance with a mitigation agreement associated with the Greenbush Line commuter rail project in the Town of Scituate.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,542,908, while the total fund balance was \$4,532,463. As a measure of the general funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.5% of total general fund expenditures, while total fund balance represents 10% of that same amount. At June 30, 2003, unreserved fund balance represented 5.3% of total general fund expenditures while total fund balance represented 12% of general fund expenditures.

The general fund experienced an excess of revenues over expenditures of \$433,710 for fiscal year 2004, compared to an excess of \$1,525,704 for fiscal year 2003. This is largely due to revenues increasing only \$1,578,390 over last year, while expenditures increased by \$2,670,384.

General Fund Budgetary Highlights

Actual expenditures related to fiscal year 2004 were less than the budgeted appropriations by \$855,702. Actual revenues exceeded budgeted revenues by \$395,130 due primarily to additional assessments and collections of property and excise taxes as well as additional collections of licenses and permits fees.

Capital Assets 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 that is used as a guide for future capital expenditures.

The Town's total debt burden is \$59,645,114, which funded capital assets with an original cost of \$132,867,557. Please refer to notes 1G, 4, 7, 8, for further discussions of the major capital and debt activity.

**Town of Scituate, Massachusetts
Management Discussion and Analysis
Fiscal Year Ended June 30, 2004**

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 and any of the information provided in this report or requests for additional financial information should be addressed to the Town Administrator, Scituate Town Hall, Scituate, MA 02066

TOWN OF SCITUATE, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and short-term investments	\$ 14,624,474	\$ 3,246,431	\$ 17,870,905
Receivables, net of allowance for uncollectables:			
Real estate and personal property taxes	755,487	-	755,487
Tax liens	661,293	-	661,293
Motor vehicle excise	403,372	-	403,372
User fees	-	92,640	92,640
Departmental and other	858,104	-	858,104
Intergovernmental	15,009,635	5,248,143	20,257,778
Other assets	47,844	51,921	99,765
NONCURRENT:			
Restricted cash	6,253,917	-	6,253,917
Receivables - School building assistance	5,894,387	-	5,894,387
Capital assets, net of accumulated depreciation	56,435,821	45,059,106	101,494,927
TOTAL ASSETS	100,944,333	53,698,241	154,642,574
LIABILITIES			
CURRENT:			
Accounts payable	3,011,410	341,084	3,352,494
Accrued liabilities:			
Guaranteed deposits	532,849	-	532,849
Accrued interest	190,608	148,184	338,792
Other	54,762	182,184	236,946
Other liabilities	-	126,502	126,502
Bonds and notes payable	32,200,000	4,810,276	37,010,276
Compensated absences	162,981	-	162,981
NONCURRENT:			
Bonds and notes payable	940,042	21,694,796	22,634,838
Compensated absences	1,300,000	119,007	1,419,007
TOTAL LIABILITIES	38,392,652	27,422,033	65,814,685
NET ASSETS			
Invested in capital assets, net of related debt	43,959,721	14,629,158	58,588,879
Restricted for:			
MBTA trust fund related infrastructure project	6,226,866	-	6,226,866
Perpetual funds:			
Nonexpendable	27,051	-	27,051
Unrestricted			
General fund	5,228,831	-	5,228,831
Special revenue funds	2,807,898	-	2,807,898
Capital project funds	512,297	-	512,297
Stabilization	2,293,877	-	2,293,877
Unrestricted: other purposes	1,495,140	-	1,495,140
Enterprise funds	-	11,647,050	11,647,050
TOTAL NET ASSETS	62,551,681	26,276,208	88,827,889
TOTAL NET ASSETS AND LIABILITIES	\$ 100,944,333	\$ 53,698,241	\$154,642,574

See notes to basic financial statements

TOWN OF SCITUATE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
<i>Governmental Activities</i>					
General government	\$ 2,101,065	\$1,790,856	\$ 1,407,400	-	\$ 1,097,190
Public safety	6,604,773	591,483	141,144	-	(5,872,146)
Education	26,096,009	393,534	7,947,869	-	(17,754,605)
Public works	4,706,630	21,821	527,057	7,926,000	3,768,248
Human services	582,649	116,328	75,925	-	(390,395)
Culture and recreation	2,583,539	334,542	443,739	-	(1,805,258)
Pension and fringe benefits	8,199,309	-	-	-	(8,199,309)
Interest	822,125	-	-	-	(822,125)
State and county charges	497,781	-	-	-	(497,781)
Total Primary Government	<u>52,193,880</u>	<u>3,248,565</u>	<u>10,543,134</u>	<u>7,926,000</u>	<u>(30,476,181)</u>
<i>Business-Type Activities:</i>					
Water	1,926,965	2,093,900	-	-	166,935
Sewer	2,493,619	1,402,888	-	599,311	(491,420)
Golf course	1,275,068	1,240,249	-	-	(34,819)
Transfer station	1,103,704	876,443	-	-	(227,261)
Marina & waterways	627,945	665,595	-	23,998	61,648
	<u>\$ 7,427,301</u>	<u>\$6,279,075</u>	<u>\$ -</u>	<u>\$ 623,309</u>	<u>\$ (524,917)</u>

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
STATEMENT OF ACTIVITIES (continued)
FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue from previous page	<u>\$ (30,476,181)</u>	<u>\$ (524,917)</u>	<u>\$ (31,001,098)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable	32,812,874	-	32,812,874
Motor vehicle and other excise taxes	2,314,966	-	2,314,966
Penalties and interest on taxes	275,222	-	275,222
Unrestricted investment income	420,338	-	420,338
<i>Special items:</i>			
Loss on disposal of assets	(86,266)	(28,154)	(114,420)
Transfers, net	<u>(845,260)</u>	<u>845,260</u>	<u>-</u>
Total general revenues and transfers	<u>34,891,874</u>	<u>817,106</u>	<u>35,708,980</u>
Change in net assets	4,415,693	292,189	4,707,882
<i>Net Assets:</i>			
Beginning of year	58,576,736	25,984,019	84,560,755
Prior period adjustment (school compensated absences)	<u>(440,748)</u>	<u>-</u>	<u>(440,748)</u>
End of year	<u>\$ 62,551,681</u>	<u>\$ 26,276,208</u>	<u>\$ 88,827,889</u>

See notes to basic financial statements

TOWN OF SCITUATE, MASSACHUSETTS
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2004

	General Fund	Special Revenue	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 6,204,512	3,649,195	\$ 2,293,877	\$ 2,476,890	\$ 14,624,474
Accounts receivable:					
Property taxes	1,064,487	-	-	-	1,064,487
Tax liens, deferrals, in litigation and foreclosures	659,110	2,183	-	-	661,293
Motor vehicle & boat excise	677,372	-	-	-	677,372
Apportioned assessments not yet due	82,729	51,863	-	-	134,592
Other departmental	405,319	371,832	-	46,361	823,512
Due from other governments	20,577,675	59,909	-	266,438	20,904,022
Advances / due from other funds	60,502	-	-	-	60,502
Cash & investments - restricted	-	-	-	6,253,917	6,253,917
Total assets	<u>29,731,705</u>	<u>4,134,982</u>	<u>-</u>	<u>9,043,606</u>	<u>45,204,170</u>
LIABILITIES					
Accounts payable	1,624,544	900,704	-	486,162	3,011,410
Accrued liabilities:					
Guaranteed deposits	532,849	-	-	-	532,849
Interest	8,299	-	-	182,309	190,608
Other	-	-	-	54,762	54,762
Advances / Due to other funds	-	-	-	12,658	12,658
Deferred revenue	23,033,550	426,380	-	46,361	23,506,291
Total liabilities	<u>25,199,242</u>	<u>1,327,084</u>	<u>-</u>	<u>782,252</u>	<u>27,308,578</u>
FUND EQUITIES					
Reserved for:					
Encumbrances and continuing appropriations	2,989,555	438,668	-	-	3,428,223
MBTA trust fund related infrastructure projects	-	-	-	6,226,866	6,226,866
Unreserved:					
reported in:					
General fund	1,542,908	-	-	-	1,542,908
Special revenue funds	-	2,369,230	-	-	2,369,230
Capital projects funds	-	-	-	512,297	512,297
Stabilization	-	-	2,293,877	-	2,293,877
Unreserved: reported in nonmajor	-	-	-	1,522,191	1,522,191
Total fund equity	<u>4,532,463</u>	<u>2,807,898</u>	<u>2,293,877</u>	<u>8,261,354</u>	<u>17,895,592</u>
Total liabilities and fund equity	<u>\$ 29,731,705</u>	<u>\$ 4,134,982</u>	<u>\$ 2,293,877</u>	<u>\$ 9,043,606</u>	<u>\$ 45,204,170</u>

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2004**

Total governmental fund balances	\$17,895,592
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (These are net capital assets)	56,435,821
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	23,506,291
Allowance for uncollectables	(683,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and notes payable	(33,140,042)
Compensated absences	<u>(1,462,981)</u>
Net assets of governmental activities	<u><u>\$62,551,681</u></u>

See notes to basic financial statements

TOWN OF SCITUATE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund	Special Revenue	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 31,080,758	\$ 1,335,130	-	-	\$ 32,415,888
Motor vehicle and boat excise	2,363,723	-	-	-	2,363,723
Intergovernmental	8,807,627	2,010,954	-	\$ 7,926,000	18,744,581
Penalties and interest	275,222	-	-	-	275,222
Charges for service	-	1,265,883	-	-	1,265,883
Fees	159,483	114,613	-	-	274,096
License and permits	577,568	-	-	-	577,568
Fines and forfeitures	71,552	9,868	-	-	81,420
Investment income	107,371	-	\$ 27,137	66,310	200,818
Departmental and other	789,070	272,382	-	110,067	1,171,519
Total revenues	<u>44,232,374</u>	<u>5,008,830</u>	<u>27,137</u>	<u>8,102,377</u>	<u>57,370,718</u>
EXPENDITURES:					
General government	1,712,813	161,475	-	139,536	2,013,824
Public safety	6,061,068	164,212	-	13,848	6,239,128
Education	22,544,190	2,310,916	-	410,667	25,265,773
Public works	2,590,611	630,654	-	1,352,007	4,573,272
Human services	498,532	28,581	-	47,518	574,631
Culture and recreation	908,705	1,321,853	-	19,101	2,249,659
Pension and fringe benefits	8,194,790	4,518	-	-	8,199,308
State and county assessments	497,781	-	-	-	497,781
Debt service					
Principal	150,358	-	-	-	150,358
Interest	639,816	-	-	182,309	822,125
Total expenditures	<u>43,798,664</u>	<u>4,622,209</u>	<u>-</u>	<u>2,164,986</u>	<u>50,585,859</u>
Excess (deficiency) of revenues over expenditures	433,710	386,621	27,137	5,937,391	6,784,859
OTHER FINANCING SOURCES (USES):					
Proceeds on sale of bonds (Note 10)	-	-	-	780,000	780,000
Bond premium	219,520	-	-	-	219,520
Transfers in	373,402	110,500	560,090	2,000	1,045,992
Transfers out	(1,410,850)	(299,402)	(167,000)	(14,000)	(1,891,252)
	<u>(817,928)</u>	<u>(188,902)</u>	<u>393,090</u>	<u>768,000</u>	<u>154,260</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(384,218)	197,719	420,227	6,705,391	6,939,119
Fund equity, beginning of year, as previously reported	4,916,681	2,610,179	1,873,650	1,555,963	10,956,473
FUND EQUITY, END OF YEAR	<u>\$ 4,532,463</u>	<u>\$ 2,807,898</u>	<u>\$2,293,877</u>	<u>\$ 8,261,354</u>	<u>\$ 17,895,592</u>

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, 2004**

Net change in fund balances - total governmental fund	\$ 6,939,119
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are amortized over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,692,121)
Revenue 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.	(49,139)
The issuance of long-term debt (e.g. bonds and leases) provide current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(629,642)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(152,524)</u>
Change in net assets of governmental activities	<u><u>\$ 4,415,693</u></u>

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2004**

	Business-type Activities - Enterprise Funds					Total
	Widow's Walk Golf Course	Transfer Station	Sewer Enterprise	Water Enterprise	Waterways Enterprise	
ASSETS						
CURRENT						
Cash and short-term investments	\$ 180,418	\$ 777,156	\$ 380,596	\$ 689,019	\$ 1,219,242	\$ 3,246,431
Receivables, net of allowance for uncollectibles:						
Due from other governments	-	-	5,248,143	-	-	5,248,143
Water and sewer liens	-	-	16,442	30,423	-	46,865
User charges	-	-	69,083	122,346	-	191,429
Reserve for uncollectible accounts	-	-	(16,442)	(30,423)	-	(46,865)
Inventory	51,921	-	-	-	-	51,921
Total current assets	232,339	777,156	5,697,822	811,365	1,219,242	8,737,924
NONCURRENT						
Due from other governments	-	-	-	-	-	-
Construction in progress	-	-	3,275,770	649,106	-	3,924,876
Capital assets, net of accumulated depreciation	3,761,076	1,827,720	22,319,040	11,630,932	1,595,462	41,134,230
TOTAL ASSETS	3,993,415	2,604,876	31,292,632	13,091,403	2,814,704	53,797,030
LIABILITIES						
CURRENT						
Warrants payable	67,157	105,298	45,354	37,586	37,845	293,240
Accrued interest	70,730	-	62,184	14,858	412	148,184
Other liabilities	-	-	161,962	20,222	-	182,184
Due to other funds	47,844	-	-	-	-	47,844
Obligations under capital leases	126,502	-	-	-	-	126,502
Bond and state anticipation notes payable	190,000	641,000	2,280,276	1,675,000	24,000	4,810,276
Deferred revenue-outings deposits, certificates	98,789	-	-	-	-	98,789
Total current liabilities	601,022	746,298	2,549,776	1,747,666	62,257	5,707,019
NON CURRENT						
Compensated absences	-	20,879	29,400	49,357	19,371	119,007
Bonds and notes payable	3,455,000	-	17,472,796	767,000	-	21,694,796
TOTAL LIABILITIES	4,056,022	767,177	20,051,972	2,564,023	81,628	27,520,822
NET ASSETS						
Invested in capital assets, net of related debt	116,076	1,186,720	2,565,968	9,188,932	1,571,462	14,629,158
Restricted	-	-	-	-	-	-
Unrestricted	(178,683)	650,979	8,674,692	1,338,448	1,161,614	11,647,050
TOTAL NET ASSETS	\$ (62,607)	\$ 1,837,699	\$ 11,240,660	\$ 10,527,380	\$ 2,733,076	\$26,276,208

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED JUNE 30, 2004**

	Business-type Activities - Enterprise Funds					Total
	Widow's Walk Golf Course	Transfer Station	Sewer Enterprise	Water Enterprise	Waterways Enterprise	
OPERATING REVENUES						
Charges for services	\$ 1,096,504	\$ 864,108	\$ 989,912	\$ 2,076,802	\$ 596,110	\$ 5,623,436
Merchandise sales	119,647	-	-	-	7,857	127,504
Lease revenue	22,700	-	-	-	3,521	26,221
Excise tax	-	-	-	-	43,214	43,214
TOTAL OPERATING REVENUES	1,238,851	864,108	989,912	2,076,802	650,702	5,820,375
OPERATING EXPENSES						
Cost of merchandise sales	70,203	-	1,105,543	481,307	-	1,657,053
Cost of services and administration	753,669	953,980	292,658	983,064	356,810	3,340,181
Depreciation	263,636	137,222	585,594	374,489	270,024	1,630,965
TOTAL OPERATING EXPENSES	1,087,508	1,091,202	1,983,795	1,838,860	626,834	6,628,199
OPERATING INCOME (LOSS)	151,343	(227,094)	(993,883)	237,942	23,868	(807,824)
NONOPERATING REVENUES (EXPENSES)						
Interest income	1,398	7,958	9,077	9,491	14,893	42,817
Interest expense	(187,560)	(12,502)	(509,824)	(88,105)	(1,111)	(799,102)
Loss on disposal	-	-	-	-	(28,154)	(28,154)
Bond premium	-	4,377	403,899	7,607	-	415,883
Intergovernmental	-	-	599,311	-	23,998	623,309
	(186,162)	(167)	502,463	(71,007)	9,626	254,753
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(34,819)	(227,261)	(491,420)	166,935	33,494	(553,071)
OPERATING TRANSFERS NET	341	200,000	644,919	-	-	845,260
CHANGE IN NET ASSETS	(34,478)	(27,261)	153,499	166,935	33,494	292,189
NET ASSETS AT BEGINNING OF YEAR	(28,129)	1,864,960	11,087,161	10,360,445	2,699,582	25,984,019
NET ASSETS AT END OF YEAR	\$ (62,607)	\$1,837,699	\$11,240,660	\$10,527,380	\$2,733,076	\$26,276,208

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type					Total
	Widow's Walk Golf Course	Transfer Station	Sewer Enterprise	Water Enterprise	Waterways Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$ 1,216,109	\$ 710,116	\$ 987,674	\$ 2,089,615	\$ 518,841	\$ 5,522,355
Other cash received	25,000			-	42,847	67,847
Cash payments to employees for services						-
Cash payments to vendors	(849,355)	(921,172)	(989,003)	(1,714,596)	(352,916)	(4,827,042)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>391,754</u>	<u>(211,056)</u>	<u>(1,329)</u>	<u>375,019</u>	<u>208,772</u>	<u>763,160</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) other funds	(15,000)	400,000	711,867	-	-	1,096,867
NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(15,000)</u>	<u>400,000</u>	<u>711,867</u>	<u>-</u>	<u>-</u>	<u>1,096,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment	(69,210)	(17,420)	-	-	(7,800)	(94,430)
Harbor dredging	-	-	-	-	(260,112)	(260,112)
Construction in progress	-	-	(410,868)	(85,287)	-	(496,155)
Debt service payments made on capital leases	(103,430)	-	-	-	-	(103,430)
Debt service principal payments made on bonds	(170,000)	(16,000)	(734,864)	(603,332)	(24,000)	(1,548,196)
Interest paid on general obligation bonds	(225,530)	(12,565)	(696,170)	(132,770)	(3,048)	(1,070,083)
Bond anticipation notes	-	55,000	295,000	375,000	-	725,000
MWPAT subsidy	-	-	674,912	-	-	674,912
Premium on bond issue	11,790	4,901	4,327	4,809	-	25,827
State grants	-	-	-	-	451,637	451,637
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(556,380)</u>	<u>13,916</u>	<u>(867,663)</u>	<u>(441,580)</u>	<u>156,677</u>	<u>(1,695,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income received	2,983	6,890	10,216	17,211	17,848	55,148
Lease income	-	-	-	-	2,979	2,979
NET CASH (USED FOR) INVESTING ACTIVITIES	<u>2,983</u>	<u>6,890</u>	<u>10,216</u>	<u>17,211</u>	<u>20,827</u>	<u>58,127</u>
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS	<u>(176,643)</u>	<u>209,750</u>	<u>(146,909)</u>	<u>(49,350)</u>	<u>386,276</u>	<u>223,124</u>
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	<u>265,233</u>	<u>433,314</u>	<u>1,389,994</u>	<u>1,162,491</u>	<u>826,776</u>	<u>4,077,808</u>
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	<u>\$ 88,590</u>	<u>\$ 643,064</u>	<u>\$ 1,243,085</u>	<u>\$ 1,113,141</u>	<u>\$ 1,213,052</u>	<u>\$ 4,300,932</u>

See notes to basic financial statements

**TOWN OF SCITUATE, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004**

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash and short-term investments	\$ 389,529
Investments	<u>-</u>
Total assets	<u><u>389,529</u></u>
NET ASSETS	
Held in trust for other purposes	<u><u>\$ 389,529</u></u>

**TOWN OF SCITUATE, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
June 30, 2004**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations	\$ 12,950
Net investment income (loss):	
Interest	<u>21,081</u>
Total additions	<u>34,031</u>
DEDUCTIONS	
Welfare and assistance	600
Educational scholarships	<u>59,425</u>
Total deductions	<u>60,025</u>
CHANGE IN NET ASSETS	(25,994)
NET ASSETS AT BEGINNING OF YEAR	<u>415,523</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 389,529</u></u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

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 accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen (Board) and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. It has been determined that the Town has no component units that require inclusion in these basic financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all 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. The Town has no business-type activities reported in the fiscal 2004 financial statements. Water department operations, although funded through user fees, fall below the materiality threshold tests to require reporting as a business type activity.

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.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

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 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.

Internal service funds and 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 applicant 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 inter-fund activity has been removed from the governmental-wide financial statement. Exceptions are charges between the general fund and water department

TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004

business-type 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, 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 non-major governmental funds consist of special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major 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 the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds)

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earning, not principal, maybe 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.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 Town has no major proprietary funds. Water department operations, although funded through user fees, fall below the materiality threshold tests to require reporting as a business type activity.

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 for others that cannot be used to support the government programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations or other governments.

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

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 Governmental Accounting Standards Board (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.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

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, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year preceding the start of the fiscal year on July 1st. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due 30 days after the official postmark on the bill and are subject to penalties and interest if not paid by the due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed 60 days after the tax bills are sent and recorded as receivables in the fiscal year they are processed.

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

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

Motor Vehicle and Boat Excise Taxes

Motor vehicle and boat excise taxes are assessed annually for each vehicle and boat registered and is 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 allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Water

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if not paid by the due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water liens are processed in December of each year and included as a lien on the property owner's tax bill. Water charges are recorded as receivable in the fiscal year of the levy. Since the receivables are secured by the lien process, these accounts are considered 100% collectible and therefore an allowance for uncollectible accounts is not provided.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

Departmental and Other

Departmental and other receivables consist primarily of ambulance charges and are recorded as receivables in the fiscal year accrued. The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

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 grantor 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 no allowance for uncollectible accounts is provided.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories 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.

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 and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

Capital assets (excluding land) 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</u>
Buildings	40
Machinery & Equipment	5-20
Vehicles	5
Infrastructure	20-50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

Government-Wide Financial Statements

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

Fund Financial Statement

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Debt service" represents the accumulation of resources for payments of general obligation bond principal and interest from sewer betterments assessed to property owners.

"Permanent funds - expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable: represents amounts held in trust for which only investment earnings may be expended.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designation of fund balance represent tentative management plans that is subject to change.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2004 operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

Investment income from Enterprise Funds is retained in the Enterprise Funds.

N. Compensated Absences

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

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

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, should be reported as expenditures and fund liabilities. The Town has made an estimate of these liabilities.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50-75% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2004, this expense/expenditure totaled approximately \$792,000. There were approximately 234 participants eligible to receive benefits at June 30, 2004.

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. 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.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

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 combined balance sheet as "Cash and Short-term investments". 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). In addition, there are various restrictions limiting the amount and length of deposits and investments.

Short-term investments and investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the Town or agents in the Town's name.
- Category 2: Uninsured and unregistered, with securities held by the company's trust department or agent in the Town's name.
- Category 3: Uninsured and unregistered, with securities held by the counter-party, or its trust department or agent but not in the Town's name.

At June 30, 2004, the Town did not have any investments.

At fiscal year-end, cash and cash equivalents totaled \$24,514,351. Of that amount, \$2,465,938 was covered by Federal Depository Insurance, \$413,054 was covered by the Depositors Insurance Fund, and \$21,635,359 was uninsured and uncollateralized.

The following details the carrying amount of cash and short-term investments and investments are reported in the basic financial statements at June 30, 2004:

Checking	\$ 5,322,455
Savings	2,813,948
Money market deposits	6,172,287
Certificates of deposit	3,589,526
Municipal trust accounts	388,482
Escrow Accounts	<u>6,227,653</u>
Total cash and short-term investments as reported on the combined balance sheet	<u><u>\$ 24,514,351</u></u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 – RECEIVABLES

At June 30, 2004, receivables for the individual major, non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 1,064,487	\$ 309,000	\$ 755,487
Tax liens	661,293	-	661,293
Motor vehicle and other excise taxes	677,372	274,000	403,372
Departmental and other	958,104	100,000	858,104
Intergovernmental	20,904,022	-	20,904,022
 Total	 <u>\$ 24,265,277</u>	 <u>\$ 683,000</u>	 <u>\$ 23,582,277</u>

Governmental funds report deferred revenue in connection with receivables for revenues considered that are not 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:

<u>Receivable and other asset type:</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate and personal property taxes	\$ 789,078	-	-	\$ 789,078
Tax foreclosures	453,533	-	-	453,533
Motor vehicle excise	677,372	-	-	677,372
Departmental and other	535,892	-	-	535,892
Intergovernmental	20,577,675	\$ 426,380	\$ 46,361	21,050,416
 Total	 <u>\$ 23,033,550</u>	 <u>\$ 426,380</u>	 <u>\$ 46,361</u>	 <u>\$ 23,506,291</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,269,947	-	-	\$ 15,269,947
Construction in progress	11,048,735	-	\$ (11,048,735)	-
Total capital assets not depreciated	<u>26,318,682</u>	<u>-</u>	<u>(11,048,735)</u>	<u>15,269,947</u>
Capital assets being depreciated:				
Buildings	22,357,468	10,187,943	-	32,545,411
Land improvements	2,397,309	170,916	-	2,568,225
Infrastructure	10,545,206	-	-	10,545,206
Machinery & Equipment	8,175,174	1,667,375	(556,339)	9,286,210
Total capital assets being depreciated	<u>43,475,157</u>	<u>12,026,234</u>	<u>(556,339)</u>	<u>54,945,052</u>
Less accumulated depreciation for:				
Buildings	2,177,822	773,005	-	2,950,827
Land improvements	1,062,871	157,563	-	1,220,434
Infrastructure	3,533,536	516,041	-	4,049,577
Machinery & Equipment	4,869,349	1,159,063	(470,072)	5,558,340
Total accumulated depreciation	<u>11,643,578</u>	<u>2,605,672</u>	<u>(470,072)</u>	<u>13,779,178</u>
<u>Total capital assets being depreciated, net</u>	<u>31,831,579</u>	<u>9,420,562</u>	<u>(86,267)</u>	<u>41,165,874</u>
<u>Total capital assets, net</u>	<u>\$ 58,150,261</u>	<u>\$ 9,420,562</u>	<u>\$ (11,135,002)</u>	<u>\$ 56,435,821</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 – CAPITAL ASSETS (Continued)

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	-	\$ 3,924,876	-	\$ 3,924,876
Total capital assets not depreciated	-	3,924,876	-	3,924,876
Capital assets being depreciated:				
Buildings	\$ 3,056,506	407,450	-	3,463,956
Infrastructure	52,855,430	-	-	52,855,430
Improvements other than buildings	744,814	-	-	744,814
Equipment	1,668,490	61,906	\$ (66,914)	1,663,482
Total capital assets being depreciated	58,325,240	469,356	(66,914)	58,727,682
Less accumulated depreciation for:				
Buildings	413,173	77,089	-	490,262
Infrastructure	13,864,674	1,408,727	-	15,273,401
Improvements other than buildings	432,594	-	-	432,594
Equipment	1,206,791	257,318	(66,914)	1,397,195
Total accumulated depreciation	15,917,232	1,743,134	(66,914)	17,593,452
Total capital assets, net	<u>\$ 42,408,008</u>	<u>\$ (1,273,778)</u>	<u>\$ -</u>	<u>\$ 45,059,106</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2004, are summarized as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Special Revenue Funds	Stabilization Fund	Nonmajor Govnmntal. Funds	
General Fund	-	\$ 299,402	\$ 60,000	\$ 14,000	\$ 373,402
Special Revenue Funds	\$ 3,500	-	-	-	3,500
Stabilization Fund	560,090	-	107,000	-	667,090
Nonmajor Funds	2,000	-	-	-	2,000
Golf Course Enterprise	341	-	-	-	341
Transfer Station Enterprise	200,000	-	-	-	200,000
Sewer Enterprise	644,919	-	-	-	644,919
	\$ 1,410,850	\$ 299,402	\$ 167,000	\$ 14,000	\$ 1,891,252

NOTE 6 – OPERATING LEASES

The Town has no significant operating leases to pay for the use of equipment. Note 8 identifies the amount of long-term debt associated with capital leases.

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 7 – SHORT-TERM FINANCING

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

- Current operating cost prior to the collection of revenues through issuance of revenues or tax anticipation notes (RANS or TANS).
- Capital project cost 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 funds.

Details related to the short-term debt activity, all notes are BANS, for the fiscal year ended June 30, 2004, is as follows:

Purpose	Rate (%)	Due Date	Balance at July 1, 2003	Renewed/ Issued	Redirect/ Redeemed	Balance at June 30, 2004
School Capital Projects						
School Buildings	2.00%	06/06/04	\$ 31,340,000	-	\$ 31,340,000	-
School Buildings	1.75%	03/03/05	-	\$ 31,340,000	-	\$ 31,340,000
School Buses		03/03/05	-	225,000	-	225,000
Town Capital Projects						
Seawalls	2.00%	06/06/04	515,000	-	515,000	-
Seawalls	1.75%	03/03/05	-	35,000	-	35,000
Seawalls	1.75%	03/03/05	-	600,000	-	600,000
WPAT WW management	2.00%	06/06/04	300,000	-	300,000	-
			<u>32,155,000</u>	<u>32,200,000</u>	<u>32,155,000</u>	<u>32,200,000</u>
Water Enterprise Fund						
Cleaning and Repairs	2.00%	06/06/04	925,000	-	925,000	-
Watermains	1.75%	03/03/05	-	598,000	-	598,000
Cleaning and Repairs	1.75%	03/03/05	-	510,000	-	510,000
			<u>925,000</u>	<u>1,108,000</u>	<u>925,000</u>	<u>1,108,000</u>
Transfer Station Enterprise Fund						
Landfill Closure	1.75%	03/03/05	-	641,000	-	641,000
Landfill Closure	2.00%	06/06/04	655,000	-	655,000	-
			<u>655,000</u>	<u>641,000</u>	<u>655,000</u>	<u>641,000</u>
Sewer Enterprise Fund						
Infiltration & Inflow	2.00%	06/06/04	250,000	-	250,000	-
Infiltration & Inflow	1.75%	03/03/05	-	250,000	-	250,000
Sewer Expansion	2.00%	06/06/04	250,000	-	250,000	-
Sewer Expansion	1.75%	03/03/05	-	545,000	-	545,000
Infiltration & Inflow	1.75%	03/03/05	-	392,000	-	392,000
Sewer Expansion	1.75%	03/03/05	-	187,000	-	187,000
Sewer Line & Pump Stations	2.00%	06/26/04	295,000	-	295,000	-
			<u>795,000</u>	<u>1,374,000</u>	<u>795,000</u>	<u>1,374,000</u>
Total			<u>\$ 34,530,000</u>	<u>\$ 35,323,000</u>	<u>\$ 34,530,000</u>	<u>\$ 35,323,000</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 – LONG-TERM DEBT

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2004, the following changes occurred in long-term liabilities:

Governmental Funds:

	<u>Balance July 1, 2003</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Net Increase (Decrease)</u>	<u>Balance June 30, 2004</u>
Long-Term Bonds and Notes	\$ 315,216	\$ 690,184	\$ (65,358)	\$ -	\$ 940,042
Compensated Absences	<u>1,310,457</u>	<u>-</u>	<u>-</u>	<u>151,543</u>	<u>1,462,000</u>
Total	<u><u>1,625,673</u></u>	<u><u>690,184</u></u>	<u><u>(65,358)</u></u>	<u><u>151,543</u></u>	<u><u>2,402,042</u></u>

Business-Type Activities:

Long-Term Bonds and Notes	18,331,285	6,463,798	(1,365,069)	-	23,430,014
Capital Leases	<u>144,984</u>	<u>-</u>	<u>-</u>	<u>(47,942)</u>	<u>97,042</u>
Total	<u><u>\$ 18,476,269</u></u>	<u><u>\$ 6,463,798</u></u>	<u><u>\$ (1,365,069)</u></u>	<u><u>\$ (47,942)</u></u>	<u><u>\$ 23,527,056</u></u>

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up a limit of 2-½ % 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”.

	<u>Interest Rates</u>	<u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2004</u>
GENERAL FUND LONG-TERM DEBT					
Public works,	5.2 - 7.03%	\$ 9,500	-	\$ (9,500)	-
Water mains/source acquisition,	4.16 - 5.73%	-	-	-	-
School	4.62%	96,000	-	(24,000)	\$ 72,000
Septic Title V bond	none	109,716	-	(6,858)	102,858
Public works	4.62%	52,000	-	(13,000)	39,000
Seawalls	3.00%	-	\$ 395,000	-	395,000
Sewer extension	4.43%	-	295,184	-	295,184
Sewer design	4.62%	48,000	-	(12,000)	36,000
		<u><u>\$ 315,216</u></u>	<u><u>\$ 690,184</u></u>	<u><u>\$ (65,358)</u></u>	<u><u>\$ 940,042</u></u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 – LONG-TERM DEBT (continued)

Details related to the outstanding general fund indebtedness at June 30, 2004, and the debt service requirements were as follows:

Year ending June 30,	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2005	\$ 192,144	\$ 24,991	\$ 217,135
2006	193,288	19,152	212,440
2007	194,937	12,348	207,285
2008	147,607	6,675	154,282
Thereafter	212,066	78,370	290,436
	<u>\$ 940,042</u>	<u>\$ 141,536</u>	<u>\$ 1,081,578</u>

WATERWAYS ENTERPRISE FUND	<u>Interest Rate</u>	<u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2004</u>
Harbor dredging	5.73%	<u>\$ 48,000</u>	<u>-</u>	<u>\$ (24,000)</u>	<u>\$ 24,000</u>

Details related to the outstanding waterways enterprise fund indebtedness at June 30, 2004, and the debt service requirements were as follows:

Year ending June 30,	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2005	24,000	360	24,360
	<u>\$ 24,000</u>	<u>\$ 360</u>	<u>\$ 24,360</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 – LONG-TERM DEBT (continued)

GOLF COURSE ENTERPRISE FUND	Interest Rate	July 1, 2003	Additions	Retirements	June 30, 2004
Municipal golf course	5.73%	\$ 3,825,000	-	(180,000)	\$ 3,645,000

Details related to the outstanding golf course enterprise fund indebtedness at June 30, 2004, and the debt service requirements were as follows:

Year ending June 30,	Total Principal	Total Interest
2005	\$ 190,000	\$ 117,326
2006	200,000	108,655
2007	210,000	103,205
2008	225,000	97,605
Thereafter	2,820,000	497,682
	<u>\$ 3,645,000</u>	<u>\$ 924,473</u>

WATER ENTERPRISE FUND	Interest Rate	July 1, 2003	Additions	Retirements	June 30, 2004
Water	5.2 - 7.0%	\$ 600,000	-	\$ (200,000)	\$ 400,000
Pumping station	4.28%	31,000	-	(15,500)	15,500
Water mains/source acquisition	4.16 - 5.73%	111,500	-	(51,000)	60,500
Water mains	4.62%	1,149,000	-	(291,000)	858,000
		<u>\$ 1,891,500</u>	<u>\$ -</u>	<u>\$ (557,500)</u>	<u>\$ 1,334,000</u>

Annual requirements to amortize all Water enterprise fund general obligation bonds outstanding as of June 30, 2004 including interest, are as follows:

Year ending June 30,	Total Principal	Total Interest	Total
2005	\$ 567,000	\$ 59,081	\$ 626,081
2006	391,000	29,997	420,997
2007	376,000	9,944	385,944
2008	-	-	-
	<u>\$ 1,334,000</u>	<u>\$ 99,022</u>	<u>\$ 1,433,022</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 – LONG-TERM DEBT (continued)

Details related to the indebtedness of the sewer enterprise fund at June 30, 2004, and the debt service requirements were as follows:

	<u>Interest Rates</u>	<u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2004</u>
SEWER ENTERPRISE FUND					
Sewer plant upgrade WPAT bond	4.64%	12,566,785	6,463,798	(651,511)	\$ 18,379,072
Total sewer		<u>\$ 12,566,785</u>	<u>6,463,798</u>	<u>\$ (651,511)</u>	<u>\$ 18,379,072</u>

Annual requirements to amortize all Sewer enterprise fund general obligation bonds outstanding as of June 30, 2004 including interest, are as follows:

Year ending June 30,	<u>Total Principal</u>	<u>MWPAT Loan Subsidies</u>	<u>Total Interest</u>	<u>Net Principal & Interest</u>
2005	\$ 906,226	\$ (676,494)	\$ 586,406	\$ 816,138
2006	920,106	(657,501)	857,135	1,119,740
2007	945,805	(638,049)	968,646	1,276,402
2008	855,913	(618,077)	952,128	1,189,964
Thereafter	14,751,022	(5,572,058)	5,606,441	14,785,406
	<u>\$ 18,379,072</u>	<u>\$ (8,162,179)</u>	<u>\$ 8,970,757</u>	<u>\$ 19,187,650</u>

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 9 – 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 Town participates in a health insurance risk pool trust administered by the County of Plymouth, Massachusetts (the County), a municipal corporation that obtains health insurance for member governments at cost eligible to larger groups. The 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 the County. The town is obligated to pay the County its required premiums and, in the event the County is terminated, its pro-rata share of a deficit, should one exist.

For fiscal 2004, the Town appropriated and expended \$21,043 for claims. No additional claims were incurred or reported.

NOTE 10 – PENSION PLAN

Plan Description – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth Contributory 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 of” payments totaled \$3,477,678 for the fiscal year ended June 30, 2004, 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 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 Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at South Russell Street, 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

**TOWN OF SCITUATE, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

earnings. Chapter 32 of MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,640,908; \$1,483,289; and \$1,328,026, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 – CONTINGENCIES

The Town has been named as a defendant in a number of lawsuits as of June 30, 2004 in which the plaintiffs are seeking dollar damage awards for claimed damages. Based on current information, it is believed that these amounts would not result in a material loss to the Town when considered as a whole in relation to the financial statements.

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, 2004, 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.

The Town is the defendant in an action brought by Corcoran Jennison Hospitality Co., Inc. arising out of the Town's determination not to exercise its option to renew a contract with the plaintiff for the management of the Widow's Walk golf course. The plaintiff has claimed it lost profits in excess of \$800,000. The Town's attorneys believe the claim is excessive and can not be substantiated. The case is scheduled for mediation in March 2005.

Town of Scituate, Massachusetts
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2004

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

Municipal Law requires the adoption of a balanced budget that is approved by the Finance Committee (Committee). The Committee presents an annual budget to the Open Town Meeting, which includes estimates of revenues and other financing sources and recommendation of expenditures and other financing uses. The Town, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfer between and within departments subsequent to the approval of the annual budget, requires majority vote at a Special Town Meeting.

The majority of appropriation is 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 (salaries, expenses and capital) 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 claims and judgments may exceed the level of spending authorized by majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The final fiscal year 2004 approved budget authorized approximately \$42,128,000 in appropriations and other amounts to be raised.

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

Town of Scituate, Massachusetts
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2004

TOWN OF SCITUATE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET VERSUS ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2004

GENERAL FUND

	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward to Next Year	Variance to Final Budget
REVENUES				
Real and personal property taxes	\$ 30,682,722	\$ 30,682,722	\$ -	\$ -
Motor & boat excise	2,106,639	2,363,723	-	257,084
Penalties and interest	310,761	275,222	-	(35,539)
Fees	147,103	159,483	-	12,380
Intergovernmental	5,312,207	5,329,950	-	17,743
Licenses and permits	425,707	577,568	-	151,861
Departmental and other revenue	721,590	789,070	-	67,480
Fines and forfeits	73,110	71,552	-	(1,558)
Investment income	181,692	107,371	-	(74,321)
Total revenues	<u>39,961,531</u>	<u>40,356,661</u>	<u>-</u>	<u>395,130</u>
EXPENDITURES				
General government	2,355,265	2,226,904	407,055	(278,694)
Public safety	6,158,900	6,112,511	78,224	(31,835)
Education	22,104,943	22,104,943	55,787	(55,787)
Public works	2,594,006	2,556,481	30,894	6,631
Human services	404,076	343,260	4,099	56,717
Culture and recreation	840,147	825,232	-	14,915
Pension and fringe benefits	4,738,189	4,719,812	2,699	15,678
State and county assessments	514,906	497,781	-	17,125
Debt service	1,007,078	291,256	-	715,822
Total expenditures	<u>40,717,510</u>	<u>39,678,180</u>	<u>578,758</u>	<u>460,572</u>
Excess (deficiency) of revenues over expenditures	<u>(755,979)</u>	<u>678,481</u>	<u>(578,758)</u>	<u>855,702</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out):				
Special revenue funds	295,556	296,202	-	646
Enterprise funds	(473,742)	(632,479)	-	(158,737)
Expendable trust funds	(494,090)	74,000	-	568,090
Premium on sale of notes	-	(342,570)	-	(342,570)
Total other financing sources	<u>(672,276)</u>	<u>(604,847)</u>	<u>-</u>	<u>67,429</u>
Excess(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,428,255)</u>	<u>\$ 73,634</u>	<u>\$ (578,758)</u>	<u>\$ 923,131</u>

Town of Scituate, Massachusetts
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2004

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, 2003, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis	\$	73,634
Basis of accounting differences		
Net change in 60-day receipts		205,069
Tax title and other unbudgeted property tax receipts		192,967
Prior year encumbrances expended this year		(1,434,646)
Encumbered at 6/30/04		578,758
Increase in revenue due to on behalf payments		3,477,678
Increase in expenditures due to on behalf payments		<u>(3,477,678)</u>
 Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis	 \$	 <u><u>(384,218)</u></u>

PALMER & DODGE LLP

111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

(Date of Delivery)

Paul G. Donlan, Treasurer
Town of Scituate
Scituate, Massachusetts

\$10,000,000
Town of Scituate, Massachusetts
School Bonds
Dated September 15, 2005

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

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

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

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

Palmer & Dodge LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Scituate, Massachusetts (the “Town”) in connection with the issuance of its \$10,000,000 School Bonds dated September 15, 2005 (the “Bonds”). The Town covenants and agrees as follows:

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

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

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

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

“National Repository” shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

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

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

“Repository” shall mean each National Repository and each State Depository.

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

“State Depository” shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

“Transmission Agent” shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agent is listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

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

(b) If the Town is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Town shall send a notice to the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

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

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated September ___, 2005 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The Town shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, [4, 5,] and 10 above are not applicable to the Bonds.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Town shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 6. Alternative Methods for Reporting. The Town may satisfy its obligations to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of

the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

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

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

Date: _____, 2005

TOWN OF SCITUATE, MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: List of National Repositories and Transmission Agent]

[EXHIBIT B: Form of Notice of Failure to File Annual Report]

EXHIBIT A

NATIONAL REPOSITORIES

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
PH: (609) 279-3225
FAX: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
PH: (201) 346-0701
FAX: (201) 947-0107
E-mail: nrmsir@dpccdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
PH: (212) 771-6999
FAX: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
PH: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

TRANSMISSION AGENT

www.DisclosureUSA.org

Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Town: Town of Scituate, Massachusetts

Name of Issue: \$10,000,000 School Bonds

Date of Issuance: September 21, 2005

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Town dated September 21, 2005. The Town anticipates that the Annual Report will be filed by

_____.

Dated: _____

TOWN OF SCITUATE, MASSACHUSETTS

By _____

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "The MBIA Insurance Corporation Insurance Policy". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the [Bonds/Securities], and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the [Bonds/Securities]. MBIA does not guaranty the market price of the [Bonds/Securities] nor does it guaranty that the ratings on the [Bonds/Securities] will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2005 MBIA had admitted assets of \$10.7 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as

of June 30, 2005 and for the six month periods ended June 30, 2005 and June 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the [Bonds/Securities] offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

STD

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary