SOUTH SHORE TRI-TOWN DEVELOPMENT CORPORATION

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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Transmittal Letter

October 25, 2013

Board of Directors
South Shore Tri-Town Development Corporation
223 Shea Memorial Drive
Weymouth, MA 02190

Dear Sirs:

I am pleased to transmit to you the South Shore Tri-Town Development Corporation financial report for the fiscal year ended June 30, 2013. This report has been prepared by the Finance Department for the South Shore Tri-Town Development Corporation (SSTTDC) in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

The report consists of management's representations concerning the finances of the SSTTDC. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a system of internal controls that is designed both to protect the assets of the SSTTDC from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the SSTTDC's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the SSTTDC's framework of internal controls has been described to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The SSTTDC's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants, who have been hired by and report to the Board of Directors.

The audit was undertaken in accord with the Tax Plan adopted by the SSTTDC and assented to by the Secretary of Administration and Finance in accord with the Enabling Legislation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The SSTTDC's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENT IN TRANSITION

Fiscal year 2013 was noteworthy in that management completed its transition from QuickBooks to MUNIS. By the end of FY2013, the SSTTDC transitioned its books and records to an accounting system with a chart of accounts generally in conformity with the UMAS accounting system. The SSTTDC, as required under its Tax Plan, is required to use the UMAS system.

It was understood that the full implementation would require several years and would be achieved simultaneously with the SSTTDC's compliance with the Tax Plan. During FY 2013, the SSTTDC Finance Department was able to achieve its goal of establishing internal controls over all finance related activities.

The finance department focused on six elements: (1) create a chart of accounts utilizing fund accounting, (2) continue cash reconciliations, (3) implement a receivables process including reconciliation of same, (4) insure that all expenses tie to approved warrants that were reviewed and authorized by the Chief Executive Officer, a member of the Finance Division and a majority of the Board of Directors, (5) the creation of divisions within Finance with specific personnel to achieve good internal controls, and (6) implement a warrant system to capture not only the employees payroll liabilities but also the SSTTDC's liabilities for payroll taxes and benefit contributions. Each of these was achieved by the end of year.

While implementing the above six elements, the organization was mindful of the fact that the finance area is comprised of five unique areas, each having a fiduciary responsibility to the organization. As FY 2013 ended, the SSTTDC was able to fully implement an in-house payroll system.

The CFO, per the enabling Legislation, is responsible for the supervision and coordination of the accounting, treasury and collection, procurement, and assessment administration functions as well as control of all funds. Given the foregoing, the finance department should consist of the five divisions namely: Management, Accounting, Treasury and Collection, Assessment and Procurement. By so doing, the department would be responsible for administering the SSTTDC's fiscal operations including the administration of a comprehensive financial management system, optimizing cost and quality control of centralized procurement, overseeing the collection of revenues, monitoring the SSTTDC's financial position through an accurate accounting program as well as debt management and property appraisal.

The Accounting division is responsible for centralized accounting and reporting. Accounting responsibilities include the maintenance of appropriation and full general ledger and subsidiary accounting records, the administration of payroll and accounts payable activities. The division is also responsible for monthly, quarterly and annual financial reporting and for assisting in the preparation of the annual budget. The Accountant maintains the official books of account for the SSTTDC.

The Treasurer/Collector, under the Tax Plan, reports separately to the Board of Directors. This division under his/her control is responsible for centralized treasury management activities and effective cash management in accordance with state and federal law as well as centralizes revenue collection. Responsibilities of the division include the billing and collection of real and personal property taxes and motor vehicle excise taxes. This division oversees the collection of departmental fees, licenses and user charges to insure such revenues are promptly and accurately received and collected.

The Assessment division is responsible for locating and appraising all real and personal property for inclusion on the tax rolls. Included among the services of the division are the maintenance of records on each parcel of land and the related structures, updating maps of each property, and providing assistance to the public in filing for state authorized abatement programs. Finally, the assessor's responsibilities are to frame, compute and submit the annual RECAP forms to MA Department of Revenue in order for the SSTTDC to set its property tax rates.

The Procurement division is responsible for providing centralized purchasing, postage and printing services. It is noted however, that the Enabling Legislation exempts the SSTTDC from procurement laws. The SSTTDC management believes that sound business practices similar to those annunciated in the procurement statutes should be looked to for guidance when significant assets or services are being sought.

During FY2012, a system was devised to begin the process of establishing internal controls and thereby safeguarding the assets of the organization. For example, the practice of having all checks, regardless of the amount, signed by one person from the administration and one person from finance was established. Another example was that the person who writes the checks neither signs the check nor reconciles the account. A third example was the implementation of a cash book system of accounting whereby it was reconciled both to the bank statements and to the general ledger cash balance.

In addition, a chart of accounts and a system of charge codes were established whereby invoices were required to be paid through an accounts payable module thereby recording cash simultaneously in the general ledger and the treasurer's cash book. During FY12, all checks were processed using a 'remote capture' system of banking.

Finally, the petty cash system was abolished and a system of debit cards was implemented for minor purchases. Each authorized user was assigned a unique card and identifier and the account is managed and reconciled on a monthly basis. The need for cash in the office was eliminated.

Each division, to be in strict compliance with internal controls, should have personnel assigned to that division alone. During fiscal year 2013 staffing patterns have been developed to insure a reasonable review of the records of the SSTTDC.

OVERVIEW

The SSTTDC was created in 1996. In 1996, the voters of Abington, Rockland and Weymouth adopted a home rule petition (hereinafter the Petition) creating the South Shore Tri-Town Development Corporation to control the land formerly known as the South Weymouth Naval Air Station. In 2008, the MA Legislature, at the request of the Board of Directors, further amended the original petition. The statutory reference is Chapter 303 of the Acts of the MA Legislature in the Year 2008.

SSTTDC initially acted as a Redevelopment Authority and was organized under State law through a home rule petition submitted by the Towns of Abington, Rockland and Weymouth as a body, corporate and politic, having the authority to oversee and direct the SSTTDC's redevelopment activities. Fiscal Year 2012 saw a transition from an entity similar to a redevelopment authority to an entity similar to that of a municipality.

In addition to the Petition and resulting Reuse Plan, the SSTTDC is also required to comply with many state and local finance laws, ordinances and administrative requirements in accord with a Tax Plan required under the Petition. The Tax Plan was approved in August of 2009 by both the SSTTDC and the Secretary of Administration and Finance.

The Board of Directors is the sole entity responsible for pursuing the acquisition and redevelopment of the former Naval Air Station (NAS). Among the powers granted in the Petition, the SSTTDC Board of Directors is charged with administering licenses, building permits and zoning approvals within its jurisdictional boundaries. The SSTTDC is also charged with collecting tax revenue from development within the Base. They appoint a Chief Executive Officer who then appoints the staff including the Chief Financial Officer and a Collector/Treasurer. The office of the Chief Financial Officer was filled in October of 2010. The office of Treasurer/Collector was filled in June of 2012. Both positions were required under the Tax Plan.

The Petition created the Office of Chief Financial Officer reporting to the Board of Directors and requires a centralized/integrated finance department. The Petition also sets forth requirements on the development and submittal of the annual budget and supplementary budgets and appropriation requests.

Little redevelopment and/or governmental activity could take place until such time as the negotiations for the approximately 1,387 acres of land between the SSTTDC and the Navy were completed and the land transferred.

As of December 15, 2011, the transfers (and land set aside) of land from the Navy to the SSTTDC have occurred as follows:

a. May 2003: 225 acres set aside for public recreation land under the direction of SSTTDC
b. May 2003: 324 acres for economic development
c. September 2008: 100 acres set aside for recreation land to the Department of the Interior
d. September 2009: 8 acres set aside for recreation land to the Department of the Interior
e. April 2010: 15 acres set aside for recreation land to the Department of the Interior
f. December 2011: 558 acres for economic development
g. Hold back by the Navy: 105 acres for cleanup under the supervision of the Environmental Protection Agency and the MA Department of Environmental Protection; this land will be transferred to the SSTTDC as the property is released by the Regulatory Agencies
h. Hold back by Navy: 32 acres for future set aside for recreation land to the Department of the Interior
i. Hold back by Navy: 18 acres for economic development
j. Conveyance to Rockland: 2 acres to be set aside for recreational use

With the land conveyance in December 2011, the SSTTDC function as a redevelopment authority has been limited to participation with the environmental regulatory agencies for those parcels of land that were not conveyed but required some type of environmental remediation. With the December transaction, the SSTTDC assumed the role more typical of a municipality.

The SSTTDC is a quasi - municipal entity and as such is required to provide a full range of municipal services (see section 3 of the Petition) including public safety, public roads, sanitation, water, sewer, health and social services, culture, recreation, education, public improvements, planning, zoning and general administrative services. The following services commenced in earnest during FY2013 as there were residents on the site: public safety, public roads, sanitary storm drain management, water, sewer, health and social services, culture, recreation, education, public improvements. As of June 30, 2013, there were 486 residents with 22 school age children. As a result, the Board of Directors funded these services during FY2013.

ECONOMIC CONDITIONS

The economy in the Northeast region of the United States was consistent with the rest of the country in FY13 which experienced stable real estate values and increasing costs for fossil fuels. Health care costs for the SSTTDC remained stable. Although important to the development of the land within the jurisdictional boundaries of the SSTTDC, the major factor that had a direct impact on the redevelopment of the land was the lack of readily available financing sources for the Master Developer. A break in this trend was seen at the close of calendar year 2010 with the building of two foundations by a contractor. By the end of the fiscal year, two major projects had applied for and received building permits. The first was for a 216 unit apartment complex that had received a certificate of occupancy at the close of FY12. The second permit was for an over 55 complex. The lender for this facility required a 75% occupancy commitment prior to receiving the funds to begin construction. According to the Developer, it is anticipated that construction work for the second permit will begin during FY14. In addition, 35 residential units (condominium or town houses) had also received certificates of occupancy by the close of fiscal year 2013. As FY2013 closed, the Board of Directors had approved an additional 72 unit apartment complex.

The SSTTDC established its first tax rate in FY2009 but was not permitted to collect the tax by the MA Department of Revenue until fiscal year 2010. As a result, Management's historical analysis commences with FY2009.

ACCOUNTING SYSTEM

The SSTTDC's new accounting system was implemented in the last quarter of FY11 and was organized and operated using funds and account groups. The chart of accounts, accounting, and financial reporting policies of the SSTTDC conform to the Generally Accepted Accounting Principles ("GAAP") and reporting standards promulgated by the Governmental Accounting Standards Board ("GASB") and the Massachusetts Department of Revenue - Bureau of Accounts, as well as the reporting requirements for the Department of Elementary and Secondary Education. Budgetary control is centralized and enforced on a statutory accounting basis. Statutory accounts are maintained on a departmental level and consist of the following categories: salary, overtime, departmental expenses, and capital expenditures. Within each category expenses are accounted for on a line item basis, the Chief Executive Officer is authorized to transfer sums between line items within a category.

Open encumbrances are reported at the end of FY13 as reservations of fund equity. The total general fund encumbrances as of June 30, 2013 were approximately $129,000 of which the majority related to the CEO, finance department, planning board, maintenance of buildings, and police and fire inspections.

All capital asset expenditures placed in-service or for which the SSTTDC expended funds but were not placed in service during FY12 were added to those shown in the FY13 end of year general financial statements.

The purpose of a Financial Policies and Procedures Manual is to document sound, easy to understand policies and procedures for the financial functions of budget administration, accounting, procurement, utility billing, assessing, treasury and collection. The final version was implemented in July of 2013. This manual is intended to be a usable, understandable guide to set forth policies and procedures in the context of the annual Massachusetts fiscal calendar cycle. The manual will reference MUNIS data entry, processing and reporting that are related to effective implementation of a specific policy or procedure. Given the limited staffing patterns, the process is especially important in an attempt to insure a form of internal controls.

CASH MANAGEMENT

Quarterly billing of real estate and personal property taxes coupled with monthly water and sewer utility billing has permitted the SSTTDC to operate on its cash flow.

Investment options are governed by MGL and are limited by liquidity needs. Temporary idle cash was invested in money market accounts and savings accounts. These investments yielded an average rate of return of .95%. All of our institutions with which we do banking have been rated by Veribanc as "green with three stars". These ratings are reviewed by staff on a semi-annually basis.

A policy regarding the type of investment and the institutions for those investments was implemented during FY11.

RISK MANAGEMENT

Insurances

The SSTTDC purchases general liability coverage through the Hanover Insurance Company. Hanover Insurance Company has an A - A.M. Best Rating. Coverage includes property, general liability, crime, boiler & machinery, automobile and an umbrella liability which insures its property for fire, theft and natural disaster and claims for personal injury. A limit of Liability has been set at $10,000,000 per occurrence under the umbrella policy. There is no deductible under the general liability policy. The automobile policy contains a $500 deductible.

In addition to the foregoing, the SSTTDC has obtained Worker' Compensation coverage with a bodily injury limit of $500,000. The SSTTDC has earned a merit ratio of .95.

Directors and Officers policy is a claims-made policy with $1,000,000 limit of liability.

The SSTTDC provides medical insurance coverage to employees and retirees through Mayflower Municipal Health Group who also insures Plymouth County Retirees. The SSTTDC pays 75% of the health insurance premiums and 50% of dental insurance.

The SSTTDC is insured for unemployment compensation through a Massachusetts state agency. The SSTTDC carries a short term and long term disability policy on all of its employees; these policies are in place of a sick leave bank.

The SSTTDC is insured for environmental hazards. Schedule of Insured Properties: FOST 1 and 2, former Naval Air Station South Weymouth, South Weymouth, MA, as delineated by 1) deeds (for FOST 1 and FOST 2, respectively), Department of Navy Contract No. N62472-03-RP-0059, between the United States of America, acting through the Secretary of the Navy and South Shore Tri-Town Development Corporation, dated 5/15/03, and 2) Deeds (for FOST 1 and FOST 2, respectively), between the United States of America, acting by and through the National Park Service and South Shore Tri-Town Development Corporation, dated 5/15/03, 2003. Strip of land for construction access road near Blvd. 82, former Naval Air Station, South Weymouth, MA, as identified on Kimberly-Horn and Associates, Inc. definitive subdivision plan dated July 26, 2007. East/West Parkway as shown on East/West Parkway Site Control - Phase I (Site Plan). The coverage extends to $10 million per occurrence. Defense costs included in the loss and reduce the applicable limits, except for reasonable expenses incurred by Insured at the company's request to assist in the investigation or defense of the claim, including actual loss or earnings up to $500 a day because of time off from work; not exceeding $5,000.

In addition, during FY2013 the SSTTDC undertook an analysis of certain factors that might present an obstacle for the project to complete Phase One and commence Phase two under the Reuse Plan adopted by the three Towns in 2005. What follows is an analysis of the three most troubling obstacles to achieve the objectives found in Phase One of the Reuse Plan.

RISK QUALIFICATION AND PRIORITIZATION

Risks are identified and measured in relation to the organizations objectives or, more specifically, to the objectives in scope for the risk assessment. Defining objectives that are specific and measurable at various levels of the organization is crucial to a successful risk assessment. Evaluating the risk relative to such objectives facilitates the reallocation of resources as necessary to manage these risks and best achieve stated objectives.

TOP THREE RISKS

The top three risks identified as high impact for this project are the budgetary considerations for SSTTDC, water and sewer, and the East-West Parkway.

BUDGETARY CONSIDERATIONS

Required Uses of Revenue

Infrastructure Bond

South Shore Tri-Town Development Corporation issued the Series 2010A Infrastructure Development Revenue Bonds in the amount of $12,550,000 on August 9, 2010 (the "Bonds"). The Bonds are secured by assessments and pledged revenues levied on each parcel of assessed property. The assessments have been imposed upon the real property within the boundaries of the SSTTDC and are limited to those properties transferred under FOST 1 and FOST 2 (June, 2006 Conveyance). The assessments are equal to the interest and principal on the Bonds and bonds expected to be issued in the future and estimated administrative expenses related to the bonds. The assessment roll is updated each tax year. This is the first such bond authorized in the Commonwealth of Massachusetts. The first payment for which assessments are to be collected under the bond is due on August 1, 2012 (FY13) as reserves were held by a third party for the semi-annual debt service for FY11 and FY12. The SSTTDC has pledged up to 35% of its FY13 tax revenue for properties included in FOST 1 and FOST 2 to this debt service.

In addition, the SSTTDC is required to raise $486,313 for the purpose of paying the dedicated tax revenue for the infrastructure bond, FY13 liability to be paid on August 1, 2013 (FY14). This in accordance with the Municap calculations submitted for approval by the Board on November 9th and is consistent with indenture executed by the Board of Directors. It is worthwhile to note that the FY13 calculation is based upon a 25% 'pledge of Real Estate tax revenues'. In FY14 the amount will increase to 35% under the terms of that indenture.

This liability will continue until FY2040. The risk associated with this debt issuance presents two identifiable impacts:

a) Reduces the available tax revenue for future bond issuances and/or operational expenses.
b) The required special assessment may elevate tax revenues beyond those paid by rate payers in surrounding communities.

Parkway Bond

The SSTTDC, utilizing a quasi-grant from the Commonwealth of Massachusetts, began construction on the East West Parkway in 2010. The following is a brief synopsis of the key terms of the Amended and Restated Memorandum of Agreement for the Implementation of Transportation Improvement for the Redevelopment of the South Weymouth Naval Air Station (the "Implementation MOA"), dated as of March 4, 2010, by and between the Massachusetts Department of Transportation ("MassDOT") and SSTTDC (see a further analysis in Management Discussion and Analysis for particulars of the Parkway Bond terms and conditions). In brief, the SSTTDC is required to demonstrate to the Commonwealth that sufficient new state revenues have been generated on site so as to make the bond payment revenue neutral. If a difference exists between the annual debt service payment and the calculation for new state revenue, the SSTTDC has guaranteed payment of the difference.

The Debt Service Payment for FY11 was just less than $1.1 million. The FY11 deficiency payment certified by the Massachusetts Department of Revenue in accordance with the Agreement was $756,978. The SSTTDC is required to make the deficiency payment by June 30, 2013.

For Fiscal Year 2012, a deficiency was certified by the Massachusetts Department of Revenue. Based upon FY12 construction values of $59,254,086, new state revenue yielded $1,642,530 with a deficiency of $232,970 to be paid in FY2013.

If this trend continues, this will produce a new risk to project's success. The risk is identified given the fact that the SSTTDC may not have sufficient revenues to make capital contributions to its infrastructure. The clear language of the Agreement states that "the SSTTDC shall annually ensure that it has sufficient revenues to make and such required Deficiency Payments, (see section 5(c) of the Agreement).

To further illustrate this point, as of November, 2013 (FY14), construction values are just under $3 million. The debt service on the Parkway Bond for FY13 is $1,872,325. Given the trend and that construction during FY13 substantially lags behind the construction levels of FY2012, it is reasonable to assume that the deficiency payment for FY13 may be as high as $1.5 million.

If construction continues to lag behind the projections articulated in the Parkway Bond issuance, then revenues will be diverted to payment of these obligations rather than investing in constructing roads, water and wastewater systems as required under the Reuse Plan (see section IV Infrastructure Improvements). Failure to achieve the goals of infrastructure improvements in Phase 1 will prohibit transition into Phase 2 of the redevelopment as required under the Reuse Plan and thereby delaying the four year time line for Phase 1 established under the Reuse Plan.

Required Uses of Revenue

SSTTDC needs to be able to generate enough revenue to both remain operational and to finance necessary phasing requirements. As soon as its revenue begins to fall under certain estimations, their ability to continue financing into Phase 2 will come into question. Since SSTTDC is a unique entity, its revenue stream centers on three main areas:

a) Taxes
b) Entitlement fees (to a maximum of $4 million that is due to be reached during FY18)
c) Building permits.

Through FY13, building permit fees and real estate taxes comprised the majority its revenue but this is mainly due to the fact two large residential projects are in the process of being completed. If construction were to continue to lag behind projections, SSTTDC would be required to rely virtually on its tax levy for support of its operations.

SSTTDC's reliance on a few sources of revenue means that each category needs to remain consistent. For instance, Entitlement fees and building permits will decrease as construction decreases. A decrease in construction will result in a lower or no 'new growth' tax revenues. Since financing for capital projects plays a large role for infrastructure improvements anything that adversely impacts these sources of revenue is identified as a risk. FY13 revenues when compared to FY12 revenues dramatically demonstrate the need for construction to continue.

The flow of new commercial projects will keep a steady stream of entitlement fees and building permit fees to finance the infrastructure needs of the SSTTDC. New residents and commercial vendors, yields increased tax revenue that will allow for increased debt service costs within the operating budget of the SSTTDC. Commercial projects will also minimize, if not eliminate, the need for budgeting any parkway deficiency as job creation is the strongest component in the calculation for the Parkway Deficiency.

Operational Expenses

It is obvious that the SSTTDC needs to reserve any funds available after ordinary and necessary expenses are paid for. Excess revenues are available only after SSTTDC has met its own operational expenses and to reserve for required infrastructure improvements as well as deficiencies calculated for the Parkway Bond.

Education during FY13 has become a large expense as it includes both tuition and transportation for all school-age children, SPED included. It is directly related to the number of students living on site. Currently, there are approximately 23 school age children attending Weymouth Public Schools. The SSTTDC is obligated to make payments towards that education. The projections reveal that as residential units are constructed more students will reside within the project. This one expense will dramatically increase and negatively affects SSTTDC from having available revenues for capital improvements if residential construction out paces commercial development. This is true in any community.

Revenue and expenses are an obvious risk for any enterprise. It is a heightened risk for SSTTDC because if entitlement fees and building permits are not collected, taxes become the sole source of revenues. Given that revenues are committed to debt service and the Parkway 'clawback', then operational expenses will be impacted.

Without sufficient revenues, SSTTDC's ability to borrow funds for required infrastructure improvements is severely hampered. Therefore, construction and project development for both commercial and residential components must continue at the FY12 rate to preserve the SSTTDC commitment to meet its defined goals under the Reuse Plan.

Revenue**:**

a) Main driving factor of SSTTDC operational
b) Investment in infrastructure activity
c) Currently, SSTTDC relies on tax revenues, entitlement fees, and building permits as revenue sources. Taxes constitute roughly 2/3 of its revenue.
d) Effects: Lack of the construction effort will result in lack of entitlement fee and building permit revenue. Revenues need to be conserved for contractual obligations for infrastructure needs; distributions to Towns as stated in Reuse Plan will severely hamper the project. Education is a rising expense that will greatly affect available revenues.

Water & Sewer

At the outset of this project, SSTTDC recognized that one of its main areas of concern would be Water and Sewer infrastructure. Water distribution and sewer collection not only play a large part in the residential aspect of the project, but are also needed to support the overall construction process.

Under both the Reuse Plan and FEIR, certain water and sewer requirements must be met before the project may proceed from phase 1 to phase 2 of development. Whether it is an off-site or on-site solution, securing permanent sources for these two utilities would alleviate a major hurdle in the project. These permanent sources must be able to support SSTTDC's estimated 1.3 million gallons per day of flow. Currently, under a temporary water and sewer agreement with the Town of Weymouth, SSTTDC has secured sufficient resources for phase 1.

Water and sewer solutions are a high risk due to the fact that water and sewer affects several areas of the project. First, the fact that SSTTDC is currently operating under a temporary agreement may not provide potential commercial developers with the degree of comfort necessary for such a developer to invest in building at Southfield. The dependency on Weymouth not only fails to provide protection from pricing increases, but also if Weymouth's capacity is threatened, the flow to the SSTTDC may suffer in a drought situation. If Weymouth is required to reduce production, then this reduction may put SSTTDC in a position that it is unable to fulfill its obligations to its users. The resolution is to develop a sole source for each of these utilities. However, the cost for the infrastructure is estimated at nearly $70 million. Most likely, the source of funding such a project would be through the issuance of a bond. However, the SSTTDC must carefully consider the impact a bond of this size would have on its rate structure. A substantial increase in rates, recognized as being significantly higher than in surrounding Towns, may hinder future development from occurring.

When focusing on sewer, it is important to note SSTTDC currently makes connection and mitigation payments to the Town of Weymouth. If there was a way to develop an on-site sewer system at the same cost, rates may not be impacted to a significant extent. Fortunately, there is an on-site solution in the form of a septic-tank like structure for each 'neighborhood'. It is estimated, SSTTDC would require 8 pods to support its residential and construction components. With the cost of approximately $2 million per pod this could be an economical solution to the issue. In addition, this solution would be able to be constructed in a short period of time thereby permitting achievement of one of its goals in a timely fashion.

When taken together, a permanent water and sewer system would fulfill the SSTTDC's requirement to identify permanent sources required for phase 2 to be permitted and developed.

In summary SSTTDC is:

a) Required to provide, full build-out capacity of a 1.3 million gallon pod, permanent source needed before phase 2.
b) Currently, SSTTDC outsources water and sewer for phase 1 only from Weymouth with cost being too high for continued commercial growth.

East West Parkway

The Parkway is a vital component to the entire project. It is not only a source of transportation, but also affects the commercial development of the project. Fortunately, the Parkway is well into its development process and is on pace to be completed by the end of phase 1, as required in the Reuse Plan. However, financing for the final phase has not been identified. If there is a lack of a funding source and the Parkway incurs setbacks, the ripple effect will undoubtedly be detrimental to the project especially for commercial developers.

Currently, there is approximately $45 million invested in the Parkway with an estimated total cost as high as $100 million. The $100 million can be attributed to the area surrounding the existing MBTA station. Improvements there range from additional parking to the construction of a flyover bridge. It should also be noted that if the existing buoy station is to be relocated the cost will increase dramatically.

The Parkway is a key component for transportation both on and off site. Aside from construction of the Parkway, improvements to Route 18 and existing Town roads are also a requirement to be completed by the end phase 1. Route 18 is already identified as a high traffic road due to its hourglass-like layout, but the construction improvements will intensify this. This is a cause for concern mainly to residents of surrounding Towns as their everyday commute to and from work may be in jeopardy. Business owners may also struggle with road improvements as they have the potential to inhibit access to their location. In anticipation of this risk certain precautions should be taken.

The commercial aspect of the project is influenced by the Parkway mainly due to ease of access. Currently, SSTTDC has one road in and out of the development which is a cause for concern for commercial developers. The Parkway, when finished, will help attract commercial interest as workers would have easy access to employment and the developer will have easy access to commercial markets.

This is crucial as each phase contains commercial development and failure to have commercial entities on site will stall developmental phases. In addition, the lack of commercial space will negatively impact influences of

SSTTDC's tax revenue, as commercial tax revenue is anticipated to raise approximately 66% of all tax revenues. As a result, failure to attract commercial developers places the Parkway as having a high impact on the overall success of the project.

It is evident the Parkway poses substantial risks. SSTTDC must focus on acquiring financing for the Parkway and finish what is essentially half completed. With financing, the Parkway can be completed. The SSTTDC must then insure that off-site road improvement can also be achieved. The completion of the Parkway will be a significant factor in determining the future success of SSTTDC.

In summary, the East West Parkway is**:**

- Vital factor in transportation and commercial development.
- Currently, $45 million invested; renovations still needed to Route 18, MBTA Station, possibly relocation of Buoy Station, and Parkway road completion Trotter Road.
- Effects: Failure to complete Parkway will likely result in slowed, if any, sale of commercial land.

Respectfully submitted,

Kevin R. Donovan
Chief Executive Officer

FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors
South Shore Tri-Town Development Corporation
South Weymouth, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Shore Tri-Town Development Corporation, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The transmittal letter is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the Corporations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporations' internal control over financial reporting and compliance.

Powers + Sullivan, LLC

October 25, 2013

Management's Discussion and Analysis

Management’s Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation’s basic financial statements. The Corporation’s financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The government-wide financial statements provide both long-term and short-term information about the Corporation as a whole. The fund financial statements focus on the individual components of the Corporation, reporting its operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Corporation’s accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Corporation’s finances, in a manner similar to a private sector business.

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

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

The government-wide financial statements distinguish functions of the Corporation 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 of the Corporation include general administrative services, professional services and pre-development site design and review. The Corporation’s business-type activities include the water and sewer utility activities.

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

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

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

The Corporation maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Developer Deposit Fund, Multimodal Access Project Fund, Mass Highway Fund, Infrastructure Acquisition Fund, and East/West Parkway Fund, all of which are considered to be major funds. The remaining governmental funds are aggregated and shown as nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is available from the Corporation Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Corporation uses an enterprise fund to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

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

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

General Government

The SSTTDC was created in 1998. However, it did not have a basis or authority to collect taxes until 2009 on the original transfer of 324 acres. It is generally accepted that municipalities have real estate taxing authority but in the case of the SSTTDC, it was slowed due to on-going negotiations with the Navy for the transfer of taxable land and the adverse economic conditions suffered by the Commonwealth of Massachusetts commencing in 2007. The Navy transfer of the 558 acres did not take place until December 2011 and will not be included as a tax basis until FY2013.

Property Values

Real Estate property values in the SSTTDC are submitted annually to Massachusetts Department of Revenue for certification in accord with MA General Law chapter 59. Once certified, the Board of Assessors is able to determine the tax rate for the SSTTDC. The chart below reveals that property values increased despite the fact that real estate values in the greater Boston area declined during the same period. This is due to the construction of residential properties within the bounds of the SSTTDC. Presented below is a summary of the approved property values within the SSTTDC jurisdictional limits. The transfer of properties known as FOST 3 through 6 occurred in December 2011 but are included in the valuation beginning with fiscal year 2013. As a result, a significant increase in real estate valuation is seen in the chart below for FY13.

The first year for property valuation was during fiscal year 2009, the first year the Massachusetts Department of Revenue approved its valuation methodology.

Class	Valuation by Taxable Property Class FY09	FY10	FY11	FY12	FY13
Residential…………………	$ 12,642,800	$ 12,642,800	$ 13,131,835	$ 20,330,300	$ 47,720,900
Open Space………………	1,809,800	1,809,800	1,809,800	500,800	2,542,500
Commercial…………………	35,106,400	35,106,400	35,938,865	35,467,300	60,268,800
Personal Property…………	19,000	19,000	19,000	53,000	3,363
Total Valuation……………	$ 49,578,000	$ 49,578,000	$ 50,899,500	$ 56,351,400	$ 110,535,563

Tax Rate

Tax rates are set for the SSTTDC in a manner consistent with all other cities and towns within the Commonwealth of Massachusetts. Tax rates for the SSTTDC, like all municipalities, are approved by the Massachusetts Department of Revenue based upon all revenues including tax receivables. The Board of Assessors is required to calculate on the Commonwealth's tax recapitulation (RECAP) form all income and all authorized expenditures for a given year. This calculation yields a tax rate. The tax rates for the SSTTDC are listed below:

Tax Rates	As approved by the Massachusetts Department of Revenue FY09	FY10	FY11	FY12	FY13
Residential…………………	$ 20.06	$ 11.78	$ 11.90	$ 12.89	$ 13.26
Open Space………………	20.06	11.78	11.90	12.89	13.26
Commercial…………………	20.06	17.47	17.70	23.89	26.35
Personal Property…………	20.06	17.47	17.70	23.89	26.35

For fiscal year 2010, the Board of Assessors recommended and the Board of Directors approved a tax shift whereby the commercial taxpayers bear more of property tax burden than does the residential taxpayer. By so doing, the tax rate for the SSTTDC is more in line with that of the Town of Weymouth. It was determined that since the property being sold was located in Weymouth that this approach to the tax shift was reasonable. This practice continues. The SSTTDC did not maximize its levy limit under Proposition 2 ½.

Tax Receivables

Once the Assessors receive approval for both values and a tax rate they calculate the tax bills for each taxable parcel. They then commit for collection those receivables. The table below presents the total committed receivables by year and by property class.

Presented below are the annually committed receivables as approved by the Department of Revenue. However, it was not authorized by the Massachusetts Department of Revenue to collect taxes on the properties until fiscal year 2010. As a result, both the FY2009 and the FY2010 tax receivables were collected in FY2010.

	Total amounts committed to the Tax Collector for Billing and Collections				
Tax Billings	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Residential…………………	$ 253,614	$ 148,932	$ 156,289	$ 262,058	$ 632,779
Open Space………………	36,305	21,319	21,537	6,455	33,714
Commercial………………	704,234	613,309	636,118	847,314	1,588,083
Personal Property…………	381	332	336	1,266	89

Abatements

Every taxpayer has the right to contest the certified values of his/her property. The taxpayer is required to file for abatement no later than January 31st of each year. During FY2013, abatements were filed with the Board of Assessors by two entities: (1) LNR South Shore, LLC for virtually all property held in its name and (2) Rice Southfield, LLC who owns the land for the planned Life Care facility. As both owners own land with no buildings thereon, it is assumed that the issue will focus on land valuation.

Outstanding Tax Receivables

There was $6,318 in Real Estate and Personal Property tax receivables outstanding at the end of FY13.

GOVERNMENTAL ACTIVITIES

Highlights

During FY13, approximately $4 million dollars were expended on capital items relating to the Multimodal Access Project, East West Parkway, minor infrastructure maintenance and equipment.

Governmental Activities

	2013	2012	2011	2010	2009
Assets:					
Current assets………………………………………………	$ 6,856,969	$ 8,100,361	$ 4,673,767	$ 1,409,310	$ 883,653
Capital assets………………………………………………	27,398,140	23,835,156	18,585,497	7,463,770	7,804,950
Total assets……………………………………………	**34,255,109**	**31,935,517**	**23,259,264**	**8,873,080**	**8,688,603**
Liabilities:					
Current liabilities (excluding debt)………………………	2,872,200	3,305,995	1,186,502	771,053	790,668
Noncurrent liabilities (excluding debt)…………………	5,513	5,175	-	-	-
Noncurrent debt……………………………………………	12,550,000	12,550,000	12,550,000	-	-
Total liabilities………………………………………	**15,427,713**	**15,861,170**	**13,736,502**	**771,053**	**790,668**
Net Assets:					
Net investment in capital assets…………………………	14,848,140	11,285,156	6,035,497	7,463,770	7,804,950
Restricted……………………………………………………	457,974	816,464	1,922,371	-	-
Unrestricted…………………………………………………	3,521,282	3,972,727	1,564,894	638,257	92,985
Total net assets………………………………………	**$ 18,827,396**	**$ 16,074,347**	**$ 9,522,762**	**$ 8,102,027**	**$ 7,897,935**

Current Assets decreased by approximately $1.2 million from operations.

Net position

By far the largest portion of the SSTTDC's net position reflects its investment in capital assets (e.g., land, infrastructure improvements, furniture, and equipment) less any related debt used to acquire those assets that are still outstanding. Although the SSTTDC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total Net position reveals a $2.8 million increase. The increase is based upon the GASB-34 requirement to report new assets placed in service. New asset groups included the acquisition and acceptance of public roads for a full year within the jurisdictional boundaries of the SSTTDC during the fiscal year.

Revenues and Expenses

	2013	2012	2011	2010	2009
Program revenues:					
Charges for services	$ 734,567	$ 1,254,633	$ 748,829	$ -	$ -
Operating grants and contributions	13,230	1,500	690,250	-	-
Capital grants and contributions	3,009,747	8,078,491	1,319,563	53,578	100,016
General Revenues:					
Real estate and personal property taxes	2,256,469	1,284,632	813,910	1,778,440	-
Entitlement fees	111,800	637,260	556,093	700,276	2,426,611
Special assessments	626,587	230,537	-	-	-
Fees, permits, and other revenue	315,926	38,329	72,966	23,803	117,547
Unrestricted investment income	27,359	26,450	12,497	2,174	3,462
Gain on the sale of capital assets	-	44,618	-	-	-
Total revenues	**7,095,685**	**11,596,450**	**4,214,108**	**2,558,271**	**2,647,636**
Expenses:					
Board of Directors	62,677	58,477	48,457	-	-
Chief Executive Officer	431,325	439,959	458,941	26,467	36,007
Finance	377,374	379,280	151,176	-	-
Unallocated payroll	-	-	-	429,216	373,894
Solicitor	102,333	515,364	143,823	50,143	170,770
Information systems	11,055	20,116	47,540	-	-
Planning board	185,364	172,208	351,456	-	-
Pension, benefits, and insurance	191,965	212,274	99,611	91,087	77,148
Education	306,338	-	-	-	-
Maintenance of buildings	23,945	82,336	67,132	-	-
Police and fire inspections	250,492	75,707	16,229	-	-
Building inspections	22,658	36,797	-	-	-
Department of Public Works	223,819	135,929	124,805	-	-
Parkway deficiency	260,897	729,093	-	-	-
Health services	382	91	342	-	-
Veterans	5,000	-	-	-	-
Route 18 improvements	585,089	1,051,436	-	-	-
Capital outlay	-	-	264,947	-	-
Debt service	949,094	692,167	609,721	-	-
Depreciation	352,829	348,130	425,370	60,173	59,072
Claims and judgments	-	-	-	30,250	-
Other	-	-	-	315,878	1,415,233
Total expenses	**4,342,636**	**4,949,364**	**2,809,550**	**1,003,214**	**2,132,124**
Excess before extraordinary items and transfers	**2,753,049**	**6,647,086**	**1,404,558**	**1,555,057**	**515,512**
Extraordinary item - credit issued to developer	**-**	**-**	**-**	**(502,434)**	**-**
Transfers	**-**	**(63,000)**	**16,177**	**45,639**	**151,662**
Change in net assets	**$ 2,753,049**	**$ 6,584,086**	**$ 1,420,735**	**$ 1,098,262**	**$ 667,174**

Revenues

Collected tax revenues for Governmental Activities for FY13 increased by approximately $972,000 from the FY12 level of $1.3 million. The increase is due to the fact that construction had commenced and added to the tax base calculation assessed on the master developer, LNR South Shore, LLC (LNR), as a result of the transfer of FOST 3 through 6. The collection rate for all five years (FY09 through FY13) was at or near 100%.

An assessment was also charged to LNR, the master developer, in the amount of $232,790 under the terms of the Parkway Agreement (see below). Under the terms of the agreement and as a result of a FY12 deficiency in 'new state revenues', the SSTTDC is able to recover some of that deficiency through the means of an assessment that is based upon the value of commercial property. As LNR was the sole owner of commercial property during FY11, it was the sole owner upon whom an assessment was made during FY13. This revenue may be found under the line item entitled 'Other'.

Under its contractual agreement with LNR, LNR is required to make certain payments in accord with that agreement and its development schedule. Under the terms of the Agreement, the SSTTDC will receive fewer such annual payments over the life of the agreement. The payments from LNR are capped at four million dollars and are projected to run through FY2020. These so-called Entitlement Fees decreased by 84% during FY13 as a direct result of the master developers' slowdown in the development schedule as only 40 residential permits were requested during the fiscal year.

In Fiscal Year 2013, revenues were sufficient to cover operating expenses.

Expenses

Operating expenses include depreciation, maintenance and repairs to capital assets and operating expenses associated with operations. The FY13 approved budget was set at $3,424,189. Of that amount, $150,264 was approved for the FY13 overlay for abatements account required under GL c. 59. In addition, $520,000 was a carryover from FY12 general fund encumbrances, most of which was reserved for payments to the Commonwealth as a result of the Parkway Agreement.

Personnel costs remained at approximately one quarter of the operating budget despite the addition of staff. More significant however was the dramatic increase in the cost governmental services provided to the SSTTDC. The increase in these expenses was due to the fact that the SSTTDC is now required to pay for typical governmental services to its residents such as: education, police, fire and public works.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets in accordance with guidelines established by the Commonwealth. Depreciation expense decreased compared to Fiscal Year 2013 due to certain depreciable assets were no longer on the records of the SSTTDC or were sold as part of the Navy Transfer. These assets reflect the purchase in August of 2010 of infrastructure improvements. This line item remained virtually flat compared to FY12.

General Fund Budgetary Comparison

In FY13, the Board of Directors established a program based budget.

REVENUES	Original Budget	Final Budget	Actual	Over/(Under)
Licenses, permits & fees…………………………	$ 570,699	$ 420,435	$ 208,554	$ (211,881)
Entitlement fees…………………………………	100,000	100,000	111,800	11,800
Investment income………………………………	15,000	15,000	23,242	8,242
Real estate and personal property taxes…….	1,171,622	1,871,622	2,240,597	368,975
Tax liens…………………………………………….	500	500	3,900	3,400
Special assessments……………………………	623,578	623,578	626,587	3,009
Other revenue……………………………………	242,790	242,790	315,926	73,136
Total………………………………………………	$ **2,724,189**	$ **3,273,925**	$ **3,530,606**	$ **256,681**

Budgetary Revenues

Under the license, permit & fee line item, revenues were sharply lower than those projected due to the fact that no significant development occurred during the fiscal year. Tax revenues were higher as a result of the increase in the tax base and miscellaneous revenues include a $232,790 payment by the master developer as its contribution to the Parkway deficiency.

EXPENDITURES AND TRANSFERS	Original Budget	Final Budget	Actual	(Over)/Under
Board of Directors	$ 64,516	$ 64,516	$ 62,677	$ 1,839
Chief Executive Officer	411,781	455,404	434,538	20,866
Reserve fund	57,145	15,614	-	15,614
Finance	353,850	426,974	380,859	46,115
Legal	70,000	124,604	102,335	22,269
Information systems	17,000	17,000	11,502	5,498
Planning board	161,500	208,718	172,549	36,169
Pension, benefits and insurance	195,109	199,809	190,796	9,013
Maintenance of buildings	90,100	93,926	34,246	59,680
Education	-	451,663	306,338	145,325
Police and fire inspections	200,000	316,336	304,510	11,826
Building inspections	20,000	30,000	22,658	7,342
Public works	194,550	290,700	208,033	82,667
Parkway deficiency	-	260,897	260,897	-
Health department	1,000	1,000	20	980
Veterans	-	5,000	5,000	-
Capital outlay	41,020	41,020	17,413	23,607
Debt service interest	831,438	487,041	486,313	728
Totals	**2,709,009**	**3,490,222**	**3,000,684**	**489,538**
Revenues over (under) expenditures	15,180	(216,297)	529,922	746,219
Transfers in	-	-	26,000	(26,000)
Transfers out	-	(750,330)	(486,313)	(264,017)
Revenues and Other Financing Sources Over (Under) Expenditures	$ 15,180	$ (966,627)	$ 69,609	$ 456,202

Budgetary Expenditures

The chart above reveals a final budget of $4.2 million that includes transfers and FY12 encumbrances rolled into FY2013. Several departments required additional funding during the course of the year, notably the public safety, public works and educational services portion of the budget as a result of increases in population during the fiscal year. Finance, on the other hand, required additional appropriations as a direct result of the Board's desire to begin to come into compliance with the Tax Plan adopted by the Board of Directors and Approved by the Massachusetts Secretary of Administration and Finance and expenditures related to FY2012 unpaid bills ($25,509). All expenditures, including encumbrances, came in under budget.

Overall, the expenditures for fiscal year 2013 were directly related to general government administrative activities. Included in this budget for the first time is an appropriation for inspectional services, public school and veteran's services.

Debt service was paid, for the first time by a special assessment on FOST 1 and 2 in accord with the 2010A Bond Issuance authorized and approved by the Board of Directors.

For FY2013, Parkway deficiency line items have been included in both budgets. For FY2013, the deficiency in the amount of $260,897 was certified by the Massachusetts DOR in accord with an MOA between the SSTTDC and the Mass Department of Transportation. A detailed explanation is found below under Contingent Liabilities.

The difference between the original expenditure budget of $2.7 million and the final expenditure budget of $3.5 was a result of increases in public safety, public works, legal costs associated with certain environmental and residual legal interpretations for the navy transfer of property and reserves for the parkway deficiency.

Free Cash

Free Cash is similar to the unassigned fund balance at the end of each fiscal year and represents those funds which were not expended by the SSTTDC. The SSTTDC annually petitions the Massachusetts Department of Revenue to certify that the SSTTDC has achieved a surplus and for permission to expend those funds during the succeeding fiscal year.

	FREE CASH & RETAINED EARNINGS				
Fund	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
General Fund…………………………	$ -	$ 380,135	$ 1,010,951	$ 1,654,836	$ 494,786
Water/Sewer Enterprise Fund…….	-	-	181,280	14,433	126,843

During FY13, the SSTTDC Board of Directors approved the use of FY12 Free Cash totaling $1,654,836. Of this amount approximately $1.1 million was reserved for FY2014 in anticipation of a Parkway Deficiency. The balance was transferred to the Stabilization Account. From the balance $251,000 was placed in a separate stabilization account for Other Postemployment Benefit (OPEB) reserves. No expenditures from Water and Sewer Retained Earnings were authorized.

STABILIZATION ACCOUNT

Two Stabilization Accounts were created in accord with General Laws chapter 40 section 5B began fiscal year 2013 with a balance of $1,041,204. Funds from Free Cash along with accrued interest were added to the fund. The Stabilization Account is held in a separate fund in accord with the statutes. Of the total end of year balance, the Board of Directors reserved $251,175 for OPEB future obligations that are held in a separate account.

	Stabilization Account			
	FY10	**FY11**	**FY12**	**FY13**
Balance forward………………	$ -	$ 78,021	$ 78,385	$ 550,810
Transfers In……………………	177,842	-	472,000	486,313
Transfers Out…………………	(100,000)	-	-	-
Interest Income………………	179	364	425	4,081
EOY Balance…………………	$ 78,021	$ 78,385	$ 550,810	1,041,204

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

Overview

The SSTTDC supplies its customers with water and sewer disposal through the Town of Weymouth. In March, 2008, the SSTTDC and its Board of Directors entered in a Temporary Agreement that will provide water and sewer through Phase One of the re-development of the former Naval Air Station. In accord with that Agreement, the SSTTDC was required to pay certain conservation and mitigation payments to the Town of Weymouth. The Phase 1A payments were paid by LNR in May of 2012 at the time the Corcoran Project was beginning its permitting requirements under the approved Development Plan. This agreement however was only for Phase 1 construction and a permanent solution for water and wastewater is in progress.

The amount of the Phase1A payments was determined by the projected use. The first building permit application triggered the requirement that mitigation and conservation fees be paid. With the granting of each building permit, the SSTTDC is required to make a sewer connection fee. The fees for FY12 and FY13 to be paid in FY14 totals $394,029.

The rates for water and sewer are set by the Town of Weymouth in accord with that agreement. The SSTTDC is viewed as a single rate payer and, as a result, is charged by the Town of Weymouth the so-called Second step rates (higher user). In addition to the Second Step rates, the SSTTDC pays a premium of five percent.

The SSTTDC had adopted MGL c.44 section 53F ½ for water and sewer activities. Revenues produced by each activity are dedicated solely to offset operating expenditures. Accordingly, any excess balances at year-end must remain within the respective funds.

By the end of FY12, the SSTTDC had authorized the use of a single fund for the water and sewer enterprise systems. The use of a single fund commenced in July, 2012. This change was prompted by the Bureau of Accounts making the suggestion in January, 2012.

The FY13 budget did for the first time include allocated costs for salaries and other expenses. Over time, additional allocated costs will be assumed by the Enterprise Fund.

Capital Assets

The Water and Sewer Enterprise fund acquired $19,450 of infrastructure during fiscal year 2013 and recorded $986 of depreciation expense.

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Water and Sewer Rate Structure

During FY13, the Board of Directors established a rate system that essentially passed the costs of water and sewer charges to the rate payer. It included neither a reserve nor any allocated costs.

The Board established a FY12 rate structure for both enterprise funds that allows for administrative fees to be included in the charges passed onto the rate payers. This administrative fee will be the first in an annual procedure for these enterprise funds.

Business-Type Activities

	2013	2012	2011	2010	2009
Assets:					
Current assets……	$ 640,167	$ 432,727	$ 202,863	$ 81,335	$ 7,820
Capital assets……	28,270	9,806	-	-	-
Total assets……	**668,437**	**442,533**	**202,863**	**81,335**	**7,820**
Liabilities:					
Current liabilities (excluding debt)……	446,911	382,019	202,863	81,335	7,820
Net Assets:					
Net investment in capital assets……	28,270	9,806	-	-	-
Unrestricted……	193,256	50,708	-	-	-
Total net assets……	$ **221,526**	$ **60,514**	$ **-**	$ **-**	$ **-**
Program revenues:					
Charges for services……	$ 448,015	$ 139,226	$ 414,257	$ 242,731	$ 176,460
Connection fees……	52,009	189,405	-	-	-
General Revenues:					
Unrestricted investment income……	3,227	-	-	-	-
Total revenues……	**503,251**	**328,631**	**414,257**	**242,731**	**176,460**
Expenses:					
Water……	-	72,501	88,436	10,575	-
Sewer……	-	258,616	292,857	15,262	-
Water and sewer……	342,239	-	-	-	-
Facilities leases and licenses……	-	-	16,787	171,255	24,798
Total expenses……	**342,239**	**331,117**	**398,080**	**197,092**	**24,798**
Excess (Deficiency) before transfers……	**161,012**	**(2,486)**	**16,177**	**45,639**	**151,662**
Transfers……	**-**	**63,000**	**(16,177)**	**(45,639)**	**(151,662)**
Change in net assets……	$ **161,012**	$ **60,514**	$ **-**	$ **-**	$ **-**

Revenue and Expenses

There was a significant increase in residents within the jurisdictional boundaries during FY13, as a result, most of the water and sewer usage was due to the needs of those residents.

The Water and Sewer Enterprise Fund is charged with the responsibility of maintaining and improving the SSTTDC's water distribution and sewer collection system which terminates at the MRWA facilities in Deer Island. The charges levied by the Town of Weymouth for providing water and sewer services during FY13 were $252,000.

By the end of the year, the Water and Sewer Enterprise Fund had an unexpended balance of $221,526 in its Unrestricted Net position. There is an obligation to pay the Town of Weymouth for FY12 and FY13 sewer connection fees in the amount of $394,029 in FY2014. The sewer connection fees are mandated in the March 2008 agreement with the Town of Weymouth.

By the end of the year, the Enterprise Fund had an unexpended balance of $221,526 in its Unrestricted Net position.

DEBT

Debt Administration

The SSTTDC authorized $15.275 million in bond during the closing months of fiscal year 2010. Of that amount, $12.6 million was issued during FY11. Proceeds from the bonds were utilized for expenditures related to the purchase of various infrastructure improvements from LNR (see below). In addition, the SSTTDC authorized a note in the amount of $10 million (assigned to LNR) for the purpose of purchasing the remaining Navy Land. This note is secured by a letter of credit offered by LNR. Under a contractual agreement with LNR, the Master Developer, LNR assumed the debt obligation. The SSTTDC is secured by a 6 acre portion of land that abuts the parkway. Together, the Letter of Credit plus the value of the mortgaged property, exceeds the outstanding obligation.

Bond Rating

None.

INFRASTRUCTURE BOND

South Shore Tri-Town Development Corporation issued the Series 2010A Infrastructure Development Revenue Bonds in the amount of $12,550,000 on August 9, 2010 (the "Bonds"). The Bonds are secured by Assessments and Pledged Revenues levied on each Parcel of Assessed Property. The Assessments have been imposed upon the real property within the boundaries of the SSTTDC and are limited to those properties transferred under FOST 1 and 2 (June, 2006). The Assessments are equal to the interest and principal on the Bonds and bonds expected to be issued in the future and estimated administrative expenses related to the bonds. The Assessment Roll is updated each Tax Year. There was no Assessment for FY11. This is the first such bond authorized in the Commonwealth of Massachusetts.

The first payment for which assessments are to be collected under the bond was due and paid on 8-1-12 (FY13) as reserves were held by a third party for the semi-annual debt service for FY11 and for FY12. The SSTTDC has pledged up to 35% of its FY13 tax revenues for properties included in FOST 1 and 2 to this debt service. The first special assessment was raised on property owners within FOST 1 and FOST 2 in FY13. Furthermore, the assessment, in accord with the Bond Agreements, was incurred only on those owners of unimproved land as of January 1, 2012. The Total Special Assessment was $623,578. There was a 100% collection rate during FY2013.

CONTINGENT LIABILITY

Parkway Bond

The SSTTDC, utilizing a quasi-grant from the Commonwealth of Massachusetts, began construction on the East/ West Parkway. The following is a brief synopsis of the key terms of the Amended and Restated Memorandum of Agreement for the Implementation of Transportation Improvements for the Redevelopment of the South Weymouth Naval Air Station (the "Implementation MOA"), dated as of March 4, 2010, by and between the Massachusetts Department of Transportation ("MassDOT") and SSTTDC.

This summary is not intended to be a complete description of all the terms and conditions of the Implementation MOA, and the terms and conditions of the Implementation MOA shall be controlling in the event of any legal issue arising under the Implementation MOA.

1. The Implementation MOA addresses the procurement, permitting, design, right of way acquisition, construction and operation of the Parkway and the East Side Connectivity Improvements.

2. Once completed, the portion of the Parkway within the Base will be owned and maintained by SSTTDC and the portions of the Parkway outside the Base will be owned and maintained by the respective Towns. The portion of Route 18 to be widened between Route 3 in Weymouth and Route 139 in Abington will continue to be owned and maintained by the Commonwealth.

3. MassDOT will be primarily responsible for the Route 18 Widening Project and will use best efforts so that the Route 18 Widening Project will be completed and open to traffic no later than June 30, 2015.

4. The Parkway Project will be delivered in at least 2 phases. SSTTDC is primarily responsible for Phase 1 and has used its best efforts so that Phase 1 is substantially complete as of December 31, 2013. MassDOT will assist SSTTDC by providing over-the-shoulder design, right of way acquisition and procurement review for Phase 1. SSTTDC will also be primarily responsible for Phase 2 and the East Side Connectivity Improvements. MassDOT will assist SSTTDC by providing over-the-shoulder design review and right of way acquisition for Phase 2 and the East Side Connectivity Improvements.

5. MassDOT will spend up to $15 million for the procurement. If the costs for such portion of Phase 1 were to exceed $15 million, *SSTTDC* would be responsible for any excess costs, unless caused solely by acts or omissions of MassDOT or its contractor. Costs to date have not exceeded the $15 million. MassDOT has used its good faith efforts to substantially complete its portion of Phase 1 as of December 31, 2013.

6. MassDOT will undertake the abatement, removal and disposal of asbestos-containing materials in Hangar 1 as part of its portion of Phase 1. In other respects, *SSTTDC* indemnifies MassDOT regarding ACM and other hazardous materials and agrees to name MassDOT as an additional insured on environmental insurance policies related to the Parkway Project.

7. The MOA addresses efforts to coordinate work between the portion of Phase 1 to be constructed by SSTTDC and the portion to be constructed by MassDOT.

8. The MOA addresses the use of Federal Funds for portions of the Parkway Project. The Delahunt Earmark will be used for the Route 18 Widening Project and the Kennedy Earmark will be used for the South Weymouth Multimodal Center and, if available, for SSTTDC's Phase 1 Parkway Project. The parties shall enter into a separate agreement regarding the design and reconstruction of the South Weymouth Multimodal Center. Federal funds are being directed and spent by MassDOT and do not flow directly through SSTTDC.

9. The MOA requires that the redevelopment of the NAS will generate annual New State Tax Revenues (by definition calculated as total sales taxes, personal income tax and hotel tax revenues generated by development at SSTTDC) will be at least 1.5 times greater than the annual Debt Service Costs of the Parkway Bonds.

10. If the cumulative amount of New State Tax Revenues received in any fiscal year is less than the debt service for the Parkway Bond, the SSTTDC is required to make a Deficiency Payment to the Commonwealth of MA in order to reimburse the Commonwealth for the portion of the Debt Service Costs not covered by the New State Tax Revenues. This contingent liability will exist annually for the life of the issued bond.

The debt service payment for FY12 was just less than $1.9 million. The Massachusetts DOR (DOR) has certified a deficiency for fiscal year 2013 in the amount of $232,970. The DOR has required that said amount be provided for despite the fact that the SSTTDC has filed for an appeal in accord with the MOA. The Board of Directors has authorized an encumbrance in the General Fund for this purpose in the event that the appeal is unsuccessful.

In addition, the SSTTDC is required to convey to the Commonwealth the total sum of $500,000 as security for payment. As of the date of this writing, the funds held by the Commonwealth total $290,093. Under the various agreements, upon the transfer of FOST 2-5, the SSTTDC is required to immediately assess the taxes on those properties transferred to LNR. The assessed taxes once paid are to be turned over to the Commonwealth in such amounts as to meet the $500,000 obligation to the Commonwealth. This reserve is being applied to the FY11 deficiency payment.

Retirement Board

The SSTTDC is a member of Plymouth County Retirement Association that is comprised of five members who manage the pension trust fund. The Association has the fiduciary responsibility for fund assets. Membership in this system is mandatory for all employees whose workweek consists of 20 or more hours for the SSTTDC. The fund is accounted for on a calendar-year basis.

The Retirement Board takes an active role in the management of the vast majority of its funds. As of December 31, 2012, assets of the retirement board totaled $665 million down by approximately 1.6% from the last report dated December 31, 2010 which is reflective of what generally occurred in this sector of the financial markets. As of June 30, 2012, the Plymouth County Retirement Board utilized a 2029 funding schedule.

Claims

Disposition and Development Agreement (DDA) was an agreement entered into between the SSTTDC and LNR. The Agreement is dated March 24, 2008. The term of the Agreement is so long as it takes for the completion of all horizontal development with respect to all of the Economic Development Conveyance (EDC) parcels conveyed to the SSTTDC from the US Navy. The document lists in specific terms the rights and responsibilities of both the SSTTDC and the LNR. As of June 30, 2012, the Master Developer has issued letters regarding the alleged violation by the SSTTDC of its obligations under the agreement.

The following is a list of the provisions for which the SSTTDC has received such notice:

- On October 17, 2012, LNR sent SSTTDC a letter objecting to the User Fees relative to water and wastewater usage pursuant to Section 8.1(b) of the DDA. SSTTDC has responded to this letter disputing LNR's allegations.

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and cash equivalents……………………….	$ 4,840,685	$ 577,840	$ 5,418,525
Accounts receivable, net of uncollectibles:			
Real estate and personal property taxes……..	6,318	-	6,318
User charges………………………..……………	-	62,327	62,327
Intergovernmental………………..…………….	897,863	-	897,863
Due from developer…………………………….	292,916	-	292,916
Other…………………………………..…………	224,445	-	224,445
Restricted Asset:			
Cash and cash equivalents……………………….	594,742	-	594,742
Noncurrent:			
Capital assets, net of accumulated depreciation……………………….	27,398,140	28,270	27,426,410
Total assets……………………………………….	34,255,109	668,437	34,923,546
LIABILITIES			
Current:			
Warrants payable…………………..………….	1,125,495	446,911	1,572,406
Due to Commonwealth of Massachusetts…….	699,897	-	699,897
Unearned revenue……………………………….	5,311	-	5,311
Accrued Salaries and Benefits………………..….	13,927	-	13,927
Accrued interest expense…………….....……….	405,260	-	405,260
Compensated absences…………………….…..	27,568	-	27,568
Developer deposits……………………………….	594,742	-	594,742
Noncurrent:			
Compensated absences…………………….…..	5,513	-	5,513
Bonds payable…………………………………….	12,550,000	-	12,550,000
Total liabilities…………………………………….	15,427,713	446,911	15,874,624
NET POSITION			
Net investment in capital assets…………………	14,848,140	28,270	14,876,410
Restricted for development………………………	457,974	-	457,974
Unrestricted………………………………………..	3,521,282	193,256	3,714,538
Total net position……………………………….	$ 18,827,396	$ 221,526	$ 19,048,922

See notes to basic financial statements.

Statement of Activities

Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Total
Governmental Activities:							
Board of Directors:							
Salaries	$ 31,250	$ -	$ -	$ -	$ (31,250)	$ -	$ (31,250)
Expenses	31,427	-	-	-	(31,427)	-	(31,427)
Chief Executive Officer:							
Salaries	208,539	-	-	-	(208,539)	-	(208,539)
Expenses	176,011	-	13,230	-	(162,781)	-	(162,781)
Insurance	46,775	-	-	-	(46,775)	-	(46,775)
Finance:							
Salaries	277,724	-	-	-	(277,724)	-	(277,724)
Expenses	99,650	-	-	-	(99,650)	-	(99,650)
Solicitor	102,333	-	-	-	(102,333)	-	(102,333)
Information systems expenses	11,055	-	-	-	(11,055)	-	(11,055)
Planning Board:							
Salaries	83,989	-	-	-	(83,989)	-	(83,989)
Expenses	101,375	9,727	-	-	(91,648)	-	(91,648)
Pension, benefits, and insurance	191,965	-	-	-	(191,965)	-	(191,965)
Education	306,338				(306,338)		(306,338)
Maintenance of buildings	23,945	-	-	-	(23,945)	-	(23,945)
Police and fire inspections	250,492	-	-	-	(250,492)	-	(250,492)
Building inspections:							
Salaries	21,190	724,840	-	-	703,650	-	703,650
Expenses	1,468	-	-	-	(1,468)	-	(1,468)
Department of Public Works:							
Salaries	68,588	-	-	-	(68,588)	-	(68,588)
Expenses	152,956	-	-	-	(152,956)	-	(152,956)
Fuel	2,275	-	-	-	(2,275)	-	(2,275)
Parkway deficiency	260,897	-	-	-	(260,897)	-	(260,897)
Health services	382	-	-	-	(382)	-	(382)
Veterans	5,000				(5,000)	-	(5,000)
Route 18 improvements	585,089	-	-	585,089	-	-	-
Capital outlay	-	-	-	2,424,658	2,424,658	-	2,424,658
Debt service costs	949,094	-	-	-	(949,094)	-	(949,094)
Unallocated depreciation	352,829	-	-	-	(352,829)	-	(352,829)
Total Governmental Activities	4,342,636	734,567	13,230	3,009,747	(585,092)	-	(585,092)
Business-Type Activities:							
Water/Sewer	342,239	503,251	-	-	-	161,012	161,012
Total Primary Government	$ 4,684,875	$ 1,237,818	$ 13,230	$ 3,009,747	$ (585,092)	$ 161,012	$ (424,080)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Real estate and personal property taxes	$ 2,252,569	$ -	$ 2,252,569
Tax liens	3,900	-	3,900
Entitlement fees	111,800	-	111,800
Special assessments	626,587	-	626,587
Investment income	27,359	-	27,359
Other revenue	315,926	-	315,926
Total General Revenues	3,338,141	-	3,338,141
Change in net position	2,753,049	161,012	2,914,061
Net Position:			
Beginning of the year	16,074,347	60,514	16,134,861
End of the year	$ 18,827,396	$ 221,526	$ 19,048,922

See notes to basic financial statements.

Balance Sheet
Governmental Funds

June 30, 2013

	General Fund	Developer Deposit Fund	Multimodal Access Project Fund	Mass Highway Fund	Infrastructure Acquisition Fund	East/West Parkway Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 4,109,370	$ -	$ -	$ -	$ 633,708	$ -	$ 97,607	$ 4,840,685
Restricted cash and cash equivalents	-	594,742	-	-	-	-	-	594,742
Accounts receivable:								
Real estate and personal property taxes	6,318	-	-	-	-	-	-	6,318
Intergovernmental	-	-	391,988	139,169	-	366,706	-	897,863
Due from Developer	292,916	-	-	-	-	-	-	292,916
Other	222,380	-	-	-	-	-	2,065	224,445
Total Assets	$ 4,630,984	$ 594,742	$ 391,988	$ 139,169	$ 633,708	$ 366,706	$ 99,672	$ 6,856,969
LIABILITIES								
Warrants payable	$ 48,504	$ -	$ 391,988	$ 139,169	$ 175,734	$ 366,706	$ 3,394	$ 1,125,495
Due to Commonwealth of Massachusetts	699,897	-	-	-	-	-	-	699,897
Accrued salaries and benefits	13,927	-	-	-	-	-	-	13,927
Deferred revenue and advance collections	523,338	-	-	-	-	-	2,065	525,403
Developer deposits	-	594,742	-	-	-	-	-	594,742
Total Liabilities	1,285,666	594,742	391,988	139,169	175,734	366,706	5,459	2,959,464
FUND BALANCES								
Restricted	-	-	-	-	457,974	-	94,213	552,187
Assigned	95,609	-	-	-	-	-	-	95,609
Unassigned	3,249,709	-	-	-	-	-	-	3,249,709
Total Fund Balances	3,345,318	-	-	-	457,974	-	94,213	3,897,505
Total liabilities and fund balances	$ 4,630,984	$ 594,742	$ 391,988	$ 139,169	$ 633,708	$ 366,706	$ 99,672	$ 6,856,969

Total fund balance above	$ 3,897,505
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	27,398,140
Accounts receivable are not available to pay for current-period expenditures and therefore are not reported in the funds	520,092
Long-term notes payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds	(12,550,000)
Accrued interest are not due and payable in the current period and therefore are not reported in the funds	(405,260)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(33,081)
Net position of governmental Activities	$ 18,827,396

See notes to basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Fiscal Year Ended June 30, 2013

	General Fund	Multimodal Access Project Fund	Mass Highway Fund	Infrastructure Acquisition Fund	East/West Parkway Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Real estate and personal property taxes	$ 2,252,569	$ -	$ -	$ -	$ -	$ -	$ 2,252,569
Tax liens	3,900	-	-	-	-	-	3,900
Intergovernmental	-	2,729,576	585,089	-	1,110,090	59,129	4,483,884
LNR entitlement fees	111,800	-	-	-	-	-	111,800
Licenses, permits, and fees	208,554	-	-	-	-	9,727	218,281
Special assessments	626,587	-	-	-	-	-	626,587
Other revenue	315,926	-	-	-	-	11,165	327,091
Investment income	27,324	-	-	35	-	-	27,359
Total Revenues	3,546,660	2,729,576	585,089	35	1,110,090	80,021	8,051,471
EXPENDITURES							
Board of Directors:							
Salaries	31,250	-	-	-	-	-	31,250
Expenses	31,427	-	-	-	-	-	31,427
Chief Executive Officer:							
Salaries	208,539	-	-	-	-	-	208,539
Expenses	172,545	-	-	-	-	3,466	176,011
Insurance	46,775	-	-	-	-	-	46,775
Finance:							
Salaries	278,533	-	-	-	-	-	278,533
Expenses	99,650	-	-	-	-	-	99,650
Solicitor	100,462	-	-	-	-	1,871	102,333
Information systems expenses	11,055	-	-	-	-	-	11,055
Planning Board:							
Salaries	83,989	-	-	-	-	-	83,989
Expenses	88,161	-	-	-	-	-	88,161
Pension, benefits, and insurance	191,965	-	-	-	-	-	191,965
Education	306,338						306,338
Maintenance of buildings	23,945	-	-	-	-	-	23,945
Police and fire inspections	250,492	-	-	-	-	-	250,492
Building inspections:							
Salaries	21,190	-	-	-	-	-	21,190
Expenses	1,468	-	-	-	-	-	1,468
Department of Public Works:							
Salaries	68,588	-	-	-	-	-	68,588
Expenses	136,161	-	-	13,400	-	3,395	152,956
Fuel	2,275	-	-	-	-	-	2,275
Parkway deficiency	260,897	-	-	-	-	-	260,897
Health services	20	-	-	-	-	362	382
Veterans	5,000						5,000
Route 18 improvements	-	-	585,089	-	-	-	585,089
Capital outlay	17,413	2,729,576	-	-	1,110,090	58,734	3,915,813
Debt service costs	486,313	-	-	345,125	-	-	831,438
Total Expenditures	2,924,451	2,729,576	585,089	358,525	1,110,090	67,828	7,775,559
Excess/(deficiency) of revenues over/(under) expenditures	622,209	-	-	(358,490)	-	12,193	275,912
Other Financing Sources:							
Transfers in	26,000	-	-	-	-	-	26,000
Transfers out	-	-	-	-	-	(26,000)	(26,000)
Total Other Financing Sources	26,000	-	-	-	-	(26,000)	-
Net change in fund balance	648,209	-	-	(358,490)	-	(13,807)	275,912
Fund balances at the beginning of the year	2,697,109	-	-	816,464	-	108,020	3,621,593
Fund balances at the end of the year	$ 3,345,318	$ -	$ -	$ 457,974	$ -	$ 94,213	$ 3,897,505

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds		$ 275,912
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	3,915,813	
Depreciation expense	(352,829)	
Net effect of reporting capital assets		3,562,984
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue		(969,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences accrual	809	
Net change in accrued interest on long-term debt	(117,656)	
Net effect of recording long-term liabilities		(116,847)
Change in net position of governmental activities		$ 2,753,049

See notes to basic financial statements.

Statement of Net Position
Proprietary Funds

June 30, 2013

	Business-type Activities Enterprise Funds
	Water/Sewer Fund
ASSETS	
Current:	
Cash and cash equivalents	$ 577,840
Receivables, net of uncollectibles	62,327
Total Current Assets	640,167
Noncurrent:	
Capital assets, net of accumulated depreciation	28,270
Total Assets	$ 668,437
LIABILITIES	
Current:	
Warrants Payable	$ 446,911
NET POSITION	
Net investment in capital assets	28,270
Unrestricted	193,256
Total Net Position	$ 221,526

See notes to basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Fiscal Year Ended June 30, 2013

		Business-type Activities - Enterprise Funds
		Water/Sewer Fund
OPERATING REVENUES:		
Charges for services………………………………………	$	448,015
Connection fees……………………………………………		52,009
TOTAL OPERATING REVENUE………………………		500,024
OPERATING EXPENSES:		
Water and sewer expenses………………………………		341,253
Depreciation expense……………………………………		986
TOTAL OPERATING EXPENSES……………………		342,239
OPERATING INCOME (LOSS)………………………		157,785
NONOPERATING REVNUES (EXPENSES):		
Investment Income…………………………………………		3,227
CHANGE IN NET POSITION………………………		161,012
NET POSITION AT BEGINNING OF YEAR………………		60,514
NET POSITION AT END OF YEAR………………………	$	221,526

See notes to basic financial statements.

Statement of Cash Flows
Proprietary Fund

June 30, 2013

		Business-type Activities Enterprise Funds
		Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$	529,817
Payments to vendors		(324,253)
Payments to employees		(17,000)
NET CASH FROM OPERATING ACTIVITIES		188,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(19,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		3,227
NET CHANGE IN CASH AND CASH EQUIVALENTS		172,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		405,499
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	577,840
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$	157,785
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation		986
Adjustments to reconcile operating income to net cash from operating activities:		
Other receivables		(35,099)
Warrants payable		64,892
Total adjustments		30,779
NET CASH FROM OPERATING ACTIVITIES	$	188,564

See notes to basic financial statements.

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

		Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents…………………………………	$	33,905
Prepaid deposits………………………………………………		24,751
TOTAL ASSETS…………………………………………………		58,656
LIABILITIES		
Liabilities due depositors……………………………………	$	58,656

See notes to basic financial statements.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and financial reporting practices for the South Shore Tri-Town Development Corporation (SSTTDC) are prescribed by the Office of the State Auditor in accordance with the Corporation's enabling legislation, Chapter 301 of the Acts of 1998, as amended in August 2008. The significant accounting policies are described herein.

Reporting Entity

The Corporation was established on August 14, 1998 through its enabling legislation Chapter 301 of the Acts of 1998, as amended in August of 2008 in Chapter 303, Section 36. The purpose of the legislation is to promote the expeditious and orderly conversion and redevelopment of the closed Naval Air Station, located on approximately 1,450 acres in the Towns of Abington, Rockland and Weymouth, for nonmilitary purposes, including but not limited to, commercial, housing, industrial, institutional, educational, governmental, recreational, conservation or manufacturing uses. In order to achieve these objectives the Corporation was given full powers and authority to carry out the purposes of this Act. The former Naval Air Station is being developed into a community to be named *"SouthField".*

The Corporation operates under the direction of the Board of Directors. Policy-making and legislative authority are vested in the Board of Directors. The Board of Directors is responsible, among other things, for adopting the budget and hiring staff. The Board of Directors hired a Chief Executive Officer who is responsible for carrying out the policies of the Board of Directors and for overseeing the day-to-day operation of the Corporation. The Board of Directors are appointed for a 5 year term (staggered at initial appointment) by the towns of Abington, Rockland and Weymouth.

The Corporation is not a City or a Town and its existence is limited by Statute. The Corporation is a special purpose government that will cease to exist upon completion of the development, or upon repayment or transfer of any outstanding indebtedness, but in no case will the Corporation exist under current legislation beyond December 31, 2053, unless an extension is provided. During the period of existence, it has the ability to exercise most powers of a municipality on behalf of the three local Towns. After the termination of the Corporation, the powers and duties assigned to the Corporation will revert back to each of the three Towns.

The Corporation is required to distribute all remaining tax revenues (excess revenues) to the Towns according to the formula set forth the in the Enabling Legislation after payment of all of its operating, investments and financing obligations, including debt service, reserves and other such payments as may be required by the applicable documentation for the Corporation's bonds or other borrowings.

Based on the requirements of GASB Statement No. 39, there are no component units for the Corporation to report.

Basis of Presentation

The accompanying financial statements include all the financial transactions of the Corporation for the year ended June 30, 2013 and are presented in accordance with Statement No. 34 of the Governmental Accounting Standards Board; *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments.*

Government-Wide Statements

Included in the basic financial statements are two government-wide statements. Neither fiduciary funds nor component units that are fiduciary in nature are included.

1. **Statement of Net position**: The basic government-wide statement of position is the statement of net position. The statement uses a net asset format (i.e., assets – liabilities = net position). The statement reports all assets and liabilities related to governmental activities.

2. **Statement of Activities:** The other governmental-wide financial statement is the statement of activities. This is the operating statement. The statement uses a net cost format. The statement first reports the total costs of a government's various functions or programs from all funding sources such as Administration or Pre-Development. The statement then shows how a portion of the cost is financed by charges for services or by related grants and contributions. The difference between these two elements is then reported as the net cost that must be financed through the Corporation's own resources (e.g., interest income and non-program-related revenue).

Measurement Focus and Basis of Accounting of the Government-Wide Financial Statements

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place and are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Fund Financial Statements

In addition to the government-wide statements, financial transactions of the Corporation are recorded on a fund perspective in the following funds. The financial transactions of the Corporation are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Corporation uses the following fund types:

Major Funds

- General Fund – reflects the financial transactions related to general governmental activities, which are not otherwise accounted for in another fund. Included in the General Fund is the unassigned fund balance, the amount by which unrestricted cash, accounts receivable, and other assets exceed liabilities and reserves.

- Developer Deposit Fund – is a special revenue fund that is used to account for the deposits held by the Corporation for entitlement fees paid in advance.

- Multimodal Access Project Fund – is a special revenue fund that is used to design and construct access improvements and intermodal facilities at the former South Weymouth Naval Air Station.

- Mass Highway Fund – is a special revenue fund that is used to account for the grants received for the improvements made to Route 18.

- Infrastructure Acquisition Fund – is a capital project fund that is used to account for the purchase of the infrastructure from the Master Developer.

- East/West Parkway Fund – is a capital project fund that is used to account for the construction of the East/West Parkway.

Nonmajor Funds

- Special revenue funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

- Capital projects funds - are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

Proprietary Fund Category

Proprietary funds are those that are accounted for on 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 at the time liabilities are incurred.

Enterprise Funds

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Corporation has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Corporation has one Enterprise Fund that is used to account for the Corporation's water and sewer activities.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Corporation on a cost- reimbursement basis. Currently, the Corporation does not utilize internal service funds.

Fiduciary Funds

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 governmental programs.

The agency fund is used to account for assets held in a purely custodial capacity and apply the accrual basis of accounting but do not have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Corporation may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

Accounting for Revenues

The accounts of the Governmental Fund Category are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. All revenues are accounted for on the accrual basis within the Government-wide financial statements and Proprietary Fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Real estate and 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.

Accounting for Expenditures/Expenses

The expenditure accounts of the General, Major and Nonmajor Funds are reported on the modified accrual basis of accounting and are recognized in the accounting period in which a liability is incurred, if measurable. Disbursements for material and supply inventories are considered expenditures rather than assets at the time of purchase since they are not material. All expenses are accounted for on the accrual basis within the Government-wide financial statements and Proprietary Fund financial statements.

Cash and Cash Equivalents

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. Fair value is based on quoted market price. All of the Corporation's investments are currently in government money market accounts. Therefore, the investments of the Corporation have been reported as cash and cash equivalents. Additional cash and investment disclosures are presented in these Notes.

Internal Activity Elimination

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position.

Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Corporation classifies outstanding personal property taxes three years or more as uncollectible for financial reporting purposes. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectible.

Accounting for Capital Assets

The Corporation's policy is to capitalize and depreciate fixed assets over the following estimated service lives on a straight-line basis for any asset with a cost greater than $1,000 and a useful life greater than one-year.

Capital Asset Type	Estimated Useful Life (in years)
Leasehold Improvements	7
Vehicles	3-7
Machinery and equipment	3-7
Infrastructure	30

Infrastructure and other capital assets reporting policies will be developed as each type of asset is acquired. The Corporation records capital assets at cost or estimates current market value for donated assets. The Corporation's policy is to record no depreciation expense for assets transferred to the Developer in the year of transfer. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Corporation only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

SSTTDC had no items classified within these deferred categories at June 30, 2013.

Net Position Flow Assumption

Government-Wide Financial Statements (Net Position)

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

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist of bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Other Postemployment Benefits

SSTTDC has three employees currently eligible to receive other postemployment benefits upon retirement, for which an amount was not determined as of June 30, 2013. The liability is not deemed to be material to the financial statements.

Compensated Absences

Employees earn vacation and sick leave (up to a maximum of 75 days) as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the appropriate fund when incurred. Vacation and sick leave accumulate for employees based upon the Corporation's personnel policy. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors.

- Assigned fund balance – consist of amounts that are constrained by the Corporation's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.

- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Corporation's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

Total Columns

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Real Estate and Personal Property Taxes

Approximately 1,107 acres of federal land has been conveyed to the Corporation, of which 882 acres is for economic development and subject to taxation. The remaining 225 acres is currently under the direction of SSTTDC. The Corporation assesses tax on the land that was conveyed to the Corporation.

Restricted Net position

The Corporation's enabling legislation, Chapter 301 of the Acts of 1998, as amended by Chapter 303 of the Acts of 2008 amending Chapter 301 of the Acts of 1998, authorizes the Corporation to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. In addition, any grant revenues the Corporation receives that are legally restricted are reported as Restricted Net position.

NOTE 3 – CASH AND INVESTMENTS

Statute requires the SSTTDC to comply with Massachusetts General Laws, Chapter 44, Section 55, which places certain limitations on cash deposits and investments available to the SSTTDC. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The SSTTDC may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The SSTTDC may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The SSTTDC may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheets as "cash and cash equivalents".

At June 30, 2013 deposits totaled $6,260,270 and had a carrying amount of $6,047,173. Of the bank balance $1,000,000 was covered by Federal Depository Insurance, and $1,289,396 was covered by the Share Insurance Fund. The remaining bank balances of $3,970,874 is government money market accounts held at various banks and are not covered by depository insurance. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

SSTTDC's only investments as of June 30, 2013 consisted of government money market accounts which have been classified as cash and cash equivalents. Management has incorporated deposit policies, designed to manage deposit risk, into its recently adopted Investment Policy.

Developer deposits received for entitlement fees paid in advance are reported as restricted cash of the Governmental Activities, Developer Deposit Fund.

NOTE 4 – CASH RESERVE DEPOSITS

In connection with the issuance, on June 30, 2010, of $30,000,000 of Special Obligation Bonds (Commonwealth Contract Assistance) by the Massachusetts Development Finance Agency, the Corporation executed an agreement with the Commonwealth of Massachusetts, acting by and through its Executive Office for Administration and Finance. The proceeds of the bonds will be disbursed by the Trustee to the Corporation to pay or reimburse the Corporation for a portion of the costs incurred in connection with financing a portion of the Parkway Project. The Corporation is not liable for repayment of the Bonds; however, pursuant to the agreement, the Corporation is obligated to make certain payments to the Commonwealth in the event that new state tax revenues generated by the redevelopment of the base do not meet certain projected amounts. In connection with the agreement, the Corporation was required to deposit up to $500,000 in an interest-bearing, segregated bank account (cash reserves) held by the Commonwealth. As of June 30, 2013, the Corporation deposited $290,093 into this cash reserve. Pursuant to the provisions of the agreement, the Corporation may be required to deposit an additional $209,907 into the cash reserve.

These obligations may be negated if certain milestones are met. The SSTTDC believes it has met these milestones and has requested the Commonwealth to release the SSTTDC from the obligation. See Note 13 for details regarding this contingent liability of the Corporation.

NOTE 5 – RECEIVABLES

The Corporation reports the aggregate amount of receivables in the accompanying Statement of Net position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net position.

The Corporation includes the following receivables for individual major and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible amounts:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	$ 6,318	$ -	$ 6,318
Intergovernmental	897,863	-	897,863
Due from Developer	292,916	-	292,916
Other	224,445	-	224,445
Total	$ 1,421,542	$ -	$ 1,421,542

At June 30, 2013, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water and sewer fees	$ 62,327	$ -	$ 62,327

At June 30, 2013, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	$ 8,041	$ -	$ 8,041
Department and other	515,297	2,065	517,362
Total	$ 523,338	$ 2,065	$ 525,403

Included in deferred revenues above is $1,723 of advance collections for FY2014 real estate taxes.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the fiscal year ending June 30, 2013, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 225,300	$ -	$ -	$ 225,300
Construction in progress	12,879,735	3,898,400	-	16,778,135
Total capital assets not being depreciated	13,105,035	3,898,400	-	17,003,435
Capital assets being depreciated:				
Leasehold improvements	28,413	5,800	-	34,213
Machinery and equipment	181,863	11,613	-	193,476
Vehicles	24,570	-	-	24,570
Infrastructure	11,381,859	-	-	11,381,859
Total capital assets being depreciated	11,616,705	17,413	-	11,634,118
Less accumulated depreciation for:				
Leasehold improvements	(15,449)	(4,275)	-	(19,724)
Machinery and equipment	(153,909)	(18,239)	-	(172,148)
Vehicles	(11,124)	(3,608)	-	(14,732)
Infrastructure	(706,102)	(326,707)		(1,032,809)
Total accumulated depreciation	(886,584)	(352,829)	-	(1,239,413)
Total capital assets being depreciated, net	10,730,121	(335,416)	-	10,394,705
Total governmental activities capital assets, net	$ 23,835,156	$ 3,562,984	$ -	$ 27,398,140

Water and Sewer Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Infrastructure	$ 10,144	$ 19,450	$ -	$ 29,594
Less accumulated depreciation for:				
Infrastructure	(338)	(986)	-	(1,324)
Total capital assets being depreciated, net	$ 9,806	$ 18,464	$ -	$ 28,270

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

Governmental Activities:		
Unallocated depreciation……………………………………	$	352,829
Business-Type Activities:		
Water and Sewer……………………………………………	$	986

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

		Transfers In:	
Transfers Out:		General Fund	
Nonmajor Governmental Funds………	$	26,000	(1)

(1) Represents budgeted transfer to the General Fund from the sale of Town owed land.

NOTE 8 – CONVEYANCE OF LAND AND PROPERTY FROM THE NAVY

December 15, 2012 Purchase and Assignment to LNR

On December 15, 2012 the Navy sold 558 acres of land to SSTTDC. The purchase price of the land consisted of a.) an initial payment of $2 million at the closing, b.) a promissory note from SSTTDC to the Navy in the amount of $10 million to be paid in ten annual equal principal installments plus interest based on the ten year Treasury Note rate as of the date of the sale, and c.) participation by the Navy in the Gross Real Estate Proceeds received by SSTTDC or the Developer – LNR for land sales or ground leases to any vertical developer through December 31, 2031. The participation rate for the Navy is 5.04% of such Gross Real Estate Proceeds based on the fair market value of the sales or leases.

On the same day of the purchase SSTTDC conveyed the land purchased from the Navy to LNR. SSTTDC and LNR executed an EDC Transfer, Assignment and Pass-Through Agreement regarding this transaction. The agreement conveys the land and SSTTDC's responsibilities to LNR. LNR paid the $2 million initial payment due at the closing and has assumed the $10 million promissory note due to the Navy as well as all of the other responsibilities of the purchase price. To secure the LNR payments, LNR has agreed to a decreasing $5 million letter of credit plus has consented to a mortgage on a 24 acre parcel of prime commercial land.

May 15, 2003 Conveyance

On May 15, 2003, the United States of America, acting through the Secretary of the Navy (Navy) conveyed a total of 549 acres of the former South Weymouth Naval Air Station to the Corporation. Approximately 324 acres were transferred under an Economic Development Conveyance specifically for the purposes of commercial development by LNR. The remaining 225 acres were transferred under a Public Benefit Conveyance through the National Park Service under the authority of the Secretary of the Interior, to be used exclusively for a public park or public recreation under the direction of the Corporation. The government also transferred ownership of buildings, vehicles and equipment. Management estimated the market value of the property at the date of transfer to be $23,105,352.

On June 23, 2006 SSTTDC transferred 324 acres of land to LNR in anticipation of the initial phases of development. The land, along with buildings, certain machinery and equipment, and capitalized construction in progress had a net book value at the time of transfer of approximately $23,568,000 after deducting a mortgage due to LNR in the amount of $11,717,000.

NOTE 9 – TEMPORARY BORROWING

Under state law and by authorization of the Board of Directors, the Corporation is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Corporation and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the Special Revenue Funds and the Capital Project Funds.

The Corporation did not have any short term debt activity for the year ended June 30, 2013.

NOTE 10 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long term obligations for the year ended June 30, 2013:

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Infrastructure Development Revenue Bonds…………………………	5.5 - 7.75	$ 12,550,000	$ -	$ -	$ 12,550,000

The following is a summary of changes in long-term obligations for the year ended June 30, 2013, including interest, are as follow:

Fiscal Year	Principal	Interest	Total
2014……….	$ -	$ 972,625	$ 972,625
2015……….	-	972,625	972,625
2016……….	50,000	971,656	1,021,656
2017……….	100,000	966,813	1,066,813
2018……….	150,000	958,093	1,108,093
2019……….	200,000	945,500	1,145,500
2020……….	250,000	929,031	1,179,031
2021……….	250,000	909,656	1,159,656
2022……….	250,000	890,281	1,140,281
2023……….	300,000	869,938	1,169,938
2024……….	300,000	846,688	1,146,688
2025……….	350,000	822,469	1,172,469
2026……….	350,000	795,344	1,145,344
2027……….	400,000	767,250	1,167,250
2028……….	425,000	736,250	1,161,250
2029……….	450,000	702,343	1,152,343
2030……….	500,000	666,500	1,166,500
2031……….	525,000	627,750	1,152,750
2032……….	575,000	586,094	1,161,094
2033……….	625,000	540,562	1,165,562
2034……….	675,000	491,156	1,166,156
2035……….	725,000	437,875	1,162,875
2036……….	775,000	380,719	1,155,719
2037……….	825,000	319,688	1,144,688
2038……….	900,000	253,813	1,153,813
2039……….	975,000	183,094	1,158,094
2040……….	1,075,000	105,593	1,180,593
2041……….	550,000	21,312	571,312
Totals……...	$ 12,550,000	$ 18,670,718	$ 31,220,718

The Corporation is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Corporation had the following authorized and unissued debt.

Purpose		Amount
Infrastructure bond……………………	$	2,725,000

The Corporation is subject to a dual level general debt limit – the normal debt limit and the double debt limit. Such items are equal to 5% and 10%, respectively of the valuation of taxable property in the Corporation as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Changes in Long-term Liabilities

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

	Beginning Balance 2012	Additions	Reductions	Ending Balance 2013	Due Within One Year
Governmental Activities:					
Compensated absences…………	$ 33,890	$ 27,906	$ (28,715)	$ 33,081	$ 27,568
Bonds payable……………………	12,550,000	-	-	12,550,000	-
Total governmental activities……	$ 12,583,890	$ 27,906	$ (28,715)	$ 12,583,081	$ 27,568

Lease Obligations

A. Operating leases

The Corporation may enter into operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2013.

B. Capital leases

In accordance with Massachusetts General Laws, the Corporation may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The Corporation does not have any material capital lease obligations outstanding as of June 30, 2013.

NOTE 11 – GOVERMENTAL FUND BALANCE CLASSIFICATIONS

The Corporation adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as part of the fiscal year 2012 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Corporation's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

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

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

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund. At year end the balance of the General Stabilization Fund and the Other Postemployment Fund are $790,029 and $251,175, respectively, and are reported as unassigned fund balance within the General Fund.

The Corporation has classified its fund balances with the following hierarchy:

	General Fund	Infrastructure Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Governmental Funds			
Fund Balances				
Restricted for:				
Infrastructure acquisition fund……………….	$ -	$ 457,974	$ -	$ 457,974
East/West parkway fund…………………….	-	-	-	-
Definitive subdivision………………………..	-	-	50,792	50,792
Sale of town owned property……………….	-	-	19,118	19,118
Conservation filing…………………………..	-	-	15,046	15,046
Gift account…………………………………..	-	-	3,063	3,063
Development plan………………………….	-	-	2,377	2,377
Insurance reimbursement………………….	-	-	3,784	3,784
MMHG wellness grant…………………….	-	-	33	33
Future year expenditures………………….	1,168,523	-	-	1,168,523
Assigned for carryover encumbrances to:				
Chief executive officer……………………….	789	-	-	789
Finance……………………………………….	23,205	-	-	23,205
Solictor………………………………………..	1,873	-	-	1,873
Information systems expenses……………..	447			447
Planning board……………………………….	1,984			1,984
Pension, benefits, and insurance…………..	445			445
Maintenance of buildings…………………….	10,301	-	-	10,301
Police and fire inspections…………………..	54,018	-	-	54,018
Department of public works………………….	2,547	-	-	2,547
Unassigned………………………………………..	2,081,186	-	-	2,081,186
Total Fund Balances……………………………….	$ 3,345,318	$ 457,974	$ 94,213	$ 3,897,505

NOTE 12 – PENSION PLAN

Plan Description

The Corporation contributes for eligible employees to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. Substantially all employees are members of the System. The System provides retirement, disability and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five-member board. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Corporation is required to pay into the System its share of the system-wide actuarial determined contribution, which is apportioned among the employers based on active current payroll. The current year contribution is $86,709, representing approximately 0.06% of the system wide employer assessments. The contribution requirements of plan members and the Corporation are established and may be amended by M.G.L. The Corporation's contributions to the Association for the years ending June 30, 2012 and 2011 were $33,602 and $28,321, respectively, equal to the required contributions for each year.

NOTE 12 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The Corporation carries various types of commercial insurance to address these exposures.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of the liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

On December 8, 2012 the Commonwealth of Massachusetts certified for the fiscal year ended June 30, 2011 the New State Tax Revenue generated by the East/West Parkway project to be $339,749 (Note 4). The total amount of debt service costs for the year was $1,096,727, leaving a deficiency of $756,978. In accordance with the Memorandum of Agreement the Corporation executed with the Commonwealth of Massachusetts, acting by and through its Executive Office for Administration and Finance, the corporation is required to pay the Commonwealth the deficiency. The deficiency payment is not due until June 30, 2013 and has been provided for in these financial statements.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements.* The implementation of this pronouncement did not impact the basic financial statements.

- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus.* The implementation of this pronouncement did not impact the basic financial statements.

- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include “net assets” changing to “net position” and “invested in capital assets, net of related debt” changing to “net investment in capital assets”. The notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.

- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No.* The implementation of this pronouncement did not impact the basic financial statements.

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

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities, which is required to be implemented in fiscal year 2014.*

- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* which is required to be implemented in fiscal year 2014.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis

General Fund

Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance with Final Budget
REVENUES					
Real estate and personal property taxes	1,171,622	1,871,622	2,240,597	-	368,975
Tax liens	500	500	3,900	-	3,400
LNR entitlement fees	100,000	100,000	111,800	-	11,800
Licenses, permits, and fees	570,699	420,435	208,554	-	(211,881)
Special assessments	623,578	623,578	626,587	-	3,009
Other revenue	242,790	242,790	315,926	-	73,136
Investment income	15,000	15,000	23,242	-	8,242
Total Revenues	2,724,189	3,273,925	3,530,606	-	256,681
EXPENDITURES					
Board of Directors:					
Salaries	31,250	31,250	31,250	-	-
Expenses	33,266	33,266	31,427	-	1,839
Chief Executive Officer:					
Salaries	201,581	204,604	204,604	-	-
Expenses	150,200	190,800	172,370	10,789	7,641
Insurance	60,000	60,000	46,775	-	13,225
Reserve fund	57,145	15,614	-	-	15,614
Finance:					
Salaries	260,400	274,303	273,453	-	850
Expenses	93,450	152,671	84,201	23,205	45,265
Solicitor	70,000	124,604	97,335	5,000	22,269
Information systems expenses	17,000	17,000	11,055	447	5,498
Planning Board:					
Salaries	81,200	82,418	82,404	-	14
Expenses	80,300	126,300	67,793	22,352	36,155
Pension, benefits, and insurance	195,109	199,809	190,351	445	9,013
Maintenance of buildings	90,100	93,926	23,945	10,301	59,680
Education	-	451,663	306,338	-	145,325
Police and fire inspections	200,000	316,336	250,492	54,018	11,826
Building inspections					
Salaries	15,000	25,000	21,190	-	3,810
Expenses	5,000	5,000	1,468	-	3,532
Department of Public Works:					
Salaries	85,000	86,050	67,050	-	19,000
Expenses	108,550	202,150	136,161	2,547	63,442
Fuel	1,000	2,500	2,275	-	225
Parkway Deficiency	-	260,897	260,897	-	-
Health services	1,000	1,000	20	-	980
Veterans	-	5,000	5,000	-	-
Capital outlay	41,020	41,020	17,413	-	23,607
Debt service interest	831,438	487,041	486,313	-	728
Total Expenditures	2,709,009	3,490,222	2,871,580	129,104	489,538
Excess (Deficiency) of Revenues over/(under) Expenditures	15,180	(216,297)	659,026	(129,104)	746,219
Other Financing Sources (uses):					
Transfers In	-	-	26,000		(26,000)
Transfers out	-	(750,330)	(486,313)	-	(264,017)
Total Other Financing Sources	-	(750,330)	(460,313)	-	(290,017)
Net Change in Fund Balance	15,180	(966,627)	198,713	(129,104)	456,202
Fund Balances at the Beginning of the Year	2,169,555	2,169,555	2,169,555	-	-
Fund Balances at the End of the Year	2,184,735	1,202,928	2,368,268	(129,104)	456,202

See notes to required supplementary information.

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Corporation must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers; plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Corporation, including available surplus funds.

The budgets for all departments and operations of the Corporation are prepared under the direction of the Board of Directors. Original and supplemental appropriations are acted upon by vote of the Board of Directors. All general fund and enterprise fund functions are budgeted; the Corporation does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds are utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2013, is presented below:

Net change in fund balance - budgetary basis……………………	$	198,713
Perspective difference:		
Activity of the stabilization fund recorded in the general fund for GAAP…………………………………………		239,220
Activity of the OPEB Stabilization fund recorded in the general fund for GAAP…………………………		251,175
Basis of accounting differences:		
Net change in recording accrued revenue………………………		11,972
Net change in recording accrued expenses……………………		(52,871)
Net change in fund balance - GAAP basis………………………	$	648,209