

South Shore Tri-Town Development Corporation

Basic Financial Statements

Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

TRANSMITTAL LETTER	1
INDEPENDENT AUDITORS' REPORT	6
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
STATEMENT OF NET ASSETS	16
STATEMENT OF ACTIVITIES	17
BALANCE SHEET – GOVERNMENTAL FUNDS	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET BASIS – GOVERNMENTAL FUNDS	21
STATEMENT OF NET ASSETS – PROPRIETARY FUND	23
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND	24
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	25
NOTES TO BASIC FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION	35

South Shore Tri Town Development Corporation

223 Shea Memorial Drive, South Weymouth, MA 02190

Tele: 781-682-2187 Fax: 781-682-2189

Email: general@ssttdc.com Web: www.ssttdc.com

TRANSMITTAL LETTER

October 3, 2008

Board of Directors
South Shore Tri-Town Development Corporation
South Weymouth, Massachusetts 02190

This letter transmits the South Shore Tri-Town Development Corporation's financial statements for fiscal year 2008 (July 1, 2007 through June 30, 2008) as mandated by Chapter 301 of the Acts of 1998. This Act requires that the Corporation issue annually a report on its financial position and activity, and that this report be audited annually. These statements, which contain a management's discussion and analysis, basic financial statements and notes to the financial statements, present the net assets or financial position and the changes in net assets or the results of operations of the Corporation on the accrual, modified accrual and budgetary bases of accounting, as described herein. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the Corporation's net assets and changes in net assets and the financial position and results of operations of the various funds of the Corporation. All disclosures necessary to enable the reader to gain an understanding of the Corporation's activities have been included.

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 an Executive Director who is responsible for carrying out the policies of the Board of Directors and for overseeing the day-to-day operations of the Corporation. The Board of Directors representing the Corporation's three communities of Abington, Rockland and Weymouth are appointed for five-year terms (staggered at initial appointment).

Financial Information

The financial statements present:

- Two government-wide financial statements on the accrual basis of accounting
- One Proprietary Fund on the accrual basis of accounting
- General Fund and Property Development Funds balance sheet and statement of revenues, expenditures and changes in fund balance on the modified accrual basis of accounting
- General Fund budget comparative statements on the budgetary basis of accounting

The management's discussion and analysis discusses these statements and the various bases of accounting, presents the net assets and the changes in net assets and highlights the Corporation's tenth year of operation in terms that the average reader can understand. The notes provide further disclosures. These statements are consistent with the Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

Management of the Corporation is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Corporation are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Corporation is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the staff of the Corporation.

In addition, the Corporation maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors. All Corporation activities are included in the annual appropriated budget. The Corporation also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at the end of each year. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

Cash and Risk Management

Cash temporarily idle during the year was invested in a certificate of deposit and a savings account. 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.

Other Information

Independent Audit

The Corporation's enabling legislation requires an annual audit by independent certified public accountants and an audit at least once every two fiscal years by the Office of the State Auditor. The independent Certified Public Accounting firm of Powers & Sullivan has audited the Corporation's basic financial statements.

Project Status

The South Shore Tri-Town Development Corporation is the local redevelopment authority established by the Commonwealth of Massachusetts to promote the expeditious acquisition and redevelopment of the former South Weymouth Naval Air Station (the Base) located approximately 18 miles southeast of Boston within the communities of Abington, Rockland and Weymouth (the Host Communities). The primary purpose of the Corporation is to secure the redevelopment of the Base to the greatest benefit of the Host Communities while addressing the economic, social, and environmental needs of the region.

In 2005, the Host Communities approved a Reuse Plan and implemented zoning by-laws for the redevelopment of the Base into *SouthField*, a project utilizing Smart Growth/sustainable development principles to link transit-oriented improvements with a mix of commercial (2M sf), residential (2,855 units) and open space development. Since that time, the Corporation has worked with its Master Developer, LNR South Shore, LLC (LNR), to further define, plan, finance and implement the *SouthField* development. LNR is a subsidiary of LNR Property Corporation, a national real estate developer with

