

**TOWN OF ROCKLAND, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2008

**TOWN OF ROCKLAND, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen  
Town of Rockland, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rockland, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008, on our consideration of the Town of Rockland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on the accompanying pages, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Malloy, Lynch, Bienvenue LLP*

December 9, 2008

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2008

As management of the Town of Rockland (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2008.

**Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$40.4 million (net assets). Of this amount, approximately \$6.8 million represented restricted net assets. This amount also includes unrestricted net asset (deficit) of approximately \$1.1 million.
- The total cost of all Town services for fiscal 2008 was \$55.5 million.
- As of the end of the current fiscal year, unreserved fund balance for the general fund was \$661,294, or approximately 1.52% of general fund expenditures.

**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison statements, and 4) notes to financial statements.

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

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

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

Both of the government-wide financial statements distinguish functions of the Town 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 Town include general government, public safety, education, public works, health and human services, and culture and recreation. The Town has no business-type 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 Town, 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 Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town does not have any proprietary funds.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2008

**Governmental funds:** Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

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

The Town 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 which is considered to be major fund. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The basic governmental 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 government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs.

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

**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.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Rockland, assets exceeded liabilities by \$40.4 million at the close of the most recent fiscal year as demonstrated in the following table:

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**Management's Discussion and Analysis**  
**June 30, 2008**

	<b>FY 2008</b>	<b>FY 2007</b>	
	<b>Governmental</b>	<b>Governmental</b>	<b>Percent</b>
	<b>Activities</b>	<b>Activities</b>	<b>Change</b>
Current assets	\$ 13,428,592	\$ 13,256,738	1.30 %
Capital assets	<u>40,209,555</u>	<u>40,255,257</u>	( .11)%
Total assets	53,638,147	53,511,995	.24%
Current liabilities	3,820,957	2,868,891	33.19%
Long-term liabilities	<u>9,379,240</u>	<u>9,958,253</u>	(5.81)%
Total liabilities	13,200,197	12,827,144	2.91%
Net assets:			
Capital Assets, net of related debt	34,757,234	34,527,563	.67%
Restricted	7,451,941	6,881,706	8.29%
Unrestricted	<u>( 1,771,225)</u>	<u>( 724,418)</u>	(144.5) %
Total net assets	<u>\$ 40,437,950</u>	<u>\$ 40,684,851</u>	( .61)%

Included within the governmental activity current assets are \$5,223,742 in cash, \$3,188,077 of investments, \$683,774 for billed and unbilled water and sewer services and \$1,785,647 of intergovernmental receivables, inclusive of \$944,373 of state highway construction grants, \$329,340 of Urban Self Help grant and MWPAT drawdowns and interest subsidies.

Current year additions to capital assets totaled approximately \$1,905,000. Of this amount \$566,000 represented additions to infrastructure, inclusive of water mains, sewer improvements and road improvement projects. \$499,000 related to the acquisition of a conservation restriction relating to the Rockland Gold Course. \$255,000 related to additions relating to the Joint Water Works. The remainder related to various building improvements, and acquisition of machinery, equipment and vehicles.

Governmental activity long-term liabilities include \$5.3 million in general obligation bonds, of which approximately \$449,000 has been classified as current because it is due within fiscal year 2009. Long-term liabilities also include \$500,000 for estimated future landfill monitoring costs and \$4.1 million for compensated absences.

The largest portion of the Town's net assets \$34,757,234, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town 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.

An additional portion of the Town's net assets, \$7,451,941 represents resources that are subject to restrictions placed on how they may be used. Included in this amount are the water and sewer funds of \$1,545,150 and \$3,678,686 respectively.

The Town's unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit balance of \$1.7 million.

Governmental activities decreased the Town's net assets by \$246,901 or approximately .61% during fiscal year 2008. A summary of revenues and major functional expenditures is presented below.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2008

Key elements of this decrease are as follows:

Revenues:

- ◆ Property taxes represent nearly 36.6% of the Town's revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing nearly 32.3% of the Town's revenue. The largest proportion of this revenue, nearly \$12.3 million represents Chapter 70 and charter school aid from the Commonwealth and medicare assistance from the federal government.
- ◆ Charges for services represent nearly 18.5% of the Town's revenue. This includes water and sewer charges at nearly \$5.4 million, trash fees at \$1.4 million, and ambulance receipts of \$.9 million.
- ◆ Capital grants and contributions increased in the current year due to grants of \$169,660, and \$329,340 utilized to purchase a conservation land restriction relating to the Rockland Golf Course.
- ◆ Departmental and other revenues decreased primarily due to the \$1.3 million payment received from LNR South Shore, LLC and \$214,000 proceeds from the sale of land in the previous year.
- ◆ The Town received \$656,199 during the year, pursuant to a legal settlement with Professional Services Group, Inc (PSG), the former operator of its wastewater treatment facility. This represents approximately 1.2% of the Town's revenue.

Expenses:

- ◆ Increases in general government expenses resulted from increases in health insurance costs.
- ◆ Employee benefit costs rose by more than 6.8% due to rising health insurance, pension costs.
- ◆ The cost of education services increased, due to contractual wage increases, increases in special education costs and other operating costs.

	<b>FY 2008</b>	<b>FY 2007</b>	
	<b>Governmental</b>	<b>Governmental</b>	<b>Percent</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Change</u></b>
<b>Revenues:</b>			
Charges for services	\$ 10,215,032	\$10,488,827	(2.6)%
Operating grants and contributions	17,819,936	16,548,744	7.68%
Capital grants and contributions	613,806	420,312	46.04%
<b>General revenues:</b>			
Property taxes	20,185,535	19,647,320	2.74%
Excise taxes	1,691,681	1,901,901	(11.05)%
Penalties and interest	147,752	174,874	(15.51)%
Grants and contributions not restricted	3,659,409	3,532,715	3.59%
Investment income	199,671	414,196	(51.79)%
Departmental and other	26,680	1,500,954	(98.22)%
Extraordinary item-proceeds from legal settlement	656,199	-	100%
Total revenues	<u>55,215,701</u>	<u>54,629,843</u>	1.07%

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2008

Expenses:			
General government	13,540,984	12,943,908	4.61%
Public safety	6,359,755	7,035,228	(9.60)%
Education	23,631,508	22,250,321	6.21%
Public works	7,053,183	7,816,345	( 9.76)%
Health and human services	1,576,507	1,508,649	4.50%
Culture and recreation	1,004,757	1,036,639	(3.08)%
Interest and other charges	237,936	287,539	(17.25)%
State and county charges	<u>2,057,972</u>	<u>1,845,005</u>	11.54%
Total expenses	<u>55,462,602</u>	<u>54,723,634</u>	1.35%
Change in net assets	<u>\$( 246,901)</u>	<u>\$( 93,791)</u>	(163.2)%

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6.0 million. Approximately 73.9% of this total amount (approximately \$4.7 million) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. The remainder of fund balance, \$1,287,715, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$661,294, while total fund balance was \$768,728. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General fund unreserved fund balance represents 1.5% of total general fund expenditures, while total fund balance represents 1.8% of that same amount.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002, the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The Town's general fund unreserved fund balance of \$661,294 million is 1.5% of general fund revenue.

During the current fiscal year, the Town's total General Fund balance increased \$43,797. General Fund expenditures exceeded revenues by \$312,745. Transfers into the General Fund consisted of approximately \$26,312 appropriated at Town Meeting from the water, sewer, passport revolving and dog funds, and \$375 transferred from special education grant. Transfers out of the General Fund consisted of \$6,781 reserve fund transfer for public safety expenditures.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2008

The Town received proceeds from a legal settlement with Professional Services Group, Inc. (PSG), the former operator of the Town's wastewater treatment facility. The settlement amount of \$656,199, net of \$90,720 of attorney and other fees, was allocated by the Town between the general fund and the sewer fund \$336,636 and \$319,563 respectively. These amounts have been reported as extraordinary items in the current year.

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

The Town adopts an annual expenditure budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The difference between the original budget of \$39,180,594 and the amended final budget of \$39,141,379 is due to the following:

- ◆ use of free cash to fund additional legal appropriations (warrant articles) of \$75,000 approved at Special Town Meeting, increasing general government expenditures.
- ◆ encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

Pursuant to an agreement dated July 2007, the Town paid \$32,000 to The Rockland Firefighters Union Local 1602, for settlement of collective bargaining grievances. The payment of this settlement contributed to the Town over expending public safety appropriations. In addition, the Town incurred snow and ice deficits in the amount of approximately \$222,307, contributing to the over expenditure in public works appropriations. Both amounts, totaling \$254,307 will be included as deficits in general fund unreserved fund balance to be raised on the fiscal 2009 tax rate recapitulation sheet.

#### **Water Fund Budgetary Highlights**

The difference between the original budget of \$2,725,508 and the final budget of \$2,281,968 is due encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

#### **Sewer Fund Budgetary Highlights**

The difference between the original budget of \$2,888,336 and the final budget of \$2,151,594 is due to encumbrances and carryover articles from the prior fiscal year included in the original budget and the encumbrances and carryover articles at the end of the year are not included in the final budget.

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

**Capital assets** - The Town's investment in capital assets for governmental activities as of June 30, 2008 amounts to \$40,209,555, which is net of accumulated depreciation of \$45,414,915 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment. It also includes infrastructure (including water and sewer) placed in service since July 1, 2003.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2008

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in millions). Certain amounts have been reclassified to current year format.

	<u>Governmental Activities</u>	
<b>Capital assets</b>	<u>2008</u>	<u>2007</u>
Land, improvements and restrictions	\$ 6.0	\$ 5.5
Library, textbooks, and other	.2	.2
Buildings and related improvements	8.2	8.4
Joint Water Works	1.5	1.3
Equipment, machinery, vehicles	2.5	2.8
Infrastructure (including water & sewer)	21.4	21.7
Construction in Progress	<u>.4</u>	<u>.4</u>
	<u>\$40.2</u>	<u>\$40.3</u>

The Town's major additions to governmental activities capital assets during 2008 included the following:

- purchase of a conservation restriction related to the Rockland Golf Course.
- paving and traffic improvements to various roads.
- renovations to the library roof.
- installation and improvements to sewer, water, and joint water works infrastructure.

**Debt obligations** - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5.3 million. This is compared to \$5.7 million last year. All debt is a general obligation of the Town.

The Town signed an interest-free loan with The Trust for Public Land (TPL) in the amount of \$329,340, in anticipation of the Town receiving an Urban Self Help grant from the Commonwealth of Massachusetts. This loan was for the purpose of funding the acquisition of the conservation restriction on the Rockland Golf Course. This note was outstanding as of June 30, 2008. The Town had no temporary debt outstanding the prior year.

The Town maintains a Baa1 bond rating with Moody's Investors Service.

### **Economic Factors and Next Year's Budgets and Rates**

- ◆ The Town's fiscal year 2009 general operating budget approved at May 2008 Annual Town Meeting increased approximately 4% over the fiscal year 2008 general operating budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Rockland, Attn: Allan R. Chiocca, Town Administrator, Town Hall, 242 Union St., Rockland, MA 02370.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Net Assets  
June 30, 2008

	<b><u>Primary Government</u></b> <b><u>Governmental</u></b> <b><u>Activities/Totals</u></b>
<b><u>ASSETS</u></b>	
Cash and Equivalents	\$ 5,223,742
Investments	3,188,077
Receivables	5,016,773
Capital Assets, net accumulated depreciation	40,209,555
Total Assets	\$ 53,638,147
<b><u>LIABILITIES</u></b>	
Accounts payable, accrued wages and other current liabilities	\$ 2,547,073
Provision for refund of paid taxes	360,477
Notes payable	329,340
Accrued interest payable	110,220
Long-term liabilities	
Due within one year	473,847
Due in more than one year	9,379,240
Total liabilities	13,200,197
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	34,757,234
Restricted	7,451,941
Unrestricted	(1,771,225)
Total net assets	\$ 40,437,950
Total liabilities and net assets	\$ 53,638,147

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Activities  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
<u>Primary government</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
Governmental activities	<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net Assets</u>
Public safety	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Primary Government</u>
Education	<u>Grants and</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
Public works	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
Human services	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
Culture and recreation	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
Interest and other charges	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
State and county charges	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
Total governmental activities	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities/Totals</u>
\$ 13,540,984	\$ 273,379	\$ 4,366,783	\$ -	\$ (8,900,822)
6,359,755	909,039	658,952	-	(4,791,764)
23,631,508	1,784,413	12,285,479	-	(9,561,616)
7,053,183	5,767,129	210,697	114,806	(960,551)
1,576,507	1,254,180	217,462	-	(104,865)
1,004,757	226,892	80,563	499,000	(198,302)
237,936	-	-	-	(237,936)
2,057,972	-	-	-	(2,057,972)
<u>\$ 55,462,602</u>	<u>\$ 10,215,032</u>	<u>\$ 17,819,936</u>	<u>\$ 613,806</u>	<u>(26,813,828)</u>
General revenues:				
Property taxes, net of allowances for uncollectibles				20,185,535
Excise taxes				1,691,681
Penalties and interest				147,752
Grants and contributions not restricted to specific programs				3,659,409
Investment income				199,671
Departmental and other				26,680
Extraordinary item - proceeds from legal settlement				656,199
Total general revenues and extraordinary items				<u>26,566,927</u>
Change in net assets				<u>(246,901)</u>
Net assets - beginning				40,684,851
Net assets - ending				<u>\$ 40,437,950</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Balance Sheet  
Governmental Funds  
June 30, 2008

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 249,932	\$ 913,625	\$ 3,149,790	\$ 910,395	\$ 5,223,742
Investments	1,729,795			1,458,282	3,188,077
Receivables	2,309,705	367,639	386,816	1,508,357	4,572,517
Due from other funds	80,000				80,000
Total assets	\$ 4,369,432	\$ 1,281,264	\$ 3,536,606	\$ 3,877,034	\$ 13,064,336
 <b><u>LIABILITIES</u></b>					
Accounts payable, accrued wages and other current liabilities	\$ 1,129,447	\$ 112,190	\$ 165,617	\$ 1,139,819	\$ 2,547,073
Provision for refund of paid taxes	360,477				360,477
Due to other funds				80,000	80,000
Notes payable				329,340	329,340
Deferred revenue	2,110,780	259,187	382,597	1,026,685	3,779,249
Total liabilities	3,600,704	371,377	548,214	2,575,844	7,096,139
 <b><u>FUND BALANCES</u></b>					
Fund balances:					
Reserved for:					
Encumbrances and continued appropriations	107,434	443,540	736,741		1,287,715
Unreserved	661,294	466,347	2,251,651		3,379,292
Unreserved, reported in non-major:					
Special revenue funds				1,085,986	1,085,986
Capital projects funds				126,537	126,537
Permanent funds				88,667	88,667
Total fund balances	768,728	909,887	2,988,392	1,301,190	5,968,197
Total liabilities and fund balances	\$ 4,369,432	\$ 1,281,264	\$ 3,536,606	\$ 3,877,034	\$ 13,064,336
 Amounts reported for governmental activities in the statement of net assets are different because:					
Total fund balances of governmental funds					\$ 5,968,197
Capital assets used in governmental activities are not financial resources and are not reported in funds.					
The cost of the assets is \$85,624,467, net of accumulated depreciation of \$45,414,914.					40,209,553
Accounts receivable are not available to pay current-period expenditures and are deferred in funds, plus other accruals, net of uncollectibles.					4,223,507
Long-term liabilities are not due and payable in the current period and are not included in funds.					(9,853,087)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.					(110,220)
Net assets of governmental activities					\$ 40,437,950

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 20,061,239	\$ -	\$ -	\$ -	\$ 20,061,239
Excise taxes	1,862,916				1,862,916
Penalties and interest	147,752	8,446	10,093		166,291
Investment earnings	195,254		-	4,417	199,671
Departmental fines, fees, and other	2,510,269	3,456,371	2,023,712	2,503,356	10,493,708
Intergovernmental	18,480,819		23,915	3,261,726	21,766,460
Total revenues	<u>43,258,249</u>	<u>3,464,817</u>	<u>2,057,720</u>	<u>5,769,499</u>	<u>54,550,285</u>
<b>Expenditures</b>					
Current:					
General government	13,427,704			68,752	13,496,456
Public safety	5,603,397			579,696	6,183,093
Education	18,803,880			4,816,525	23,620,405
Public works	1,027,618	3,131,480	1,802,984	779,288	6,741,370
Human services	1,456,471			97,493	1,553,964
Culture and recreation	863,102			792,768	1,655,870
State and county charges	2,057,972				2,057,972
Debt service					-
Principal	215,000	155,996	88,557		459,553
Interest and other charges	115,850	103,646	60,793		280,289
Total Expenditures	<u>43,570,994</u>	<u>3,391,122</u>	<u>1,952,334</u>	<u>7,134,522</u>	<u>56,048,972</u>
Revenues over (under) expenditures	(312,745)	73,695	105,386	(1,365,023)	(1,498,687)
<b>Other financing sources (uses)</b>					
Transfers in	26,687	-	-	49,385	76,072
Transfers out	(6,781)	(10,406)	(10,406)	(48,479)	(76,072)
Total other financing sources (uses)	<u>19,906</u>	<u>(10,406)</u>	<u>(10,406)</u>	<u>906</u>	<u>-</u>
<b>Extraordinary items</b>					
Proceeds from legal settlement	336,636	-	319,563	-	656,199
Revenues and other financing sources and extraordinary items over (under) expenditures and other financing uses	43,797	63,289	414,543	(1,364,117)	(842,488)
Fund balances - beginning	<u>724,931</u>	<u>846,598</u>	<u>2,573,849</u>	<u>2,665,307</u>	<u>6,810,685</u>
Fund balances - ending	<u>\$ 768,728</u>	<u>\$ 909,887</u>	<u>\$ 2,988,392</u>	<u>\$ 1,301,190</u>	<u>\$ 5,968,197</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental  
 Funds to Statement of Activities  
 For the Year Ended June 30, 2008

Revenues and other financing sources and extraordinary items (under)  
 expenditures and other financing uses - governmental funds \$ (842,488)

Governmental funds report outlays for capital assets as expenditures, however  
 the cost of those assets is allocated over their estimated useful lives and  
 reported as depreciation expense in the Statement of Activities.

Capital outlays during the fiscal year 1,905,533  
 Depreciation recorded for the fiscal year (1,951,235)

Revenues are recognized on the modified accrual basis of accounting in the  
 fund financial statements, but are recognized on the accrual basis of accounting  
 in the government-wide financial statements.

Net change in deferred revenue (134,346)  
 Net change in unbilled receivables (41,367)  
 Net change in allowance for doubtful accounts 184,930

The issuance and repayment of long term debt are recorded as other financing  
 sources or uses in the fund financial statements, but have no effect on net assets  
 in the government-wide financial statements. Also, governmental funds report  
 issuance costs, premiums, discounts and similar expenditures when paid,  
 whereas these amounts are deferred and amortized on a government-wide basis.

Principal payments on long term debt 459,553

The fund financial statements record interest on long term debt when due and  
 revenue from related subsidies when received. The government-wide financial  
 statements report interest on long term debt and revenue on subsidies when  
 incurred.

Accrued interest expense 42,353

Certain liabilities are not funded through the use of current financial resources  
 and, therefore, are not reported in the fund financial statements; however, these  
 liabilities are reported in the government-wide financial statements. The net  
 change in these liabilities is reflected as an expense in the Statement of  
 Activities. Changes in liabilities are as follows:

Landfill monitoring cost liability 25,000  
 Compensated absences 105,166

Change in net assets of governmental activities \$ (246,901)

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Net Assets - Fiduciary Funds  
June 30, 2008

	<b>Private Purpose Trust Funds</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 106,814	\$ 26,713
Investments	756,188	
Total assets	\$ 863,002	\$ 26,713
<b><u>LIABILITIES</u></b>		
Due to students and others	\$ -	\$ 26,713
Total liabilities	-	26,713
<b><u>NET ASSETS</u></b>		
Held in trust	863,002	
Total liabilities and net assets	\$ 863,002	\$ 26,713

The accompanying notes are an integral part of these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**Statement of Changes in Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Private contributions	\$ 18,237
Interest and dividends	25,326
Total additions	43,563
 <b>Deductions</b>	
Scholarships and awards	60,215
Total deductions	60,215
Change in net assets	(16,652)
Net assets - beginning	879,654
Net assets - ending	\$ 863,002

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2008

**Note 1. Organization and Reporting Entity**

**A. Organization**

The Town of Rockland, Massachusetts (the "Town"), was incorporated in 1874. The Town operates under a Town Meeting form of government and a five-member Board of Selectmen. The Town's major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates water and sewer systems.

**B. Reporting Entity**

*General*

The accompanying financial statements present the Town of Rockland (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Rockland did not identify any component units requiring inclusion in the accompanying financial statements.

*Joint Ventures*

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2008. Financial statements may be obtained from each the joint ventures by contacting each of them directly, except for the Abington/Rockland Joint Water works. The transactions of the joint water works are included in these financial statements. The Town does not have a material equity interest in any of the joint ventures.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2008 Assessment &amp; Payment for services</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$1,530,686
North River Collaborative	To provide special education services	\$ 667,618
South Shore Regional School District	To provide vocational educational services	\$ 1,141,509
South Shore Tri-Town Development Corp.	To develop land with towns of Abington & Weymouth	N/A

Payments to collaboratives are for services rendered.

The Town has an agreement with the South Shore Tri-Town Development Corporation's master developer LNR South Shore, LLC to ease the impact of development on the Town. Payments to the Town, pursuant to this agreement are contingent upon certain conditions being met. These payments are to be used for capital expenditures, and/or recreational facilities.

*Related Organizations*

Board members for the Rockland Housing Authority are elected by Town voters; thus, the Town has no accountability for this organization.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2008

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, schools, water, sewer and general administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

#### *Government-wide Statements*

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets (net of related debt); restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

#### *Fund Financial Statements*

The financial transactions of the Town 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 equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2008

The following fund types are used by the Town (the Town does not use proprietary funds):

### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

The following major governmental funds are reported.

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Water fund is a special revenue fund used to account for the activities related to the operations of the Towns water system.
- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Towns sewer system.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). Capital outlays financed from the issuance of debt are accounted for in capital projects funds.
- Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2008

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. GASBS 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 Town 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.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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

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

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

#### **C. Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and term deposits" include all demand, and savings accounts.

Investments are carried at fair value. Fair value is based on quoted market price. The Town does not have a formal investment policy. Additional cash and investment disclosures are presented in these Notes.

#### **D. Interfund Receivables and Payables**

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 Assets.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2008

**E. 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 Town classifies outstanding personal property taxes three years or more old and motor vehicle excise three years or more old as uncollectible for financial reporting purposes. The Town estimates 40% of current ambulance charges to be uncollectible. Outstanding real estate taxes and water and sewer charges are secured by tax liens, and therefore considered to be fully collectable.

**F. Capital Assets**

The accounting treatment over property, plant, and equipment (capital fixed assets) 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.

*Government-wide Statements*

In the government-wide financial statements, fixed assets, including intangible assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	25-50 years
➤ Improvements	10-50 years
➤ Machinery and Equipment	3-20 years
➤ Utility System	25-50 years
➤ Infrastructure	25-50 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**G. 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 primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2008

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 principle 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.

### **H. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### **I. Equity Classifications**

#### *Government-wide Statements*

Equity is classified as net assets 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 assets—Consists of net assets 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 assets—All other net assets 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 as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the government-wide statements.

### **J. 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.

### **K. 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.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2008

**Note 3. Stewardship, Compliance and Accountability**

**A. Property tax calendar and limitations**

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on a quarterly basis during the year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

**B. Fund equities**

Operations of the various Town funds for fiscal 2008 were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30 and the balance of appropriations for capital expenditures and longer term projects which are continued until completion of the authorized project. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by Town Meeting action to be used in funding next year's operations.

Pursuant to Section 228-331 of Chapter 138 of the Acts of 1991, Massachusetts General Law, Chapter 71, Section 40, the Town authorized \$800,000 in teacher's salaries paid in fiscal 1992 and 1993 to be deferred for funding purposes. Taxes of \$53,333 are raised each year to payback this deferral over 15 years, which commenced in 1997. The remaining balance (\$159,996) of the teachers' salary deferral is classified as a deficit amount in the general fund unreserved, undesignated fund balance at June 30, 2008.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term.

At June 30, 2008 general fund equities consisted of the following:

Reserved for encumbrances and continued appropriations	\$ 107,434
Unreserved:	
Designated for expenditure	333,389
Designated for petty cash	375
Undesignated	741,832
Teacher salary deferral and other appropriation deficits	( 414,302)
Total unreserved	<u>661,294</u>
Total General Fund Equities	<u>\$ 768,728</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2008

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types.

**D. Restricted Net Assets**

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's receipts reserved for appropriation accounts and conservation fund are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

Restricted net assets on the government-wide statement of net assets consist of the following:

Special Revenue Fund balances	
Water	\$1,545,150
Sewer	3,678,686
Revolving funds	862,831
Grants	777,608
Other special revenue funds	372,462
Capital Projects	126,537
Permanent Funds - expendable	<u>88,667</u>
Total restricted net assets	<u>\$7,451,941</u>

**Note 4. Cash and investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. 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 Town 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 Town 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 Town 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.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2008 deposits totaled \$5,724,972 and had a carrying amount of \$5,357,269. Of the deposit amounts, \$5,202,015 was exposed to custodial credit risk at June 30, 2008 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. As of October 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

As of June 30, 2008, the Town had the following investments:

<u>Type of Investment</u>	<u>Fair value/ Carrying Amount</u>	<u>Average credit quality/ratings</u>	<u>Weighted average days to maturity</u>
<b>Primary Government</b>			
Certificates of deposit	\$2,970,329	FDIC insured	25-360 days
Money market funds	<u>217,748</u>	N/A	N/A
Total primary government investments (non-fiduciary)	3,188,077		

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2008

	<u>Fair value/ Carrying Amount</u>	<u>Average credit quality/ratings</u>	<u>Weighted average days to maturity</u>
<b>Fiduciary Funds</b>			
Money market funds	23,017	N/A	N/A
Mutual funds	42,522	N/A	N/A
US government obligations	75,754	Aaa	6-107 months
Domestic equities	61,945	N/A	N/A
Certificates of deposit	496,031	FDIC insured	3 – 37 months
Other	<u>56,919</u>	FDIC insured	37.2 month
Total fiduciary funds investments	<u>756,188</u>		
<b>Grand total investments</b>	<u><b>\$3,944,265</b></u>		

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have a formal investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The approximate maturities of the Town's debt investments are disclosed in the above table.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices.

*Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have an investment policy which covers foreign currency risk.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security.

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets 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 are also reported on the Statement of Net Assets, as deferred revenue.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2008

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 534,284	\$ 11,029	\$ 523,255	\$ 434,146
Tax liens, deferrals and foreclosures	562,172		562,172	562,172
Motor vehicle excise	411,795	27,532	384,263	411,795
Trash fees	200,276		200,276	200,276
Ambulance charges	502,392	200,957	301,435	502,392
Water charges	237,245		237,245	259,187
Sewer charges and betterments	338,706		338,706	382,597
Intergovernmental	<u>1,785,647</u>		1,785,647	<u>1,026,684</u>
Totals – Governmental Funds	4,572,517			<u>\$3,779,249</u>
Accrual of unbilled water and sewer charges	<u>683,774</u>	-	683,774	
Totals – Governmental Activities	<u>\$5,256,291</u>	<u>\$ 239,518</u>	<u>\$5,016,773</u>	

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2008, was as follows:

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land, improvements and restrictions	\$ 5,542,053	\$ 499,000	\$ -	\$ 6,041,053
Construction in progress	<u>388,542</u>	<u>7,975</u>	-	<u>396,517</u>
Sub-total	5,930,595	506,975		6,437,570
Capital assets being depreciated:				
Buildings and improvements	20,785,427	365,926		21,151,353
Infrastructure	42,280,491	566,909		42,847,400
Equipment, machinery & vehicles	9,496,001	210,651		9,706,652
Library, textbooks, other	2,107,137			2,107,137
50% Joint water works	<u>3,119,286</u>	<u>255,072</u>	-	<u>3,374,358</u>
Sub-total	77,788,342	1,398,558		79,186,900
Less accumulated depreciation:				
Buildings and improvements	12,429,088	501,398		12,930,486
Library, textbooks, other	1,886,858	62,073		1,948,931
Equipment, machinery & vehicles	6,731,114	496,649		7,227,763
Infrastructure	20,628,309	822,681		21,450,990
50% Joint water works	<u>1,788,311</u>	<u>68,434</u>	-	<u>1,856,745</u>
Sub-total	<u>43,463,680</u>	<u>1,951,235</u>	-	<u>45,414,915</u>
Governmental capital assets, net	<u>\$40,255,257</u>	<u>\$ ( 45,702)</u>	<u>\$ -</u>	<u>\$40,209,555</u>

Certain beginning balances have been restated to current year presentation. The Town has determined the conservation restriction related to the Rockland Golf Course to be an intangible asset with an indefinite useful life.

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

Governmental activities:	
General government	\$ 86,415
Public safety	426,581
Education	94,635
Public works, including water and sewer	1,211,734
Health and human services	27,978
Culture and recreation	<u>103,892</u>
Total depreciation expense – governmental activities	<u>\$1,951,235</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2008

**Note 7. Interfund balances and activity**

As of June 30, 2008, \$80,000 is due the general fund from school revolving funds.

Interfund transfers, for the year ended June 30, 2008, consisted of the following:

	<u>General Fund -</u>	<u>Water Fund -</u>	<u>Sewer Fund -</u>	<u>Non-major Governmental</u>
Appropriated amounts transferred between General Fund and governmental funds – net	\$ 19,531	\$( 10,406)	\$( 10,406)	\$ 1,281
Other transfers between funds	375	-	-	(375)
	<u>\$ 19,906</u>	<u>\$( 10,406)</u>	<u>\$( 10,406)</u>	<u>\$ 906</u>

**Note 8. Long-term obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2008:

<u>Purpose</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2008</u>	<u>Current Portion</u>
Multi-purpose bonds, 3.25 – 5.00%, dtd 07/01/02, due 07/01/2022	\$ 3,445,000	\$	\$( 260,000)	\$ 3,185,000	\$250,000
Multi-purpose bonds, 4.00-5.25%, dtd 07/01/2006, due 07/15/2016	1,700,000		( 175,000)	1,525,000	175,000
MWPAT– subsidized bonds, Water treatment facility, dtd 11/16/2005, due 07/15/2025	366,056		( 15,996)	350,060	15,042
MWPAT– subsidized bonds, Stormwater Management, dtd 11/23/04, due 8/1/25	216,638	-	( 8,557)	208,081	8,805
Total bonds payable	5,727,694		( 459,553)	5,268,141	448,847
Landfill closure and monitoring liability	525,000		( 25,000)	500,000	25,000
Compensated absences	4,190,112		( 105,166)	4,084,946	-
Total governmental activities noncurrent liabilities	<u>\$10,442,806</u>	<u>\$ -</u>	<u>\$( 589,719)</u>	<u>\$ 9,853,087</u>	<u>\$473,847</u>

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2008, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> -		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 448,847	\$ 219,858	\$ 668,705
2010	450,624	231,798	682,422
2011	446,473	186,285	632,758
2012	447,084	168,759	615,843
2013	437,714	150,189	587,903
2014 – 2018	1,880,462	451,168	2,331,630
2019 – 2023	1,059,217	127,334	1,186,551
2024 – 2028	97,720	2,682	100,402
Totals	<u>\$5,268,141</u>	<u>\$1,538,073</u>	<u>\$6,806,214</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town 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.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2008

Unissued debt authorizations consist of the following at June 30, 2008:

<u>Purpose</u>	<u>Year</u> <u>Authorized</u>	<u>Balance</u>		<u>(Issued)</u>	<u>(Rescinded)</u>	<u>Balance</u>
		<u>June 30, 2007</u>	<u>Authorized</u>			<u>June 30, 2008</u>
School	2009	\$ -	\$ 360,360	\$ -	\$ -	\$ 360,360
	2000, 2003, & 2008	185,253				\$ 185,253
Sewer						
Water	2004-2009	<u>2,848,333</u>	<u>3,045,000</u>	-	-	<u>5,893,333</u>
Totals		<u>\$3,033,586</u>	<u>\$ 3,405,360</u>	<u>-</u>	<u>-</u>	<u>\$6,438,946</u>

Lease obligations

*A. Operating and capital leases*

The Town has entered into a number of operating and capital leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating and capital leases are immaterial as of June 30, 2008.

**Note 9. Temporary borrowings**

Under state law and by authorization of the Board of Selectmen, the Town 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 Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings are accounted for in the general fund, water or sewer fund as appropriate.

During fiscal year 2008, the Town signed an interest free loan with The Trust for Public Land in the amount of \$329,340, in anticipation of the Town receiving state grant funding in the same amount. This loan was for the purpose of financing a conservation restriction on the Rockland Golf Course. This amount was outstanding as of June 30, 2008. See also Note 14.

**Note 10. Employee Benefits**

**A. Retirement Benefits**

Plan Description

The Town of Rockland, Massachusetts contributes for eligible employees, other than teachers, to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute. The System 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 System 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 System, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2008

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution, which was equal to its required contribution (gross) is \$2,091,092, representing approximately 5.382% of the system wide employer assessments. The System offered a 2% discount to member Towns if the entire fiscal year assessment was paid by July 1<sup>st</sup>. The Town's discount was \$41,790 for a net payment of \$2,049,270. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2007 and 2006 were \$1,871,431 and \$1,685,226, respectively, equal to the required contributions for each year.

As previously noted, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$4,308,794 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general expenditures of the general fund.

**B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets.

**C. Other Post Employment Benefits**

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 75% of the health, dental and life insurance premiums for approximately 171 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. Those costs for 2008 totaled \$766,000. Those costs totaled \$798,000 and \$727,000 for 2007 and 2006, respectively.

In addition, the Town participates in the Commonwealth's Retired Municipal Teachers (RMT) Program. Costs for retired teachers health insurance for 2008 totaled \$1,273,523. Costs totaled \$1,189,414 and \$902,364 for 2007 and 2006, respectively.

**Note 11. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations required the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter.

As of June 30, 2008, \$500,000 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

## TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2008

### **Note 12. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except health insurance. The Town belongs to the Plymouth County Health Claims Trust Fund for health insurance. The Town pays annual premiums to the fund. The fund reinsures itself for claims in excess of \$225,000 per person annually.

### **Note 13. Extraordinary item – legal settlement**

On June 20, 2008, the Town entered into a legal settlement with Professional Services Group, Inc., the former operator of its wastewater treatment facility, with respect to certain disputes and controversies related thereto. As a result of this agreement, the Town received settlement proceeds of \$656,199, net of attorney and other costs of \$90,720. The Town has allocated the proceeds of this settlement between the general fund and the sewer fund in the amounts of \$336,636 and \$319,563 respectively.

### **Note 14. Purchase of conservation restriction – Rockland Golf Course property**

During the year, the Town acquired a conservation land restriction with The Trust for Public Land (TPL), a California public benefit corporation, surrounding the 64 +/- acre parcel of land owned by the TPL, known as the Rockland Golf Course in the amount of \$499,000. The Town funded the acquisition of this conservation restriction through a grant from the TPL in the amount of \$169,660, and an interest-free unsecured loan from the TPL in the amount of \$329,340. The interest-free loan was subject to the Town's receiving an Urban Self Help grant from the Commonwealth of Massachusetts for the same amount. The Town received the grant funds subsequent to year end and has repaid the loan accordingly. The Town has reported the obligation to TPL as a note payable, and the receivable from the Commonwealth in the financial statements as of June 30, 2008.

### **Note 15. Commitments and Contingencies**

Various legal actions and claims are pending against the Town. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

### **Note 16. Future GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable in future periods:

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. This pronouncement will require additional disclosures and reporting and will impact the Town's financial statements.

The GASB issued **Statement #49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented in FY2009. The Town does not believe there are any pollution remediation obligations that will require disclosure, and thus this pronouncement will not impact the Town's financial statements.

The GASB issued **Statement #51**, *Accounting and Reporting for Intangible Assets*, which is required to be implemented in Fiscal 2010. The Town has accounted for the purchase of its intangible asset in the current year in accordance with this provision.

**SUPPLEMENTARY INFORMATION**

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Budgetary Comparison Schedule - General Fund  
 For the year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 20,017,896	\$ 20,017,896	\$ 20,098,936	\$ 81,040
Excise	1,620,871	1,620,871	1,862,916	242,045
Penalties and interest	160,288	160,288	147,752	(12,536)
Investment interest	331,563	331,563	195,254	(136,309)
Departmental, fees and other	2,505,222	2,505,222	2,566,837	61,615
Intergovernmental	13,991,083	13,991,083	14,115,457	124,374
Total revenues	38,626,923	38,626,923	38,987,152	360,229
<b>Expenditures</b>				
General government	9,160,450	9,160,386	9,118,910	41,476
Public Safety	5,562,428	5,576,025	5,603,397	(27,372)
Education	18,850,903	18,850,903	18,803,880	47,023
Public works	826,816	821,161	1,027,618	(206,457)
Human services	1,501,559	1,493,332	1,456,471	36,861
Culture and recreation	902,402	863,536	863,102	434
State and county assessments	2,045,186	2,045,186	2,057,972	(12,786)
Debt service	330,850	330,850	330,850	-
Total Expenditures	39,180,594	39,141,379	39,262,200	(120,821)
Revenues over (under) expenditures	(553,671)	(514,456)	(275,048)	239,408
<b>Other financing sources (uses)</b>				
Transfers out to other funds		(6,781)	(6,781)	-
Transfers in from other funds	26,312	26,312	26,687	375
Total other financing sources (uses)	26,312	19,531	19,906	375
<b>Extraordinary item</b>				
Proceeds from legal settlement	-	-	336,636	336,636
Revenues and other financing sources and extraordinary items over (under) expenditures and other financing uses	(527,359)	(494,925)	81,494	\$ 576,419
Fund balances, beginning of year			1,121,380	
Fund balances, end of year			\$ 1,202,874	
<b>Other budget items</b>				
Free cash appropriations	445,572	520,572		
Overlay surplus	45,355	45,355		
Carryover encumbrances and articles	259,533	152,099		
Funding of prior year deficits	(223,101)	(223,101)		
Total other budget items	527,359	494,925		
Net budget	\$ -	\$ -		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Budgetary Comparison Schedule - Water  
 For the year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Charges for services and other	\$ 2,192,546	\$ 2,192,546	2,224,574	\$ 32,028
Total revenues	<u>2,192,546</u>	<u>2,192,546</u>	<u>2,224,574</u>	<u>32,028</u>
<b>Expenditures</b>				
Public works	2,275,508	1,831,968	1,891,237	(59,269)
Debt service	450,000	450,000	259,642	190,358
Total Expenditures	<u>2,725,508</u>	<u>2,281,968</u>	<u>2,150,879</u>	<u>131,089</u>
Revenues over (under) expenditures	(532,962)	(89,422)	73,695	163,117
<b>Other financing sources (uses)</b>				
Transfers out to other funds	(10,406)	(10,406)	(10,406)	-
Total other financing sources (uses)	<u>(10,406)</u>	<u>(10,406)</u>	<u>(10,406)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(543,368)	(99,828)	63,289	163,117
Fund balances, beginning of year			846,598	
Fund balances, end of year			<u>\$ 909,887</u>	
<b>Other budget items</b>				
Appropriation of fund balance	10,406	10,406		
Carryover encumbrances and articles	532,962	89,422		
Total other budget items	<u>543,368</u>	<u>99,828</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Budgetary Comparison Schedule - Sewer

For the year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Charges for services and other	\$ 1,985,171	\$ 1,985,171	2,053,612	\$ 68,441
Total revenues	<u>1,985,171</u>	<u>1,985,171</u>	<u>2,053,612</u>	<u>68,441</u>
<b>Expenditures</b>				
Public works	2,742,930	2,006,188	1,802,984	203,204
Debt service	145,406	145,406	145,242	164
Total Expenditures	<u>2,888,336</u>	<u>2,151,594</u>	<u>1,948,226</u>	<u>203,368</u>
Revenues over (under) expenditures	<u>(903,165)</u>	<u>(166,423)</u>	105,386	271,809
<b>Other financing sources (uses)</b>				
Transfers out to other funds	<u>(10,406)</u>	<u>(10,406)</u>	<u>(10,406)</u>	-
Total other financing sources (uses)	<u>(10,406)</u>	<u>(10,406)</u>	<u>(10,406)</u>	-
<b>Extraordinary item</b>				
Proceeds from legal settlement	<u>-</u>	<u>-</u>	<u>319,563</u>	<u>319,563</u>
Revenues and other financing sources and extraordinary items over (under) expenditures and other financing uses	<u>(913,571)</u>	<u>(176,829)</u>	414,543	<u>\$ 591,372</u>
Fund balances, beginning of year			<u>2,573,849</u>	
Fund balances, end of year			<u>\$ 2,988,392</u>	
<b>Other budget items</b>				
Appropriation of fund balance	310,406	310,406		
Carryover encumbrances and articles	<u>603,165</u>	<u>(133,577)</u>		
Total other budget items	<u>913,571</u>	<u>176,829</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Supplementary Information  
June 30, 2008

**A. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ 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 Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds, except for the sewer and water fund. Budgets for various special revenue funds 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 Schedule 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 year ended June 30, 2008, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net -</u>
As reported on a budgetary basis	\$38,987,152	\$39,262,200	\$19,906
Adjustment of property tax revenues to modified accrual basis	(37,697)		
State funded teacher's pension	<u>4,308,794</u>	<u>4,308,794</u>	-
As reported on a GAAP basis	<u>\$43,258,249</u>	<u>\$43,570,994</u>	<u>\$19,906</u>

Pursuant to an agreement dated July 2007, the Town paid \$32,000 to The Rockland Firefighters Union Local 1602, for settlement of collective bargaining grievances. The payment of this settlement contributed to the Town over expending public safety appropriations. In addition, the Town incurred snow and ice deficits in the amount of approximately \$222,307, contributing to the over expenditure in public works appropriations. Both amounts, totaling \$254,307 will be included as deficits in general fund unreserved fund balance to be raised on the fiscal 2009 tax rate recapitulation sheet.

The difference of \$1,240,243 in revenues and expenditures between the budgetary – basis and GAAP basis for the water fund represent amounts committed during fiscal 2008 to the Town of Abington for the Joint Water Works. The difference of \$4,108 in revenues and expenditures between the budgetary – basis and GAAP basis for the sewer fund represent the subsidy received from the MWPAT on long-term debt.